



Global Marshall Plan
balance the world
with an Eco-Social Market Economy

Rethink Development cooperation

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First of all, thank you to the organizers for inviting me. I will, however, not strictly follow the theme that is printed in the program. Not because I do not believe in trying to organize Europe in support of the Global Marshall Plan, but because I believe that in order to reach that conclusion we need to critically examine a bit how the European Union (EU) and their member states are acting today on the international level – in particular, how it deals with development cooperation and support for poverty eradication in the world. The challenges ahead of us have already been described: wide spread poverty, threats to the global commons, epidemics, rampant unemployment, human rights abuse and threats of terrorists and the spread of weapons of mass-destruction. And I have no doubts that we Europeans, *we* have to take a lead role in trying to address these problems. Prince El Hassan talked about the need for multilateralism. Ernst von Weizsäcker referred to the need to protect and, indeed, to produce what he calls global public goods. We need to develop a fair trade system. We need to develop an economic framework for this new globalised economy, which is inclusive and which is fair for all. And I would like to add: we need to do away with a lot of fear and anxiety that is spreading around the world today.

The reference that was made to the decision by General Motors to cut another 12,000 jobs in Europe is just one example. It is more and more of a puzzle to me that whenever we discuss productivity, the only way we seem to be able to attain greater productivity is by eliminating jobs. That is a contradiction.

Now, if we look at the external relations of the European Union and in particular the north-south relations, we see that currently about 28 billion Euros in the form of aid is being distributed. It is aid from the European Commission – we could call that community aid. And it is aid from the 25 member states. I would propose that one of the greatest problems today is that it is not coordinated at all. Instead there seems to be a lot of competition. You would not expect competition in the field of development cooperation, but it is obviously there.

Moreover, our aid policies are not coherent with the rest of the policy agenda. In regard to trade and aid we give out with one hand, and we take back with the other. The agricultural policies prevent access for poor farmers to our markets. But even more problematic is, of

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course, that export subsidies for the surplus food produced by European farmers are being flooded into the markets of the poor. And almost wherever I travel and I have traveled a lot in the South, it is easier to find tinned products from Europe than to find fresh products from the region where you are traveling – and it does not matter if it is Tanzania, Namibia or anywhere else.

Another problem, illustrating the lack of a systematic approach, is that our aid policies are very much sectorized, and the aid delivered is very fragmented. Those who deal with social policies and poverty reduction have very little connection with those dealing with water and management of natural resources. These are only two examples.

Last but not least, measuring the results, the indicators used to measure what we are doing and to see to what extent the aid money is really producing results, are very poorly developed. I confess to you that when I became a member of the European Parliament in 1999, and started to work in the development committee, it was impossible to get information on how much money was spent in different areas because there was no real reporting system with regard to development cooperation in the Commission. And that was only part of the problem. The more serious was of course, that the impact of our efforts was even more difficult to track down. Not merely how many hospitals and clinics were built, that is just the infrastructure, but to know what was really happening – were people's health improved, etc.? We simply lacked the systems to provide that kind of information. Only now is this being improved. But I can tell you that in many of these areas we have still a long way to go.

I will show you two examples about fragmentation and poor coordination. Mozambique, one of the poorest countries in the world concerning social infrastructures and services, last year had 562 different development aid activities registered. The total amount was 424 million US\$, an average of 0.8 million per activity. The European Union and its member states represent 381 of those activities. Just imagine what would happen if all this was better coordinated.

Try to put yourself in the situation of the minister of social affairs in Mozambique who has to deal with these 562 projects, who has to meet with most of the project directors at least once a year, and whenever there is a delegation from Sweden, from Germany, from Austria, from the EU, from the US etc., he or she has to meet with them. The minister quite obviously spends all their time just doing that. The transaction costs are colossal. If you then regard all the other sectors – the social sector is just one of many. I can tell you there are thousands of separate activities, just for Mozambique.

And do not you think that I am just picking a very special case. I regret to tell you that in Tanzania, the picture is more or less the same. The total number of activities is a little bit less, but the lack of coordination is obvious.

If we then scrutinize development cooperation from a more substantive point of view, I would submit that today we face a number of very serious problems – which are either part of the global agenda or specific country agendas. Just let me comment briefly upon them in no particular order.

First of all, we have still the problem of debt. We have seen several initiatives in the last ten years to try to deal in particular with highly indebted countries. But so far such initiatives have produced very little. I don't have an exact figure but the total debt of the poor countries of this world equal more than 2.5 trillion US\$ and you can calculate yourself what the interest on this money is every year. So there is a colossal drain of financial resources out of these countries because of previous loans. Unless we do something about it, many of these countries can never really achieve development.

Secondly, we have the contradiction between the trade agenda and the development agenda. Because in reality, the trade system of today very much favors the rich countries. It is not a trade system that is fair. We seem to forget that most of the OECD countries – if not all – developed our own infrastructure and industrial competitiveness behind some kind of protection. And now we ask from all developing countries, regardless how poor they are, to remove all trade barriers. The WTO system, in my opinion, is very much like a boxing match where you have a heavy weight in the one corner and a light weight in the other.

The third problem is the poor correlation between the poverty agenda and the environment agenda. Poor people today, particularly in the rural areas, depend to a large extent on their natural resource base: soil, forests, grazing lands, water resources and marine resources. And yet we are experiencing severe degradation of all these natural systems. The problem is that most economists do not seem to understand that for the poor people of this world, because they are not part of the monetized economy, the gross biomass product – and a healthy natural resources base – is more important than the gross domestic product. When I look at how most member states of the EU – with a few exceptions – and the Commission is trying to address problems of deforestation, soil erosion, water scarcity etc. – it is most often a failure. They do not know how to integrate the environment concerns of poor people into their poverty reduction strategies. They just work in “boxes”.

The main problem of course is that most were educated and trained this way, i.e. in “boxes”. They simply do not know how to integrate. But every thinking human being understands, of course, that a healthy environment is absolutely fundamental for the poor because if that goes away, poverty gets even worse. Consequently, the best development aid for all those areas in the short term would be to invest in natural capital and not in financial capital. Investments in natural capital, such as reforestation or soil conservation will improve the yields from farming and help people move out of poverty. We have seen many examples like that, specifically in India. Poor villages that invested in natural capital have taken their people out of poverty. But those villages who neglected it could not survive.

Another area with a lot of shortcomings is gender in development. Women are the bread winners. Women are those who make development work in most developing countries – this is a fact. In most villages the women take the lead and help attain better living conditions. But very often we simply cannot get it right, because we lack the expertise on how to support women specifically.

Yet other areas which leave a lot to be desired from are health and education. One would have thought that within the EU a large part of aid would be channeled in support of health and education, but it is not. Take HIV/Aids. For twenty years we have neglected this problem. I was working for the Red Cross in the 1980s. We started the work against HIV/Aids in Uganda in 1985. Already at the end of the 1980s, demographers and experts on epidemics told us that if you do not prevent its spread, it will risk destabilizing large parts of Africa. Unfortunately, neither the world community nor African governments did much in terms of prevention. Only during the last few years have funds started to be mobilized on a large scale. It is a bit late! HIV/Aids is now spreading very rapidly, not only in Africa, but in China, in India, in East Asia, in Russia etc. Ladies and Gentleman, prevention is better than cure. It would have been much more cost effective to have done more in the past.

Another critical area is access to energy, technology and credits. Prince El Hassan referred to the digital divide. The Internet is a success story. Seven hundred million of people have access to the Internet today. That is a real success story. It took less than ten years to reach the same audience that the television reached in fifty.

This being said, the digital divide is a fact. Very large regions are being excluded. I have tried during the last five years to push for the integration of IT as part of the development cooperation portfolio. Mr. Poul Nielson, who has been the EU Commissioner for

Development, has not been positive. He once told me, “Mr. Wijkman, poor people cannot eat computers or mobile phones; they need food, they need shelter and they need water. We have to wait with technology”.

I do not dispute that they need water, food and shelter, but I don't think that this is a fair response. It is not either-or, it is both. There are so many examples in the South where IT services can proactively advance the poverty reduction agenda. We have to pursue parallel tracks. Most of the poor countries missed out on the industrial revolution because they were colonies and they just had to deliver raw materials. Now they risk missing out on the IT revolution.

Another problem that is dear to my heart: why do developing countries have to repeat, more or less, all the mistakes that we have been doing in the modernization of their economies? I talked about the problems of bad management of the natural resources in the rural areas. If you enter the urban areas and industrial areas you see exactly the same smokestacks that we had fifty years ago. Why? Why is there not more technology leap-frogging going on? In fact this is only happening on a large scale in one area: mobile phone technology. Many countries, in particular China, do not invest in grids systems, but instead opt for mobiles. And why not in the fields of energy, transportation, waste management, chemicals and agriculture?

The promotion of democracy and human rights is an obvious area where we have done too little in the past. Just take a look at the Arab world and you see what I mean. Efforts to reduce corruption and conflict resolution are other examples where development cooperation has not been active enough.

After going through all these shortcomings and problems, is there hope? My answer is a clear yes! But the answer is not “more of the same”. Rather we have to seriously rethink how we work.

What is desperately needed is something of a north-south pact or a planetary contract or, if you like, a Global Marshall Plan. We can have different concepts and play with them. But one thing is clear: “More of the same’ is not going to help” because money is only part of the answer. The real challenge is to spend more money in the right way. I have already referred to some of the areas where things have to be significantly improved. Let me just make a few summary comments, stressing some of these areas again.

A first priority must be significant debt relief. Otherwise, most of the poor countries will make it.

Secondly, we will have to at least double the aid amount and rethink the organization of it. Even if I have been very critical of the EU Commission in the past, we should urge them to improve what they are doing and give them a lead role in terms of coordination, of all development cooperation from the EU that is complementary and coherent in the future. Otherwise we will continue to have hundreds, if not thousands of parallel projects in different sectors and competition between the community and the member states, let alone all the other donors. Talking about coordination, it should be in the hands of the respective recipients of aid as much as possible. Ownership is critical. But we have to do away with all the competition between donors, we have to make sure that aid from different donors complement each other rather than oppose and we have to bring about better coherence between different policy areas. In all this the EU Commission should be given a lead role.

We should use enlargement, as my friend Franz Josef Radermacher keeps reminding us, as a model. We have now accepted ten new members in the EU. As you know there were almost fifteen years of pre-accession talks and assistance. Every year the European Union supported the ten accession countries with something in the range of three to four billion Euros to help them develop legislation, build capacity as well as infrastructure, strengthen their health systems and environment legislation, anticorruption measures etc. I am not saying that this was perfectly organized, but it was a model that did work – everything under the leadership

of Brussels. Could you imagine that this would have worked if all the fifteen original member states would have had separate agendas in the respective accession countries – each and everyone pursuing their particular interests? No, it would not.

Why not use the same kind of thinking for development cooperation in the future? I agree that you cannot exactly compare development work and assistance in the Baltic Republics with working with Mozambique, there are huge differences of course, but the general approach used could be applied in a similar way.

Another absolutely essential element in development cooperation for the future would be to encourage Factor 10! We know that if everybody on this planet would entertain the lifestyles we have developed in Europe - with the same kind of technologies - the resulting pollution would be colossal. We have already gone too far, we have already passed the limits for what the biosphere can assimilate in terms of waste and residue materials. So we simply have to be much more intelligent in the way we use energy and materials. Ernst von Weizsäcker wrote in his book “Factor Four” that, already with the existing technologies, there is a lot we can do to improve efficiency. We need more than that. We probably need a Factor Ten in the long run. More efficient technology and clean energy is an absolute must!

Do not believe those who say it is not possible. Do not forget that the sun everyday gives us 13,000 times more energy than what we use commercially. I agree that it is in a diffuse and diluted form but I imagine that if we invested enough resources in research and development – and we have not – it ought to be possible to develop clean energy for all of us in the longer run. If we just compare the research budget in solar technology areas, including wind etc., with what we have spent in the last fifty years on developing the nuclear concept – it is a pittance. Much more could be done.

Another important priority would be to invest in natural capital. We have to reforest. We have to build up the soils. We have to strengthen the natural resource base. We have to have more green spaces on earth, not less. We cannot continue to expand the physical economy and output of energy and materials while at the same time reduce the ecological base. The reason of course is that the ecosystems perform a lot of indispensable services to us. They have the capacity to make new resources out of waste and residue materials with the help of solar energy and photo-synthesis. Hence, if we use the natural system wisely, it will give us more and not less resources. If we do not use it wisely, however – if we deforest, if we pollute – it will go the other way.

Last but not least, we have to give much more priority to HIV/Aids prevention and to strengthen health systems in general. Now, and this is my last comment, all these priorities have to be pursued in a much more integrated fashion. We have to be systems thinkers. This is of course not going to be easy. In particular since we are educated the way we are. So we have to rethink the way science and education is organized. We have more than 20,000 individual disciplines in the academic world today. I am not against specialization because it provides solutions to a lot of problems. But it must be as important to understand how the things are linked together.

Let me give an example: how many institutions in the world educate people to understand the whole – that is to say how the things are interlinked. Very few and far between. I know that this is something that is not going to be easy. Whenever I meet scientists, and I have met a lot through my career, we talk about this and everybody say “yes, we need more multidisciplinary, transdisciplinary and interdisciplinary work”, but when they go back to their institutions, they fight hard as ever for the integrity of those institutions which are disciplinarily oriented. They get their budgets this way, and they are promoted this way, it might be added, they get the Nobel Prizes that way. I think if we are genuinely interested in a different kind of development in the future, we have to rethink how we educate people. What kind of worldview we give people – that is to me very, very important.

If all that happens, I am slightly optimistic – and I am trained as an economist – that even economists would start to understand the world outside their economic models.

I was always fascinated by an Indian proverb that applied to economics which states, “only when the last tree has been felled or the last fish has been caught will man realize that he cannot eat money”.

Thank you all!