



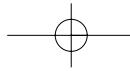
G8 Summit 2005

Mapping the Challenges

# G8 Summit 2005

## Mapping the Challenges

Gleneagles, Scotland, 6-8 July 2005



G8 Summit Contents

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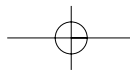
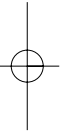
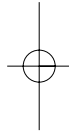
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# Foreword

The Rt. Hon. Tony Blair MP  
Prime Minister of the United Kingdom  
and Chair of the G8 Summit

Scotland is a country famed for the beauty of its landscape and the influence and drive of its people. They have always looked out beyond their borders, which explains their remarkable impact across the world.

It makes Scotland a fitting place to host this important and unique global summit, attended by the leaders of the G8 countries but also those from the major emerging economies and African nations. And it also means

that the eyes of the world will be on Gleneagles this week.

I welcome the interest and international attention and the hope for concrete progress on some of the most pressing challenges facing our world. In particular, we want to reach international agreement on the need to tackle climate change and energy security in partnership with major emerging economies, and help Africa become a stable and more prosperous member of the international community. These are

the priorities I have chosen for Britain's G8 Presidency, which have been welcomed by my G8 colleagues.

These are both challenges of huge importance to today's and future generations. On both, we need to act now and together. They are problems beyond the power of any single country, no matter how powerful, to tackle on their own.

What is required is global action and, above all, international leadership, which the G8 is uniquely placed to give. ◆

# The G8: an introduction

Nicholas Bayne

London School of Economics and Political Science

Measured by political leadership and collective management of global issues, G8 summits have performed well. But domestic pressures often frustrate economic agreement. Will Gleneagles do any better?

The G8 summit was created, more than 30 years ago, as the personal instrument of a small group of heads of state and government. Since then the agenda has expanded under the pressures of globalisation. The summit has grown a complex apparatus downwards and developed techniques of outreach sideways. Many other international institutions now also meet at head of government level. But despite all these changes, the G8 summit to be held this year at Gleneagles retains its character of a personal encounter, where the heads seek to go beyond whatever has been agreed by their officials in the preparatory process.

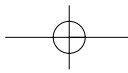
The first summit was held at Rambouillet, near Paris, in November 1975, at the initiative of President Valéry Giscard d'Estaing of France, strongly backed by his friend Helmut Schmidt, the Federal German chancellor. They were joined by US President Gerald Ford and the prime ministers of Japan, Britain and

Italy. Their agenda was wholly economic: growth and inflation, international trade and, especially, the monetary system. After years of fruitless discussions in the IMF, the summit agreed on a new international monetary regime that has endured until this day. The Rambouillet formula proved so attractive to the participating heads that it soon became a regular annual event, hosted by each member country in turn. Canada was added in 1976 and from 1977 onwards the European Community (now Union) was represented by Commission and Presidency. Thereafter the summit remained at G7 for 20 years (see Table 1) until the arrival of Russia made it into G8.

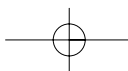
From the outset the summit had three main objectives, which have remained constant to the present day. The first was to provide *political leadership*, so that the heads could launch new ideas and resolve disputes that had persisted at lower levels. To this end, Giscard d'Estaing

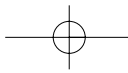
and Schmidt wanted bureaucrats kept out of the summit process altogether. Some preparation by officials soon proved essential, but the summit has never become an organisation, with headquarters and secretariat. The second was to initiate a system of *collective management*, where Europe, North America and Japan would share responsibilities hitherto exercised by the United States alone. The initiative for this came from the Europeans, but the United States also saw advantage in sharing the burden. The third was to *reconcile domestic and international pressures* generated by growing economic interdependence. When the summit began, the Western economies were struggling to overcome monetary instability and the first oil crisis. With their authority as heads of government, the G7 leaders could overcome domestic resistance to the international agreement necessary to restore order to the system. >

*The G8 summit retains its character of a personal encounter*


**Table 1 G7 summits and their achievements, 1975-1997**

Year	Summit site	Host	Achievements
<b>First series – reviving growth</b>			
1975	Rambouillet	Valéry Giscard d'Estaing	Monetary reform
1976	San Juan, Puerto Rico	Gerald Ford	Nothing significant
1977	London I	James Callaghan	Trade, growth, nuclear power
1978	Bonn I	Helmut Schmidt	Growth, energy, trade
<b>Second series – holding down inflation</b>			
1979	Tokyo I	Masayoshi Ohira	Energy
1980	Venice I	Francesco Cossiga	Afghanistan, energy
1981	Ottawa (Montebello)	Pierre Trudeau	Trade ministers' quadrilateral
1982	Versailles	François Mitterrand	East-West trade, surveillance
<b>Third series – the rise of politics</b>			
1983	Williamsburg	Ronald Reagan	Euromissiles
1984	London II	Margaret Thatcher	Debt
1985	Bonn II	Helmut Kohl	Nothing significant
1986	Tokyo II	Yasuhiro Nakasone	Terrorism, surveillance, G7 finance ministers
1987	Venice II	Amintore Fanfani	Nothing significant
1988	Toronto	Brian Mulroney	Debt relief for poor countries
<b>Fourth series – the end of the Cold War</b>			
1989	Paris	François Mitterrand	Helping Central Europe, environment, debt
1990	Houston	George H.W. Bush	Trade – no net advance
1991	London III	John Major	Helping USSR
1992	Munich	Helmut Kohl	Nothing significant
1993	Tokyo III	Kiichi Miyazawa	Trade
<b>Fifth series – institutions for globalisation</b>			
1994	Naples	Silvio Berlusconi	Russia into political debate
1995	Halifax	Jean Chrétien	Institutional review, IMF and UN reform
1996	Lyon	Jacques Chirac	Debt, development
1997	Denver	Bill Clinton	Russian participation, Africa
<p>Note. The G7 summits have been divided into five series of unequal length, each series being focused on a particular set of issues. The sixth series begins with the Birmingham G8 summit of 1998.</p>			





*The G8's greater involvement of non-G8 countries and non-state actors has improved the transparency of decision-making*

### The record of the G7 summits

In the summits of the 1970s the heads concentrated on their economic agenda, especially as many of them were former finance ministers. Under US President Jimmy Carter, who arrived in 1977, the summit developed its distinctive preparatory process, which still survives. Each head of government nominates a personal representative or 'sherpa', who acts as a bridge between the political instincts of the head and the requirements of the official apparatus. The G7 sherpas hold several meetings to prepare the summit, organised by the country acting as host. These systematic preparations led the summits to adopt increasingly complex economic decisions. In particular, the Bonn summit of 1978 reached a three-way, cross-issue deal, whereby Germany and Japan stimulated their economies in return for US action to reduce its oil imports.

But when President Ronald Reagan replaced Carter in the early 1980s, political issues, which interested him more than economics, began to encroach on the agenda. The main achievements of the summits in Reagan's time were in fact political – for example on stationing US missiles in Europe, and on terrorism. Much of the economic agenda returned to the finance ministers. By the end of the 1980s the G7 summit had lost much of its early dynamism.

The end of the Cold War gave the summit a new lease of life. As first the countries of Central Europe and then the Soviet Union itself

abandoned communism, the summits mobilised action to help them build working democracies and market economies. The end of communism in Europe also made the international economic system truly universal, which brought new items onto the summit agenda, such as the global environment. From the mid-1990s the summit began to recognise the impact of globalisation and conducted a review of international institutions, to see if they could handle its new demands.

The G7 heads invited President Mikhail Gorbachev as a guest to the 1991 London summit, in almost the last international appearance of the Soviet Union. A year later they invited President Boris Yeltsin to Munich, to discuss a programme of economic reform for Russia. Reform proved difficult and Yeltsin kept coming back every year. The G7 heads began admitting Yeltsin to the summit on equal terms, first to their political discussions and then even to some economic ones. By this time the summits had accumulated a massive agenda of recurrent themes, both economic and political. New items kept being added, under the pressures of globalisation, but few could ever be removed and the summit seemed to be sinking under its own weight. At the Birmingham summit of 1998, British Prime Minister Tony Blair launched a series of reforms. Their aim was to rationalise and simplify the summit process, so as to give the heads greater freedom to concentrate on issues that really needed their intervention.

### The record of the G8 summits

The reforms focused on three aspects: fully admitting Russia and converting G7 into G8; having the heads of government meet on their own, without supporting ministers; and concentrating on a few selected topics, to reduce the volume of summit documentation. These three reforms have now been in force for a full sequence of G8 summits (see Table 2), with each country acting as host except Russia, whose turn comes in 2006.

At first the G7 heads used to have a separate meeting on economic subjects before the Russians arrived, but that practice has now lapsed. Admitting Russia has opened up a debate on whether the G8 should admit other countries, such as China. This has not happened yet, but the summit has developed various forms of outreach to non-G8 countries, as examined in John Kirton's article (see pp186). The practice of heads-only summits has become entrenched. By detaching themselves from their official apparatus, the G8 heads have been able to develop links with non-state actors, such as private firms and civil society.

Keeping the agenda and documentation under control has not been easy in an institution that aims to innovate. A rigorous approach was maintained for five summits, but the French and American hosts in 2003 and 2004 chose open-ended agendas, so the documentation became inflated again. At Gleneagles in 2005, Blair, as the first British Prime Minister to >

**Table 2** The summits of the first G8 sequence and their achievements, 1998-2004

Year	Site	Host	Achievements
Sixth summit series – globalisation and development			
1998	Birmingham	Tony Blair	New format, crime
1999	Cologne	Gerhard Schröder	Debt, Kosovo, finance
2000	Okinawa	Yoshiro Mori	Outreach, IT
2001	Genoa	Silvio Berlusconi	Infectious diseases, Africa
Seventh summit series – fighting terrorism and its causes			
2002	Kananaskis	Jean Chrétien	Africa, cleaning up WMD
2003	Evian	Jacques Chirac	Outreach, reconciliation
2004	Sea Island	George W. Bush	Broader Middle East
Start of second G8 sequence			
2005	Gleneagles	Tony Blair	
2006	St Petersburg	Vladimir Putin	

host a summit twice, can judge how well his reforms have lasted and give new impulses to the summit process.

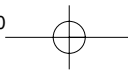
The general aim of the first two G8 summits, Birmingham 1998 and Cologne 1999, was managing globalisation – enhancing its benefits and correcting its drawbacks. Their main achievements were in international finance. At Birmingham the heads endorsed new financial architecture worked out by the G7 finance ministers in response to the Asian crisis. But the crisis proved not to be over: the finance ministers went back to work and produced more comprehensive measures for endorsement at Cologne.

Blair had wanted debt relief for

heavily indebted poor countries to be a major subject for Birmingham, as urged by the Jubilee 2000 Campaign. In fact, Birmingham could do no more than lay the foundation for Cologne a year later. There, after the German government changed, the G8 concluded an agreement greatly improving the scope and the conditions of debt relief. The Cologne summit also produced a settlement of the crisis in Kosovo. This depended on securing Yeltsin's personal endorsement and demonstrated the advantage of having the Russians at the table.

The next pair of summits, Okinawa 2000 and Genoa 2001, focused on world poverty and the

danger that very poor countries could be marginalised by globalisation. In their concern with finance, the G8 members had neglected trade, contributing to the disastrous WTO meeting at Seattle. The summit now turned to trade measures to benefit developing countries. The breakthrough came at Genoa, where the G8 gave a concerted push to the WTO's Doha Development Round, which was successfully launched late in 2001. Both summits promoted other development initiatives, linked to the UN Millennium Development Goals adopted in 2000. Okinawa launched the DOT-Force, to spread information technology (IT), and Genoa inaugurated the Global



Fund to Fight AIDS, Tuberculosis and Malaria. But other initiatives in renewable energy and in primary education were not followed through. The summits were also less successful in mainstream development issues like aid volume, while debt relief was losing momentum.

These two summits pioneered outreach by the G8 both to non-G8 countries and to business firms and civil society. G8 members met a group of leaders from developing countries before Okinawa, including Obasanjo of Nigeria, Mbeki of South Africa and Bouteflika of Algeria. These three, with Wade of Senegal, were invited back to Genoa and there persuaded the G8 heads to underwrite the New Partnership for Africa's Development (NEPAD). From Okinawa onwards, private firms and civil society bodies were involved in the DOT-Force on IT and the Global Fund on infectious diseases. Facilities were provided for NGOs at the Okinawa summit for the first time. But when the Italians tried to do the same at Genoa, it all went badly wrong and the summit was disturbed by violent demonstrations.

The Kananaskis summit of 2002 was the first to be held after the terrorist attacks of 11 September 2001, which had a profound

influence on this and the two following summits, at Evian in 2003 and Sea Island, Georgia, in 2004. Political issues inevitably received more attention, especially terrorism and non-proliferation of weapons of mass destruction (WMD). The United States used the summit to win support from its G8 partners for measures like the Global Partnership to clean up nuclear installations in Russia, and the Proliferation Security Initiative to inhibit the movement of WMD. But the fight against terrorism meshed with managing globalisation, especially in the attention given to Africa by all three summits.

Kananaskis introduced the G8 Africa Action Plan. The G8 undertook to help African countries that lived up to commitments taken under NEPAD to promote peace and security, good governance and economic development. The two following summits kept track of G8 promises, with particular advances in peace-keeping. The African leaders were pleased to come to all three summits, as participants, not just guests, though disappointed not to have made more progress in trade access or debt relief. These summits had uneven success with the development topics introduced earlier. They replenished the funds needed for debt relief, but did not

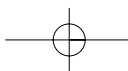
improve the conditions. On trade, the G8 did not prevent the collapse of the WTO negotiations at Cancún in 2003 and contributed little to their revival a year later.

More than any substantive result, however, the Evian summit of 2003 served to reconcile the G8 leaders after their deep divisions over Iraq and ended a period of dangerous estrangement. A year later the Sea Island summit launched an ambitious programme of combined economic and political reform in the form of the Broader Middle East Initiative, with a scope extending from Morocco to Afghanistan. G8 agreement was possible on this US initiative because it matched an approach already being implemented by the EU. Leading regional powers were resistant at first, but had all been brought round by the end of 2004.

### Assessment of the G8 summits

How far have the changes in the summit since Birmingham enabled the G8 to perform better against its objectives of political leadership, collective management and reconciling domestic and international pressures? The short answer is that the G8 has done well against the first two of these, but much less well against the third.

Political leadership had been





*Since Birmingham in 1998 the summits  
have become much more innovative*

losing ground in the 1990s, but since Birmingham in 1998 the summits have become much more innovative. They have launched new initiatives every year, on debt relief, IT and the digital divide, infectious diseases, the Africa Action Plan, non-proliferation of WMD and the Broader Middle East initiative. The heads of government are better able to strike deals among themselves that could not be reached at lower levels. The other heads persuaded Yeltsin to endorse the Kosovo agreements. They themselves launched the Genoa Plan for Africa and agreed on finance for the Africa Action Plan. They endorsed the Broader Middle East Initiative, with linked agreements on Iraq and Israel and Palestine. At Kananaskis in 2002, Bush agreed to a US\$1 billion replenishment of the World Bank Trust Fund for debt relief, in return for the others subscribing US\$10 billion over 10 years to help finance the clean-up of WMD in Russia.

Collective management has come under strain but has been preserved and adapted. The achievements over the first four G8 summits owed as much to European and Japanese initiative as to American. After 11 September 2001, the US took the lead in many of the political topics treated at the summit, like terrorism

and non-proliferation. But the Americans have favoured collective management of the Broader Middle East Initiative, while the key subject of Africa is driven by Europe and Canada, not the US. Meanwhile, the G8's greater involvement of non-G8 countries and non-state actors has improved the transparency of decision-making and responds to the demands of globalisation.

The summit has been much less successful at reconciling international and domestic pressures. While the G8 is able to launch new ideas, often these are not properly followed up. When the summit addresses mainstream economic issues, like trade, agriculture, aid flows and the environment, domestic obstacles often frustrate agreement. This trend weakens the summit and undermines its reputation. As globalisation advances, international pressures have moved 'within the border' and affect domestic decision-making far more than when the summits began. But the G8's ability to deal with such tensions has been shrinking.

The United Kingdom has decided to confront this problem at Gleneagles. In one of the main topics chosen – Africa – the G8's economic contribution has been falling behind its involvement in

peace and security issues. Gleneagles brings the attention back to trade, finance and other development issues, where the G8 members need to take hard domestic decisions. The second topic – climate change – is an aspect of the global environment, a mainstream economic issue where the G8 has never yet been able to reach substantive agreements. There is a wide gap that divides US policy, driven by domestic producer interests, from policy in Europe and Japan, where consumer interests prevail. By highlighting these two topics Blair is attacking the G8's main weakness and seeking to bring the summit back to its original economic vocation. He is counting on the personal interaction between the heads at Gleneagles to yield new agreements and point the G8 in new constructive directions. ♦

*Sir Nicholas Bayne KCMG is a Fellow of the London School of Economics and Political Science, a former economic director of the Foreign and Commonwealth Office and a former Ambassador to the OECD. He is author of Staying Together: the G8 Summit Confronts the 21st Century, hardback, 262 pages, £45 (Ashgate: Aldershot, 2005, ISBN 0 7546 4267 4).*

# The G8 Stakeholder Consultation

## Summary of recommendations

In recent years the G8 has seen a more systematic attempt to bring stakeholders into its ongoing process of policy development, notably through consultation and co-ordination with the national 'sherpas' who prepare the policy agenda for G8 ministerial meetings and the annual G8 Summit. As part of this process, Chatham House organised the 2005 Stakeholder Consultation, in partnership with the Montreal International Forum, the Green Globe Network, the Climate Action Network and LEAD International. The participants were representative of a cross-section of stakeholder groups and regions of the world, with particular emphasis on developing countries and regions. Other groups such as local government organisations, trade unions, youth groups, business and Make Poverty History (MPH) were kept informed.

The following recommendations issued from a series of meetings on 21-23 March in London, held under the Chatham House Rule of non-attribution. The discussions culminated in a substantive meeting between the G8 Sherpa Stakeholder Group, the G8 Sherpas or their representatives, and the European Commission.

An independent project evaluation will take place later in the year: its

report and recommendations will be included in the final project report, *2005 G8 Stakeholder Consultation – Process, Perspectives and Recommendations*.

### The recommendations

#### 1. Africa

- The G8 countries must take responsibility for their contribution to corruption. The G8 should make a commitment to 'put their own houses in order'. Such a step would increase G8 credibility and lend weight to discussions with African nations on issues such as corruption.
- *A propos*, the G8 countries could take an important concrete step by ratifying the UN Convention against Corruption.
- The issue of repatriation of funds plundered through high-level corruption must be addressed. Repatriation is recognised by African civil society as critical, as success would provide essential resources for reconstruction and rehabilitation.
- The G8 should recognise its contribution to the African 'brain drain' which attracts essential skills and human resources to the developed countries – and the impact this has on Africa's development.
- Recognising the contribution to conflict of the arms trade in Africa, which causes destabilisation and stifles development, the G8 countries should commit to a legally binding

treaty to stop the proliferation of arms.

- Causes of conflict are often commodity based. Processes that increase transparency, such as Extractive Industries Transparency Initiative (EITI), should be supported by the G8; civil society could play a critical role in the success of such processes.
- G8 countries must address the issue of mutual responsibility of companies based within G8 countries operating in Africa, through the effective enforcement of instruments such as the OECD Guidelines for Multinational Enterprises.
- Africa cannot tackle the issue of poverty without concurrently ensuring growth; this requires significant investment in intra-African infrastructure and consideration of future markets (eg India, China). In this respect, the G8 must ensure the effective delivery of aid.
- Projects do not create change – *policies* create change. Aid must be coherent, consistent and delivered effectively – this includes de-linking the aid and trade issues.
- The direction of aid towards budgetary support is positive, but also increases the need for a focus on national mechanisms of accountability. In their discussions, the G8 countries should ensure that their commitments support the role of women in all aspects of Africa's development.
- Decentralisation is key. Policy

## The G8 Stakeholder Consultation

implementation takes place at a local level, so the issues of capacity and accountability must be addressed through programmes with a local level focus. G8 countries should support increased coherence among donors in supporting decentralisation.

- A new G8/Africa Forum should be established to bring together political leaders from the G8 and Africa as well as IFIs, the UN and the African Development Bank.
- The forthcoming UNECA/OECD-DAC biennial report on mutual accountability of donors should be the focus of discussions at the G8 Africa Forum – providing a mechanism for reviewing commitments and progress towards implementation.
- The G8 should support the development of a strategy to address the combined agenda issues of climate change and development in Africa, particularly by assisting Africa to adapt to climate change by building disaster risk reduction and other climate change risks into development plans.
- The G8 does not itself have the legitimacy to take forward many of the issues on the agenda in relation to Africa. The countries making up the G8 should commit to action in the appropriate multilateral forums.
- Independent civil society monitoring

of G8 and other commitments is key.

### 2. Climate change

i. Science and its policy implications.

- Accept the outcome of the Hadley Centre conference 'Avoiding Dangerous Climate Change', which showed that the scale and urgency of climate change is much greater than previously thought and that dangerous climate change would occur if the global temperature rise approaches 2°C above pre-industrial levels.
- Initiate national processes to reach agreement on mid- and long-term domestic targets (for 2020 and 2050) aimed at avoiding dangerous climate change.
- Reflect the outcome of these processes in national commitments made in the UNFCCC negotiations on post-2012 action, which should also be conducted on the basis of equity.
- Implement responsible and effective climate policies while providing business with a stable investment environment by agreeing mandatory domestic caps on greenhouse gas emissions and adopting associated trading systems compatible with existing global and sub-global emissions trading schemes.
- Crafting a post-2012 emissions reduction regime is the most urgent task facing G8 participants. G8 leaders should not imagine that voluntary

technology efforts are an effective substitute. A key issue remains the question mark over US participation in any binding international emissions reduction agreements.

ii. Support vulnerable countries' (eg LDCs, etc) efforts at all levels of society to address climate change risks in development and poverty reduction planning; support efforts to mainstream adaptation needs into their national development strategies/policies.

- Implement the WSSD 2002 agreements and the outcomes of the World Conference on Disaster Reduction (Kobe, 2005) on improving food and water security and combating land degradation and desertification; provide inputs to the UN Millennium Development Goals assessment process.
- In partnership with African countries, commit to developing a time-bound and funded plan of action to increase Africa's resilience to climate change and review the progress of G8 commitments next year under the Russian Presidency.
- Recognise the need for urgent action and make resources immediately available for low cost, community-based adaptation measures that include action to reduce disaster risks.



## The G8 Stakeholder Consultation

### *Preventing a global climate catastrophe requires a decarbonised development path for industrialising economies*

iii. Preventing a global climate catastrophe requires a decarbonised development path for industrialising economies. Between 1994 and 1999, through loans, financing guarantees and insurance, export credit agencies in developed countries, particularly the G8, accounted for roughly 20 per cent of all financing (approximately US\$44.4 billion) for energy-intensive sectors and exports in developing countries. The total value of the energy-intensive projects or exports for which ECAs provided some form of financing exceeded US\$103 billion, demonstrating that every dollar of ECA financing draws in more than two dollars of private capital. This US\$103 billion accounts for just under half of all trade and project financing for energy-intensive sectors in developing countries. Fossil-fuelled power (US\$33.3 billion) and oil and gas development amounts to some 71 per cent of the total.

iv. To facilitate exports of low-carbon technologies, G8 Export Credit

Agencies should:

- Commit to greater transparency and disclosure;
- Establish minimum energy-efficiency standards and a ceiling for carbon intensity; and
- Through preferential premium charges and interest rates, facilitate investment in renewable energy technologies and energy efficiency.

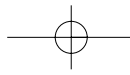
v. Recommendations for G8 Nations, collectively and individually, from Stakeholder and Citizens.

- Promote understanding by citizens of climate change related problems, consequences and potential solutions. Expand the engagement of people throughout the community and encourage the adoption of practical actions and participation in the political process.
  - Communicate the science in comprehensible and compelling terms, including the effects of insufficient action.
  - Prevent misinformation and promote accurate media coverage.
- Strengthen all levels of

government, including municipalities, to enable identification of the threats posed by climate change and highlight the opportunities presented by potential solutions. Indicators of success would be:

- Local government's ability to engage the local community.
- Local government's ability to define the point at which the community's awareness of climate change has been raised.
- Promote common standard and facilitate employee engagement and representation on climate change.
- Promote collaboration and exchanges of information and best practice among government entities, NGOs, trade unions, businesses and others concerned with climate change.
  - Build government entities' capacity to lead by example.
  - Exchange information to ensure stakeholders don't reinvent the wheel.

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# Climate change: assessing the science, defining the options

R. K. Pachauri

Chairperson, Intergovernmental Panel on Climate Change (IPCC)  
Director-General, Tata Energy and Resources Institute (TERI)

Many parts of the world are experiencing significant climate change, with potentially serious impacts on the most vulnerable regions. A range of measures is needed – with some societies taking the lead

The Intergovernmental Panel on Climate Change (IPCC) was established in 1988 in response to increasing global concerns over the need for scientific understanding of climate change and its implications for the future. The IPCC has brought out three assessment reports, the last of which involved over 2,000 scientists and experts from all over the world. The Panel is currently working on the Fourth Assessment Report, which is scheduled to be completed in 2007. Each assessment report has progressively enhanced our understanding of all aspects of climate change, including the science of the climate system, the impacts of climate change, and options for adaptation – as well as mitigation measures for achieving stabilisation in the future.

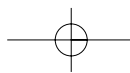
It is now established that during the 20th century, observed temperature increased by  $0.6 \pm 0.2$  °C. It was also observed that land areas warmed more than the oceans. Further, it is also likely that the increase that occurred over the 20th century was greater than during any other period in the last 1,000 years, with the 1990s having been the warmest decade of the millennium. The Third Assessment Report (TAR) stated: “There is new and stronger evidence that most of the warming observed over the last 50 years is attributable to human activities.”

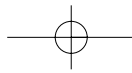
Within two different timeframes, namely 140 years and 1,000 years respectively, variations in the Earth’s surface temperature can be seen as plotted in figure 1.

Human influence on the world’s climate has been created through

the cumulative emissions of greenhouse gases (GHGs), the most prominent of which is carbon dioxide (CO<sub>2</sub>). The TAR has assessed that during the period 1000 to 1750 AD the concentration of CO<sub>2</sub> in the Earth’s atmosphere was maintained around 280 ppm (parts per million) while in the year 2000 it increased to 368 ppm, which represents an increase of  $31 \pm 4$  per cent. Emissions of CO<sub>2</sub> due to fossil fuel burning are virtually certain to be the dominant influence on the trends in the atmospheric CO<sub>2</sub> concentration during the 21st century.

Article 2 of the Framework Convention on Climate Change states: “The ultimate objective of this Convention... is to achieve... stabilisation of greenhouse gas concentrations in the atmosphere at >





Climate change Science and options

*It is likely that the increase in temperature that occurred over the 20th century was greater than during any other period in the last 1,000 years*

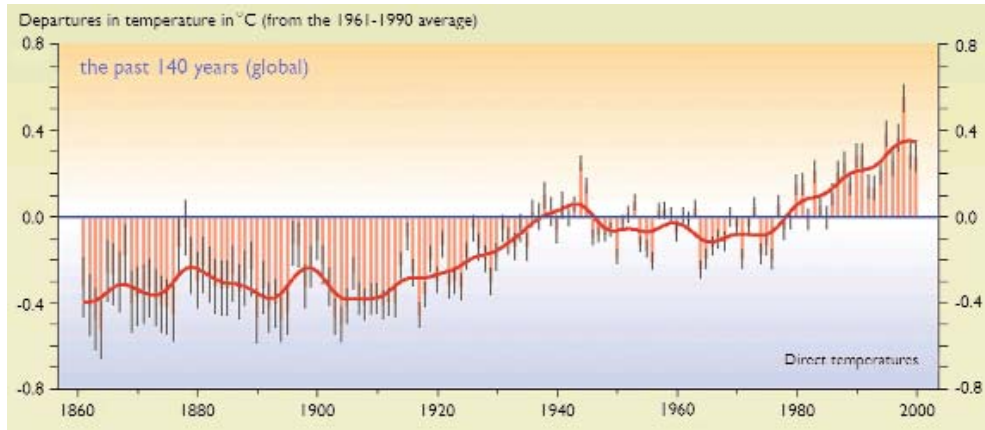


Figure 1: Variations in the Earth's surface temperature for the past 140 years

Source: TAR, IPCC

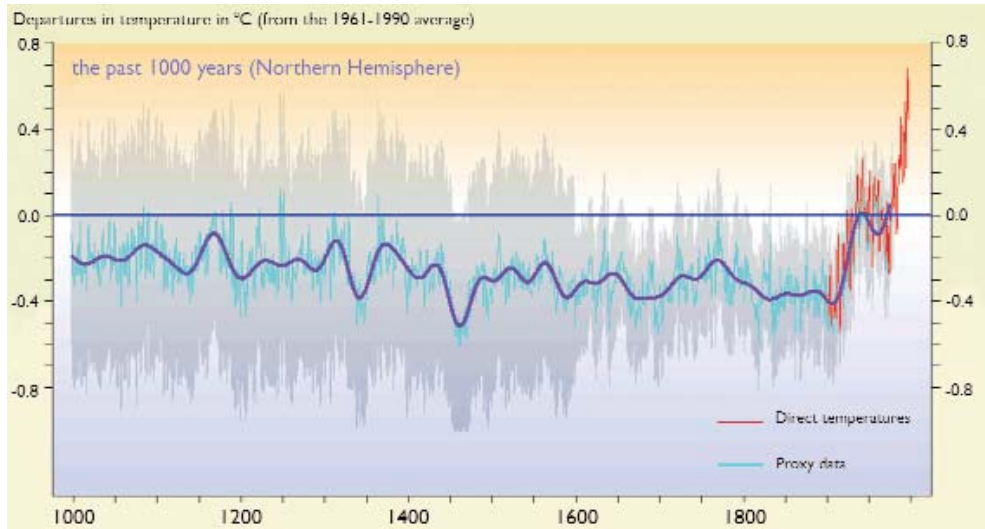
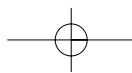
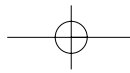


Figure 2: Variations in the Earth's surface temperature for the past 1,000 years

Source: TAR, IPCC





### *Some of the low-lying small island states are particularly vulnerable*

a level that would prevent dangerous anthropogenic interference with the climate change system. Such a level should be achieved within a timeframe sufficient to allow ecosystems to adapt naturally to climate change; to ensure that food production is not threatened; and to enable economic development to proceed in a sustainable manner.”

It is valid to ask whether food production is not under threat with current trends in climate change and whether ecosystems are not being degraded beyond the likelihood of adapting, such as in the case of damaged coral reefs and loss of biodiversity in several locations.

#### **Measuring the risk**

The determination of what constitutes a dangerous level of climate change and, therefore, a corresponding level of concentration of GHGs in the atmosphere, involves a value judgement. This question can be decided only on the basis of negotiations, but a scientific assessment of current as well as future impacts of climate change across the globe would greatly assist in finding an answer to this complex matter. It is apparent that different parts of the world would suffer varying extents of climate change and related impacts. Some of the low-lying

small island states are particularly vulnerable and are, in fact, already facing severe threats to life and property. The tsunami of 26 December 2004 only heightened some of their fears, because if the sea level across the globe is higher in the future, natural disasters like the tsunami or even normal storm surges and cyclones would have far more severe impacts than would occur in the absence of climate change. The IPCC has projected an increase of average sea-level across the Earth of .09 to .88 metres by the end of this century. This compares with the observed increase during the 20th century of about 1-2mm annually.

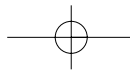
Some of the other impacts of climate change are seen in the reduction of Arctic sea-ice extent and thickness by 40 per cent in recent decades in late summer or early autumn, and a decrease by 10-15 per cent since the 1950s during spring and summer. Non-polar glaciers have seen widespread retreat during the 20th century and overall snow cover has decreased in area by 10 per cent since global observation became available from satellites in the 1960s.

#### **What can be done?**

The IPCC has also assessed various mitigation measures by which the

emissions and concentration of GHGs in the atmosphere can be stabilised. Such a strategy globally would be important because reducing emissions of GHGs to stabilise their atmospheric concentration would delay and reduce damages caused by climate change. As it happens, several mitigation measures are estimated to range from negative to around US\$300 per tonne of carbon in the industrial sector. In the building sector, implementation of energy-efficient technologies and measures can lead to a reduction in CO<sub>2</sub> emissions from residential buildings in 2010 by 325 million tonnes of carbon per year in developed countries as well as economies in transition. These can be achieved at negative costs ranging from -US\$250 to -US\$150 per tonne of carbon and by 125 million tonnes of carbon in developing countries at costs of -US\$250 to +US\$50 per tonne of carbon.

There are several options that can be included for consideration at costs that are negative in magnitude. In the energy supply sector, a number of fuel switching and technological substitution options are possible at costs from US\$100 to more than US\$200 per tonne of carbon. Undoubtedly, these costs would have changed to a lower negative figure today, now that the price of oil is much higher than it



*Even if emissions are stabilised, impacts of climate change would continue for centuries*

was at the time when the TAR was finalised. Even more significant are the so-called 'co-benefits' of some of these measures, because quite apart from global benefits that would arise as a result, there are also several *local* benefits, such as in the case of public vs private transport, because the former would lead to reduced pollution at the local level and lower congestion and delays in traffic, etc.

Another reason for serious consideration of mitigation options arises from the fact that technological change and innovation could bring about major reduction in their costs in the coming years. Some of these are taking place as a result of price-induced technological change, particularly as a consequence of higher oil prices, but also on account of government policies that favour substitution of oil with less polluting and low carbon intensity energy sources, which may also be more widely available.

An aspect that policymakers are integrating increasingly with long-term strategic decisions on energy, and for mitigating emissions of GHGs, is an explicit consideration of *energy security*. The International Energy Agency (IEA) projects that by the year 2030, on a business-as-usual basis, the increase in supply of oil from a small group of OPEC nations in the Middle East would have to increase from around 19 million barrels a day currently to over 51 million barrels a

day in that year. The smooth flow of oil, as well as steady prices in the global market, could be affected adversely during specific periods in the future consequent to this major geographical shift in share of oil supply. Energy policies in the largest economies and in the most energy-intensive societies of the world would need to include energy security considerations in future supply options.

#### **Mitigating emissions is not enough**

An important conclusion reached by the IPCC focused on the inertia of the global climate system, wherein despite whatever measures are taken for stabilisation of the concentration of GHGs, impacts of climate change would continue for centuries, if not millennia. This is particularly true of sea-level rise, which would continue long into the future. Overall, therefore, projections of climate change would require adaptation measures to be implemented irrespective of actions taken to mitigate emissions of GHGs. These measures would relate, for instance, to protecting the health of all living beings, changes in policies and management practices related to water resources, and strategies to reduce the vulnerability of human societies and habitation in coastal areas in all countries, as well as in the small island states, against the threat of sea-level rise. For a large part of the world, the development of new agricultural practices and technologies

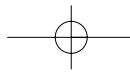
to meet the threat of changed precipitation regimes, higher soil temperatures and possible increase in pests and crop disease would be necessary. Adaptation measures therefore involve R&D strategies for developing technologies and infrastructure not only for mitigation of GHGs, but also for effective adaptation.

#### **Assuming responsibility**

The Framework Convention on Climate Change highlighted "the common but differentiated responsibility" to tackle the threat of climate change. This term was included because, both in respect of historical responsibility and their financial and technological capacity to meet future challenges, certain societies need to take the lead in the field of climate change. It is also important to understand that some of the most vulnerable regions of the world such as the small island states, sub-Saharan Africa and large parts of Asia historically have contributed a very small share of the emissions of GHGs and, therefore, of human-induced climate change. The G8 nations would do well to keep this reality in focus as they discuss and deliberate on global strategies in this area, which is of critical importance to the future of the human race and all living beings. ♦

[www.ipcc.ch](http://www.ipcc.ch)





# ‘Our Common Interest’: the report of the Commission for Africa

Piecemeal responses to African crises are not enough: the international community needs to mobilise behind a comprehensive plan of action, in partnership with Africa, for tackling poverty, hunger and disease and securing the continent's future. The report of the Commission for Africa sets out how this can be done

**O**n 11 March 2005, the British Prime Minister, Tony Blair, launched the Commission for Africa report, ‘Our Common Interest’, at the British Museum in London. The Commission, which comprised 17 people (the majority from Africa) drawn from politics, public service and the private sector, had been set an ambitious task: to define the challenges facing Africa, and to provide clear recommendations on how the developed world could support the changes needed to reduce poverty. Its report was widely welcomed as one of the most thorough and rigorous analyses of Africa’s problems ever undertaken. Its detailed and practical set of recommendations – directed, most immediately, to the G8 Summit in Gleneagles in July, the UN High Level Plenary on the Millennium Development Goals in New York in September, and the WTO Ministerial Conference in Hong Kong in December – constitutes a comprehensive programme for collective action to lift Africa from poverty, famine and disease, and to

unlock its productive potential.

At the outset, the report makes a strong case for urgent action. It highlights the positive developments already underway in Africa, in areas such as governance and economic growth, and argues that rich countries should support this progress to ensure that precious gains are not reversed. While encouraged by these signs of progress, the Commission is realistic about the challenge facing many African countries. On current trends, Africa is set to halve poverty, not in 2015 as envisaged with the Millennium Development Goals, but in 2150. Referring to African poverty and stagnation as “the greatest tragedy of our time”, the Commission cautions that failure to act now could lead to irreversible damage to the prospects of future generations.

In its analysis of the causes of the current crisis, the report argues that the present situation is the result of a complex interplay of numerous inter-related factors, which form interlocking cycles that affect each country in different ways. Action is therefore required in several areas at once if

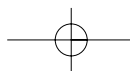
vicious circles are to be broken.

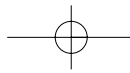
Subsequent chapters provide details of specific actions required in each of these areas. The subject of cultural awareness is given prominence in an early chapter, setting the Commission’s approach apart from many that have gone before. The report calls on the international community to make greater efforts to understand the values, norms and allegiances of the cultures of Africa, and in policy-making to display greater flexibility, open-mindedness, willingness to learn, and humility. An action plan that fails to take proper account of the role of culture is doomed to failure.

## [Summary of key recommendations](#)

### **Building effective states, governance, and nations**

Effective states – those that can promote and protect human rights and can deliver services to their people and a climate for entrepreneurship and growth – are the foundation of development. Without >





*Without progress in governance, all other reforms will have limited impact*

progress in governance, all other reforms will have limited impact.

While there have been improvements in many African countries, weakness in governance and capacity is the central cause of Africa's difficult experience over the last decades. Improvements in governance, including democracy, are first and foremost the responsibility of African countries and people, and they take time and commitment. But there are also actions that outsiders can take both to support and to avoid undermining good governance. Two areas are crucial: capacity (the ability to design and deliver policies) and accountability (how the state answers to its people). The Commission proposes:

- Providing strong political and financial support for the pan-African and regional organisations, particularly the African Union and its programme NEPAD;
- Making changes in donor behaviour, to get fully behind a comprehensive national strategy for capacity-building;
- Building up professional skills and knowledge, including by revitalising Africa's higher education, especially in science, engineering and technology;
- Broadening participation and strengthening institutions that improve accountability, including parliaments, local authorities, the media, and the justice system;
- Increasing transparency of revenues and budgets, especially in countries rich in natural resources; this also makes a powerful contribution to conflict prevention;
- Tackling corruption, including repatriation of stolen state assets;

- Strengthening the quality and management of data.

#### **Establishing peace and security**

The right to life and security is the most basic of human rights. Without increased investment in conflict prevention, Africa will not make the rapid acceleration in development that its people seek. Investing in development is itself an investment in peace and security, but there is much more that should be done directly to strengthen conflict prevention:

- Building the capacity of African states and society to prevent and manage conflict by tackling its root causes, including steps to make aid more effective at building the foundations for durable peace, to improve the management of natural resource revenues, and to tackle the trade in small arms and 'conflict resources';
- Strengthening African regional organisations' and the UN's ability to prevent and resolve conflict through, for example, more effective early warning, mediation and peacekeeping. The Commission proposes to do this by providing flexible funding for African Union and regional organisations' core capacity and operations; and by supporting the creation of a UN Peacebuilding Commission;
- Improving the co-ordination and financing of post-conflict peacebuilding and development, so that states emerging from violent conflict do not slide back into it.

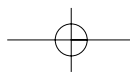
#### **Promoting human development**

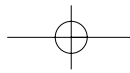
Strong and sustained progress in human development requires

fundamental change.

That change will happen only if women and men are at the centre of the action. The world has made inspiring commitments, including Education for All and the UNGASS Declaration of Commitment on HIV and AIDS. Delivering on these commitments is fundamental to meeting the MDGs. But that should not be through yet more competing initiatives. Sustained advance requires financing that aligns behind national health and education systems and is harmonised with and complementary to other assistance. Effective use of the large new resource flows will require careful attention to mechanisms for delivering and monitoring results, and accountability to the poor communities that are being served. Practical actions include:

- Providing the funding for all boys and girls in sub-Saharan Africa to receive free basic education that equips them with skills for contemporary Africa. Secondary, higher, vocational education, adult learning, and teacher training should receive appropriate emphasis within the overall education system;
- Strengthening health systems in Africa so all can obtain basic health care. This will involve major investment in human resources, in sexual and reproductive health services, in the development of new medicines, as well as supporting the removal of user fees. Through coherent, integrated strategies, this approach could effectively eliminate diseases that devastate poor people, such as tuberculosis and malaria and other parasites;
- Delivering the UNGASS





*Accelerating growth, and ensuring the participation of poor people in that growth, is fundamental for poverty reduction*

Declaration of Commitment on HIV and AIDS urgently and as a top priority to ensure that appropriate services are available to all;

- Mobilising and integrating the international response behind coherent, comprehensive yet bold national strategies that take account of gender and power relationships;
- Enabling families and communities to continue to protect orphans and vulnerable children, through providing predictable financing streams for national social protection strategies;
- Meeting the G8 Water Action Plan commitments through increased funding for the Africa Water Vision to reduce by 75 per cent the number of people without access to safe water and basic sanitation by 2015, monitoring progress in 2007.

Of all the issues addressed in this report, the health, education and inclusion challenges are the most demanding in terms of resources. The Commission recommends that these resources be provided in predictable, long-term streams, with a carefully sequenced steady increase in step with improvements in African governments' capacity to deliver effective services.

### **Accelerating growth and poverty reduction**

Accelerating growth, and ensuring the participation of poor people in that growth, is fundamental for poverty reduction. The proposals across this Report – on infrastructure, investment climates, governance, peace and security, trade, human development, culture, the environment and the quality of aid – should both boost participation

and contribute strongly to increasing sustainable growth, investment and employment. The goal should be to increase the average growth rate to seven per cent by the end of the decade, and sustain it thereafter.

These growth rates have been attained across Asia and in parts of Africa and can be achieved across the continent – but only if the obstacles of a weak infrastructure and a discouraging investment climate are overcome, releasing Africa's entrepreneurial energies.

This will require:

- Committing to double infrastructure spending in Africa, with an initial increase in donor funding of US\$10 billion a year up to 2010 and, subject to review, a further increase to US\$20 billion a year in the following five years. This will require carefully managed build-up to avoid corruption and cost escalation, and should extend from rural roads, small-scale irrigation, and slum improvement to regional highways and larger power projects;
- Public and private sector working together to identify the obstacles to a favourable investment climate, together with outside support to fund the necessary actions;
- Fostering small enterprises through ensuring better access to markets, finance, and business linkages, with a particular focus on youth and women, as well as the family farms that employ so many people in Africa;
- Action by the business community to contribute in each of these areas and in other areas set out in this Report, working in partnerships with each other, with donors, with national governments and with civil

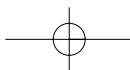
society, as part of a sea change in the way it engages in the development process;

- Action to ensure that environmental sustainability is integral to donor interventions and to manage and build Africa's resilience to climate change.

### **Breaking into world markets**

Africa will fail to achieve sustainable growth and poverty reduction, and fail to meet the Millennium Development Goals, unless it increases its diminishing share of world trade. Growing global competition makes this even more challenging than in the past. African countries and the international community, working together, can make progress possible, by:

- Increasing Africa's capacity to trade. The investments in infrastructure and the enabling climate for the private sector (described in Chapter 7 of the Report) are at the top of the agenda. Further measures described here focus on trade facilitation, including: customs reform; removal of regulatory barriers, especially in transport; improved governance; air and sea transport reform; and regional integration;
- Removing the trade barriers in developed and other developing-country markets that frustrate the fulfilment of Africa's trade potential. Progress requires the successful completion of an ambitious Doha Round, with specific and timebound goals for ending appalling levels of developed-country protectionism and subsidies. Development must be the priority in all trade



*Past experience shows aid can be provided and used badly. But more and better aid can support positive changes*

agreements, with liberalisation not forced on Africa;

- Providing transitional support to Africa as global trade barriers are removed. First, this requires making current preferences work more effectively – expanding schemes to cover all low-income countries in sub-Saharan Africa, and ensuring that rules of origin requirements are not vexatiously applied. Second, the rich countries must finance ‘aid for trade’ to help meet the economic and social costs of adjusting to a new global trading environment.

#### Financing and supporting Africa's resurgence

To accelerate income growth towards 7 per cent, and to spur strong progress towards the Millennium Development Goals, the volume and quality of external aid to sub-Saharan Africa must change radically. To ensure effective absorption, increases in aid over the next three to five years should be strong and measured. They must also be accompanied by continued improvements in governance in aid-recipient countries, by substantial changes in donor behaviour, and by learning and evaluation. Past experience shows aid can be provided and used badly. But more and better aid can support positive changes, as demonstrated by recent advances in many African countries, including Senegal, Mali, Burkina Faso, Ghana, Benin, Ethiopia, Uganda, Tanzania, and Mozambique.

The Commission proposes:

- Doubling aid levels over the next three to five years, to complement rising levels of domestic revenue from growth and from better governance;

- Financing increases in aid by meeting existing commitments to move toward the 0.7 per cent ODA/GNI target, by raising additional finance from an International Finance Facility (IFF), and by developing international levies (for example, a tax on airline tickets) with revenues dedicated to development;

- For poor countries in sub-Saharan Africa which need it, the objective must be 100 per cent debt cancellation as soon as possible. This must be part of a financing package for these countries – including those excluded from current debt schemes – to achieve the MDGs, as promised in Monterrey and Kananaskis. The key criterion should be that the money be used to deliver development, economic growth and the reduction of poverty for countries actively promoting good governance;
- Improving radically the quality of aid, by:

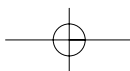
- Strengthening the processes of accountability to citizens in aid-recipient countries;
- Allocating aid to countries where poverty is deepest and where aid can be best used;
- Providing much stronger support to advancing governance where conditions for effective use of aid are currently weak;
- Channelling more aid through grants, to avoid the build-up of debt;
- Aligning more closely with country priorities, procedures, systems, and practices;
- Providing aid more predictably and flexibly over the longer term;
- Protecting countries better against unanticipated shocks.

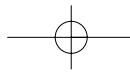
#### Delivering and implementing

Effective and sustained action that can deliver results will come only if African countries and institutions and Africa's external partners make and deliver on commitments. There are a number of complementary ingredients that are key to stronger implementation and delivery of results:

- Building a global partnership around African leadership;
- Setting out a clear programme of action, with responsibilities and timetables, based on sound evidence about what works and what does not;
- Strengthening institutions, both inside and outside Africa, so that they are capable of delivery. This must include reorienting the international financial institutions so that they give higher priority to accelerating African development and are more accountable, including to their clients and partners;
- Ensuring a stronger African voice in the multilateral organisations;
- Putting in place effective independent mechanisms to monitor and report on progress in implementation;
- Generating and sustaining strong commitment to Africa's development by the people and civil society of the developed countries, as well as of Africa, to keep the pressure on political leaders to deliver. ♦

A full list of the Commission's recommendations can be downloaded and copies of the full Report can be ordered and downloaded from their website: [www.commissionforafrica.org](http://www.commissionforafrica.org)





# The Commission for Africa: now for the follow-through

Myles Wickstead

Head of Secretariat, the Commission for Africa

The Commission for Africa's work was widely applauded for its scope, rigour and outreach, and for the comprehensiveness of its recommendations. Will the warm words of the international community now be matched by a credible programme of action?

I have been asked many times over the past year how I would define the success of the Commission for Africa. My answer is that we should be able to look back in 2015 and say that Africa had in the previous decade made huge strides towards the achievement of the Millennium Development Goals (MDGs); that 2005 was the year that changed forever – and for the better – the nature of the relationship between Africa and the rest of the international community; and that the Commission for Africa proved to be a key instrument in developing the political will to bring that about.

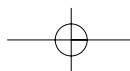
Guaranteed? By no means. Plausible? Absolutely. And I think the way the Commission set about its work has greatly enhanced the prospects of success. The period

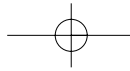
leading up to the drafting and publication of the Report, *Our Common Interest*, earlier this year was characterised by an extraordinary consultation process – in Africa and outside Africa, with governments and civil society, with the African diaspora and with the multilateral institutions, with academics and with the private sector. The Report reflects what they told us, and the general reaction has been warmly positive. We know, because this is what they told us when we went back and consulted them again after the Report was published. And this enthusiastic support is not just about what Africans or people from the G8 countries want their governments to do. It is also about what they are ready to do themselves – developing partnerships and links, working

together, as parliamentarians or health specialists or businesses. Working together as members of the global community.

The Report comes at a time when there is irrefutable evidence to show that Africa is making strong and responsible steps to take charge of its own destiny. The creation of the New Partnership for Africa's Development (NEPAD); the coming into being of the African Union; improving governance and the Africa Peer Review Mechanism (APRM); greater peace and security. Without this clear demonstration of progress, the basis for many of the Commission's recommendations would be undermined. As it is, the impetus for positive change which is coming from within Africa provides the strongest possible justification for increased international support. >

*The period leading up to the drafting and publication of the Report was characterised by an extraordinary consultation process*





*There is irrefutable evidence to show that Africa is making strong and responsible steps to take charge of its own destiny*

### The critical path

It is thus Africa's progress that provides the basis for a significant and permanent shift in the relationship between Africa and the rest of the world. It is the sequence of events over the coming months which provides the opportunity. The Gleneagles Summit will be the first big test of whether the political will exists to get behind the Commission's Recommendations.

Several G8 countries have already agreed to increase substantially their development assistance to Africa. This is very welcome – but it is not enough by itself. The Commission's Report argues for a comprehensive approach by the international community, supporting Africa's efforts to improve governance and peace and security; helping to build capacity, education and health systems, and to tackle those diseases which kill and debilitate; encouraging economic growth, not least by changing distortionary trade policies and agricultural subsidies; delivering aid more effectively, as well as giving more of it; and addressing the debt problem.

The forthcoming UK Presidency of the EU presents another enormous

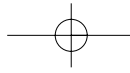
opportunity; not just because the UK will ensure that Africa remains high on the agenda, but because – as we know from our consultations – there is a strengthening coalition between many member states and the European Commission that development policies must focus increasingly on Africa, and that distortionary trade and agricultural policies must go, as being in the best interests of neither African producers and growers, nor of European consumers and taxpayers. The agreement reached in May 2005 under the Luxembourg Presidency for member states to attain the 0.7 per cent oDa/GNI ratio by 2015, with a (stretching) interim target by 2010 and a separate commitment for those countries which joined the Union a year ago of 0.17 per cent by 2015, provides an excellent springboard for further progress (half of the G8 countries are, of course, also members of the EU).

And then there is the Millennium Review Summit in September. The analytical work done in preparation for this – likely to be the largest meeting of heads of government ever held – will show very clearly that, whilst many parts of the

developing world are making good progress towards the MDGs, a whole continent is being left behind. That is in nobody's interest, whether you look at it through the prism of morality, world prosperity (and let us not forget the important meeting of the WTO in Hong Kong in December) or global security. Our consultation process makes it clear that this view is widely shared. There is, too, a remarkable degree of synergy between the Commission for Africa Report and other reports which will feed directly or indirectly into that Summit – the Report of the Millennium Project; the High Level Panel on Threats, Challenges and Change; and 'In Larger Freedom' (which interestingly refers in its second paragraph to "the glue of common interest"). This seems to provide another reason for optimism that significant decisions could be just around the corner.

### The Commission: rising to the challenge

Was the establishment of a Commission the best way of ensuring that Africa was at the top of the international agenda for 2005? Undoubtedly. First, it



## Africa Commission for Africa

*It is hard to overstate the commitment and passion of the Commissioners – Africans and non-Africans*

provided the opportunity to produce a Report setting out clear, strong evidence of Africa's progress and why the international community should support it. Second, it allowed the energies of a powerful and active group to be harnessed behind a common agenda – not just to write a Report but to advocate for action.

It is hard to overstate the commitment and passion of the Commissioners – Africans and non-Africans united by their determination to make a difference. This was clearly not going to be a Commission that met from time to time and instructed the Secretariat to get on with the thinking and the drafting. The Commissioners were deeply engaged in the analysis, and those working on particular themes kept in close touch throughout with their colleagues as well as with the Secretariat. The second meeting in Addis Ababa in October 2004 was quite simply one of the best discussions on development that my colleague as Director of Policy and Research, Sir Nicholas Stern, or I have ever witnessed – and we have

witnessed many! And the willingness of the Commissioners to participate in outreach and advocacy work was, under the circumstances, extraordinary. These were people with serious day-jobs, like running countries or international organisations. The commitment they showed was very powerful and stemmed from a very real sense that they were engaged in a common endeavour which could really change the world for the better.

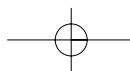
### **If not now, when?**

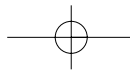
Will it do so? History will be the judge of that. All of the Commissioners are clear that, unless action follows from the Commission Recommendations, the Commission will have failed to achieve what it set out to do. I know that they will spend all the time they have available leading up to the Summit in doing everything they can to ensure that action does indeed follow. With my colleagues in the Secretariat – who have themselves demonstrated extraordinary commitment and

resilience – I applaud their efforts. It has been a pleasure and a privilege to work with them.

The Commissioners deserve to be heard. So do the 10,000 African children who will die in Africa tomorrow, and the day after, and the day after that, unless the world's leaders demonstrate the political will to prevent it happening. It can be done and it must be done if poverty is to be made history and if Africa is not to be left further behind. I know that all the Commissioners, and all of us who have worked with them, will want to look back on the Gleneagles meeting from the vantage point of 2015, in the recognition that this was a pivotal moment in the history of the world, when the G8 leaders took the decisions, based on the recommendations of the Commission for Africa Report, which at last allowed Africa to take its rightful place in the global community. ♦

[www.commissionforafrica.org](http://www.commissionforafrica.org)





# Training scientists and engineers for Africa

Frannie Léautier

World Bank Vice-President for the World Bank Institute

A new African initiative aims to boost the continent's development by building its technology base

**S**cientific and technological advances have propelled productivity growth in many countries in recent years, but generally not in sub-Saharan Africa. The region's failure to benefit from science and technology-based growth has deepened the cycle of poverty and widened the knowledge gap between Africa and the rest of the world.

To reverse that cycle and transform the region's industrial and economic landscape, and to tap into the innovation and creativity of young Africans to create opportunities for new sources of growth, African scientists and professionals have formed the Nelson Mandela Institution for Knowledge Building and the Advancement of Science and Technology – a global effort to foster economic growth and diversification, industrial development, and employment creation through science,

engineering, and their applications.

The new institution answers the call of the Commission for Africa for the development of “centres of excellence in science and technology, including African Institutes of Technology, on the continent.”

The Institution's first major initiative is the African Institute of Science and Technology (AIST), designed to train first a critical mass and then ensure a continuing supply of outstanding scientists and engineers to accelerate the development of the region. At full capacity, four AIST regional institutes will produce about 5,000 world-class scientists and engineers every year.

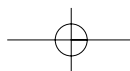
The initiative was introduced at the African Union Heads of State Summit in Ouagadougou, Burkina Faso, in September 2004. Since then, expressions of interest and support have been received from firms and national governments in the region. Madagascar, for example, has

pledged US\$100,000 in support of the initiative, while Nigeria and Tanzania have offered tracts of land for the first two campuses. Nigeria also has agreed to host the AIST secretariat for its first two years of operation.

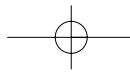
The independent institution has established an endowment to be funded by contributions from partners in the public and private sectors. The endowment approach is used by many academic institutions in the United States to mitigate risks and ensure long-term financial stability. Competitive processes, transparency, and accountability will be the hallmarks of all its operations.

Events to generate additional support for the venture will take place in Burkina Faso, Ghana, South Africa, Tanzania, and the United States (Washington, D.C.).

[www.nmiscience.org](http://www.nmiscience.org)







# Action for Africa: our European imperative

José Manuel Barroso  
President of the European Commission

History, geography and hard-edged considerations of trade and security  
– to say nothing of moral obligation – demand a bold response  
to Africa's predicament from the European Union

*European policy towards Africa should be underpinned by shared responsibility between African and European*

Let us look at what is happening. The depressing facts are well documented. 25,000 people die of hunger in the world every day. In sub-Saharan Africa, nurses and teachers are dying from AIDS faster than they can be trained. 25 million people have died there so far of AIDS, and another 25 million are HIV-positive. Life expectancy has collapsed to near-medieval levels. What should be the response? Firstly, I reject the image of Africa as a series of failures. It is an image which does not fit with its dynamic, diverse and vibrant culture. Nor does it fit the reality of increasing political choice in Africa; a process which, once started, is hard to stop. Nor does the image of failure sit well with the strong economic growth of recent years – up to 4.5 per cent on average in 2004.

But there is no denying the challenges, well described in the recent report by the Commission for Africa. Crucially, there is an *African*

response, coming from within that continent. It is African leaders who launched the African Union in 2002, to promote democratic principles and sustainable development. The African Union has launched the New Partnership for Africa's Development (NEPAD). This is a programme designed by Africans, for Africans to promote growth, reduce poverty and halt Africa's marginalisation.

## Why we must act

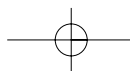
What about the European response to the challenges? Let us be clear about the importance and urgency of that response. Why should we act? Because it is both part of our values as Europeans to do so, and because it is in our interests to do so. Why in our interests? Firstly, look at a map. Africa is on our doorstep; less than 10 miles from mainland Europe.

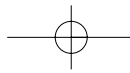
Secondly, because a resurgent Africa means potentially a geo-strategic partner for Europe, given

its wealth in natural resources, and huge markets for European goods and services, as well as more secure supplies of energy and commodities.

Thirdly, a more stable and secure Africa would be a key contribution to destroying safe havens for terrorists. And stability and security would help to reduce large refugee flows both within the continent and to Europe.

Fourthly, and crucially, there is a moral, historical and cultural element to the need for a European response. We should not pretend otherwise. Europe has unique ties to Africa. The histories of the two continents have long been connected, sometimes with not very happy results. The present day borders of African countries, and the weak infrastructure between countries, are in part colonial legacies. European policy towards Africa should not be driven by guilt. But it should be underpinned by shared responsibility between African and European. >





*We have proposed that Europe spend  
€20 billion more on aid per year by 2010*

### Our response

So the European case for action is a strong one. That is why Africa must be a flagship issue for Europe, and for the European Commission. What is our response? Firstly, it is not always realised how much the EU and its members are doing already. We are the world's biggest aid donor – responsible for 55 per cent of all overseas development aid. We are the biggest trading partner for developing countries. Half of Africa's exports go to the EU. The EU's Everything But Arms initiative gives the poorest countries duty- and quota-free access to our enormous market of over 450 million people for all their exports except arms.

Europe has been the major driver of the WTO's Doha Development Agenda from the start. The EU took the lead in proposing the abolition of export subsidies for agricultural products last summer; we now look to other leading trading nations to join our position. The EU is trying to help developing countries integrate into the world economy; it is the world's biggest provider of trade-related assistance, at around 700 million euro per year. It is negotiating the Economic Partnership Agreements; these are not traditional liberalisation agreements, but development tools. They are intended not, as in the caricature of some, to force liberalisation on some of the world's poorest countries. They put trade at the service of development by marrying 'aid for trade' with progressive market opening, at a gradual and appropriate pace.

Europe is increasing its spending on aid. The EU set in 2002 an intermediate target for increasing development aid by 2006 – a target that now looks almost certain to be exceeded. But we can, and must, do more. That is why the Commission adopted a package of proposals last month aimed at speeding up progress towards the Millennium Development Goals.

### Our proposals

Our proposals focus firstly on money. We have proposed that Europe spend €20 billion more on aid per year by 2010: put another way, we have proposed a new intermediate target for development aid of 0.56 per cent of gross national income by 2010. That puts Europe on course to reach, by 2015, the UN's 0.7 per cent target. I applaud the four EU members – Denmark, Luxembourg, the Netherlands and Sweden – who have already reached the 0.7 per cent target, and the other six, including France and the UK, who have pledged to reach it before the 2015 deadline.

This is not gesture politics – it is putting our money where our mouth is. But it is not easy to find more money, quickly, when budgets are tight. So there is a lively search for innovative ways of financing development, including the proposed International Finance Facility. I personally support the idea of a voluntary contribution to development by airline passengers. For example a contribution of just one euro by each passenger would

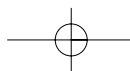
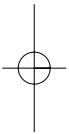
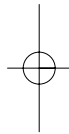
be a real collective effort by Europeans to the campaign to tackle poverty, disease and hunger. The European Commission will come forward soon with a paper on this subject.

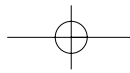
But we can only ask citizens to make further contributions to solidarity if European governments show that they also use taxpayers' money in this spirit and provide an adequate share of public budgets for development assistance.

That is why the EU needs to agree ambitious new targets for aid and go to the G8 meeting in Gleneagles in July and the UN Summit in September with a strong, unified and powerful voice, which will help encourage the rest of the richer nations of the world to match our effort. In particular any extra money that can go to 'aid for trade' will put poor, soundly governed countries on a much more positive development path and act as examples of success to their peers. I very much hope the G8 meeting in Gleneagles, where I will be representing the European Commission, will be able to make a real breakthrough on this.

As well as more aid, we also need *better* aid. This means, amongst other things, greater predictability. That would help recipient countries commit to the investments necessary to achieve the UN's Millennium Development Goals. The guarantee of stable aid flows will encourage a finance ministry, for example, to recruit teachers and doctors.

We also need greater coherence; coherence between policies, and between donors. The EU's track





*As well as more aid, we also need better aid*

record has not been the best. But the European Commission is determined to improve it. The EU has an enormous range of policies, from trade to the environment, which can and should work for, rather than against, development. Europe must become more than the sum of its parts.

That is why, for the first time, the Commission has identified, as part of the April package prepared by Development Commissioner Louis Michel, commitments which should help accelerate progress towards the Millennium Development Goals, for example on the environment or on trade preferences. In return, developing countries need to adopt the right policies, and ensure adequate governance and respect for human rights. The final theme of the Commission's April package is giving priority to sub-Saharan Africa. "Without sustained support", a UN Millennium Project Report concluded in January, "sub-Saharan Africa is unlikely to meet any of the goals."

That is why the European Commission proposes that a greater share of the rise in overall aid should go to sub-Saharan Africa. It proposes to apply all its other ideas on policy coherence and quality of aid to Africa first, as a matter of priority. And it proposes a number of concrete actions in areas identified by Africans themselves as crucial to their development. These include financial support to develop the

African Union's capacity, including the €250 million support for African peacekeeping missions, for example in Darfur; reconnecting Africa's infrastructure to tackle its transport costs – twice as high as Asia's; and measures to support the social sectors such as health and education.

#### Security and good governance

There is another consideration which should inform our approach: in the last few years we have understood better than before that there is no real development without security and that security depends on political stability. Assistance in these fields is of the utmost importance and the European Union will keep providing it. Often carried on through the good offices of the African Union and other regional organisations, conflict prevention, crisis management, peacekeeping and post-conflict reconstruction are necessary tasks in many parts of sub-Saharan Africa. So are the efforts to stimulate and support good governance – the civilian components of conflict prevention, ranging from women's education to judicial expertise. Here again, the European Union is well placed to make a difference.

#### Africa can't wait

So there is already a European response. But we can, and must, go further. We must act now. The international calendar for 2005 is

one for Africa, and for development. The UK has made Africa one of the main themes of both its G8 and its EU Presidency this year. September will see the United Nations Summit, which will review progress towards the Millennium Development Goals. And in December, there is the crucial Hong Kong Ministerial of the World Trade Organisation.

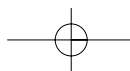
Meanwhile, grassroots movements like the Make Poverty History coalition are also helping to build momentum.

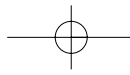
What is almost as shocking as the facts of hunger, poverty and disease is that my generation has become so used to them. We are in danger of taking for granted the images of dying children; of letting them, to use a very inappropriate phrase, become 'a fact of life'. We must fight this; and I mean "we" – all of us in Africa, in Europe and elsewhere. The fight against poverty, hunger and disease is perhaps *the* issue for my generation. We must follow the energy and dynamism of the younger generation, who are leading on this issue, ahead of governments and large organisations.

We have the resources. We have the strength of popular feeling, as the huge response to the Tsunami showed. What we need now is political will and organisation to turn this into action. ◆

[www.europa.eu.int/comm/development](http://www.europa.eu.int/comm/development)

*The European Commission proposes financial support to develop the African Union's capacity*





# Trade: a key force for Africa's development

Supachai Panitchpakdi  
Director-General, World Trade Organization

Progress in the Doha Development Agenda round of global trade negotiations is crucial for Africa. But G8 leaders need to inject real momentum into the round if there is to be a deal in Hong Kong in December

**T**his week, eight of the world's most powerful men bring their collective attention to the problems of the world's poorest and weakest.

British Prime Minister Tony Blair, who will host the Group of Eight summit in Gleneagles, made clear early on his intention to devote this meeting to the problems of Africa. The objectives are clear – poverty alleviation, eradicating disease, social stability, clean water, reduced infant mortality, sustainable development – but the task of achieving them is anything but easy.

The Prime Minister is to be congratulated on his initiative. In an increasingly integrated world, we can no longer turn our backs on the crisis confronting 700 million of the world's citizens. There can be no question that a global effort is needed if we are to reach the United Nations' Millennium Development

Goals and sharply reduce the number of Africans who live in poverty. Among the most important contributions we can make to a healthier Africa is an agreement to improve our global trading system.

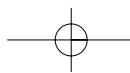
There is no single remedy for the problems of Africa. A mix of financial assistance, sound policies and reforms will be essential to any recovery plan. But trade has a vital role to play. Countries that trade tend to do much better than those that do not. More liberalism in trade enhances economic efficiency, consumer welfare, helps root out corruption, assists in attracting foreign investment, and facilitates the transfer of technology. Trade leads to a more efficient use of resources and can help create jobs.

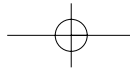
The strong growth in world trade in recent years has been a catalyst for economic growth globally. But Africa's share of world trade has

lagged behind. While nominal export figures rose 22 per cent in 2004 and 21 per cent in 2003, African trade was only 2.4 per cent of the global total last year.

A combination of measures is required to bring Africa in from the sidelines of the multilateral trading system. Lower trade barriers in the rich and emerging market economies, greater capacity to trade, enhanced technical assistance and sound trade policies are necessary elements in any sound trade strategy for Africa.

In a recent speech at the WTO, Rwandan President Paul Kagame spoke of the importance of trade for African development and of the technical and financial aid needed to make trade work for the continent's citizens. "While the correlation between trade liberalisation and economic development is self-evident, reforms must be coupled





with aid to facilitate adjustment and integration into the global trade system," he said.

Mr Blair's Commission for Africa devoted a great deal of attention to the question of trade and development and has made a welcome contribution to this debate.

Clearly, before any economic development strategy can be implemented, there must be social stability. A trading system cannot function in a war zone. Peace on the continent is essential and one way to promote regional stability would be to break down barriers between countries in Africa: intra-regional trade in Africa represents only about 12 per cent of overall trade. Trade between African countries has languished for a variety of reasons including poor infrastructure, bureaucratic entanglements and suspicions between members. Fostering better trade relations with your neighbours can bring about better diplomatic relations between countries. It has worked in the European Union and there are signs that it can work in Africa too, as the Common Market for Eastern and Southern Africa has shown. The formation of the New Economic Partnership for African Development (NEPAD) offers new hope that enhanced regional co-operation in Africa is becoming the reality.

But while greater regional integration holds obvious attraction for Africa, the answers to African economic woes lie in multilateral solutions. The World Trade

Organization, together with other international organisations, is working to provide some of the answers. From the WTO perspective, the most important contribution we can make to Africa is a successful conclusion to the Doha Development Agenda round of global trade negotiations.

Launched in the Qatari capital in 2001, these negotiations aim to improve the rules of the game in international trade so that developing countries can more readily benefit from trade. The round is complex and encompasses a vast number of areas but the basic thrust is to increase market access and to render international trade rules more just, particularly for developing countries.

#### Farm subsidies

One important way to do this would be through the reduction of trade-distorting farm subsidies. All G8 countries supply their farmers with assistance that is considered trade distorting. Through budgetary allocation and price supports, the rich countries extend more than US\$300 billion annually to their farmers. These subsidies not only make it more difficult for developing countries to penetrate rich country markets – they also lead to overproduction and the dumping of surplus output onto world markets.

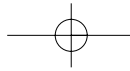
Fortunately, this is an area in which we have made progress in our Doha negotiations. Last July, our members reached an historic

pact when they agreed to eliminate all forms of agricultural export subsidies by a date as yet to be agreed. They have also agreed to slash trade-distorting domestic support by 20 per cent, from the first date of the accord's implementation. Such a reduction would be equal to the entire reduction in such support during the Uruguay Round.

#### Duties and tariffs

But trade-distorting subsidies are only part of the problem. Barriers to trade in agriculture – the field of economic activity employing more Africans than any other – are higher than in manufacturing. Products like fruits and vegetables face duties in G8 countries that are twice as high as those applied to manufactured goods. The duties are higher still on other products of export interest to developing countries such as sugar or dairy products. In fact, in G8 countries, bound tariffs for agriculture products are about twice as high as duties on manufactured imports. The G8 countries have a special responsibility in this area of the negotiations but so too do the large emerging developing countries that have been so crucial in driving this round forward.

In developing countries the bound duties for many agricultural products are 100 per cent and higher. Average farm tariffs are far higher in developing countries than in developed countries and if south-south trade is to flourish, these duties must fall. >



### Cotton

Reform of cotton trade must also be part of any agriculture agreement. Cotton producers in West Africa are efficient enough to compete in the global marketplace but trade barriers and high subsidies to rich country farmers have combined to deprive West African cotton farmers of some US\$250 million in annual income and have placed African cotton production in jeopardy. Failure to reduce trade distorting support for rich country cotton farmers and the high tariffs that keep African cotton out of many markets risk undermining agreement in agriculture and the entire package of Doha negotiations.

To date our progress on opening markets to agriculture products has been minimal and without movement here, the whole round risks failure. Negotiators must make progress this month (July) if we are to secure a positive outcome from our Ministerial Conference in Hong Kong this December.

### Market access for non-agricultural products

Better access for manufactured products is also important for Africa, because here again developing countries face barriers, not least through a concept called tariff escalation, where importing countries affix a higher duty at each stage of production, thereby undercutting efforts at adding value and developing a manufacturing base. Again, products of interest to developing countries – textiles, leather products, footwear – face higher tariffs on average than

products produced in rich countries. And again, these tariffs are higher still in developing countries, including the large and fast-growing emerging economies.

Progress in the non-agricultural market access talks has also been slow and we need to pick up the pace if Hong Kong is to succeed.

A large majority of WTO members have stated that any final Doha agreement should result in duty-free, quota-free access for all products coming from Least Developed Countries (LDCs), the majority of which are in Africa, and our agreement in July reflects this strongly held view.

### Services

The services negotiations have been lethargic. This too is an area which holds promise for Africa. For example, greater access to labour markets for African workers would lead to additional income for Africans of roughly US\$14 billion, according to the Commission for Africa's report. Africans can also benefit by opening their markets to foreign services providers. This could help in tourism, but also in transportation, where costs in Africa are among the highest in the world. Deregulation in ocean transport could reduce freight rates by 25-50 per cent, according to the Commission, and more competition among airlines would certainly help to hold down air freight charges.

### Trade facilitation

Trade facilitation is another area of our negotiations that holds great promise for Africa. Essentially, the objective of

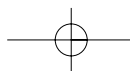
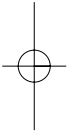
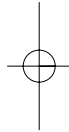
these negotiations is to boost trade by reducing transaction costs that stem from bureaucratic red tape and other less malign hindrances. By simplifying procedures and making them more transparent, by educating customs officials, and by utilising new technologies, countries can greatly reduce the cost of doing business.

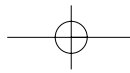
An average transaction in the developing world, for instance, involves 20-30 parties, 40 documents and 200 data elements, 30 of which have to be repeated at least 30 times. This translates into wasted time and money. When the average customs delay in sub-Saharan Africa is 12.1 days, it is not surprising that transport costs in this region are twice as high as the global average. One APEC study says cutting these impediments to trade could boost income in the Asia Pacific by US\$154 billion a year – nearly one per cent of the region's GDP.

### Building trade capacity

More technical assistance is needed to enable African trade officials to make better use of existing global trade rules and more successfully to negotiate new and better rules. Last year, the WTO spent CHF 25 million on some 500 technical assistance programmes. We can and will do more in the future.

Clearly donors must begin to consider ways in which financial assistance can bolster Africa's capacity to trade. The Aid for Trade Initiative calls for supplementing our existing resources under the Integrated Framework of trade-related technical assistance for Least Developed Countries. This





*The negotiators must make progress on agriculture for a positive outcome in Hong Kong*

programme is very much welcomed by the WTO because it would allow us to widen the coverage of those who benefit from this programme, which involves a co-ordinated approach to assistance involving the WTO, the IMF, the World Bank, UNCTAD, the UN Development Programme and the International Trade Centre.

#### Infrastructure

The Commission says, moreover, that improvement in infrastructure – roads, ports, telecommunications networks – would require a doubling of financial assistance from US\$20 billion to US\$40 billion annually. Bilateral donors and our partners at other international organisations surely understand the importance of helping Africa to help itself. Funding for projects of this kind would be investments in the future.

#### Flexibility and sequencing

Of course, not all African countries are pursuing the same negotiating strategy. Nor do all African countries possess the same level of capacity to trade. The framework

agreements we have in place allow for flexibility in the way African countries would implement any Doha agreement. For example, there is an emerging consensus among WTO members that LDCs would not be required to make any reductions in tariffs or subsidies either for agricultural products or manufactured goods. Allowances will be made such that net food-importing developing countries will continue to have access to food aid.

Given their different levels of development, LDCs and other countries in Africa may need to sequence their trade reforms as they implement their development programmes. Such sequencing should be accompanied by targeted technical assistance that can help countries to accelerate the pace of reform. Agreement on a balanced and ambitious Doha accord is not enough: there must be funds available to assist countries in Africa and elsewhere to implement the terms of the agreement.

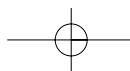
Much has been done since the round was launched nearly four years ago. But none of the good

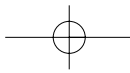
work that has been done to date will mean much if WTO member governments don't reach agreement in the Doha negotiations soon. Members must reach broad agreement on the final package in Hong Kong this December and then work hard next year to secure the final accord.

Clearly, there are few more vital contributions that the leaders of the G8 can make for Africa and the developing world, than to throw their weight behind an agreement which provides more equitable rules and greater opportunity in global trade. ◆

[www.wto.org](http://www.wto.org)

*In September Supachai Panitchpakdi will become the Secretary General of the United Nations Conference on Trade and Development (UNCTAD).*





# Towards a new Marshall Plan?

The Rt. Hon. Gordon Brown MP  
UK Chancellor of the Exchequer

Tackling the underlying causes of poverty requires action on debt, aid and trade – with the generosity and imagination which the US showed to Europe after World War Two

*G8 Finance Ministers agreed 100 per cent debt cancellation for the heavily indebted poor countries*

**A**t Gleneagles, G8 leaders have the opportunity to forge a new deal between the world's richest and poorest nations. Their decisions on debt relief, aid and trade will determine whether or not we honour our commitments to meet the Millennium Development Goals. So that by 2015, instead of 100 million children going without schooling each day, every child has education. And instead of 30,000 children dying avoidably each day, there is a two thirds reduction in infant mortality and a halving of poverty.

After visiting Africa earlier this year and seeing the need first hand, what our world leaders must do at Gleneagles takes on, for me, a new and special urgency.

We cannot continue with a world which is half rich, half poor. We can no longer tolerate a world where children suffer the humiliation and agony of abject relentless poverty, illiteracy and disease – children destined to die even before their life's journey has begun; mothers

struggling to save the lives of infant sons and daughters and in doing so losing their own; millions of children denied education because they cannot afford the fees; the great poverty and yet the great potential of these neglected countries; and the urgent need for action by all decent minded people in every part of the world.

Is not every child, however disabled or diseased, however poor or desolate worthy of our help and worthy of a chance to grow and to develop his or her potential?

With the leaders from nations around the world working together, our actions can help thousands, hundreds of thousands and millions. With all the power at our command, working together, we can meet the Millennium Development Goals.

## Time for a new deal

At a time when there is real urgency about the need to act, what we are proposing is nothing less than a new deal between rich countries and poor countries. It would be a new global economic alliance that engages the

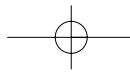
richest G8 countries and all 25 countries of the European Union, from the richest to the poorest.

Taken together the proposals – which combine action on debt, aid and trade with good governance, transparency, an attack on corruption and the encouragement of private investment – form a modern Marshall Plan for Africa and the developing world.

In 1948, with much of Europe still in a state of ruins, the American Secretary of State General Marshall proposed, for his generation, the most ambitious plan for social and economic reconstruction. His starting point was a strategic and military threat but he quickly understood that the underlying problems were social and economic.

Marshall's initial focus was the devastation wrought in one or two of the neediest countries but he rapidly realised his plan should be an offer to all poor countries in the neighbourhood. Starting with a narrow view of aid needed for an emergency, he quickly came to the >





## Development **New Marshall Plan?**

conclusion that his plan had to tackle the underlying causes of poverty and deprivation.

Marshall's early thoughts were for small sums of money in emergency aid but very soon his searching analysis brought him to the conclusion that a historic offer of unprecedented sums of money was required. He announced that America would contribute an unparalleled one per cent of its national income.

He said that his task was nothing less than to fight hunger, poverty, desperation and chaos.

His Treasury Secretary argued that prosperity, like peace, was indivisible – that it could not be achieved in one country at the expense of others but had to be spread throughout the world and that prosperity to be sustained had to be shared. And Marshall's plan – and the unparalleled transfer of resources – not only made possible the reconstruction of Europe but the renewal of world trade and generation of prosperity for both the European and American continents.

And I believe today's profound challenges call, even in a different world, for a similar shared response: comprehensive, inclusive, an assault on the underlying causes of poverty, with unprecedented support on offer from the richest countries.

I believe in 2005 we have a once in a generation opportunity to deliver for our times a modern Marshall Plan for the developing world – a new deal between the richest countries and the poorest countries but one in which the developing countries are not supplicants but partners.

### Action on debt

In June, at the G8 meeting of

Finance Ministers in London we announced one of the most comprehensive statements on debt, development and poverty. The G8 agreed 100 per cent debt cancellation for the Heavily Indebted Poor Countries (HIPCs) – matching 100 per cent bilateral debt write-off with 100 per cent multilateral debt cancellation for the 38 HIPC countries.

Debts owed to the World Bank, International Monetary Fund and African Development Bank amount to US\$55 billion. 18 countries will have their debts cancelled immediately, worth around US\$40 billion. Nine further countries are expected to have their debts written off in the next 12-18 months when they pass completion point, worth an additional US\$11 billion. The further 11 countries have the offer of 100 per cent cancellation when they meet the terms at HIPC completion point.

The debt cancellation has been achieved ensuring additionality of funding for poor countries and at the same time protecting the ability of international institutions to meet their future obligations.

### Action on aid

And Finance Ministers went further than this. At our meeting in June we also reaffirmed our view that it is crucial for the international community to improve the *effectiveness* of aid.

And we also recognised the significant additional financing need for countries to meet the MDGs.

The recent European Union agreement to reach the UN aid target of 0.7 per cent of national income by 2015 – with a doubling of aid from US\$40 billion to US\$80

billion by 2010 – will help towards these goals. In the United Kingdom, which has already doubled aid, we will double it again so that by 2013 we will meet that target.

The G8 Gleneagles Summit is the opportunity to seek a wider international agreement on levels of support where we can call on all countries to join Britain and other nations to double their aid by 2010.

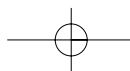
Britain and our other partners will seek further support for the International Finance Facility (IFF) and pilot the IFF for Immunisation (IFFIm) so as to finance the MDGs urgently. Britain will also join France, Germany and hopefully other countries in detailed work on an air ticket contribution linked to the financing of the IFF.

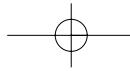
The IFFIm will raise an extra US\$4 billion ahead of 2015 for vaccinations and could save an extra five million lives over the next 10 years. In the years after 2015 a further five million more lives could be saved. The UK, France and Sweden have agreed to contribute to the new IFFIm, supported by the Gates Foundation, the World Health Organisation, UNICEF and the World Bank.

The IFFIm will demonstrate the feasibility of frontloading effective and predictable aid through a larger International Finance Facility that would use future commitments of aid to leverage resources from capital markets for immediate disbursement to the poorest countries in the world. The money will be frontloaded and disbursed to where it can make the most difference by delivering clean water, school facilities and health programmes.

Also at our meeting G8 Finance Ministers discussed, for the first time, a comprehensive approach to >

*G8 Finance Ministers agreed 100 per cent debt cancellation for the heavily indebted poor countries*





## Development **New Marshall Plan?**

### *Trade protectionism denies Africans jobs and livelihoods*

tackle the scourge of diseases that undermine growth and exacerbate poverty. We agreed an approach that will require not only strengthened health systems, but also improved treatment, including universal access for AIDS treatment by 2010.

Progress has been made this year in implementing the global HIV vaccines enterprise and the G8 is committed to scaling up our support for vaccines and medicines research through successful public-private partnership models. Italian Finance Minister Domenico Siniscalco will develop concrete proposals by the end of the year for advance purchase commitments (APC) which can be a powerful tool to incentivise R&D and the production of vaccines for HIV, Malaria and other diseases. AIDS and Malaria claim over four million lives a year.

#### **Action on trade**

Debt relief and additional aid alone will not eliminate poverty. It is vital that we also take action on trade. We must maintain momentum for multilateral progress towards an ambitious, pro-poor outcome to the Doha Development Round, which delivers substantial increases in market access for goods from developing countries and makes real movement in dismantling developed country agricultural protectionism.

So at the Finance Ministers meeting we called for a timetable for the elimination of all trade-distorting export support in agriculture. Sub-Saharan Africa's share of world trade is down from six per cent in the 1980s to just two

per cent today, and while the western world spends just US\$50 billion a year on overseas aid, it spends US\$300 billion a year on trade subsidies.

Trade protectionism denies Africans jobs and livelihoods, cutting them off from prosperity. We propose, along with attacking corruption and promoting transparency, encouraging reform and investment, and the dismantling of developed country agricultural protectionism, an end to export subsidies which distort trade and deny trade justice for the poorest countries and work against producers in the developing world.

But this on its own is not enough. The World Bank estimates that giving 24 of the poorest countries total access to western markets would have no impact on their economies as they would not have the capacity or infrastructure to take advantage of the opportunity.

Even today, in 12 African countries less than 10 per cent of their roads are paved. Telecommunication costs are such that calls from the poorest countries to the USA are five times the costs of calls from a developed country. While water and sanitation underpin health and development, even today 40 billion working hours in Africa each year are used up to collect water. And while tariff costs are often highlighted, it is actually *transport* costs that often constitute a bigger burden of the cost of exporting. With freight and insurance costs representing 15 per cent of the total value of African exports it is difficult for them to be competitive.

So countries need investment in

physical infrastructure, institutional capacity – from legal and financial systems to basic property rights and, at root, transparency that avoids corruption – physical infrastructure and, of course, investment in human capital to enable growth, investment, trade and therefore poverty reduction. Developing countries should also be able carefully to design and sequence trade reform into their Poverty Reduction Strategies so that trade enhances and does not undermine development.

#### **A new partnership**

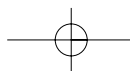
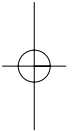
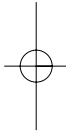
In doing all this let us move from the old ways of talking of recipients and donors to the new ways of talking of 'partners' in development. Today's question – as Africa tackles corruption, introduces transparency, co-ordinates its action in defence of human rights and equips itself to encourage new investment – is not what we can do for, or to Africa, but what *together* we can do with Africa and what Africa – empowered and renewed – can do for itself.

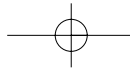
Not so much what rich countries can do for the poor, as what the rich and poor countries can achieve by working together.

I hold to my view that 100 per cent debt cancellation is possible. That we can double aid. That we can secure trade justice. We have the opportunity to save the lives of millions and to turn round the fortunes of a continent.

It is now for the G8 meeting in Gleneagles to recognise the urgency and immediacy of what we need to do. ♦

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# The year of development

Jeffrey D. Sachs

Director of the UN Millennium Project and author of *The End of Poverty*

Meeting the UN's Millennium Development Goals to address extreme poverty, hunger and disease will require a scaling up of public investment in targeted and cost-effective interventions

This year marks a pivotal moment in international efforts to fight extreme poverty. Following the United Nations Millennium Summit in 2000, 189 countries adopted the Millennium Development Goals to address extreme poverty in its many dimensions – income poverty, hunger, disease, lack of adequate shelter, and exclusion – while promoting education, gender equality, and environmental sustainability, with quantitative targets set for the year 2015.

We are now at the five-year checkpoint with a stark realisation: many of the poorest regions of the world, most notably in sub-Saharan Africa, are far off-track to achieve the goals. Yet the MDGs are still achievable. The lives of hundreds of millions of people could be dramatically improved and millions could be saved every year, but only if the world takes bold steps in 2005.

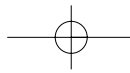
In impoverished countries where governance is adequate (and there are dozens of such countries), the key to achieving the MDGs is a scaling up of investments in targeted sectors and regions. The key lesson from the UN Millennium Project task forces is that sound, proven, cost-effective interventions indeed exist that can ameliorate, and often eliminate, the underlying causes of extreme poverty. Some real breakthroughs are possible, if these proven technologies can be implemented at scale, in the poorest parts of the world. Good science and practical experience have identified core technologies that can deliver increased food production, disease control, and access to basic infrastructure such as safe drinking water.

When these basic investments are in place, people's health, nutrition, and skills improve and allow them to raise their productivity and income. By raising income levels above

subsistence levels, households begin to save for the future, and thereby further increase their incomes. Of course, the increased public investments need to be accompanied by sound policies. Scaling up education systems, for example, requires significant investments in schools, teachers, and supplies, but it also needs management systems that allow greater transparency to track budgets, policies that encourage parental involvement and oversight, and more decentralised school-based management. Similarly, investments for gender equality need to go hand-in-hand with legislation to guarantee property and inheritance rights for women and girls and to protect them from violence.

In some aspects of the MDGs, there are potentially huge 'quick wins' in which simple interventions can make a profound difference to survival and quality of life, even before breakthroughs in public

*There are potentially huge 'quick wins' in which simple interventions can make a profound difference*



management, infrastructure, or mass training of service providers. Increased coverage of immunisations, replenishment of soil nutrients with chemical or organic fertilisers, the mass distribution of insecticide-treated bednets to fight malaria, and expansion of locally produced school meals programmes to improve school attendance and performance – all can be accomplished rapidly and on a very large scale. The UN Millennium Project urges a rapid scale up and financing of such ‘quick wins’ in many sectors. In many instances, non-governmental organisations will be best placed to deliver rapid scale-up.

#### **Needed: national development strategies for the MDGs**

The UN Millennium Project’s core operational recommendation is that every developing country with extreme poverty should adopt and implement a national development strategy that is ambitious enough to achieve the MDGs. The country’s international development partners – bilateral donors, UN agencies, regional development banks, and the Bretton Woods institutions – should give all the technical and financial support needed to implement the country’s strategy. In particular, official development assistance should be adequate to pay for the financing needs, assuming that governance limitations are not the binding constraint, and that the receiving countries are making their own reasonable efforts at domestic resource mobilisation. An existing instrument is the Poverty Reduction Strategy Paper (PRSP), which has focused the development efforts of governments and is the main national framework used by the international development agencies in low-income countries. However, as the central strategy document at the country level, the PRSP must be aligned with the MDGs.

So far, most national strategies have not been ambitious enough to

meet the MDGs, especially in low-income countries, and have instead planned around modest incremental expansions of social services and infrastructure on the basis of existing budgets and amounts of donor aid. Instead, MDG-based poverty reduction strategies should present a bold, 10-year framework aimed at achieving the quantitative targets set in the MDGs. They should spell out a financial plan for making the necessary investments, then show what domestic resources can afford and how much will be needed from the donors. Although poverty reduction is mainly the responsibility of developing countries themselves, achievement of the MDGs in the poorest countries will require substantial increases in official development assistance.

The core challenge of the MDGs is in the financing and implementation of the interventions at scale – for two reasons. One is the sheer range of interventions needed to reach the Goals. The second is the need for national scaling up to bring essential MDG-based investments to most of the population by 2015. Scale-up needs to be carefully planned and overseen; the planning is much more complex than for any one project and requires a working partnership between government, the private sector, non-governmental organisations, and civil society. Previously, scaling up has been immensely successful when governments are committed, communities participate in the process, and long-term, predictable financing has been available.

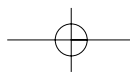
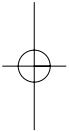
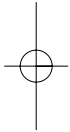
According to our estimates, the total donor cost of supporting the MDG financing gap for every low-income and middle-income country would be US\$73 billion in 2006, rising to US\$135 billion in 2015. In addition to these direct investments in the goals, there are added national and international costs – in emergency and humanitarian assistance, outlays for science and

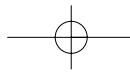
technology, enhanced debt relief, increased technical capacity of bilateral and multilateral agencies, and other categories of official development assistance.

#### **Needed: progress on aid targets**

The increased aid required to meet MDGs has been promised, though not yet delivered. In March 2002, governments worldwide adopted the Monterrey Consensus at the International Conference on Financing for Development, which strengthened the global partnership needed to achieve MDGs. The international community recognised the need for a new partnership of rich and poor countries based on good governance and expanded trade, aid, and debt relief. Donor countries reaffirmed their pledge to reach 0.7 per cent of their income in official development assistance, compared with the current developed world average of about 0.25 per cent of gross national product (GNP). With the combined donor-country GNP at roughly US\$31 trillion, 0.7 per cent of GNP would be about US\$220 billion per year compared with present aid flows of about US\$80 billion per year. The UN Millennium Project’s findings show ramping up additional aid by an extra US\$130 billion per year by 2015 would be more than enough to scale up the critical interventions needed to achieve the MDGs in well-governed, developing countries.

Since the Monterrey Consensus in 2002, the great drama has been whether the rich world would finally meet the long-standing 0.7 per cent target, to enable the poorest countries to break out of the poverty trap and thereby achieve the MDGs. Until recently, six countries declared a timetable to reach 0.7 per cent of GNP by the year 2015: Belgium, Finland, France, Ireland, Spain, and the United Kingdom. In addition to the five countries (Denmark, Luxembourg, Netherlands, Norway





*Without a breakthrough in 2005, well-governed poor countries will not have enough support to launch an MDG-oriented strategy*

and Sweden) with a long-standing success in achieving 0.7, this brought the total number of committed countries to 11 – exactly half of the 22 donor countries that are members of the rich-world's 'donor club' known as the Development Assistance Committee.

A few months ago, Germany took a step of great international leadership by announcing a timetable for increasing its ODA to 0.7 per cent by 2014. That brought the total number of countries on a timetable for 0.7 per cent to 12 – more than half of the 22 donor countries. This has now been followed by an announcement by the entire European Union committing member countries (including Austria, Greece, Italy, and Portugal) to reach 0.56 per cent by 2010, and 0.7 per cent by 2015. In addition, new EU member countries (which are not on the traditional list of donor countries) have committed to reaching 0.33 per cent of GNI in ODA by 2015.

Europe deserves special congratulations for honouring its international commitments, especially at a moment of fiscal strain for some of its member countries. Germany, for example, still bears the heavy fiscal costs of unification, as well as the mounting pension costs of an ageing population. Governments have been working hard to keep budget deficits under control. Yet Europe's

leadership has recognised something of fundamental importance.

Increased aid is not merely a matter of convenience for the world's poor, but a matter of life and death. And by choosing to help the poorest of the poor, Europe has also chosen to help ensure global stability as well, since extreme poverty is one of the major risk factors in causing political upheavals and violence. The other countries around the world that have not set a timetable to reach 0.7 would do well to follow Europe's example.

#### **2005: make or break year**

2005 must bring a major increase in effort. Fortunately, two world leaders, the UK's Tony Blair and France's Jacques Chirac, building on a far-thinking plan of Gordon Brown, the British Chancellor, have promised exactly that. They have pledged to make 2005 a breakthrough year. To lay the groundwork, President Chirac commissioned Jean-Pierre Landau to report on innovative financing mechanisms for development. Prime Minister Blair similarly appointed a high-level Commission for Africa, which issued its report in March and identified an immediate African absorptive capacity of at least US\$25 billion per year.

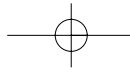
Prime Minister Blair is now travelling to capitals around the world encouraging other leaders to

follow Europe's lead in fulfilling ODA promises. A successful G8 summit in Scotland next month would see developed countries commit to at least doubling official development assistance in the next few years, reaching 0.5 per cent of GNP by 2010 and 0.7 per cent by 2015. This would provide the backdrop for world leaders at the UN General Assembly in September 2005 to commit to a series of specific actions to lay the foundation for a decade of rapid growth and social improvements in the most impoverished places on the planet.

In 2005, the world needs desperately to follow through on its commitments, taking practical steps at scale before the goals become impossible to achieve. The credibility of the international system is at stake. Without a breakthrough in 2005, well-governed poor countries will not have enough support to launch an MDG-oriented strategy, and the already dwindling faith in international commitments to reduce poverty will probably vanish. If we do not act now, the world will have no development goals – and it will be a very long time until the next Millennium Summit in the year 3000. ♦

[www.unmillenniumproject.org](http://www.unmillenniumproject.org)

*Jeffrey D. Sachs is Director of the Earth Institute at Columbia University*



# Globalisation: maximising the benefits

Donald Johnston

Secretary-General, Organisation for Economic Co-operation and Development

Protectionism carries enormous costs for consumers and producers alike. There are better ways to manage globalisation – to the benefit of the developing world in particular

**A**s G8 leaders gather in Gleneagles to review global developments and programmes of action, it is important to recall the benefits of globalisation, and the responsibility of OECD countries in helping developing countries to maximise these benefits.

## The benefits of globalisation for developed and developing countries

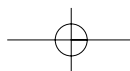
Studies by the OECD and others clearly show the immense benefits flowing to all countries which have opened their markets. But if the benefits of multilateral trade and investment liberalisation are evident, why is there still opposition to globalisation? Why are politicians not

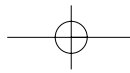
encouraged by their electorates to pursue liberalisation more quickly?

Trade and investment liberalisation produce substantial increases in GDP for our societies; better prices for consumers; and more wealth for investors, producers and wage earners. However, there are segments of our populations who are concerned about globalisation, and who fear and resist it. The principal concerns are employment and job security. The impact of trade and capital flows on consumers and workers is central to the debate about the costs and benefits of globalisation. The most visible cost is to traditional sectors that cannot compete with imports when tariff protection is removed. This means that low-skilled manufacturing jobs

are lost, just as Britain lost its agricultural workers in the 19th century. But we must also appreciate that our societies are witnessing changes at a pace never seen before. And while economies and societies are adaptable, such adaptation takes time. British agriculture was not destroyed at the rate at which low-skilled jobs are being displaced in our societies today.

There are also other concerns – the effects of globalisation on the environment, the effects on culture or even national sovereignty, the fear that globalisation provides increased opportunities for globalised crime, and so on. But the principal cause of opposition to globalisation remains its impact on vested interests, and the employment





implications of free trade.

Not all of these concerns or problems are a direct result of globalisation. They all have complex causes. But these concerns must be addressed if integration and multilateral free trade in particular is to gather and maintain necessary momentum. Answering these concerns in order to maintain momentum is what I mean by 'shaping' globalisation.

### Protectionism: measuring the costs

Our starting point should be a clear understanding of the costs of protectionism and, conversely, the benefits, should protectionism be removed.

First, protectionism carries enormous costs for consumers. But consumers, because they are effectively everyone, do not speak with the united voice of well-focused vested interests which oppose liberalisation. In the 19th century, Ambrose Bierce, an American journalist, defined 'tariff' as "a tax on imports, designed to protect the domestic producer against the greed of his consumer."

Let me offer just a few examples, from agriculture – a widely celebrated example:

- Prices of farm products in the European Union are on average 30 per cent higher than those on world markets due to trade-restricting agricultural policies, but prices for milk are twice as high and for sugar three times as high. And in the US, farm policy results in milk prices that are 60 per cent above those on world markets, while for sugar they are around three times world prices. Yet only a quarter of the inflation of these prices goes to raise farm incomes.
- In Japan, tariffs on rice imports result in significantly higher domestic prices. Farmers receive about US\$165 per tonne in the US,

while Japanese farmers get US\$2,450 per tonne. So it is no coincidence that per capita consumption of rice has fallen dramatically in Japan over the past 30 years.

- Across OECD countries, the lion's share of farm support is based on the amount of output produced – so it is primarily the biggest and the richest farms that benefit. The largest 25 per cent of farms in the US receive 89 per cent of all support, while in the EU they receive 70 per cent. These same farm households on average have incomes and own assets that are much higher than those of the consumers and taxpayers that support them.

Clearly, agricultural reform would benefit consumers, while opening OECD markets for farm goods from developing countries. Reform of OECD countries' dairy policies alone would lead to US\$7.5 billion gains in global welfare. But would reform really be so painful for farmers? No, because most farmers only receive a small fraction of price support, and the necessary adjustment costs would be relatively small if shared with other countries in a multilateral trade reform context.

Perhaps even more important than the impact of protectionism on the relatively wealthy OECD economies, is the impact on developing countries. An important OECD study demonstrated that international trade and investment act as a spur to development, in fact much more so than Official Development Aid. Of course a precondition in developing countries is good governance and a range of policies to provide a framework for attracting investment and stimulating sustained growth. It has been demonstrated that countries which have opened their markets have developed much faster than

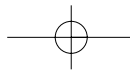
those which have not.

Conversely, the absence of open markets in the OECD countries retards development in poorer countries. This is not difficult to understand since, in the early stages of development, agricultural products and textiles and clothing are normally the most important products for export opportunities.

In this connection, agricultural support policies of OECD countries have certainly had important spillover effects on international markets. Our trade barriers restrict imports, while the subsidised export of production surpluses distorts competition in world markets, and drives down world commodity prices. The OECD estimates that reducing support levels in OECD countries by 10 per cent would lead to an average increase of 2.2 per cent in the international price of crops, with substantial benefits for exporting countries. I could also refer to textiles, cars, international telephone calls, financial services, air transport, electronic products, steel, aluminium or softwood lumber.

In addition, protectionism creates ripple effects, so that protection in one industry adversely affects others. For example, a study of protection of the steel industry in the United States completed in 2001 before the more recent episode of tariffs (Robert W. Crandall, *The Futility of Steel Trade Protection*, January 2001) estimated that for each job saved in the steel industry, the tariff protection cost up to 13 jobs in steel-using industries.

As for services, a recent OECD study on the economy-wide effects of services trade barriers shows that gains from reform in trade services significantly exceed those from liberalisation in the agriculture or manufacturing sectors. This is true for developing as well as for OECD countries. >



## *We must overcome two deficits: a communication deficit and a policy deficit*

All of these examples serve to show that protectionism serves the interests of the few within the OECD countries, at the expense of Ambrose Bierce's "greedy consumers".

### **Getting the policy mix right**

How can we shape globalisation to our mutual benefit and collective advantage? To begin, we must overcome two deficits: a communication deficit and a policy deficit.

The communication deficit represents a failure to explain clearly what international trade and investment can and cannot do and what liberalisation is and is not responsible for. For example, it is not well understood that the principal force that is displacing unskilled workers in modern economies is technology. It has been all too easy to blame the importation of cheap goods from developing countries with lower wage costs. But it is not competition from abroad that has replaced bank-tellers with ATM machines!

We know that trade, investment and technology interact in ways that raise the wages of high-skilled workers and depress the demand for the low skilled. The message that open markets lead to gains in aggregate welfare is of little consolation to people whose lives may be adversely affected by change and who may need to uproot their families in search of alternative employment. Nor does it sit well

with displaced workers whose new jobs may pay lower wages. And others witnessing this phenomenon see themselves as potential victims. Therefore, rapid adjustment through responsive policies is critical.

The OECD helps governments and their citizens to recognise that postponing adjustment through trade protection or restrictions on capital outflows is a blind alley. All protection can do is insulate economies from the market signals that point to the need for early adjustment; inflict damage on the most dynamic firms and most productive workers; and provide what is in most instances short-term and high-cost palliative relief to firms, workers and communities for whom delayed adjustment almost invariably translates into greater longer-term hardship. Protection also masks the market signals that point to new opportunities, while entrenching economies in outmoded production and products.

### **Sharing analyses and best practice – across the board**

Shaping globalisation demands a better way, and there is one.

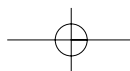
At the OECD, member countries analyse and compare their policies and experience to identify labour market policies that provide adequate income security, while facilitating the re-employment of displaced workers in expanding firms and sectors, which produce important equity and efficiency gains. More fundamentally, OECD studies illustrate that

governments need to work on a whole range of policies, such as education, training, taxation, regulatory reform, competition, pension reform and the portability of health benefits (where that is an issue), which can help citizens and communities to adjust, not just to market opening, but to technology-driven change as well. With the proper mix of policies, governments can maximise the benefits and minimise the costs of trade and investment liberalisation. That is what 'shaping' is all about.

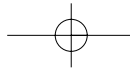
The immediacy of the pain for the relatively few losers when markets are opened or liberalised (compared to the longer time frame in which its benefits unfold for consumers and the economy as a whole), will always complicate our task, especially the task of politicians who operate on a tight electoral timetable.

Timing is not on the side of the reformers. Liberal trade and investment are – and must be *seen* as being – not only about greater freedom of choice but also about *fairness*. Fairness in ensuring that the general interest – concern for the welfare of all citizens – prevails over special interests; and in seeing to it that the dividends of liberalisation are distributed more equitably, both within and between countries. This is why the politics and exercise of leadership at both national and international levels are crucial. ♦

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# Business and the global economy

Yong Sung Park

Chairman, International Chamber of Commerce

Opening world markets, protecting intellectual property, and investing in new technologies for tackling climate change should be top priorities for international action

*We call upon the heads of state and government to achieve the successful completion of the Doha round*

**T**he message of business to the world leaders meeting at Gleneagles in July can be simply stated: the global economy of today offers an unparalleled opportunity to raise living standards across the world. The clear challenge now facing government and business leadership is how to draw into the global economy countries which remain on the margins.

We at International Chamber of Commerce (ICC), representing world business, are especially pleased that Africa will once again be the focus of G8 leaders, three years after they adopted the Action Plan for Africa at Kananaskis. We have examined the recent report of the UK-sponsored Commission for Africa, and we applaud its emphatic recognition of the key

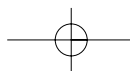
role that a functioning private sector plays in successful development. The creation of a local framework supportive of entrepreneurship and small enterprises – particularly in the areas of financing instruments and technical assistance – is a vital component of a strategy to achieve the UN Millennium Development Goals.

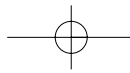
Aid, if it is targeted and accountable, can alleviate localised poverty. But it cannot eradicate generalised poverty. The keys to that aspiration are first and foremost peace and the absence of armed conflict, together with good governance and the rule of law – the essence of which is a framework of just and essential laws and regulations administered by efficient, honest and impartial government and enforced by an independent judiciary. Beyond that, ICC would

also highlight the importance of establishing and protecting property rights, particularly since they are important for attracting foreign investors with their capital, technology, management skills and access to overseas markets.

## **Doha and the poorer countries**

World business believes strongly that the rules-based multilateral trading system, managed through the World Trade Organization (WTO), is one of the central pillars of international co-operation. It has contributed enormously to liberalising world trade and improving market access, and is a major driving force for global economic growth, job creation and wider consumer choice. The current proliferation of bilateral and regional trading arrangements is no substitute for multilateral liberalisation in the WTO in terms





## Development Business and the global economy

*We urge the leaders also to commit their governments to enforcing existing laws against piracy and counterfeiting*

of providing an engine for the world economy.

It is therefore with considerable regret that, once again before a G8 summit, ICC must register its concern at the prospects for the Doha round of trade negotiations. Although WTO member governments did act to pull the round back from the brink of failure in July last year, the original date agreed at Doha for completion of the negotiations has now been missed and progress continues to be slow. The negative signal continues to go out to investors, traders and consumers that, even in the face of a fragile and uncertain world economy, governments seem unable to find the political will to strengthen the multilateral framework for commercial exchanges among nations.

Business is now setting its sights – and its hopes – on the Sixth Ministerial Conference of the WTO scheduled for the end of 2005 in Hong Kong. Steady progress in the negotiations must be achieved between now and Hong Kong, enabling the Ministerial to lock in worthwhile, concrete results and establish a forceful momentum for completing the round by the revised deadline of end-2006. For this, ministers and capitals must remain strongly engaged to ensure that their delegations in Geneva receive clear negotiating mandates – as well as to maintain the practice of occasional ‘mini-meetings’ of trade ministers, which have recently proved effective in pushing the agenda forward.

The Doha negotiations must, above all, address the interests and meet the aspirations of poorer countries. The primary goal must be

to improve substantially their access to developed country markets, especially for products in which they possess a competitive advantage. This will require difficult reforms and adjustments in certain sectors of the economies of developed countries. But such reforms will have a vital bearing on the ability of poorer countries to lift themselves out of poverty by their own efforts and earn a better standard of living in the world economy.

We call upon the heads of state and government gathering in Gleneagles to pledge to achieve the successful completion of the Doha round trade negotiations and to commit themselves personally to devote what time and attention may prove necessary from the very highest political level.

### Intellectual property and innovation

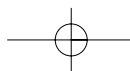
ICC firmly believes that the protection of intellectual property (IP) encourages research and innovation, international trade and investment, and sound economic growth and development. We at ICC are deeply disturbed by the current epidemic levels of product counterfeiting and copyright piracy. Virtually no sector of industry is untouched by this illegal – and sometimes dangerous – activity. The Internet is being misused for massive copyright theft. Piracy and counterfeiting have become a huge and global phenomenon.

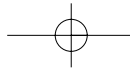
Piracy and counterfeiting deter innovation and creativity, which underpin the knowledge society we live in today; they deprive governments of tax revenue; and they retard the development of legitimate

economic activities and employment. They also undermine consumer confidence in the quality assurance of branded products and pose serious health and safety risks in areas such as food, medicines, car parts and toys. Further, the relatively easy profits to be made from piracy and counterfeiting attract organised crime networks interested in funding other criminal activities and lead to a misuse of the international financial system for money laundering.

One area of IP protection that we understand will be of particular relevance to the Gleneagles discussions is environmental technologies. For example, addressing climate change (see below) will require significant private sector investment in climate-related technology and in technology transfer. Companies need to know that their IP will be protected if they are to undertake the necessary investment or transfer the technology that can help in resolving environmental problems. IP protection is an essential part of an enabling framework to stimulate research and development to create affordable and reliable technologies with low greenhouse gas emissions and to encourage the global dissemination of advanced energy technologies.

The past two G8 summits have recognised the growing need for strong measures to fight piracy and counterfeiting. However, we in the business community see little evidence of concrete action. We urge the leaders meeting at Gleneagles not only to reiterate the importance of respect for international obligations in the intellectual





*A long-term international policy framework  
to tackle climate change should be  
developed under the UNFCCC*

property field, but also to commit their governments to enforcing existing laws against such activity with a new and strong determination. An already huge problem risks spiralling out of control if the world's major powers do not act together to show the way to combat a global menace. Business stands ready to assist and support governments to the maximum in the design and execution of vigorous programmes to that end.

#### **Climate change**

ICC recognises that climate change risks are a major long-term concern. Business is actively addressing these risks by measuring and reporting greenhouse gas emissions from facilities and products, by investing in energy efficiency and conservation, and by undertaking research to develop advanced, innovative new technologies and processes with reduced emissions. The challenge is to meet the world's growing demand for energy – essential to raising global living standards – while also taking

measures to reduce the harmful impact of greenhouse gas emissions on the environment.

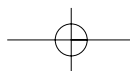
Deep differences exist among countries and regions on the most effective ways to address climate change – and clearly call into question whether an international framework based on a progression of national, binding, differentiated, absolute emission reduction targets can effectively marshal a sustained and global response to concerns about the subject. Business is particularly worried that the lack of global consensus is deterring technological innovation and the investment vital both for securing energy supplies and for reducing greenhouse gas emissions over the longer term.

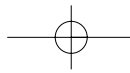
ICC remains committed to the UN Framework Convention on Climate Change (UNFCCC) and believes that it provides a useful structure in which countries across the world can co-operate to develop measures to confront climate change over the longer term. We believe that a long-term international policy framework to tackle climate change should be

developed under the UNFCCC: one that reflects a global consensus on addressing the risks effectively and that encourages investment in, and dissemination of, advanced technologies for producing clean energy necessary for growth and development.

To date, policy negotiations about climate change have focused on implementing near-term greenhouse gas emission limits, in particular those defined in the Kyoto Protocol. The implications for long-term innovation and investment, especially in technology and infrastructure for energy supply and use, have been secondary. It is essential that such implications be thoroughly discussed, especially in relation to research, innovation and investment decisions with long lifespans that must be made now. The discussion should be of considerable help to policymakers in reaching an international consensus on an effective, long-term and global approach to the risks of climate change. ◆

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# Ground rules for effective aid

Richard Manning

Chair, OECD Development Assistance Committee

Scrutiny, complementarity and mutual accountability – combined with rigorous measurement – are as important as increased aid volumes if poor countries are to meet the Millennium Development Goals

The G8 meets in Gleneagles in July at a time when concerns about disparities between and within countries are moving from a matter of interest mainly for an often marginalised 'development community' to a front-line interest of their publics and governments more generally.

More than ever before, public opinion recognises that extreme disparities of wealth and income make for an unsafe world, and the strength of humanitarian concern was graphically underlined by the public response across the world to the Indian Ocean tsunami. The Millennium Project, led by Jeffrey Sachs, has brought out in stark terms the distance that must be travelled if the world is to achieve the Millennium Development Goals.

The Africa Commission has drawn up a clear analysis of what needs to be done if Africa, the continent with the furthest to go to achieve them, is to break out of its trajectory of low growth and appalling poverty. In the summit session of the United Nations General Assembly in September, heads of state and government will be called on to

respond to the linked challenges of both security and development.

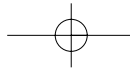
Any progress must start, as at the Monterrey Conference on Financing for Development, with the recognition that it is the poor countries themselves who have the prime responsibility for their own development, and that rich countries must work to create better opportunities for them to progress by tackling barriers to trade and subsidies which inhibit developing countries from earning their own living. Both sides need to put in place measures that encourage effective and sustainable domestic and foreign investment in poor countries.

But for many poor countries, there is also a need for more aid and also for more *effective* aid.

There is evidence that aid volume is at last beginning to rise. Overall official development assistance from the major donors, grouped in the Development Assistance Committee (DAC) of the OECD, has risen by 17.5 per cent in real terms between 2001 and 2004. Admittedly, much of the increase is accounted for by emergency aid (including major contributions in Afghanistan and

Iraq), by technical co-operation and by the writing off of commercial debt, much of which was not being serviced. But there are reasons to expect sustained increases particularly to Africa. Both Canada and Japan have recently announced plans to double aid to Africa, and the US Millennium Challenge Account has signed up its first agreements. Most significantly, on 24 May, the EU decided that the EU-15 would reach ODA/GNI levels of 0.51 per cent by 2010 and 0.7 per cent by 2015, with the new member states aiming for 0.17 per cent and 0.33 per cent by the same dates. I believe that there will be substantial increases of aid to the countries furthest from the Millennium Goals, while we also see a decline in net aid to successful economies such as China.

But whatever the increase, aid will always be a scarce resource. So the efficiency – are resources being wasted? – and the effectiveness – are resources achieving results? – with which it is deployed will be critical. There are reasonable concerns about whether at present the multiplicity of donors, each with >



*Development programmes need to be consistently and critically scrutinised to assess whether they are in fact delivering real value*

their own priorities and systems, is delivering on both these measures.

#### **An action plan takes shape**

I am pleased that there is now a strong consensus that we have to improve and indeed deliver better synergy and complementarity. All the main multilateral and bilateral donors came together with about 50 developing countries in Paris earlier this year in a High Level Forum on Aid Effectiveness, hosted by the French government, and agreed on 2 March to a landmark Declaration on Aid Effectiveness. This put together a challenging but feasible agenda around five key themes.

The first, already alluded to above, is that of real ownership by poor countries of their development strategies. Much experience shows that conditions imposed by donors on unwilling recipients seldom work. Instead, donors should provide stronger backing for sound policies and priorities set by the developing countries themselves – and look for alternative approaches where states are unable or unwilling to tackle their own problems effectively.

The second theme, building on the first, is that donors need to do more to align their programmes to the priorities of the host country. This should mean: helping build better quality systems (eg financial management, procurement) within

host countries, and making more use of these systems (rather than setting up stand-alone donor systems that seldom build sustainable capacity); and aligning their decision-making procedures to local rather than to differing donor timetables.

Third, donors should do much more to harmonise the ways that they plan and deliver aid. We have to get away from practices such as duplicating donor analyses, or of different donors demanding slightly different systems of reporting or accounting rather than using co-ordinated arrangements. These put unreasonable pressures on small and weak local administrations, and encourage the inefficient proliferation of consultants' studies. Donors should trust each other more often, and pool their resources, for example through 'silent partnerships', where a lead donor manages the interface with the host authorities for all the donors concerned.

Fourth, both host governments and agencies, and their donor partners, must pay more attention to the results of their policies, programmes and projects. Development programmes need to be consistently and critically scrutinised, not least by the intended beneficiaries, to assess whether they are in fact delivering

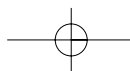
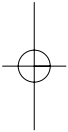
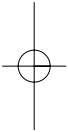
real value. This is important for donors, but also for developing country governments and the delivery agents, including NGOs.

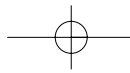
And fifth, we need stronger mutual accountability between donors and recipients, through which they can honestly discuss with one another what works and what does not, and how their partnership is progressing. The Independent Monitoring Group, which scrutinises both government and donors in Tanzania, is an excellent example.

For each of these five dimensions of aid effectiveness, one or more indicators has been agreed (12 in all) to enable progress to be tracked. Preliminary targets for five of these were also agreed in Paris, and participants also decided that these would be further assessed and targets set for almost all the other indicators by September. This will enable all to see whether progress in more effective aid delivery is in fact happening.

#### **Obstacles to be overcome**

None of this agenda is rocket science, and every element of it is already being put into effect somewhere. But, at present, good practice is far from being general practice. In too many cases, the process remains too donor-led, too fragmented and too little designed to help build the sustainable





*Donors should do much more to harmonise the ways that they plan and deliver aid*

institutions which all successful countries need.

On the donor side, two issues have proved particularly contentious. First, how to integrate into a country-led approach single-purpose funds, such as the Global Fund for AIDS, TB and Malaria? Such funds can help to provide a real focus on priority issues, but difficulties have arisen in relating their activities to local priority-setting mechanisms such as Poverty Reduction Strategies and Medium-Term Expenditure Frameworks, which are themselves fundamental in building sectoral capacity. There is no substitute for open dialogue at national level on priorities, which takes account of the potential contribution of such funds within the needs of the recipient country, if full synergy and complementarity among donors is to be achieved.

Secondly, the issue of budget support has provoked much debate. In many poor countries, there is a need for the transfer of current resources (eg to pay salaries and consumables) for years to come, if these countries are to deliver basic services to their people. Direct support for the budget is an obvious way of meeting this need, and has grown in the past few years, as other vehicles for recurrent transfers such as food aid and balance of payments support have

declined. Budget support forces a high degree of harmonisation and alignment, but it also carries risks to both sides that need to be squarely addressed. On the side of the donor, there is clearly a risk that any sub-optimal spending decision or any example of malpractice on the part of the recipient government will provoke public concern. Donors vary in their willingness to accept such risks.

On the side of the recipient, there can be equal concerns about the risk that the donors will fail to deliver, or will seek to impose unreasonable conditions – risks that become all the greater if donors finance a significant fraction of the budget. Further dialogue is needed to find the best ways of handling such risks over the medium term, including systems which enable donors to react to serious problems without simply cutting off support in an all-or-nothing manner. The balance of different types of aid such as general budget support, sectoral support in its various forms, and stand-alone projects is clearly one important element.

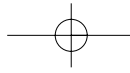
**Capacity building for the hardest cases**

Finally, it is worth looking at the particular problems of the more fragile states, where institutions are

particularly weak, and where it may be difficult for donors to 'buy in' to local programmes or systems. Perhaps a third of the world's poorest people live in such states, which cannot be ignored. Donors are currently testing some simple principles for operating in such countries. These principles stress the importance of engagement and of co-ordinated and harmonised approaches, which help build capacity. They also emphasise the need to help build the core functions of the state, notably law and order, balanced by making full use of the scope for delivering services through non-state actors. Much of the agenda set out in the Paris Declaration is also relevant to the needs of these countries.

We should see over the next decade the most concentrated effort yet to help move poor countries to rapid and sustainable progress towards the Millennium Development Goals. Greater synergies between the increasing number of bilateral and multilateral donors – including emerging donors – will be necessary if we are to see the most effective results from this effort. The Gleneagles summit participants could do worse than put some top-level political weight behind this endeavour. ♦

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# Seize the day

## A personal message to G8 leaders from Richard Curtis

Richard Curtis is the writer of films such as *Four Weddings and a Funeral*, *Notting Hill* and *Love Actually*, the combined box office earnings of which top US\$1.5 billion. He is also co-founder of the UK charity, Comic Relief, which over the last 20 years has raised over US\$600 million for people in intense need in Africa and the UK

*There are parts of Africa where young women are almost an endangered species*

I gave up my job as a writer 18 months ago to work towards the G8 conference in Gleneagles, in the hope that I could do a tiny bit towards making it a breakthrough moment in the battle against extreme poverty.

These were some of the reasons, and statistics, for that decision:

I discovered that in some countries of Africa now one in four children die before they are five years old – I have four children under 10 – which one would I choose to go down?

Also, I know that one in 13 women in poorer countries die during childbirth – my girl Emma had a very complicated first birth with our daughter Scarlett, but they are both alive and well.

In some parts of Africa, the average life expectancy is now 37, which was the average life expectancy in the UK about 500 AD. I'm 48, my Mum's 79, my Dad is 86.

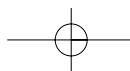
I was also encouraged by the group of men who'd be meeting to make the decisions in Gleneagles, amongst them Tony Blair, who had set up the Commission for Africa. George Bush, whose record in terms of money for the poor, particularly in the area of AIDS, far exceeds that of all recent American Presidents. Jacques Chirac, a man with a lifelong passion for all things African, from a country with the strongest of bonds with that great continent.

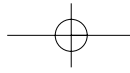
And speaking of AIDS, I was deeply aware of the terrible statistics there – 25 million dead of this terrible disease in Africa alone – many more than died in the Holocaust of the Second World War. A holocaust all of our own. Every year. Recently a project in Malawi was set up to train nurses to fight the AIDS epidemic. They picked 300 students, 18-year-old girls. By the end of the three years, only 72

of the girls were still alive. There are parts of Africa where young women are almost an endangered species.

I kept thinking to myself – what are our children going to think about our generation? Will they go to Africa and lay wreaths upon the Tomb of the Unknown Child and turn to us and say – "Millions of people were dying, on your watch – and you just stood by. It was an urgent crisis of epic proportions and you treated it as business as usual."

And I so I put down my pen – to a massive sigh of relief from the millions of people who deeply do not want to watch yet another film in which Hugh Grant once again gets the girl – and started to do whatever I could. The purpose was always, in one way or another, to try to convey the passions of ordinary people about this subject to the politicians who will be making the decisions at Gleneagles. Eight men in one room.





*The real power for massive change lies with politicians*

Bob Geldof once told me that he made more money for the poor during a short meeting with President Mitterrand than he did in the whole Band Aid/Live Aid extravaganza. The real power for massive change lies with politicians.

Over this year, I've seen extraordinary things. Nelson Mandela launching the Make Poverty History campaign in Trafalgar Square – an old man who knows what it means to fight injustice, and to win. I've attended meetings in South Africa with representatives of over 70 countries, all joining together for this cause. I've sat in rooms with the most bizarre collection of individuals, from the Mothers Union to the Trade Unions to the Boy Scouts – all determined that the time has come for a change. I've seen hundreds and hundreds of thousands of people from all around the world join websites and email their leaders. I've seen millions of people wearing the white band; the symbol of the campaign.

I've also been to Africa and sat in rooms with young, beautiful women dying of AIDS, with no medicines in sight. Given fresh vegetables if they were lucky. I've sat by as one young woman called Aberash, with a four-day-old child, decided not to breast feed her child because she might pass the AIDS virus on to her child. But she was too poor to buy baby milk. I've taken the call a few days later telling me that her child had died. Just one of the 30,000 children who died that day and will die unnecessarily every day until

someone has the determination to change things once and for all.

And I absolutely know that this generation of politicians could make the definitive difference here. If on the Wednesday before the G8, 30,000 children died in London; if on the Thursday 30,000 died in Berlin; then 30,000 in Paris on Friday; 30,000 in Moscow on Saturday; 30,000 in Tokyo on Sunday; in Ottawa on Monday; in Washington on Tuesday; and in Rome on the Wednesday that the G8 leaders arrive, we all know in our hearts that the money would be found to stop the deaths on the walk from the front door to the reception desk. It can't be impossible. It *must* be possible.

Politics is stupidly complicated – getting things right is impossibly hard – but I've never had a moment's doubt that there is the money and the knowledge to halve extreme poverty by 2015. And now is the moment to do it. There is a tide in the affairs of men – and by the time of the G8 meeting, the whole world will be watching to hear the results on poverty. Thousands of people will be in Edinburgh. Millions will be waiting around the world, knowing that definitive progress is needed on cancelling debt, doubling aid, and making definite progress towards trade justice. Billions will have watched the Live 8 concerts. They will know about and understand the G8. A whole generation will be holding its breath to see whether their leaders will lead, to see whether the promises

their countries made at the millennium will be kept, or broken.

Throughout history there have been great battles fought by members of the public and then by their elected representatives against great injustices – the battle against slavery, the battle against apartheid, the great American battle for Civil Rights. A whole generation will take its lead from this G8 Summit – a whole generation prays for a great and historic victory.

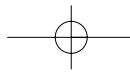
When I go back to work, I've decided to leave Hugh Grant still sitting on his yacht, and to try to write a book for my children, about the lives of great men and women. All history books now seem to be called *Horrible Histories*, *The Terrible Tudors*, *The Gruesome Goths*. But I can't find on the shelves the books I used to love when I was a boy – short biographies about people like George Washington, Napoleon, Nelson. I'm going to write about men and women who have used their lives to change the world in some way – from William Wilberforce to Martin Luther King, from Marie Curie to Nelson Mandela.

I know who I want the last chapter to be about. Eight men who saw that the world was crying out for justice, eight men who realised that suddenly the price of poverty had slipped out of control, eight men who arrived at a hotel in Scotland one day in July and made the greatest decision of our times.

Berlusconi. Blair. Bush. Chirac. Koizumi. Martin. Putin. Schroeder. Debt. Aid. Trade.

I beg you. Seize the day. ♦





# Partnerships beyond borders: “From Gleneagles to New York”

Amir A. Dossal

Executive Director, United Nations Fund for International Partnerships

“At no time in human history have the fates of every woman, man and child been so intertwined across the globe. We are united both by moral imperatives and by objective interests. We can build a world in larger freedom – but to do it we must find common ground and sustain collective action.”

*Kofi Annan, UN Secretary-General*

One of the most frequently used terms in business and development today is ‘partnerships’. This buzz word has taken on renewed importance in a post 9/11 world. And while it has different meanings for different sectors, it is clear that the need for working together has become paramount. Collaborating and benefiting from each other’s relative strengths is increasingly the viable way to tackle problems, be they global, national or local.

The G8 Summit at Gleneagles will highlight, as the United Nations has advocated, the necessity of public-private partnerships for business and development. As globalisation and information technologies draw peoples closer, so do they knit

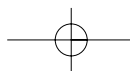
together social, economic, political and cultural issues. This was stressed in the Opening Plenary Statement by Prime Minister Tony Blair at the 2005 World Economic Forum in Davos: “We may disagree about the nature of the problems and how to resolve them, but no nation, however powerful, seriously believes today that these problems can be resolved alone. Interdependence is no longer disputed.”

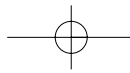
#### **Partnerships for a better world**

Although partnerships, especially public-private partnerships, are not new to the international community; innovative multi-stakeholder partnerships have gained importance in the last few years – some well known examples include the Global

Fund to Fight Aids, Tuberculosis and Malaria, the Global Alliance for Vaccine Immunization (GAVI), the Global Alliance for Improved Nutrition (GAIN), and the UN ICT Task Force.

The United Nations Fund for International Partnerships (UNFIP) has been building partnerships for the past six-plus years and is, in itself, the product of a partnership. Established by the Secretary-General in March 1998 to serve as the interface between the UN system and the UN Foundation (UNF) – the public charity responsible for administering Ted Turner’s US\$1 billion contribution in support of UN causes – it has supported over 320 projects in 122 countries and successfully promoted new United





## Development Partnerships

Nations partnerships and alliances worldwide. Working with companies, foundations and civil society organisations, UNFIP engages partners not only on a financial level, but also in strategic planning and in policy dialogue, transferring new technology, expertise, and innovative delivery systems to achieve the Millennium Development Goals (MDGs).

Recent experience has shown that the critical aspect of partnership is the ability to develop and harness the strength of the different stakeholders, provide for equal ownership of all those involved, and, more important, the avoidance of a 'top-down' approach.

UNFIP works with the private sector to encourage conversion of policies into action and ideas into concrete investments projects, many of which offer possibilities for scaling up and replication. Too often the rhetoric of partnerships obscures the reality of innovative models already working on the ground. Some of these are summarised below.

**The Equator Initiative** is a partnership among the United Nations, governments, civil society, businesses and foundations, linking economic improvement and job creation to protection of the environment by building the capacity and raising the profile of community enterprises in the tropics. Recognising the superior performance of specific enterprises, the Equator Initiative shows that conserving biological diversity is an integral part of the business bottom-line for these thriving local firms engaged in activities ranging from sustainable forestry and fishing, to organic agriculture and ecotourism. In addition to providing public recognition awards, the Equator Initiative develops local capacity through community-to-community learning exchanges and contributes

to the creating and sharing of knowledge to make an impact on policy and public awareness.

**MTCT-Plus** is a five-year HIV care and treatment partnership between the United Nations, numerous foundations and other civil society actors, designed to link prevention with care and treatment for HIV-infected women and their families in the poorest countries. Co-ordinated by the Mailman School of Public Health at Columbia University and supported by a coalition of foundations, MTCT-Plus brings HIV care and treatment to existing programmes to prevent mother-to-child transmission (MTCT).

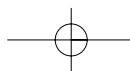
**India Solar Credit Facility** is a four-year, US\$7.6 million, solar loan programme set up to help accelerate the market for financing solar home systems in southern India. A partnership between UNEP and two of India's major banking groups – Syndicate Bank and Canara Bank – it aims to accelerate the market for credit financing of PV solar home systems by assisting these banks to develop lending portfolios targeted at financing solar home systems. With the support of UNF and the Shell Foundation, the project provides an interest rate subsidy to reduce the cost of financing. This project challenges Indian banks to develop new loan products in the expanding clean energy sector, and has leveraged approximately US\$6.3 million in loan capital from the Canara and Syndicate Banks. The credit facility is now offered through several thousand local bank outlets and exceeded expectations in Year One performance.

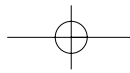
**Global Sustainable Energy Islands Initiative** is an initiative that seeks to accelerate the transition of small island nations toward cleaner and

more sustainable energy use. Specifically, the project supports the development and implementation of national sustainable energy plans in Grenada, St Lucia and Dominica by demonstrating market-based approaches to the delivery of clean energy services. Working with governments, the private sector, the investment community and other stakeholders in the Caribbean region, the project partners are developing a portfolio of priority investment projects that can increase clean energy supplies and services while reducing petroleum demand in the islands.

**GeSCI** is a partnership working at the local, national, and international level to support, create, and implement strategies to harness Information and Communication Technologies (ICTs) for education and community growth. It focuses on delivery, offering project development and management, strategic support, facilities and resource mobilisation, and implementation. GeSCI partners consist of a broad range of key stakeholders in the donor, private, multilateral and non-profit sectors. This global network deploys ICTs where they are needed most to increase directly the number of children who participate in formal education; the number of skilled teachers in the classroom; and the number of literate adults, particularly among women.

**Innovative Production of Heat and Power** in China is a pioneering partnership to provide heat and power from biomass in rural China. The United Nations Development Programme has teamed up with UNF and the local Jilin Provincial Government to finance a combined heat and power plant to be fuelled by corn stalks and other agricultural wastes. The plant is >





*Innovative multi-stakeholder partnerships  
have gained importance in the last few years*

designed to produce cooking gas, heat and electricity simultaneously and to demonstrate the technical, economic and market viability of a modern biomass gasification system. While the initial investment is targeting a small village of 224 households, the project seeks to demonstrate a viable business model and commercialisation strategy to promote project replication on a wider scale in rural China. The project has succeeded in negotiating a power purchase agreement – a significant breakthrough in China – which is a key element of its financial viability.

**Measles Initiative** is a partnership aiming to control measles deaths in Africa by vaccinating 200 million children through both mass and follow-up campaigns in up to 36 sub-Saharan countries. Mass measles campaigns are designed to reach every child in a target group. The population at risk may vary from country to country, but in general the target population is children under the age of 15 years. Leading this effort are UNICEF, WHO, UNF, the American Red Cross, and the Centers for Disease Control and Prevention. Other key players in the fight against measles include the

International Federation of Red Cross and Red Crescent Societies, and governments of countries affected by measles. By the year 2005, it is estimated that 1.2 million lives will have been saved, bringing deaths from measles in Africa to near zero.

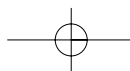
#### **Turning aid into investment**

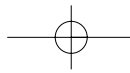
The momentum generated in 2002 by the Johannesburg process with its focus on Type II partnerships – practical, voluntary multi-stakeholder initiatives contributing to implementing inter-governmental commitments – must be maintained. The upcoming Millennium Review Summit, which will take place at the United Nations Headquarters in September 2005, will provide an opportunity to do so – and will directly build upon the development focus of the UK's G8 Presidency. On this occasion Member States will have before them the United Nations report *In Larger Freedom: Towards Development, Security and Human Rights for All*, released in March 2005 by UN Secretary-General Kofi Annan, and the Millennium Project report *Investing in Development – a Practical Plan to Achieve the Millennium Development Goals* – both of which provide major

creativity points to bring various stakeholders together to address development as it is linked with security and human rights. Both reports stress the need for alliances, collaboration and partnerships.

Our focus must increasingly be on *investment*. Prime Minister Tony Blair's commitment at Davos cautioned against the "old donor/recipient relationship as patronising and unworkable" and stressed partnerships which "help not as charity but as a route to independence from it". The United Nations recognises there is "aid fatigue" and is increasingly looking at innovative approaches to increase the level of investments in Africa. The challenge for the international community is to create sustainable livelihoods – 'wealth creation' needs to replace the 'poverty eradication' mantra.

Initiatives such as Ericsson's First on the Ground – an in-kind contribution at the disposal of the UN system to provide and maintain effective mobile communications equipment and expertise for humanitarian relief operations – and the Cisco Networking Academy Least Developed Countries (LDCs) Initiative – providing students with skills that enable them to design, build and





*We hope that central to the G8 recommendations will be the creation of a more enabling environment for public-private partnerships*

maintain computer networks in the local market – are excellent examples of how aid and investment can be brought together for the common good.

We need to think out of the box and set up bold and creative initiatives such as the Acumen Fund, which works to identify some of the world's best entrepreneurs and organisations focused on delivering critical and affordable goods and services – such as water, healthcare and housing – to improve livelihoods, health and opportunities for the poor. Using the skills of business, the flexible capital of philanthropy, and the rigour of the marketplace, the Acumen Fund develops and delivers systems-changing solutions to the world's problems. Their investment approach focuses on organisational sustainability, strong leadership and scalability through managerial support and financial investment.

While partnerships are certainly not a *panacea* and are by nature difficult to implement in practice, the benefits of working together are numerous and with the sheer scale of the MDG challenge quite simply indispensable. Increasingly, new partners come to the United Nations to explore how best to support humanitarian causes

and the achievement of the MDGs. Working with the United Nations is not always easy. Navigating the complex UN system and securing the right contact information can be a daunting task to anyone not familiar with the organisation. Nevertheless, the benefits of working with the United Nations far outstrip the challenges. The Global Compact initiative is providing a 'policy framework' for the private sector and promotes better corporate social responsibility. Through this network it is encouraging companies to increase their involvement in these collaborations.

#### Opportunity for renewal

The United Nations has a key catalytic role to play that cannot be underestimated. Comprised of 191 member states, the United Nations network covers most countries in the world with the mandate and operational capacity to advance peace and development across the globe. Seventy per cent of the work of the UN system is dedicated to development assistance programmes and it would be a missed opportunity not to engage this mechanism in new and creative ways.

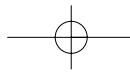
Millennium Development Goal 8 calls for the development of a global

partnership for development. This goal is not an end *per se*: public-private partnerships are a bridge to achieving the other seven goals embodying the 18 targets. The timing of the G8 Summit provides a great opportunity to feed its outcome into the United Nations Millennium Review Summit in September. We hope that central to the recommendations will be the creation of a more enabling environment for public-private partnerships, especially to bring business closer to the development community. ♦

[www.un.org/unfip](http://www.un.org/unfip)

#### Websites

[www.un.org/esa/sustdev/partnerships](http://www.un.org/esa/sustdev/partnerships)  
[www.unglobalcompact.org](http://www.unglobalcompact.org)  
[www.unicttaskforce.org](http://www.unicttaskforce.org)  
[www.unfoundation.org](http://www.unfoundation.org)  
[www.equatorinitiative.org](http://www.equatorinitiative.org)  
[www.mtctplus.org](http://www.mtctplus.org)  
[www.measlesinitiative.org](http://www.measlesinitiative.org)  
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[http://cisco.netacad.net/public/digital\\_divide/ldc/index.html](http://cisco.netacad.net/public/digital_divide/ldc/index.html)  
[www.acumenfund.org](http://www.acumenfund.org)



# Health: time for the big push

Richard G.A. Feachem

Executive Director, The Global Fund to Fight AIDS, Tuberculosis and Malaria

New technologies hold out the promise of dramatic health improvements in developing countries – if political will is backed by hard cash

2005 has become a turning point for global development. The UN Secretary General's report on the Millennium Development Goals has shown that with only ten years to go, 2005 is our last opportunity to make the investment needed to achieve the task of halving poverty by 2015 as well as all the other goals that need to be reached.

The Commission for Africa has made clear the grave consequences for the population of an entire continent if we don't take joint action now to stop the bleeding of resources from Africa, help resolve conflicts, arrest the AIDS epidemic and other devastating diseases and foster democracy. The Commission has made clear, concrete and realistic recommendations for how we can do all this.

Lessons from the past four years have shown how a world with extreme inequalities is an insecure world and that stability, peace and sustainable development can only be secured through a more just and equitable world order. The United

Kingdom and France have presented several detailed, solidly thought-through and realistic proposals for how we can drastically increase our investment in effective development assistance now so we can save money later. All these proposals are based on the commitment provided by nearly all industrialised nations to increase development assistance to a level of 0.7 per cent of gross national income by 2015. Through its presidency of the G8 this year, the United Kingdom has placed these development issues firmly at the centre of the G8's – and therefore also the global – agenda.

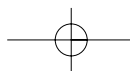
Together, these developments have come together in a perfect storm. This kind of momentum for a fundamental change in the relationship between developed and developing nations – between the rich and the poor – which aims to create a truly global world where we are all responsible for the welfare of all others will not happen again for many years, even decades. It needs to be grasped now. If we succeed in providing the resources needed to

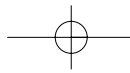
turn around epidemics, cut child mortality, provide universal primary education and slow environmental degradation, the world will be more radically changed than it was with the fall of communism or even after the last World War.

Sceptics criticise this optimism as naïve. They point to decades of failed aid, corruption and seemingly irresolvable conflicts in the poorest part of the world as proof that more resources will not help.

## We can make the difference

Yet, the evidence of failure is based on what in reality is only a job half done. Take health. Annual health expenditures per capita in rich countries range between US\$2,000 and US\$4,500. The poorest countries spend US\$5 - US\$15 per person on health per year. For the past decades, development aid may have increased these spending levels by perhaps US\$5 or US\$10. Does it make sense to then claim that because disease still persists, development assistance doesn't work? Health economists have shown that unless a country spends





## *Malaria deaths could be cut by half within less than a decade*

at least US\$40 per person per year, there will be little or no impact in a population's health. The same is true for education.

As in nuclear physics, real change will only happen once spending has reached critical mass. Investments short of such a level will mostly be wasted because the problems will run away from the solution.

### **Malaria: a battle worth fighting**

Malaria is a prime example. Today, the world spends around US\$300 million on malaria control – to no avail. Deaths from malaria are increasing every year and the parasite is spreading to ever-new areas. Yet, over the past couple of years, new technologies have appeared that have cut malaria deaths by as much as 80 per cent in some areas. If these technologies could be rolled out across Africa, malaria deaths could be cut by half within less than a decade. To achieve this, however, we need to invest US\$3 billion to fight malaria each year from 2007 onwards. Expensive? Not compared to the potential gain in productivity and investments: economists have calculated that the benefits for African economies from such malaria control would be as much as US\$12 billion each year.

Over the past decade, the global community has worked hard to learn from past mistakes – and best practices – on how best to transfer development assistance to poor countries in a way that provides lasting results. Relations with recipient countries have matured, and increasingly, recipient countries can better direct the aid they receive, based on their own needs and priorities. Fewer conditions are

set on aid in exchange for more clearly defined targets for results. Donors are making increasing efforts to co-ordinate their assistance to each country.

### **Leveraging new initiatives**

In addition to what will hopefully be improved bilateral development assistance, the world community has come together to create a small number of new initiatives to make development assistance as effective and responsive as possible. Due to a growing realisation that health is a prerequisite for all development, and perhaps also because health provides an easily quantifiable way of measuring results (through lives saved and morbidity reduced), it is the health sector which has seen most of these innovative initiatives.

The Global Alliance for Vaccines and Immunization (GAVI) has, over the past five years, supplied large amounts of new vaccines and additional resources to developing countries to increase immunisation rates worldwide. GAVI provides grants against agreed targets for immunisation coverage and ceases funding where results are not forthcoming, ensuring that scarce resources are not wasted.

The Global Fund to Fight AIDS, Tuberculosis and Malaria was created in 2002 to provide large additional resources to the fight against the three diseases which together kill six million people every year and impede social and economic development. It has already provided US\$3.6 billion to health programmes in 130 countries and is set greatly to expand this funding in the years to come. Although most grants are just over a year old, support from the Global

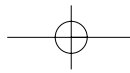
Fund has provided more than a million people with treatment for one of the three diseases, and tens of millions more have received information or tools to protect themselves from infection. The Global Fund also provides grants based on agreed targets, and disburses money based on progress towards such targets. By providing half the funding through non-governmental institutions, the Global Fund helps increase the capacity of developing countries to absorb the new resources being made available.

A number of private foundations and public-private partnerships are channelling hundreds of millions of dollars towards developing new drugs and vaccines which are needed to fight disease in developing countries, which on their own could not afford these new products. Together, increased bilateral and multilateral aid, the new funding mechanisms, and the many private initiatives are bringing a revolution to the field of global health. For the first time in 30 years, there is hope that the heavy burden of disease can be substantially lightened for developing countries struggling to cope.

The ability to use substantially increased amounts of money wisely and effectively has been greatly increased over the past decade. The challenge for the leaders of the G8 is to take the bold action necessary to ensure that the additional money will flow. They need to double the amount of development assistance from today's level. Their summit in Gleneagles in July is a unique opportunity to make a historic shift towards the future of our children and our planet.

Our common future hangs in the balance. ♦

[www.theglobalfund.org](http://www.theglobalfund.org)



# Bridging the digital divide

Yoshio Utsumi

Secretary-General of the International Telecommunication Union  
Secretary-General of the World Summit on the Information Society

Information and communication technologies have valuable applications across most areas of development. The WSIS process aims to extend the benefits of ICTs to the world's most disadvantaged communities

**T**he digital revolution in information and communication technologies (ICTs) has made a profound impact on how the world functions and interacts, and will continue to play a major role in shaping our global future.

Unfortunately, access to the benefits of ICT has not been even, among and within countries, between urban and rural areas, between the rich and the poor, between the educated and the illiterate, between men and women. The need to avoid perpetuating the inequities of the past has now taken on a real urgency, which is why many of the world's key players in ICT are now taking active steps to bridge this information and knowledge divide and bring the benefits of ICTs to all.

In addressing these challenges of our times, the International Telecommunication Union (ITU), which has co-ordinated global telecommunications for the past 140 years, is once again pioneering a new path by laying the foundations for a

global information society that seeks to provide universal and equitable access to information and knowledge through widespread use of information and communication technologies.

At the G8 Summit in Okinawa, Japan, in 2000, the world's leaders recognised the importance of ICT for empowering people, strengthening economies, enhancing public welfare and promoting stronger social cohesion. They called for access to the digital opportunities for all. They pledged to act in concert to maximise the benefits of ICT to those with limited access.

#### WSIS: an historic initiative

At the initiative of ITU, the United Nations General Assembly adopted at the end of 2001 a landmark resolution to organise a world summit on the information society. In 2002, ITU took the lead role in organising the World Summit on the Information Society (WSIS). The first phase of this top-level Summit concluded in Geneva in December

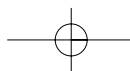
2003 with global leaders from over 175 countries, including some 50 Heads of State/Government and Vice-Presidents, agreeing on a shared vision of the information society and setting out an Action Plan for its realisation.

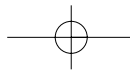
Specifically, WSIS is committed to "building a people-centred, inclusive and development-oriented information society, where everyone can create, access, utilise and share information and knowledge, enabling individuals, communities and peoples to achieve their full potential in promoting sustainable development and improving their quality of life."

#### WSIS: the second phase

Preparations are now underway for the second phase of WSIS, which will be held in Tunis from 16 to 18 November 2005. Unique in the history of global summits, the two-phase format of WSIS has created a built-in follow-up mechanism to maintain the momentum and to

*Information has the power to spread the common ideals of peace and tolerance, growth and development*





### *ICT targets for the year 2015 include connecting all villages around the world*

ensure that the goals and principles adopted at the first phase would be achieved. The Tunis Summit will chart the future course of the information society, helping ensure that ICTs are made globally accessible and devising strategies for using ICT to achieve the development goals enshrined in the UN Millennium Declaration.

Information has the power to dispel ignorance and empower people to reach their personal aspirations. It has the power to bind communities on a global scale and to spread the common ideals of peace and tolerance, growth and development. While ICTs alone cannot solve the world's problems, they will be increasingly important tools in accelerating the pace of social and economic development.

Because of this we need to cultivate and involve innovative minds from industry, with their creativity, enthusiasm and wealth of technical experience. These private sector players will be a vital part of efforts to develop new or adapt existing technologies and systems to meet the pressing needs and challenges of all communities. In keeping with the Millennium Development Goals, ITU is actively forging partnerships to connect the world and bridge the digital divide by bringing the benefits of ICTs to all.

#### **Access for all**

Following on from the Declaration of Principles and the Plan of Action agreed by world leaders at Phase 1 of WSIS in Geneva in 2003, ICT targets for the year 2015 include connecting all villages around the world and bringing ICTs to all universities, colleges, secondary and

primary schools, scientific and research centres, public libraries, cultural centres, museums, post offices and archives, health centres and hospitals. Local and central government departments should also be connected, and have their own websites and email addresses. By the same date, all primary and secondary school curricula should be adapted to incorporate ICTs in the study programme, to equip young people around the world to meet the future challenges of the information society.

The next phase of the Summit in Tunis will specifically address a number of key areas, including Internet governance, financial mechanisms, monitoring and measurement of progress in fulfilling the action lines, and achieving the WSIS goals and global engagement. At the Summit, participants in the ICT4All events will also look at the scope for ICT applications and e-strategies in areas of universal concern, such as poverty eradication, health, environment, disaster reduction, business, trade, and agriculture.

#### **Guiding principles: inclusiveness and partnership**

The Summit's successes have provided the necessary momentum to address more effectively many pressing global issues, particularly in the area of improved ICT for development. Because building an inclusive information society requires a multi-stakeholder approach, WSIS has been designed to engage effectively not only with governments, but also with the business sector and civil society, as well as other organisations within the United

Nations system.

ITU, with its long experience in developing the technical and regulatory frameworks and standards that allow the world to communicate, is committed to providing the necessary expertise and tools needed to implement the WSIS Plan of Action in partnership and co-ordination with all players. In view of the many constraints presented by these sometimes difficult times, paving the road ahead will be an arduous task, so it will be crucial to make the most efficient use of existing resources and avoid wasteful duplication of effort.

The challenges faced are multifaceted. They include how to improve the current Internet international co-ordination arrangements without undermining the stability and reliability of the internet; how to provide affordable access to all without jeopardising those existing financing mechanisms that prove effective; how to ensure network and information security without affecting people's human rights and their right to privacy, and more. Clearly, these challenges will require a new commitment to work together if we are all to realise the full benefits of the information society.

Looking ahead to Tunis and beyond, we must remember that ensuring the fruits of today's powerful knowledge-based tools are within reach of people living in even the most impoverished economies will be the true test of an engaged, empowered and egalitarian information society. Communication and information must be freely and readily available to all humanity, not just the privileged few. ♦

[www.itu.int/wsis](http://www.itu.int/wsis)



# Entrepreneurship: sowing the seeds

Frannie Léautier

World Bank Vice President for the World Bank Institute

Encouraging 'micro-entrepreneurs' – especially among women, the young and rural dwellers – is one of the most effective ways of tackling poverty.

A good investment climate is the key

Economies are propelled by the energy of individuals who are willing to risk all they have to bring new products and processes to market. The seed of entrepreneurship lies dormant in millions of people for lack of the right conditions for its expression. Even when it falls in fertile soil and sprouts, how often is it trampled, uprooted, or withered by a changeable and sometimes hostile climate? How often is it crowded out by weeds of overregulation, conflict, or uneconomic activity?

The metaphor is not far-fetched. Entrepreneurs, like seeds, require a conducive climate. Under the right conditions, they flower and bear their fruit. That fruit, if all goes well, falls not on the ground but is harvested to be traded, consumed, and replanted. Everyone benefits.

Pursuing the metaphor, if entrepreneurship is a tiny seed (requiring only soil and water and sun to multiply vastly in value), then governments and aid donors are farmers that must provide the policy equivalent of good growing conditions. Early in the growing season or in difficult weather they

must resort to incubators, greenhouses, and other protective measures. Later on, once conditions have become favourable, careful monitoring is often all that is necessary.

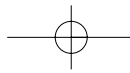
Entrepreneurship and growth go together. Where one is found, so is the other. No country with high levels of entrepreneurship, for example, shows low levels of economic growth (GEM 2005). Thus if it were possible somehow to grow entrepreneurs, like manioc, it would be reasonable to expect, after a reasonable period of gestation, an increase in economic growth. And if entrepreneurship could be cultivated among the poorest people, it is equally reasonable to expect that the benefits of growth would be more inclusive, more "pro-poor", than they otherwise might be.

## Entrepreneurship, growth and poverty

Entrepreneurs play a dual role in fostering economic development. Their first role is to discover previously unexploited opportunities for profit. In so doing, they push the economy gradually toward

economically (and technologically) efficient production. Their second role is as carriers of innovation. Entrepreneurs are more likely to introduce or make use of innovative technology or processes than are more settled firms, for obvious reasons, and innovation results in a more efficient use of resources. The shift brought about by entrepreneurs represents the essence of economic growth – increases in output through gains in productivity.

What determines the contribution that entrepreneurs make to society? The chief factor is the *investment climate* – the set of location-specific factors that shape the opportunities and incentives for firms to invest productively, create jobs, and expand. As described in *World Development Report 2005: A Better Investment Climate for Everyone* (World Bank 2004), government policies and practices shape the investment climate through their effect on costs, risks, and barriers to competition. Poor investment climates tend to hit small firms and those in the informal economy the hardest. In so doing, they frustrate entrepreneurs – often the chief



*Entrepreneurship and growth go together.  
Where one is found, so is the other*

agents of innovation in an economy – and keep people in poverty.

Growth and entrepreneurship cross-fertilise in a great variety of climates. Thus there is no stock formula for forcing entrepreneurship (Hausmann, Pritchett, and Rodrik 2005). But several principles emerge clearly from the literature on investment climate.

First, creating a good investment climate is a process, not an event. Persistence is more important than immediate results in signalling to investors large and small that the government is serious about improving the climate for investment (World Bank 2004). Especially important is persistence in practice – that is, in implementing decreed or legislated reforms.

Second, reforms must focus on the specific constraints to entrepreneurship found in each country, without overestimating or overtaxing the government's capacity for policy formulation and enforcement. Measures that might produce a huge blossoming of entrepreneurial activity in one country may be ineffective or irrelevant in another. One country's problem may be unreliable infrastructure or difficulties in enforcing contracts. Others may be struggling with crime, corruption, or unpredictable regulation. In cases of wholesale 'state capture' by a few large firms bent on exploiting economic activity for their short-term advantage, measures that increase transparency and accountability are likely to be more relevant and effective than, say, shortening the time required to obtain a business licence.

Third, common measures and benchmarks can be a powerful tool to get countries to change their practices and approaches. Investment climate data gathered and analysed by the World Bank, Transparency International and other organisations can help donors make the necessary distinctions, but solutions must still be adapted to local conditions. It is possible to transfer practices and approaches when bringing practitioners together, since the ability to learn from doing is high when such peer groups are interacting.

Fourth, broad reforms that benefit all players are more likely to encourage small entrepreneurs and less likely to create perverse incentives for protected firms. Narrowly targeted reforms that create a comfortable climate for privileged firms can thwart competition and stifle innovation. Firms protected from competition are far less likely to innovate than those not protected (Desai and Pradhan, 2005). Under most circumstances, policies that put into effect systemic changes such as the universal rule of law and the protection of property rights are the most important. Once these are in place, donors can support good programmes with financing and technical assistance to remove constraints to business formation and expansion.

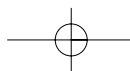
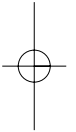
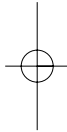
Fifth, to maximise productivity growth and job creation, reforms should facilitate the entry and exit of firms from markets. Turnover accounts for a significant share of total productivity growth in many

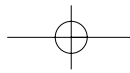
countries (Bartelsman, Haltiwanger, and Scarpetta 2004). Moreover, the entry of new businesses into the market pushes existing firms to adopt new technology or change their business practices to become more productive.

Finally, safety nets are necessary to help workers temporarily displaced by the 'creative destruction' of high firm turnover. In addition to protecting the most vulnerable members of society, safety nets can reduce popular opposition to policies that encourage inefficient firms to leave the market in favour of more productive start-ups.

The foregoing general principles apply differentially to countries at different income levels. In low-income countries, where hundreds of millions of poor people make their living as micro-entrepreneurs, and data to access the investment climate is weak, reforms should aim to improve the overall investment climate and knowledge about the status of key constraints, as well as strengthening the conditions that allow new and established firms to develop. Those conditions include macroeconomic stability, the rule of law, labour market flexibility, infrastructure, predictable and transparent taxation and regulation, financial market efficiency, and administrative and management capacity. Without progress in these basic areas, interventions to foster enterprise creation, even among microentrepreneurs, are likely to have limited impact.

As governments build credibility through a steady commitment to sound business-climate policies,





*Firms protected from competition  
are far less likely to innovate*

they must also enlist donor assistance to invest in human development through basic education, public health services, water supply and sanitation, and, particularly in Africa, action against the catastrophe of HIV-AIDS. "This is an urgent matter of basic human rights and social justice," notes the Commission for Africa (2005) in calling for a substantial and sustained increase in aid to the continent. "But it is also sound economics: a healthy and skilled workforce is a more productive one."

Once basic literacy and numeracy have been achieved, education continues to reinforce and complement improvements in investment climate by producing workers who are better able to use new and more productive technologies. The complementarity of education and investment climate grows stronger as economies become larger and more sophisticated. Lifelong learning systems that provide the opportunity for people to keep up high-technology skills, renew skills, and learn new skills, play a critical role by supporting flexibility in the labour market. Lifelong learning is increasingly demanded in middle-income countries undergoing major structural change, such as China.

**Growing hardy varieties**

With the removal of binding constraints to entrepreneurial activity, selective interventions to foster enterprise creation in specific sectors or among certain populations can enhance growth

while reducing poverty. To spread the benefits of entrepreneurial activity as widely as possible, it may be wise to cultivate entrepreneurship in unlikely places – for example, among the poor, the young, rural dwellers, and women. Where the poor are in the majority, and where entrepreneurship must survive under less than optimal conditions, the focus on micro-entrepreneurship may be especially productive.

Advances in productivity often can be traced to entrepreneurial activity among excluded groups, a paradox that may be intuitively explained by analogy to the principle of biodiversity. Among the excluded groups that have proven to be particularly fertile matrices for productivity gains are women and rural residents. A little nurture can help coax untapped entrepreneurial energy from those groups. Consider just a few examples:

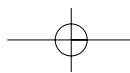
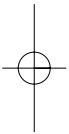
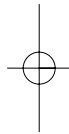
- Grameen Bank provides financial services to more than two million women in Bangladesh. Grameen set out to provide services not to women specifically, but to the poorest. After women's repayment performance proved superior to men's, Grameen began targeting women by design. Grameen's mimickers have adopted the practice, so that women make up a rapidly growing share of microfinance transactions in Bangladesh.
- India's Self-Employed Women's Association (SEWA) is a trade union of 550,000 poor women. In addition to offering financial services through its co-operative bank, SEWA provides insurance, pensions, home

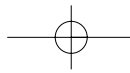
improvement loans, and trade facilitation services to link poor women to rich markets.

- A World Bank-supported programme in the poor Indian state of Andhra Pradesh links self-help groups of poor women to banks, government services, insurance providers, and markets. In three years of operation, the programme has been scaled up to reach 85 per cent of the eight million poor households in the state.
- BRAC, an NGO in Bangladesh, has built on government welfare relief for vulnerable women to create a vibrant poultry sector where none previously existed.

Women and girls constitute three-fifths of the world's poor. Their poverty level is higher than that of men because of gender disparities in education, employment opportunity, and decision-making power. Women have less access to education, less access to health care, and are often last to be fed. By necessity many turn to self-employment, often the only employment option open to them (Minniti, Arenius, and Langowitz 2004). Yet they do so without access to the resources they need to grow: finance, technology, skills, and knowledge of markets. In many areas, cultural barriers pose additional obstacles to starting or expanding a business.

Entrepreneurship as practiced by women differs in key respects from male entrepreneurial activity. For example, according to the Global Entrepreneurship Monitor, which reports on levels of entrepreneurial





## Development Entrepreneurship

activity in 34 participating countries, women are more likely than men to start consumer-oriented businesses rather than service-oriented enterprises, where start-up costs tend to be higher. Their businesses tend to have slower early growth trajectories and expect to create fewer jobs than their male counterparts.

But women's entrepreneurial activities also mean better livelihoods for children and families, because women invest more of their business income into their families than do male entrepreneurs. Although that tendency has positive effects on children's schooling, nutrition, and health, and thus ultimately on the society's potential for growth, it also constrains the growth and health of their businesses (Chen, Jhabvala, and Nanavaty 2004). Hence the need for targeted interventions that recognise and reward the social benefit of women's entrepreneurship while addressing its self-limiting aspects.

### Partnerships for inclusive development

To succeed, the global campaign to reduce poverty outlined in the Millennium Development Goals requires co-operative action from all quarters – from aid agencies and NGOs in rich countries; from the private firms that provide more than 90 per cent of the world's jobs; from technical experts; from policymakers and officials in developing countries; and, most of all, from millions of entrepreneurially minded people who know that a job – whether working for oneself or another – is the surest path out of poverty (Narayan *et al.*, 2000).

The international community has dubbed 2005 'the year of development' because of the urgency expressed by the UN, the UK and others about the Millennium Development Goals, Africa's

development needs, climate change, and other issues. The Bank's donor countries recently agreed on a substantial replenishment of funds to the International Development Association (IDA), the World Bank affiliate that provides assistance to the world's 81 poorest countries where the vast majority of people live on less than US\$2 a day. At least US\$34 billion in resources will be made available during the next three years for development assistance, of which about US\$18 billion will come from new contributions from 40 donor countries.

But breaking the vicious cycle of ignorance, poor health, poverty, economic stagnation and poor governance will require measures extraordinary in number and in scope. They must be designed to attack on several fronts at once. Partnerships linking government, firms, and civil society are the natural vehicle for such measures. To be effective, they must adopt a long-term perspective on, and commitment to, inclusive growth, a dynamic view of development that conceives improvements in governance, infrastructure, education, and health services as steps toward the ultimate goal of unleashing the natural entrepreneurial power of the world's people.

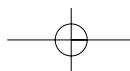
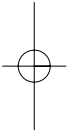
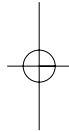
The capacity to create and innovate lies dormant in millions, waiting for the right climate. The World Bank (2004) has determined that the manufacturing value-added of investment climate improvements in even a single country has the potential to exceed the value of all official development assistance now provided worldwide. Developed countries can help developing countries realise that potential by removing trade protection and other policy distortions that skew or hobble the investment climate in developing countries. They can join the World Bank and other international institutions in better co-

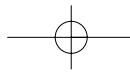
ordinating and targeting their aid efforts – and by raising the absolute levels of development assistance. Finally, they can help the World Bank Institute in raising the IQ – the innovation quotient – of the developing world through capacity development at the individual, social, and institutional levels.

Since 2001, when WBI became the locus of capacity development efforts at the World Bank, the Institute and its many partners in government, business, and civil society have been creating microclimates for innovation around the world. Building on systemic improvements (rule of law, secure property rights, inclusive legal systems), WBI partnerships selectively remove binding constraints to enterprise formation and expansion by for-profit entities and their lesser-known cousins, 'social entrepreneurs.'

Technology helps WBI target binding constraints in ways that are not just cost-effective but also pedagogically sound. E-conferences and associated local consultative processes facilitate South-South learning among and between networks of peers who have direct experience with successful and not-so-successful development efforts. Case studies on microfinance and enterprise development prepared for the May 2004 Shanghai conference on reducing poverty and sustaining growth provide the basis for e-events that offer invaluable 'how to' guidance in a peer-to-peer setting. One such conference, undertaken in partnership with the United Nations Capital Development Fund, resulted in the compilation of the *Blue Book on Building Inclusive Financial Sectors* (forthcoming from UNCDF, autumn 2005).

WBI is also linking business schools together in global classrooms. Students at the University of Pennsylvania's Wharton School, for example, analyse cases with business students in Bosnia, Brazil, Mexico,





## Development Entrepreneurship

### *Women's entrepreneurial activities mean better livelihoods for children and families*

Russia, and Turkey. A partnership of WBI, the Instituto Tecnológico y de Estudios Superiores de Monterrey (Monterrey Tec), and Mexican cement giant Cemex has created a virtual forum in which students, academics, managers, and development practitioners are charting a path of fruitful collaboration between educational institutions and the private sector. The intended result? Better jobs, greater innovation.

Like good weather, a good investment climate benefits everyone. And individual entrepreneurs and smaller firms have the most to gain: unlike large operators, they literally cannot survive in parched and hostile terrain.◆

#### Notes

1. *The World Bank's Investment Climate Surveys cover more than 26,000 firms in 53 developing countries. The Bank's Doing Business Project benchmarks regulatory regimes in more than 130 countries. See World Bank 2004 and <http://econ.worldbank.org/wdr/wdr2005>.*

2. *In middle-income countries, where the basic elements of the investment climate are in place, the focus is on strengthening the institutional factors that directly affect entrepreneurship, such as facilitating (or at least not impeding) business entry and exit. As middle-income countries move from being technology-adopting countries to technology-creating countries, entrepreneurs will play an increasingly important role in the economy. For that reason, a strong commitment to entrepreneurial education is important to consolidate an "entrepreneurial culture."*

3. *For high-income countries the focus should be on developing a highly innovative entrepreneurial sector and*

*on supporting high value-added new companies that have the potential to grow and to develop internationally. Entrepreneurial economies need to strengthen technology transfer; make early stage funding available; and support entrepreneurial activity at the state, corporate and university level.*

3. *In micro- and small enterprises worldwide, women make up one-quarter to one-third of the total business population; in manufacturing, they constitute one-third of the global labour force (UNIDO 2003).*

4. *In low- and middle-income countries, only 1 per cent of women's new businesses qualify as having high employment potential. The percentage increases to only 1.6 in high income countries (Minniti, Arenius, and Langowitz 2004). Women entrepreneurs tend to start businesses with known technology and in established markets.*

5. *A social entrepreneur is "an individual who uses earned income strategies to pursue social objectives, simultaneously seeking both a financial and social return on investment." See Institute for Social Entrepreneurship, <http://www.socialent.org/definitions.htm>*

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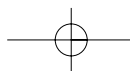
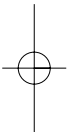
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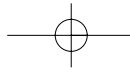
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# Freedom: the condition of safety

Condoleezza Rice  
US Secretary of State

Nurturing democracy through greater openness – to trade and to new ideas – is the surest route to a safer world

**S**ixty years ago, the countries of the world signed the Charter of the United Nations in San Francisco. That event marked the opening of an entirely new and unprecedented era in world history. Four decades later, again in San Francisco, then-Secretary of State George Shultz articulated the strategy that accelerated the collapse of the Soviet Union, a strategy that became known as the Reagan Doctrine. The main idea of that doctrine was simple and powerful. A democratic revolution was sweeping the world, Secretary Shultz declared, and the United States of America would use every aspect of our national power to protect, to strengthen and to expand the movement of liberty worldwide.

Four years later, the Berlin Wall was torn asunder and the colours of dawn finally broke through the long twilight struggle. As we reflect on the ideas of that speech, we recognise that much that is universal in America's purpose still remains. But we also notice that

this is a radically different situation in our present circumstances.

The implosion of the Soviet Union fundamentally transformed our world. From the fall of the Berlin Wall on 11/9 to the toppling of the twin towers on 9/11, the old international order slowly and then quickly crumbled into dust. For some, this was a glorious revolution, a cause for celebration throughout Russia and Eastern Europe. For others, however, the collapse of the old world order shattered the false and fragile stability within many foreign societies.

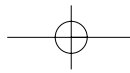
Ethnic cleansing erupted in the Balkans. War and genocide haunted Central Africa. And in Afghanistan, a vicious band of zealots seized power, brutalised their people and made common cause with mass murderers. The full nature of this new world was revealed on a warm September morning turned black with terror.

On that day, the United States learned just how closely our nation's

security is tied to the success or failure of other societies. You see in today's world the greatest threats to peace emerge within nations, not between them. As a result, the internal relationship between state and society is just as important as the external balance of power between governments.

In response to this unprecedented challenge, President Bush set a new course for America, a practical course of action that summons the highest ideals of our nation, from Franklin Roosevelt to Ronald Reagan. As the President has said, "The best hope for peace in our world is the expansion of freedom in all the world."

Trying to label our policies as either realistic or idealistic is a false choice. They are both. Freedom and democracy are the only way for diverse societies to resolve their disputes justly and to live together without oppression and war. Our challenge today is to create conditions of openness *around* >



*The Millennium Challenge Account is committing billions of dollars in new money to countries that rule justly, advance economic liberty and invest in their people*

states that encourage and nurture democratic reform *within* states.

America must open a path to the march of freedom across the entire world. We are succeeding in this great purpose and we measure our success in the democratic revolutions that have stunned the entire world – vibrant revolutions of rose and orange and purple and tulip and cedar. It is a time when there is great hope for a Palestinian state founded on democratic principles.

To be sure, enormous challenges still define a violent Iraq and a postwar Afghanistan and many other young democracies. But we also face the challenges of strengthening democracy in three important regions: in Latin America, in Africa, and in Asia – areas that are not so often on the front pages, but that are very much in our minds.

#### **Latin America**

The success of democracy in Latin America depends on the continued openness of our hemisphere – openness to new ideas and to new people and especially to new trade. A region that trades in freedom benefits everyone and one of the highest priorities of this administration is to pass the Central America and Dominican Republic free trade agreement known as CAFTA.

CAFTA will energise democracy, strengthen security, and promote prosperity among some of the US's most important neighbours. The people of Central America and the Dominican Republic are working

hard to replace a past of chaos with a future of commerce. They are embracing democratic principles and free market reform. And together, we must use the incentive of increased trade to promote even greater political freedom.

To attract trade and investment, democratic nations will work to create the political conditions for prosperity, transparent and accountable governments with the energy and the integrity to enforce the rule of law. In turn, these democratic reforms will help citizens to lift themselves out of poverty and participate in the life of their nation. There is a belief among some that CAFTA will only enable the strong to prey on the weak. But that view is totally misguided. On the lawful level playing field of democracy, free trade offers greater opportunities to all people from all walks of life.

CAFTA will also contribute to democratic stability in Central America, making our nation's periphery stronger and safer and freer. For some nations in Latin America, however, democratic institutions must be nurtured with foreign aid. The United States is, thus, providing new development assistance with our Millennium Challenge Account initiative.

For decades we wasted billions of dollars in aid because it was given unconditionally. The MCA has revolutionised that practice, committing billions of dollars in new money to countries that rule justly, advance economic liberty and invest in their people. Honduras and Nicaragua have met these conditions and we are

working with them to reach compacts for granting assistance.

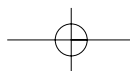
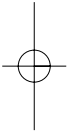
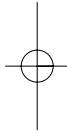
#### **Africa**

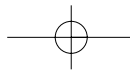
The Millennium Challenge Account is also helping to open a path for the march of freedom in Africa. As in Latin America, it is serving as external encouragement for internal reform. Eight African nations are eligible for MCA assistance. And just this April, the Millennium Challenge Corporation signed its first compact with Madagascar: US\$110 million in assistance that will help the nation's citizens to share in the blessings of political and economic liberty.

The United States is committed to that vision of a peaceful, prosperous and democratic Africa. In the past four years, we have tripled the amount of official development assistance that we give to the nations of Africa. But we also recognise the limitations of that approach. As Uganda's President Museveni has said: "By itself, aid cannot transform societies. Only trade can foster the sustained economic growth necessary for a transformation."

President Bush agrees with the wisdom of that statement and he has sought to extend the benefits of free trade to sub-Saharan Africa through the African Growth and Opportunity Act, or AGOA. This policy grants preferential trading status to African countries that are committed to democratic and free market reforms.

The result is an environment of openness that not only creates jobs >





## A safer world **Freedom**

but also encourages African nations to transform their society. By any conceivable measurement, AGOA is a success. Thirty-seven countries have qualified so far. Congress has twice extended the life of this legislation with strong bipartisan support. And last year alone the United States imported over US\$26 billion of goods from the AGOA group of African nations, a nearly 90 per cent increase over the previous year.

This means more jobs and greater stability and increased opportunity for an expanding number of African citizens. With AGOA we are sending the message loud and clear that political and economic liberty are the keys to success.

### Asia

As in Africa and Latin America, the United States is also opening a path for the continued march of freedom in Asia. Since the middle of the 20th century, we have guaranteed an environment of liberty, security and opportunity in Asia. And while the entire world focused on the grand events of the Cold War, billions of people across Asia, with America's support, tirelessly and steadily built the foundations of democracy on their own.

Some people looked at Asia in the 21st century and drew bleak comparisons with Europe in the 20th century. Like Europe then, Asia now is transforming itself politically and economically through global trade and record growth. But rather than view this change as a contribution to peace, some believe that it will stoke old grievances and nationalist sentiments.

According to cynics, the struggle for the mastery of Asia is just over the horizon. This is a crude analogy and I reject it as an abuse of history. There is no reason why Europe's past should predetermine Asia's future and we can explain why this is true in just one word: *openness*. Europe's instability of the early 20th century

stemmed, in part, from its non-democratic character, the Kaiser of Germany, the Czar of Russia, the Hapsburg monarchy and the Ottoman Empire. All of these closed regimes contributed to an atmosphere of distrust that summoned the guns of August.

Now look at Asia today, where democracy is more the rule than the exception. Of course, there is one large exception, and that is China, but we are confident that this will not always be so. As China continues to reap the benefits of economic openness, its leaders will look around Asia and come to one obvious conclusion: political openness is a prerequisite for lasting success. Yes, the rise of China will certainly help to shape the future of Asia, but the democratic character of Asia will also shape the rise of China.

### Freedom: the birthright of every human being

This is a powerful reason for optimism. The United States of America knows that we cannot force other nations to adopt democratic principles. In fact, we reject the entire premise of imposing democracy, because democracy, unlike tyranny, does not have to be imposed.

If you go to any corner of the globe, no matter how backward in technological development, no matter how far from the centre, you will find that when men and women are asked simple questions – “Do you wish to say what you think? Do you wish to worship as you please? Do you wish to educate your boys and your girls freely? Do you wish to be free from the arbitrary knock of the secret police at night?” – they will say yes. We saw it as people went to the polls in large numbers in Afghanistan, along dusty roads in a country that, in many ways, is barely out of the 17th century. We saw it in Iraq, where people went to the polls despite signs that were posted that said: “Vote and you will die”.

Democracy, a belief in liberty, a desire to be free, is as natural as breathing.

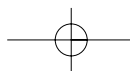
It is not that it is easy, but when has it ever been easy? In our country, the great author of liberty, Thomas Jefferson, said; “The God who gave us life gave us liberty at the same time.” But Thomas Jefferson was a slave owner; and so imperfect in his beliefs in liberty. And yet, because here, in our country, the Founding Fathers gave us institutions that protected those great principles, we have been able to struggle and stumble toward a more perfect union, built in liberty, for the more than 200 years of our existence.

All nations secure in their liberty choose to be governed by the will of the people, not by the whim of the dictator. They, too, will stumble and fall. They, too, will create institutions that are not perfect, but they will be institutions that do protect the human dignity that comes with liberty and freedom. With our first breath as a new nation, America declared that freedom is the birthright of every human being. We've always acted on that conviction.

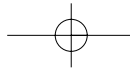
Our nation worked to open a path for freedom 60 years ago in San Francisco when we helped to draft the UN Charter. We continue to open that path for freedom forty years later when Secretary of State Shultz declared that America would support all people worldwide who longed for democracy.

And today, though many of the challenges that we face are historically unprecedented, the United States is again guided in the world by our timeless commitment to human liberty. This is the only policy noble enough for our nation. It is the great calling of our time and by keeping faith with our highest ideals, we will succeed. ◆

*This is an extract from Secretary Rice's lecture at the Commonwealth Club, San Francisco, 27 May 2005*  
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# The UN at the crossroads

Lord Hannay of Chiswick

Member of the UN Secretary-General's High-Level Panel  
on Threats, Challenges and Change

The United Nations remains indispensable, but needs urgent reform  
if the international community is to meet complex new challenges

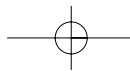
**W**hen the G8 meets at Gleneagles its agenda will, as usual, be overflowing with issues urgently requiring a solution, or at least some significant progress; and its anterooms will be full of representatives of the main developing countries who are increasingly recognised as an essential part of the discussion if that progress is to be made. Like a golden thread running through every one of these issues will be the need for strengthened and reformed international organisations to help negotiate, legitimise and deliver solutions. Whether talking about the effects of the tsunami or the environment, AIDS, WMD proliferation or the problems of Africa, it always comes back to the

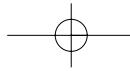
need for more effective, more efficient and more equitable international organisations. And none amongst them needs reform more urgently than the United Nations. Because the United Nations, for all its faults and weaknesses, remains indispensable.

#### Why action is needed

It is now nearly two years since Kofi Annan stood at the rostrum of the UN General Assembly and stated flatly that the UN was "at a fork in the road" – that it could not just go on muddling through, as it had done in the 15 years since the end of the Cold War. No one contradicted him, because no one doubted he was right. For all its successes, and there have been plenty – in

Namibia, in Mozambique, in El Salvador, in East Timor, in reversing Saddam Hussein's aggression against Kuwait – the ratio of failures to successes had swung the wrong way. Paralysis over Security Council decisions on the use of force in Kosovo and Iraq, failed peacekeeping operations in Somalia, Bosnia and Rwanda, serious administrative weaknesses in the UN Secretariat and the Security Council, which have subsequently come to light in the oil-for-food imbroglio – all have undermined the organisation's credibility and its ability to carry out the increasingly complex mandates which the membership has piled onto it, without giving it the backing in resources and in political





*The problems of security and development  
are two sides of the same coin*

support which it needs when the going gets rough.

#### Coming to crunch time

The reform process which Mr Annan set in hand that day is now reaching the point when decisions will have to be made, either positively, to back his proposals, or negatively, by default. A panel report containing more than 100 recommendations, many of them far-reaching – probably the most ambitious makeover of the UN since it was founded in 1945 – is on the table. So is a powerful analysis of what is needed if there is to be any chance of the organisation achieving by 2015 the Millennium Development Goals the UN set itself at the turn of the century for dealing with poverty, disease, malnutrition and environmental degradation. Mr Annan himself has drawn the threads of these two reports together in an agenda for decision at a summit meeting in New York in September. The buck is now moving inexorably to the point at which it always has to stop in that most inter-governmental of organisations; the governments of the member states – all 191 of them.

One thing has become clearer than ever before: we are not here talking about two agendas, one for

development and one for peace and security; we are talking about a single, broad agenda, within which the problems of security and development are two sides of the same coin. It is not a question of trading off progress on development against progress on security, a kind of grand bargain between groups of countries with different interests. What is needed is a coherent set of policies to deal with the whole of that broad agenda and the resources required to implement it.

Nor is it sensible to look at all this as some titanic clash between the forces supporting multilateralism and those which favour a unilateral approach. In reality, there is not one of the threats and challenges that face the international community which can be effectively handled by individual states acting alone, nor one which can be managed entirely through the action of international organisations. So there is a need to overcome the tensions of recent years and to build a new consensus which can harness the efforts of nation states, particularly the most powerful amongst them, and those of the international organisations to which they often pay lip service but too seldom provide with the resources and political backing they need if they are to serve the

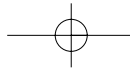
international community effectively.

#### New tools for new problems

The threats we all face, in the security field in particular, have changed quite fundamentally since the end of the Cold War removed the shadow of confrontation between two nuclear-armed superpowers, and the actuality of proxy wars around the world between their surrogates which were regarded as off-limits to the UN. Now international terrorism, the proliferation of weapons of mass destruction, the risk of a combination of these two threats, and the appalling problems caused by the weakness and collapse of states – a phenomenon that has cropped up in every continent – have taken the place of these earlier threats. The interconnections between each of these new threats and the links too with poverty, disease and the environment demand a systematic re-think of how best to counter them.

#### Next steps

So what are the main prescriptions for what needs in every case to be a strategy for prevention? First, there needs to be a comprehensive strategy against terrorism, which addresses the causes of it as well as



## *The UN needs the US and the US needs the UN*

the symptoms. Mr Annan set out his ideas on this in March in Madrid. It would include an agreement to outlaw terror targeting of non-combatants, just as we long ago outlawed piracy and slavery. Then, on the proliferation of weapons of mass destruction, we need a multi-layered approach which addresses the specifics of each type of weapon and which reinforces the increasingly fragile defences of international inspection. For state failure it is urgent to plug the gap reflected in so many botched attempts at post-conflict peace building. A Peace-Building Commission which would bring together the efforts of the Security Council, the Economic and Social Council, the IMF and the World Bank with the main troop contributors and donors, could make a major difference.

### **Getting the structures right**

The UN cannot do everything. That is why another crucial part of the reform proposals includes a much better integrated working relationship between the UN and regional and sub-regional organisations, with stronger support for those like the African Union which are making major efforts to confront threats to peace in their region but lack essential resources in training, logistics and finance. And, when prevention fails, the UN High-Level Panel on Threats, Challenges and Change and the Secretary-General

suggest guidelines to help the Security Council to reach decisions on the use of force which should increase predictability and deterrence while recognising that there can be no push-button certainty about such decision-taking. These guidelines should include a willingness by the international community to assume a responsibility to protect human security where individual governments have proved unwilling or unable to do this themselves.

Alongside these policy prescriptions there are some important institutional changes to match – enlargement of the Security Council from 15 members to 24 on one of two models with a view to increasing its representativeness; a fundamental re-shaping of the UN machinery for handling human rights to make it more effective and more credible; and major reforms in the UN Secretariat to equip it better for the tasks ahead and to make it more accountable to the membership, while giving the Secretary-General more scope for allocating the personnel and resources he is given.

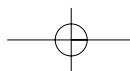
So what are the chances for a substantial harvest in September? It is too early to predict with any confidence. The process of negotiation is only just beginning to engage. One major question mark hangs over everything – the attitude of the US administration. The hard fact is that the UN needs the US and

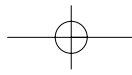
the US needs the UN; but fitting those two imperatives together has never proved easy in the past and will not be so now. The UN cannot and should not just become an instrument of the foreign policy of any of its members, even the most powerful among them; but equally, to be effective, it has to move forward on a basis which has general backing.

### **Forward from Gleneagles**

The G8 meeting is not the place to take decisions on any of these matters. But it can and needs to play an essential role in shaping the decisions to be taken in New York in September and in giving real momentum to the UN reform process. Without reformed and strengthened international organisations enjoying the active and energetic support of their principal member governments, the warm words and aspirations of the G8's communiqué will remain just that, the follow-up hobbled by inadequate co-ordination and the absence of a broad consensus on the way ahead. For a world facing many complex new threats and challenges, and as yet inadequately organised to find collective responses to them, that would be a miserable outcome. ♦

*Lord Hannay of Chiswick was the United Kingdom's Permanent Representative to the UN from 1990 to 1995.*





# 2005: a watershed year for global security

Gareth Evans

President and CEO, International Crisis Group

Collective security in an interdependent world demands real political will  
and far-reaching reform of the multilateral system

**T**here is every reason for this G8 Summit to focus, as it will, on the two key themes of Africa and climate change: both are huge problem areas, desperately needing new momentum for their resolution. But just two months later, at the Millennium Review Summit in New York, the world will be wrestling with an even larger agenda of interrelated security, development and human rights issues – essentially the whole range of threats to state and human security that we face in the 21st century – and it is critical that the Gleneagles G8 should not drop the ball in the messages it sends out on this wider front as well.

Security issues, particularly counter-proliferation and counter-terrorism, have loomed large on G8 agendas since 2002. They demand attention again in their own right this year, not least because some of them seem further away than ever from solution. The long-feared nuclear weapons breakout seems closer now than it has been for decades, with Iran and North Korea

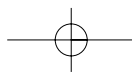
showing the hollowness of existing constraints and the Nuclear Non-Proliferation Treaty Review Conference collapsing in May: there was no sign whatever of agreement on any of the four big activities crying out for shutdown by mutual consent – nuclear testing, new and continuing weapons programmes, reprocessing or uranium enrichment – if a new cascade of proliferation is to be avoided.

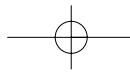
Deadly terrorist attacks continue with alarming frequency, and nobody can be confident that one or more of the world's major cities will not be laid to waste by nuclear, biological or chemical weapons some time soon. Major regional conflicts and tensions, not just in Africa, remain unresolved: the risks and horrors of new and ongoing war, not only within but between states, are very real in many other parts of the world. And all of this is occurring in a wider human security context in which – above all in Africa but not only on that continent – there are still over a billion people living in extreme poverty, with life expectancy

closer to 40 than the rich world's 80; and with 100 of every 1,000 children dying before their fifth birthday, compared with fewer than 10 in high-income countries.

## Make or break time for global governance

What has been missing in the global response to these threats – including the reactions of the G8 itself – has been any real sense of how they are woven together, and how crucial it is that we urgently revitalise the institutions of global collective security, above all the United Nations, if we are not to face a rapid deterioration in the global security environment. There is a very real sense around the world, not fully acknowledged by all the G8 countries, that not only are poverty, malnutrition, disease and environmental degradation not being tackled as effectively as they can and should be, but that the whole multilateral security system on which the world order was rebuilt in 1945 is once again at the crossroads. Almost strangled at birth





though it may have been by the Cold War decades, the idea of a rules-based collective security system imposing universal constraints in the common interest flowered again in the first heady years of the 1990s, but has since lapsed into considerable disarray, with ineffective responses to major challenges in Bosnia, Rwanda, Kosovo and Iraq, and an accompanying resurgence of unilateralism and exceptionalism by major powers reluctant to accept those constraints and disciplines.

In this environment, it is not an exaggeration to say that 2005 is emerging as a make or break year for global governance. Three factors have come together to make it so: the recognition of a *need* for change, as just described; the emergence of an *agenda* for change more comprehensive and well argued than ever before, with the reports of the High Level Panel on Threats, Challenges and Change and the Sachs Millennium Project now welded together brilliantly by the Secretary General in his *In Larger Freedom* blueprint; and the *occasion* for change created by the UN's 60th Anniversary and all the high-level summity associated with it.

What is most obviously missing, as so often, is the fourth and most crucial ingredient of all, the *political will* to make it all happen – the spark, the catalyst, the leadership necessary to stare down the spoilers and make it all happen. The G8 summit offers the opportunity for the

leaders of the developed world, if they can rise to the occasion, to provide just that spark. They need to show not only their willingness to respond, constructively, intelligently and generously, to the central issues of the development agenda – poverty, disease, malnutrition and environmental catastrophe – but also to those which are at the heart of the more traditional security agenda, aimed at strengthening the multilateral security system and above all the UN's own institutions and processes.

The G8 Summit needs to embrace and articulate the core notion at the heart of the agenda-setting reports now being debated – that the threats to state and human security in the 21st century are interconnected; that there are inextricable links between development, security and human rights; and that collective security in the 21st century means above all else that all members of the global community have a shared responsibility for each other's security. It is not a matter of a North agenda being weighed and traded against a South agenda: in the interdependent, globalised world in which we now live, threats to one are a threat to all, and we must act together to meet them all.

#### Defining the challenges

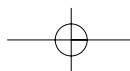
In policy terms there are five touchstone security policy issues emerging as crucial, as defined by the High Level Panel and refined in

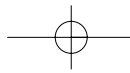
the Secretary-General's own report. They are being greeted initially with varying degrees of enthusiasm by the G8 countries, but all are crucial in the mix, if the credibility and effectiveness of collective security is to be restored.

The first is *improving conflict prevention and resolution capability*: this means better peacemaking capacity (through better prepared and supported mediators and negotiators); far more readily available reserves, both military and civilian, for peacekeeping and other peace operations; and a far more systematic and coherent approach to post-conflict peacebuilding – the failure to follow through on which is the most depressingly familiar reason for the recurrence of avoidable conflict.

The second is *disarmament and non-proliferation*: this means action on the supply side to constrain the availability of fissile material; on the demand side to reduce the motivations for acquiring weapons of mass destruction; improved international verification machinery; and more effective public health defences, in particular to cope with the ravages of biological weapons, whose use is the hardest of all to prevent.

The third is *confronting terrorism*: the need here is to embrace a broad-based policy response going beyond intelligence, policing and military co-operation to addressing root causes, including political grievances; and to make common cause at last on an international





## *The whole multilateral security system is once again at the crossroads*

definition of terrorism, making attacks against civilians and non-combatants as indefensible as piracy and slavery.

The fourth is *responding effectively to genocide, ethnic cleansing and similar massive human rights violations within states*. The prime need here is to give further momentum to the emerging international norm of the responsibility to protect in all its dimensions, both preventive and reactive – our starting point being the responsibility of the international community to step in when a sovereign state, through incapacity or ill-will, fails to protect its own people.

The fifth is *redefining the rules governing the use of force*, both to clarify the scope and limits of what is legal under the UN Charter and, beyond that, to set some guidelines, especially for the Security Council, as to when the use of force is legitimate – the key criteria being seriousness of threat, right intention, last resort, proportionality and balance of consequences.

### **Next steps**

The institutional reforms on the table in 2005, many of which are also up for endorsement in the Millennium Review Summit, are equally crucial if the multilateral system is not to lapse into irretrievable disrepair and irrelevance. Five reform areas are particularly crucial.

- *Reconstruction of the Security Council*. If the Council does not come better to represent, in terms of

its permanent or usual membership, the world of the 21st century rather than that of 1945, it will not fall apart immediately. But the powers of the present Permanent Five will be steadily diminishing assets. A Security Council without any guaranteed presence of the major African powers, or India, or Japan or Brazil simply cannot remain credible in perpetuity.

- *Creation of a Peacebuilding Commission*. Creation of a new institutional structure to deal effectively with the endemic problem of failed, failing and fragile states, particularly in the context of post-conflict reconstruction, is the most immediate need in the international system at the moment, and one that is widely recognised.

- *ECOSOC and the General Assembly*. Both these crucial norm- and direction-setting global debating chambers have become conspicuously dysfunctional, and must be restored to pre-eminence – much of which is achievable simply through better agenda and process management.

- *Secretariat Reform*. The central issues here are empowerment and accountability – the Secretary-General, probably the most impossibly micro-managed chief executive in the world, needs much more freedom of action to choose and deploy resources where and when they are needed, subject to full accountability. Those who are committed to an effective multilateral system do it no service

by leaving it inefficient and ineffective – but change cannot happen without member states allowing and encouraging it.

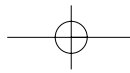
- *A new Human Rights Council*. Probably, the most counterproductively dysfunctional of all the present institutions of global governance, a new body of higher stature, preferably smaller numbers, more credibly elected, and with fewer highly politicised procedures is critically needed to match with achievement some of the global lip service now paid to human rights.

As we approach the critical decision-making period of this critical year, the need above all is to change our mindset as leaders, as policymakers and as those who influence them, to recognise that we stand together or we fall apart, and that it really is in everyone's interest to move forward simultaneously on all elements – peace, development and human rights – of the security reform agenda now before the international community.

That kind of change is what great leaders have shown themselves to be capable of delivering at great moments in history. If that leadership is not forthcoming – starting with this year's G8 summit – we run a grave risk, all of us, north and south, of living in a vastly more dangerous world in the decades to come. ♦

[www.crisisgroup.org](http://www.crisisgroup.org)

*Gareth Evans is a member of the UNSG's High-Level Panel on Threats, Challenges and Change*



# Force and democracy

Robert Cooper\*

Democracy needs a favourable environment: force can help provide external security, but democracy also needs strong international institutions and agreement on the rules of the game at home

No matter how favourable the external environment, democracy will not take root unless some basic compromises can be reached between different groups, classes and ethnicities that establish the rules of the game. The losers in elections must believe in the constitution sufficiently to accept defeat – in the confidence that they will get another chance later on to contest elections. The winners must be sufficiently committed to the constitution not to abuse it and use their power to oppress or disadvantage the opposition. In achieving a settlement of these fundamental questions, outsiders cannot play much of a role.

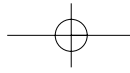
Some of the enemies of democracy – dictators and their military backing – can be defeated by armies. But not all. Sometimes the real enemy is traditional society in its different forms; sometimes it is a modern oligarchy bringing together politics, especially nationalist or ethnic politics, and economic interest. The spread of ideas and the spread of the market are the most important means to defeat these (which is why modern oligarchs seek to control both). Assisting those who are seeking fairer courts, freer media, genuine elections, better protection for human rights and

better commercial law may not produce instant success. But it must be worth trying. Scholarships, libraries and other ways of spreading ideas may also have a part to play in the Middle East, as they did in Korea. They may be slow, pedestrian, uncertain – but no more uncertain than the use of force. In the long run, democracy succeeds because of its success. Its product is the Mercedes Benz rather than the Trabant, education and cultural exchange rather than isolation and starvation. People want democracy because they want a better life; consumerism is not beautiful, but it too is an image of liberty.

Every country is different, and there are as many routes to democracy as there are countries. India took to it naturally; Pakistan has struggled. Indonesia looks increasingly like a success story, against all expectations. Thailand, Chile, Taiwan, South Africa and Spain all have different stories. In many cases the position of the army has been a vital factor. It may be that foreign forces will succeed in bringing democracy to Iraq. It is always a mistake to underestimate either America's will or its capacity for getting things done, and the enthusiasm of most Iraqis for elections is clear. But the choice will in the end be the Iraqis', and there is

no way even the most powerful of foreign powers can guarantee the outcome. We all hope for success, but in historical terms it would be a rare case, and it would be unwise to build too much on it. Indeed, we should be careful about using the threat of force to press for democratic change: nothing is more likely to strengthen the tyrant and legitimise the illegitimate than a foreign threat. No communist regime collapsed as a result of outside pressure; internal change comes easier when people feel more secure externally.

It is not a question of abandoning the Wilsonian vision of encouraging the spread of democracy so much as being realistic about what an outside actor can achieve. Foreigners, especially foreign armies, are not equipped to broker domestic constitutional settlements, but they can create a positive external security environment in which such a settlement will have more chance of prospering. The inability to create an adequate security environment in the 1920s and 1930s was a major reason for the failure of the original Wilsonian package. At that time the failures included the incomplete defeat of Germany, the defects in the Versailles Treaty, the absence of the United States and Soviet Russia



from the League of Nations, the League's somewhat cloudy ideas, and the failure to put muscle behind those ideas.

But the basic Wilsonian package was not wrong. Self-determination, democracy and the institutionalisation of international security go well together. Self-determination is a precondition for democracy; unless there is a sufficient sense of community, democracy on the basis of majority voting will not work. Democracy in turn contributes to peace. The idea that the peace will be kept by 'the force of international public opinion' – on which ultimately the hopes for the League rested – makes sense only if public opinion has a chance to make itself heard. But democracy itself is most likely to prosper in an international environment that creates trust between states.

"Trust between states," the classical realist may scoff, "is impossible." One of the (many) weaknesses of Wilson's rhetoric is that he seemed to base his plans on the idea of a natural harmony of interests among nations. Nothing of the sort exists. Nor, however, is there any natural harmony of interests among men. The triumph of the rule of law is that it manages these natural conflicts. It is the legal framework that enables markets to channel greed into constructive economic activity. In the end, men discover that for all their natural conflicts, they have a common interest in upholding the law. But

markets are not natural: they are the outcome of man-made laws.

Nor is democracy the natural condition of mankind. It is simply that experience has taught us that nothing else makes the rule of law sustainable. The compromises necessary to make constitutions work are the price we pay to channel ambition into constructive political activity. Institutions exist to create trust, that indispensable element in human society. The rule of law creates the trust that enables markets to function. Democracy is a way of compensating for the fact that no one is to be trusted with too much power for too long.

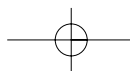
International institutions are needed for the same reasons: to provide continuity and predictability – the next best thing to trust – in an uncertain world. They are needed precisely because states, like men, are not to be trusted. It would be logical for those who press the case for domestic institutions – democracy and the market economy – to want institutions at the international level too.

We are now in a democratic era. This may be seen not just in the growing number of democracies – many of them rather shaky – but also in the homage paid to the idea of democracy by those like Zimbabwean President Robert Mugabe, who fix elections to give themselves a pretence of democratic legitimacy, or by authoritarian countries like the DPRK who nonetheless find it essential to

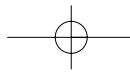
include the 'D for Democratic' in their names. The idea is acknowledged even when the reality is denied.

This has consequences for the international system. The realist world of rational policymaking, equilibrium, alliances of convenience and the balance of power worked best when we were governed by rational oligarchs – Richelieu, Pitt, Palmerston or Bismarck. Democratic ideas mean that policy requires a moral basis. The idea of the dignity of man will not go away, and policies have to be based on ideals and human sympathy as well as on interest. In a democratic world, the use of force becomes more difficult to handle. Wars need greater moral legitimacy than in an autocratic age. To sell them, a Roosevelt or a Reagan is needed. And once started they are more difficult to end. Every war risks becoming a crusade. This was not a problem in the cases of World War II and the Cold War – in both, unconditional surrender was the only acceptable outcome – but it does not suit the conduct of lesser campaigns. Democracy made it difficult for America either to prosecute the Vietnam War with as much ruthlessness as North Vietnam did, or to cut its losses and get out.

The balance of power, which calls for the application of power with calculation and restraint, is no longer sustainable in a democratic age. Nor is the exercise of hegemony by force – which has been the other source of stability in







## A safer world Force and democracy

### *Europeans talk of human rights and the rule of law while Americans talk of freedom and democracy, but they mean the same thing*

the international system. For a democracy, domination by the ruthless use of force ceases to be an option in the international field just as it has in the domestic – as Gandhi well understood when he began the process of dismantling the British Empire.

Neither equilibrium nor domination works well in a democratic age. And if democracies are inherently less bellicose, then basing the international order on a system logically dependent on wars and force is intellectually incoherent and practically mistaken. Nothing is left but to manage international relations through institutions, as Woodrow Wilson foresaw. Those we have at the moment function poorly, which is hardly a surprise, given how short their history is. Even the most competent, such as NATO and the EU, come nowhere near matching the national governments that make them up in either efficiency or legitimacy (the two frequently go together). We have learned something from past failures, but there is much further to go.

Force remains indispensable in

international affairs, both because we have not yet achieved the democratic dream and because even if we do, it will still be needed as the ultimate enforcer of law. In the meanwhile we need force to protect ourselves and help create a favourable environment for democracy. But as the world becomes more democratic, and so more civilised, force will be less visible and less prominent in international relations.

We have chosen to be good rather than to be powerful. Torture is unacceptable, not just because it is ineffective, but because our system is based on respect for individual people. Europeans talk of human rights and the rule of law while Americans talk of freedom and democracy, but they mean the same thing. For America, the way to be good in a world of power used to be to isolate itself. That is no longer possible. Instead it seeks to remake the world in its own image. This is the European project also, though on a more modest, regional basis. We are all Wilsonians now. And we should understand that the true

Wilsonian institutions are not bodies like the UN, but rather NATO and the EU, embodying the values of democracy and law.

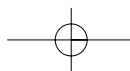
It would be nice to remake the world. But some things are beyond the control even of America. Democracy is one of them. Democracy means rule by the people, and no one else can make their choices for them. The spread of the idea and the spread of the practice are nevertheless impressive. There are many ways we can assist short of employing force – using military power to provide security is one of them – but in the end it is the force of the idea and the power of its practice that conquers. ♦

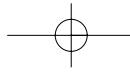
*This is an edited version of a longer article, 'Imperial Liberalism', which appeared in The National Interest, Spring 2005.*

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# A Transatlantic Strategy to promote democratic development in the broader Middle East

Ronald D. Asmus, Larry Diamond, Mark Leonard  
and Michael McFaul\*

With G8 leaders set to consider next steps in the G8 Broader Middle East and North Africa Initiative, four leading thinkers argue that promoting democracy from within, strengthening external security and re-organising the West are essential for progress in the region

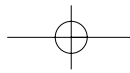
Since the September 11 attacks, a number of US and European strategists have stepped forward to call for a fundamental paradigm shift in how the United States and Europe engage the broader Middle East – that wide swath of the globe, predominantly Muslim and overwhelmingly authoritarian, stretching from Morocco to Afghanistan. The West, they have argued, must abandon the chimera of stability offered by an autocratic status quo and instead put the weight of Western influence on the side of positive democratic change. Washington and Brussels must join forces in a partnership with reformers in the region to promote democratic transformation and

human development as an antidote to those radical ideologies and terrorist groups that seek to destroy Western society and values.

Such calls have been driven by a new analysis of what ails the region and how it has fueled the terrorist threat facing the West today: an explosive mix of humiliation, hatred, intolerance, and intense anti-US and anti-Western sentiment that is crystallizing into a set of extremist ideologies that twists and mobilizes religion and uses terrorism to pursue its goals. It is brewing amid a context of political oppression, economic stagnation, population booms, and pervasive inequality and injustice. The United States and Europe will not be safe from the terrorism, political instability, illegal

migration, or organized crime this region is spawning unless each shifts its policies to attempt to get to the root of these ills. This endeavor will simultaneously require both political freedom and human development – the kind that generates broad, sustainable improvements in people's livelihoods, skills, dignity, and opportunities.

Political leaders on both sides of the Atlantic have started to embrace these calls for a paradigm change in Western policy. In November 2003, President George W. Bush officially called for a new strategy focused on democracy promotion in the broader Middle East in a major speech delivered at the National Endowment of Democracy.<sup>1</sup>



This article lays out the contours of what a transatlantic strategy to promote democratic development in the broader Middle East could, and should, look like. The strategy proposed here is bold and ambitious. It will not be accomplished overnight. This is a generational project for which the West must summon historic staying power. To be sure, the impetus for change must come from within societies in the region. Yet, the West can and must play a critical supporting role as a catalyst for change from the outside. Many if not most of the democracy breakthroughs around the world have occurred precisely because of the combination of pressure for change from within, coupled with support from the outside.

A transatlantic strategy to promote democracy and human development in the broader Middle East must be based on three pillars.

First, it must aim to help strengthen the forces for democratic change and stable liberal democratic politics within these societies.

Second, such a strategy must also work to create a more secure regional foreign policy context that can facilitate democratic transformation.

Third, the United States and Europe need to organize themselves across the Atlantic and with partners in the region to sustain these policies effectively for a generation or more.

### **Strengthening democracy from within**

If the United States and the EU are serious about promoting democratic development in the broader Middle East, then the issue of these states' internal order must be at the

forefront of the West's official policies toward them. The quality of the West's relationship with the governments of this region must be linked to their progress in reforms.

A truly effective strategy to strengthen democracy and human development from within would have to be based on several key building blocks. US and European governments should tie economic assistance, trade liberalization, debt relief, and political engagement to genuine political reform and good governance. Changing the incentives and calculus of governments in the region requires changing the way the West provides them with such assistance. Both the United States and the EU need to become much more serious and rigorous about conditionality in their relationships with countries in the region.

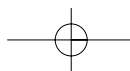
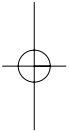
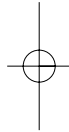
Through a transparent benchmarking process, the West should reward those countries making progress on democracy and good governance and be prepared to withdraw privileges from those that do not.

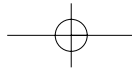
The EU today already provides very substantial levels of economic assistance to the region in addition to opening up its domestic markets and offering political assistance through the Barcelona Process, launched in the mid-1990s to target the Mediterranean basin, as well as the more recently adopted New Neighbourhood policy, which aims to deepen ties with countries on Europe's periphery. Many of these benchmarks are already established in existing agreements, but the EU's track record of upholding conditionality has been underwhelming. As a result, such assistance has often ended up maintaining rather than transforming the status quo. The new 'action plans' that the EU is concluding with

Middle Eastern countries as part of its New Neighbourhood Initiative also have the potential to develop into a model for a tougher regime if the countries involved adhere to the attached conditions. These conditions have the advantage of being very detailed (containing 200 concrete steps for reform) and of having been negotiated with input from civil society groups as well as the regimes. The Bush administration's Millennium Challenge Account (MCA) is also an important step in the right direction in tying economic assistance to political reform. It is important that standards not be relaxed as these programs become operational. Indeed, the same principles need to be extended to other existing US assistance programs and not limited to the MCA.

It is also important to re-examine the West's ties with the security and intelligence institutions of the broader Middle East's authoritarian regimes. The US and European governments have close and often valuable relationships with these institutions. Such relationships provide critical intelligence for the war on terrorism, but they are also instruments of repression. Indeed, Western governments pay a price in terms of their credibility for having close ties to institutions widely perceived as pillars of an arbitrary and unjust autocratic order. These institutions must become subject to constitutional principles and proper oversight, as they are in democracies elsewhere in the world. Western influence on these countries' militaries and intelligence services must be used to foster, not impede, democratic change and to end the practice of torture.

Although the West must engage the region's autocracies, it must also step up its moral and political





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*This is a generational project for which the West must summon historic staying power. The impetus for change must come from within societies in the region*

support for indigenous democracy activists. In many countries in the region, democracy activists already fighting for reform are harassed or even jailed as political prisoners, yet Western governments do little to lend them moral or political support. A new strategy to promote democracy must speak out more clearly on behalf of those groups and individuals already engaged in the fight. Civil society and pro-democracy forces in these countries must also become key interlocutors for the West. No senior US or European leader, whether from the executive or legislative branches of government, should visit the region without raising these issues and meeting with civil society representatives. Western governments and nongovernmental organizations (NGOs) should maintain and monitor a comprehensive list of political prisoners in the region and regularly raise their cases with host governments.

In addition, the West must increase its material support for civil society groups serving as incubators for promoting democracy and human development. A fierce struggle is underway between democratic and antidemocratic forces in these countries for the hearts and minds of their societies. The West must help empower the moderate, democratic side by supporting those NGOs working to create the foundations for more just, free, and democratic societies.

Although this effort will require resources, the amount needed is a tiny fraction of what is currently spent on defense and security to combat threats from this region. Middle Eastern governments should not be allowed to restrict assistance to NGOs supporting democracy promotion activities as, for example, has been the case in Egypt.

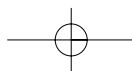
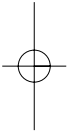
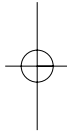
The transatlantic community also needs to develop new nongovernmental instruments to strengthen democratic voices and civil society in the region and can do so through the creation of a nongovernmental Middle East Foundation modeled after successful efforts in both Europe and Asia. Ideally, such an effort would be transatlantic in nature and would receive financial support from both the United States and the EU. It would directly fund civil society organizations, think tanks, and civic education programs in the Middle East. It is important for the proposed foundation to be fully independent to maximize operational freedom and credibility. The mission of the US Department of State and various European foreign ministries is first and foremost the management of official relations with other nations. There are limits to the degree that these same individuals can be asked to conduct state-to-state affairs with an autocratic regime effectively while simultaneously working to transform or democratize it. Therefore, a broader array of

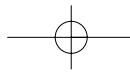
actors should assume that task.

Beyond the efforts of NGOs, contacts between people in the broader Middle East and the West must be expanded exponentially. The best weapons to assist these societies in transforming themselves are not necessarily NATO's Rapid Reaction Force, but rather the school board in Des Moines, Iowa; a local school in Munich, Germany; or a mosque in Bloomington, Indiana. The more people from the Middle East who witness democracy in action, the greater the West's potential impact will be. Such exchanges can greatly alter mutual preconceived notions and misperceptions. Both the EU and the United States should dramatically increase the number of scholarships granted to students from the region to study at Western universities.

Greater societal contact will also decrease Western ignorance about Islamic culture and religion, and vice versa. None of these programs can work, however, without a new visa regime in the United States. Just as immigration authorities create special lists to identify terrorists and criminals, they should also develop lists to expedite the acquisition of visas for well-known friends and allies who, once vetted, can remain on a fast track to gaining entry into the United States.

Western governments must also be prepared to provide technical assistance to strengthen the institutions of democratic governance in the broader Middle





## *Democratic development and external security are complementary goals not alternatives*

Eastern region, especially once genuine democratization has begun. Reforming states will need to strengthen the capacity and independence of a wide range of governance institutions, including national legislatures, the courts, counter-corruption and auditing agencies, and local governments, as well as democratic mechanisms to oversee the military, police, and intelligence agencies. Ideally, liberal reforms to strengthen the rule of law and reduce state control should be implemented before direct elections take place so that there is less at stake in controlling political power and it thus becomes less threatening for autocrats to contemplate surrendering their monopoly on power.

Finally, over time Western governments must develop a clear track record regarding their intentions in the region. Bush has spoken forcefully about the cause of freedom and democracy in the broader Middle East, but Washington still suffers from a major credibility problem. Many in the region – advocates and enemies of reform alike – doubt Western intentions, especially those of the United States. When Western leaders praise co-operation with regional dictators without mentioning democracy or human rights, it sends the wrong message to those on the front lines in the fight for democracy in their country. The West also needs to conduct more competent public diplomacy. Ultimately, however, the policy and behavior of

Western governments must change. As their willingness to work and fight for democracy and human development becomes clear, attitudes in the region toward the West and its motives will change as well.

### **Creating an external environment for democratic change**

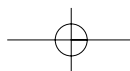
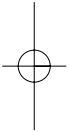
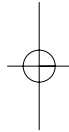
A second pillar of a transatlantic strategy to promote democracy and human development in the broader Middle East must aim at creating the kind of external environment conducive to democratic change in the region. All too often in the past, Western and Arab leaders have posited a false dichotomy between the pursuit of external security and democracy in the region, suggesting that, in the interest of maintaining security, it was necessary to set aside democratic aspirations. Part of the paradigm shift the West needs to make is to recognize that democratic development and external security are complementary goals rather than alternatives. It would certainly be wrong for the West to accept the argument that the key regional conflicts in the Middle East must be solved before movement toward democracy can occur, even though it is certainly easier to build and consolidate democracy during times of peace and in a secure regional environment than to attempt to do so during times of conflict and external threat. Insecurity is a breeding ground for nationalistic and antidemocratic forces, whereas democracy and regional security are mutually reinforcing. Moreover, in the Middle

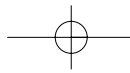
East, many geopolitical problems are often directly intertwined with the nature of these regimes.

One can hardly imagine a less auspicious neighborhood for building democracy today than the Middle East. Few, if any, effective multilateral frameworks are in place to ease bilateral or regional rivalries, let alone provide for regional co-operative security. Even if one or another Middle Eastern regime were to achieve a democratic breakthrough, the government would have few means or options to anchor such an experiment regionally.

Consequently, if the West wants to pursue a long-term strategy to help promote democratic change in the broader Middle East, it must step up its efforts to resolve the region's core geopolitical conflicts and support the creation of a more peaceful security environment. The impetus for change must come from within societies in the region.

The list of geopolitical conflicts in the region that must be addressed to help foster such an external environment is long and well known, including the Israeli-Arab conflict, turmoil in Iraq, addressing the nuclear threat from Iran, and ensuring success in Afghanistan. Such a strategy must also include promoting democratic reform in autocratic allies such as Egypt and Saudi Arabia. The EU has taken a key step forward in fully anchoring a secular and democratic Turkey by deciding to open accession negotiations, but that project may require another decade to reach





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completion successfully. Finally, and equally important, the creation of a Middle Eastern co-operative regional security structure, drawing on the Helsinki experience, is a key ingredient for success.

To help promote a more favorable regional context for democratic change, the United States and the EU will have to co-operate on issues where they have heretofore disagreed, at times deeply, and where transatlantic co-operation has not been a priority. Both sides will now need to make overcoming those differences a priority. While space does not allow a detailed explanation for why the United States and Europe have differed in the past, one can sketch out where potential common ground could and should lie.

A resolution of the Israeli-Palestinian conflict would clearly produce real benefits for democratic development in the region. Ending the conflict would remove a painful issue that crowds the region's political agenda and absorbs energies that otherwise could be devoted to internal reform. Autocratic Arab governments could no longer hide behind or use this conflict to deflect domestic pressures for change, and terrorists across the region could no longer exploit the situation for their recruitment efforts. The West would no longer require the cooperation of a dictatorial regime in Syria or be deterred from pushing for reform in autocratic allies such as Egypt because of their critical role in peace negotiations. Israel certainly has its own interest in the transformation of the region into a set of more democratic societies in which the forces of radicalism and terrorism are marginalized.

Many today in the Arab world see a Western and especially a US

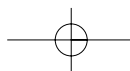
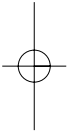
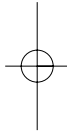
commitment to the peace process as a litmus test of our intentions in the Arab world more broadly, including on democracy. To them, our credibility on questions of democracy is tied to support for Palestinian political self-determination. For these reasons, the United States and the EU should actively explore new opportunities for peace in the wake of Yasser Arafat's death. It would be a mistake, though, to suggest that a resolution of this conflict is somehow a precondition for a democracy strategy in the region. The United States and the EU can agree that peace with neighbors and democratic reform are both worthy efforts and should be parallel pursuits. Settling this conflict based on the vision of two states living side-by-side in peace and security requires the creation of a viable and democratic Palestinian state, but also one committed to maintaining peace with Israel and preventing acts of terrorism. To sustain peace over time, Israel and an independent Palestine should be embedded in a broader multilateral security framework, which may include the United States and its European partners.

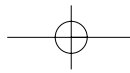
In addition, the West must succeed in the two democratic experiments in the broader Middle East in which it is already deeply engaged: Afghanistan and Iraq. Failure in either would deal a major setback not only to the populations of these two countries but also to the broader cause of democratic development in the region. The credibility of the Atlantic Alliance is on the line in Afghanistan, which the West made the mistake of abandoning once in the past – an error for which the United States paid a heavy price on September 11

2001. Now, the United States and the EU have joined forces to help Afghanistan rebuild; develop new political institutions; and rein in warlords, drug traffickers, criminals, and resurgent Taliban cells. This effort will require a sustained transatlantic commitment to provide political, economic, and security assistance to Afghanistan for many years to come.

The situation in Iraq is even more critical and the consequences of failure even more dire. It is time for leaders on both sides of the Atlantic to put aside their differences over the wisdom of the war and look forward. Even though the challenges are formidable, it would be a historic mistake to abandon the goal of establishing some form of democratic rule in Iraq. The big losers of such a strategy would be more than just the Iraqi people. The credibility of Western democracies, and especially the United States, in calling for democratic reform throughout the region will be undercut if the goal of establishing a more decent and democratic government in Iraq is abandoned. Over a period of many years, Western democracies must expand the UN mission and continue to help Iraq develop the political parties, civil society organizations, civic education, governance institutions, and electoral rules and practices necessary to sustain democracy. Democratic development will also require the West to provide for the effective training and equipping of the new Iraqi security forces and to widen the political arena to include all major stakeholders.

Third, Iran must also become a priority in a transatlantic strategy to promote democracy in the region. Tehran today exhibits a real degree





*The United States and the EU will have to co-operate on issues where they have heretofore disagreed, at times deeply*

of pluralistic politics, pitting rulers against a sophisticated if currently demoralized democratic movement. Despite recent setbacks, no other country in the broader Middle East has more potential for a democratic breakthrough. Yet, at the same time, no other country in the region is closer to acquiring nuclear weapons. In addition, the current regime's support for terrorism, directed largely against Israel, prevents a meaningful rapprochement with the West. The policy of Western governments, therefore, must seek to prevent Tehran from acquiring nuclear weapons and to push it to abandon terrorism while supporting grassroots efforts to advance democratic ideas and organizations.

These goals in Iran can be pursued only through a common US-EU dual-track strategy offering carrots and sticks. Thus far, the United States and the EU have unfortunately not been able to agree on either the carrots or the sticks, and as a result, both policies have been ineffective. For example, if Iran verifiably suspends its nuclear ambitions, the United States and the EU must be united in offering tangible economic and diplomatic incentives and in expanding sanctions if Iran refuses to do so. European carrots and US sticks must be integrated and also supplemented with European sticks for Iranian intransigence and US carrots for a changed Iranian posture.

More generally, civil society and the pro-democratic movement in Iran would benefit greatly from increased contact with the West.

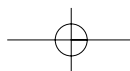
Although such contact requires some level of engagement with the Iranian regime, Washington's current policies make it nearly impossible for US NGOs to engage or assist their democratic partners within Iran. If managed properly, lifting aspects of the current economic sanctions would not reward Tehran's dictators but would have the potential to create more political space and opportunity for the democracy movement.

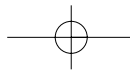
The United States and the EU should also work together to complete the full anchoring of a democratic, secular Turkey in the West. Turkey stands at the epicenter of the divide between an increasingly stable and secure Europe and an increasingly unstable and insecure broader Middle East. The EU's decision to start accession negotiations with Turkey is historic. If successfully completed, this move will help consolidate and complete Turkey's transformation to secular democracy and reposition the Euro-Atlantic community in the broader Middle East. Turkey's historical trajectory and distinct brand of secularism is unique, and Ankara's relationship with the Arab Middle East is not without complications. Nonetheless, Turkey is a key example of how Islam and democracy can thrive together. Moreover, the broader Middle East watches how the United States and the EU deal with Turkey as a test of their willingness to include a largely Muslim country in its institutions. For this reason, the EU's embrace of Turkey and its aspirations can

dramatically underscore Europe's commitment to promoting democracy and human development in the region. Now more than ever, the West needs a successful, secular, and democratic Turkey at its side as a full partner in the effort to transform the broader Middle East.

A transatlantic strategy to democratize the region must not only address the West's adversaries but also acknowledge the shortcomings of autocratic regional allies, including Egypt and Saudi Arabia. In this case, the problem is not one of US and European differences, but rather of both largely turning a blind eye to a growing problem. This issue goes to the core of the West's credibility and the need to overcome the double standard that has plagued US and EU policy for decades. The United States and the EU must face the fact that terrorist groups draw support and recruits from these autocratic and formally pro-Western regimes. Promoting democratic change among allies poses a different challenge than doing so among strategic adversaries, but the effort is just as important. The United States and the EU have potentially considerable influence and leverage because these regimes are more open to the West. Indeed, in cases such as Morocco and Jordan, they have already made modest progress toward liberalization and may be closer to, and more ready for, a political opening.

At the same time, failure to change the way the United States and the EU engage long-standing autocratic allies will only exacerbate their woes in the region. Countries





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such as Saudi Arabia and Egypt cannot be lumped together. In fact, political change in both nations has already begun, and both will face the issue of political succession in the not-too-distant future. The questions are when these regimes will lose their grip, whether the process will be evolutionary or revolutionary, and what new political system will emerge when these regimes give way. If leaders in Saudi Arabia and Egypt initiate genuine political liberalization now, they may be more likely to shape the transition process from above and produce an evolutionary transition from autocratic rule to democracy. If they wait, however, their regimes run the risk of ending in revolution, by which more radical and less democratic forces will come to power.

Finally, the United States and the EU should collaborate in supporting efforts to create a regional co-operative security regime drawing on the lessons of the Helsinki experience in Europe and other regions. The Middle East today lacks a functioning multilateral security regime that establishes regional norms, confidence-building measures, or other forms of dialogue and political reassurance. Such a regional architecture could help generate an environment more conducive to democratic transitions. The heart of the Helsinki process was the recognition that true security depends on relations not only between states but also between rulers and the ruled. Concepts of “invisible security” or “comprehensive security” – that all states have an equal right to security regardless of their size or that security must go beyond military affairs and include issues such as minority rights or the shared management of resources – would be major breakthroughs in the Middle East. Building such a regional co-operative security regime will require time and political capital. Nevertheless, one can hardly

imagine a region in greater need of such a regime than the broader Middle East.

### Reorganizing the West

The third pillar of a new transatlantic strategy requires the West to reorganize itself. If the United States and the EU truly believe that the broader Middle East is the primary security challenge facing the West in the foreseeable future, it is important to restructure Western governments, think tanks, and universities in a way that will generate the knowledge and ideas necessary to succeed. Today, however, neither the United States nor the EU is equipped to do so.

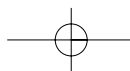
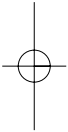
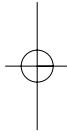
This is not the first time that the West has had to reorganize itself to meet the policy and intellectual challenges of a new era. At the end of World War II, Western governments created new international institutions because they lacked the expertise and institutions required to meet the strategic and moral challenges of the Cold War. Since September 11, 2001, the governments of the United States and the EU have been far less ambitious in adapting national security structures and multilateral institutions to meet the new challenges. The West has organizationally focused primarily on defensive measures, such as tightening borders, strengthening cooperation on intelligence gathering, and transforming defense capabilities to combat terrorists more effectively. Yet, when it comes to playing offense – developing the capacity to prevent such threats from emerging in the first place – few creative ideas or ambitious proposals have come forward. Given this deficiency, the United States and the EU must focus on reorganizing themselves in three key areas.

Both need to create a new generation of scholars, diplomats, military officers, and democracy builders who know the region’s religions, languages, history, and

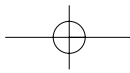
cultures. They have witnessed declining levels of knowledge about the broader Middle East among their populations in recent years, and this trend must be reversed. Just as a new generation of experts was groomed to improve understanding of Europe and the Soviet Union after 1945, it is now necessary to create a vast new pool of public policy experts who combine knowledge of the broader Middle East with backgrounds in democracy promotion and strategic studies. Today, it is rare to find a program at any leading US or European university that offers any course of study resembling this combination.

The United States and European governments should therefore provide support to establish new educational centers that can generate better understanding of a part of the world about which the West knows far too little. Greatly enhanced exchange programs will enable US and European policymakers to gain firsthand expertise in the region, with their counterparts in government and civil society. Programs must also be established to bring together young leaders and legislators from both sides of the Atlantic to foster common approaches on issues now central to US and European national security. The world of academia and think tanks will not fill this void unless prompted by governments and private foundations in the West.

Next, it is also important to reorganize US and European national security and foreign policy establishments to highlight this new priority. Indeed, if promoting democracy is to become a top national priority for decades to come, it needs to be treated as such in governmental structures. At the moment, democracy promotion is buried down in the second or even third tier of Western foreign policy and foreign aid bureaucracies. The concept is considered something slightly exotic, even as a distraction







from day-to-day exigencies, as opposed to a core priority, especially when it comes to the broader Middle East. Although the United States and European governments have started to reorganize in an effort to improve homeland defense as well as intelligence gathering and co-ordination of law enforcement agencies, there has been no equivalent upgrade in the task of democracy promotion. This, however, must change. The United States needs to be as good at fostering democratic transitions as well as supporting economic reforms as it is at toppling despots.

Governments on both sides of the Atlantic should consider separating the tasks of democracy promotion and human development from other priorities and elevating it to a senior level, where it will enjoy high-level political support and can command the resources necessary for the task. In the United States, this could mean creating a cabinet-level Department for Democracy Promotion and Development. Europe should create a position equivalent to the EU commissioner with the same responsibilities in the new European Commission. The rationale for this step is simple. In the United States, the State Department's mission is and should remain to conduct diplomacy, not promote democracy, and the Pentagon's mission should remain defense. The purpose, therefore, of creating these high-level posts is to give leadership and political accountability both to US and European efforts to promote democratic change.

Finally, the West needs a better foundation to help generate a common transatlantic governmental approach to the broader Middle East. Despite the breadth of the transatlantic relationship, the two sides do not currently have a functioning mechanism to develop and co-ordinate such a strategy.

NATO is the strongest institutional link across the Atlantic, but it is a military alliance whose focus is too narrow. On paper, the US-EU relationship could become a key forum, but it will require a significant overhaul to effectively be upgraded to play this role. The Bush administration has thus far turned to the G8 on such issues, but the limits of that approach are also becoming apparent, as it excludes many key European nations yet includes countries like Russia. In the 1990s, the United States and its European allies took a transatlantic relationship that was forged during the Cold War and designed to contain Soviet power and transformed it into a new partnership focused on consolidating democracy in central and eastern Europe, halting ethnic cleansing in the Balkans, and building a new partnership with Russia. Today, this relationship must again be overhauled so that it can meet a new set of challenges centered in the broader Middle East.

### Reorienting the Transatlantic Alliance

One of the great historical lessons of the twentieth century is that the world is a much safer, more peaceful, and democratic place when the United States and the EU co-operate. That assessment is as true today as it was in the past. There is perhaps no more fitting task than for the democracies of the United States and Europe to come together to help promote democracy and human development in the region of the world where it is most absent and needed. It would be a critical step in combating terrorism, defusing radical fundamentalist movements, and ensuring a more peaceful and secure world.

This task is, first and foremost, a challenge for the peoples and governments of the region itself. Nevertheless, developments in the

Middle East today profoundly affect the security of the United States and Europe. Western governments have taken the first steps in recognizing the failings of past policies and in articulating a vision of a dramatically new approach to the broader Middle East. What is now required is a strategy sufficiently bold and comprehensive to realize that vision. ♦

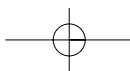
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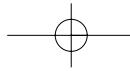
\* Ronald D. Asmus is executive director of the Transatlantic Center of the German Marshall Fund of the United States in Brussels. Larry Diamond and Michael McFaul are senior fellows at the Hoover Institution and professor (by courtesy) and associate professor of political science at Stanford University, respectively. Mark Leonard is director of foreign policy studies at the Centre for European Reform in London.

#### Notes

<sup>1</sup> Office of the Press Secretary, The White House, "President Bush Discusses Freedom in Iraq and Middle East: Remarks by the President at the 20th Anniversary of the National Endowment for Democracy," Washington, D.C., November 6, 2003, <http://www.ned.org/events/anniversary/oct1603-Bush.html> (accessed January 28, 2005).

NB: This is an edited version of an article distilling a longer policy paper entitled "Democracy and Human Development in the Broader Middle East: A Strategy for Transatlantic Partnership," which was presented at a conference held in Istanbul on the eve of the NATO summit in June 2004. The paper was produced by a 19-member working group composed of Europeans and Americans drawn together by the German Marshall Fund of the United States, and all of them contributed to the ideas presented here. The original paper can be viewed at: [http://www.gmfus.org/apps/gmf/gmfwebfina1.nsf/48A527D9949584F885256EBA0077D44C/\\$File/GMF3928%20Istanbul%20Rep%20cov.pdf](http://www.gmfus.org/apps/gmf/gmfwebfina1.nsf/48A527D9949584F885256EBA0077D44C/$File/GMF3928%20Istanbul%20Rep%20cov.pdf)





# From Scotland to Russia

Svetlana Babayeva

UK Bureau Chief, Russian News and Information Agency

Once the G7's 'awkward guest', Russia is already preparing for the 2006 Summit – this time as host of the G8

**F**or now – rightly – all eyes are fixed on Gleneagles. It is a tribute to the British Presidency of the G8, and to the increasing rigour and efficiency of the G8 process, that the preparatory work on the Gleneagles agenda – with climate change, Africa and development more generally at its core – should have been undertaken in such a thorough and outward-looking way.

But Gleneagles – crucial gathering as it is – will represent only one staging post in a continuum of intense international activity which needs to translate into concerted international action, through the UN Millennium + 5 Summit in New York

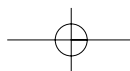
in September; special summits of the EU with its key international partners, including Russia, in the autumn; the WTO Ministerial Conference in Hong Kong in December; and other international gatherings right up to, and beyond, the G8 Summit which the Russian Federation will host as Presidency of the G8, in summer 2006 – the first time Russia will have assumed this very special mantle.

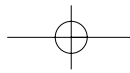
## Engagement and partnership

The decision at the Kananaskis Summit in 2002 that Russia should assume the 2006 G8 Presidency and host the annual summit was, as the G8 leaders said in their

statement, a consequence of its “remarkable economic and democratic transformation” in recent years. No longer was Russia to be seen – as it was in the immediate post-Soviet era – as just a large regional state with nuclear weapons, but as a key partner whose most vital strategic interests complement those of the international community as a whole.

The decision was also a recognition of Russia's role as an essential partner in the war against international terrorism and organised crime – a partnership made all the more vital by the horrific outrages of 9/11, and later in Indonesia, Kenya and Spain. It has become a





*Russia now plays a full and committed part  
in the great majority of the world's counsels*

commonplace to observe that we live in an increasingly interdependent world – but the observation is no less true for being so frequently heard. Indeed, it constitutes the rationale for the entire G8 process. It is entirely logical and desirable that Russia should have taken its place in that unique forum for agreeing collective responses to collective challenges.

This status is not just a reflection of Russia's strong economic performance (which saw growth reach 30 per cent in the first four years of President Putin's presidency, and an increase in GDP of 7.1 per cent in 2004), but of its ability and willingness fully to shoulder its share of international responsibilities, and to define its national interests accordingly. Russia now plays a full and committed part in the great majority of the world's counsels, not only in the G8, the UN and its various agencies, but in the Quartet which brings it together with the US, EU and UN; and closer to home, in the partnership which it has forged with the EU, which in Moscow in May of this year saw the approval of 'road maps' for four common spaces of co-operation in economics; freedom, security and

justice; external security; and science, education and culture.

At the same time, Russia is entering the final stages of its negotiations for membership of the WTO – hopefully in time for the Hong Kong meeting. This level of engagement and partnership with the world's other main actors is seen not only at the level of institutions and processes, but of full engagement in the formulation of policy, its explanation and its *implementation*. In the G8 this has meant Russia contributing in a significant way to work in progress on a number of key areas in addition to the war on terrorism – including non-proliferation, energy security, and, crucially for the stability and security of the whole world, the Broader Middle East Initiative. Meanwhile, Russia, following its ratification of the Kyoto Protocol in October 2004, stands ready to play its full part in meeting the critical issue of climate change, which, with the challenges of development in general and Africa in particular, find themselves right at the top of the list of priorities for Gleneagles.

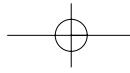
**Taking up the baton**

Russia looks forward to chairing

preparations for all these tasks at the summit it will host in summer 2006: reviewing progress on the 'inherited agenda' of G8 initiatives; ensuring adequate measurement and energetic follow-through; and identifying new priorities for action in light of fast-moving international developments. At his meeting with Tony Blair in Moscow in June, President Putin signalled his wish to add help for the republics of the CIS to next year's agenda – a significant priority for him, given the importance which he attaches to the sustainable development of these countries, and to their relations both with Russia and with the rest of the international community.

Russia will oversee preparations for the next G8 summit in the same workmanlike way which has characterised the current UK Presidency of the G8, and consulting as widely as possible with the many G8 stakeholders – in business, academia, the trade unions and NGOs.

At the same time, the Russian Presidency of the G8 will aim to preserve the uniquely personal quality of a gathering which gives discipline and direction to our efforts to shape a better world. ♦



# The future of the G8

John Kirton

Director, G8 Research Group, University of Toronto

With greater participation, a more structured process and energetic follow-through, the G8 could become an increasingly effective centre of global governance

**S**even years ago, at the first G8 Summit he hosted, Tony Blair introduced the greatest institutional innovation since the G7 was founded in 1975. At Birmingham in 1998, a now democratic Russia was added as a full member. The foreign and finance ministers held their own separate meetings just before the summit, rather than alongside their leaders at the summit itself. The leaders focused on a few specific issues, and freely took up others, in an informal setting all their own. Civil society, in the form of Jubilee 2000, joined them, demanding, successfully, greater debt relief for the poorest countries in the world (Hodges, Kirton, Daniels, 1999).

Since that time, the G8 and global community have faced the Asian-turned-global financial crisis and other dark sides of globalisation; deadly protests at the 2001 Genoa G8 summit; the 11 September 2001 terrorist attacks on North America, the divisive 2003 Iraq war; and the rapid rise of new powers such as China and India. Yet Blair's 1998 innovations have remained

essentially intact as the model for the Gleneagles Summit this year. Not surprisingly, the effort to govern a rapidly changing world with such stay-the-course summity has led many to call for a new wave of far-reaching innovations for the G8 to thrive or even survive.

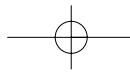
Such calls should be treated with caution, as Blair's Birmingham model has allowed the G8 summit and system to flourish as an effective centre of global governance. This model provides a firm foundation for the more modest improvements required to strengthen summit performance in the years ahead.

## The G8 comes of age

The Birmingham innovations reinforced the G8's unique character as a concert of all the democratic major powers, where democratically elected leaders are free to address any issue to further the group's core mission of promoting open democracy, individual liberty and social advance everywhere in the world. Since 1998, the summit has set new records in media and public attention, enabling leaders to use it

more thoroughly to manage their political priorities at home. The leaders' deliberations have expanded to embrace a vast array of subjects, as the summit has become an important source of domestic and global governance alike (Fратиanni, Kirton, Rugman, and Savona, 2005). The summit has set bold new normative directions for the global community, initiating war against Yugoslavia to prevent genocide in Kosovo, and bringing the democratic revolution to Africa and the Middle East. Its specific decisions have grown in ambition and more than doubled in number from an annual average of 54 before Birmingham to 133 since.

These decisions on paper have been delivered in practice, as subsequent compliance by G8 members with their summit commitments has risen to historic highs. The summit has become a great global fundraiser, mobilising US\$50 billion in new money for development and security at Kananaskis, Canada in 2002. The summit has developed new institutions for global governance, >



## *To enable G8 leaders to act as real leaders, the annual summit should be longer*

through ministerial bodies for energy, labour, health and development, and three dozen official-level bodies to deal with a wide range of concerns. It is not surprising that the summits starting at Birmingham have been awarded the highest grades ever on a sustained basis during the summit's 30-year life (Bayne, 2005).

### **Mission and membership**

With this proven performance, the summit in the coming years is unlikely to move to a minimalist model, where fewer members and participants deliberate less frequently on fewer subjects, while the real centre of global governance moves elsewhere. Nor is the G8 likely to leap to a maximalist model, in which ever more members, participants, matters and meetings lead the G8 to acquire a formal charter, legal rules of procedure, and an international bureaucracy of its own. Rather, the G8 is likely to continue in middle-of-the-road fashion as an exclusive, flexible concert, driven by the democratically elected leaders of major powers, and designed to engender good governance in the world.

In part this is because virtually all the same leaders have been coming to the summit since 2001 and, despite their policy differences, have grown attached to one another and to their summit club. Even a once sceptical George Bush learned at the Sea Island summit he hosted last year how to make the G8 summit work for

America and for him.

The G8's mission is therefore likely to remain the securing of the global democratic revolution, in the old areas of the former Soviet Union and the newer areas of Africa and the Middle East, now liberated from the Cold War's harsh confines. Indeed, as host in 2006, Russia is likely to continue to give attention to the Middle East and Africa. Russia will look for creative ways to use its summit to strengthen democracy, liberty and society within Russia, in the Commonwealth of Independent States, and in states along its southern borders through to Afghanistan. The great challenge for future G8s will be to bring the democratic revolution to the many places in mainland Asia where Cold War-style authoritarianism still prevails.

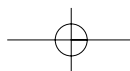
Membership and participation in the summit will and should remain small and selective, and ad hoc participation should follow the subject-specific variable architecture employed since 2001.

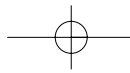
The leading candidate to slowly secure full membership is India. As one of the world's most durable democracies and an emerging major power, India could play a critical role in bringing open democracy based on linguistic and religious diversity to Asia and the world. India will be coming to its third summit in 2005, and should be invited back in future years. In 2006, Russia's former partners to its south will be the preferred guests, while those in the Middle East who are

now democratising also have a strong claim. Such a slowly expanding permanent membership and flexible participation gives the G8 greater legitimacy and effectiveness than the frozen and fixed formulae employed by the United Nations Security Council and the executive boards of the International Monetary Fund and World Bank. Especially if reinforced by a broader annual gathering of the leaders of the Group of 20 systemically important countries, the G8 could serve as an effective centre of 21st century global governance, particularly if the heavily bureaucratic hard law bodies born in 1944-5 and based on older designs prove unable fundamentally to change (Cooper, English and Thakur, 2005).

### **Outreach and follow-through**

Institutionally, the summit will and should continue to thicken. The financial crisis of 1998 and the terrorist attacks of 2001 prompted the G8 leaders to act collectively by issuing special statements of reassurance. Similar crises could again lead to such collective action, or even to special inter-sessional summits similar to those held in 1985 and 1996. While there are now regular forums for most ministers of G8 governments and G8 meetings that combine different ministers as the need requires, there remains a requirement for ministers of defence and agriculture to hold discrete ministerial meetings of their





own, and for new G8 ministerial bodies that include outsiders to deal with vital issues such as climate change and infectious disease. Official level bodies should be encouraged to proliferate, but with ever greater participation by outside governments, international organisations and civil society experts, and with a more structured process for being directed by, and reporting to, the G8 leaders themselves. And the G8 will and should continue to avoid the heavy burden of managing an international bureaucracy that, even as a small secretariat, would confine and alienate democratically elected leaders from an institution they properly and preciously value as their own.

To enable G8 leaders to act as real leaders, while accommodating the expanding array of outside guests and civil society representatives, the annual summit should be longer. It should include ample time for leaders to be alone together to discuss and decide, informally and spontaneously, anything they want. But as democratic leaders devoted to transparency and accountability, they have a duty to tell their citizens and others what they and others acting for them have discussed and decided. They should therefore continue to expand the lengthy documentation produced at each summit, but in doing so better specify the targets, timetables, implementing agents, reporting

mechanisms and resources required to put their wishes into effect.

As an increasingly effective centre of global and domestic governance, uniquely delivered by democratic leaders and devoted to open democracy, the G8 needs to do much more to involve its legislative and judicial branches, media and citizens in its work. The annual meeting of the speakers of G8 parliaments begun in 2002 should be expanded to involve many more legislators at both the federal and regional levels. G8 judiciaries could usefully meet collectively to deal with issues now central to the G8, such as corruption, transnational crime, and civil liberties in a terrorist age.

The media should be encouraged to cover the G8 in detail, not only at the annual summit, but in the work the G8 now does every day of the year. Business, labour, and broadly representative non-governmental organisations should have a more prominent and permanent place in G8 governance, as they do in the Organisation for Economic Co-operation and Development, the International Labour Organisation, the Asia Pacific Economic Co-operation forum, and the regional institutions where G8 members regularly meet.

Such civil society stakeholders should come together with professional experts and G8 governors regularly to monitor whether the directions set and decisions taken by the leaders each year are actually

being implemented, and to determine what better mechanisms could be devised within a now more open and democratic global society to deliver better global governance for the world as a whole.

[www.g8.utoronto.ca](http://www.g8.utoronto.ca)

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