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Trade and Aid in a Changed World

By Kofi A. Annan

In rural areas of Bangladesh, most girls marry at a very young age – not because they wish to, but because their families cannot afford to send them to school. In some districts, however – Narshingdi, for instance – that is changing. Girls' enrollment in secondary schools there has more than doubled, and in three years the proportion of married women in the 13-to-15 bracket dropped to 14 percent from 29 percent. Families are getting smaller, and more women are employed, with higher incomes. The benefits will reach far beyond individual girls; they will include lower birth rates, better health practices, fewer children dying in infancy and a more productive labor force.

What made this change happen? Money. Since 1993, girls attending secondary school receive a small stipend while the school receives tuition assistance. The pilot program, sponsored by Bangladesh and financed by the World Bank, is now to be expanded, to affect up to 1.45 million girls.

That is development. It is not abstract. It is real change in the lives of real people eager to improve their own conditions, if only they can get a real chance. At present many are denied that chance. Well over a billion people go to bed hungry every night. They do not have water they can drink without grave risk of disease. Development means enabling such people, and another two billion who are only marginally better off, to build themselves a better life.

Eighteen months ago, the political leaders of the world agreed, at the Millennium Summit here in New York, that we should devote the first 15 years of this new century to a major onslaught on poverty, illiteracy and disease. And they set a clear set of targets, the Millennium Development Goals, by which to measure success or failure. Those goals will not be reached without resources: human resources, natural resources and also, crucially – as the example of the girls in Narshingdi shows – financial resources. That is why more than 50 heads of state, as well as cabinet members, business leaders, foundation executives and representatives of not-for-profit groups, are in Monterrey, Mexico, this week to discuss financing for development. The fate of millions of people depends on our getting this right.

Leaders from the developing world will also be there – not as supplicants but as partners. They are in the process of adopting the right policies for mobilizing private investment, from their own citizens and from abroad. They know they have to embrace the market, ensure economic stability, collect taxes in a transparent and accountable way, uphold the rule of law and protect property rights.

What they ask for is a fair chance to trade their way out of poverty, without having to face tariffs and quotas or to compete against subsidized products from rich countries. Many are also asking for relief from unsustainable debts. And many are saying that in order to make the full transition to sound, open economies, they need increased aid from wealthier countries.

Until recently, most developed countries have reacted with skepticism to this request, feeling that too much aid has been wasted in previous decades by corrupt or inefficient governments. During the cold war, the Soviet Union and the wealthier nations of the West used aid primarily to reward loyalty. Corruption and waste – indeed, results of any kind – were secondary to what donor countries wanted most, namely political allegiance. That troubled track record made it easy to attack foreign aid as an ineffective development tool.

Now in the post-cold war era, the developed nations have increasingly come to realize that we live in one world, not two; that no one in this world can feel comfortable while so many are suffering and deprived; that the growing gap between rich and poor is, as President Bush said last week, "both a challenge to our compassion and a source of instability."

As the developed world has begun to appreciate many of the risks posed by economic stagnation, even when it is geographically distant, poorer countries have come to see the value of open markets to their own prospects. There is a new global deal on the table: when developing countries fight corruption, strengthen their institutions, adopt market-oriented policies, respect human rights and the rule of law, and spend more on the needs of the poor, rich countries can support them with trade, aid, investment and debt relief.

Last Thursday, President Bush announced an important American contribution when he pledged \$5 billion over three years for a Millennium Challenge Account to help developing countries improve their economies and standards of living. (American nonmilitary foreign aid is at present about \$10 billion per year.) Later the same day, the European Union announced that by 2006 its members would increase their development assistance by \$4 billion per year, so as to reach an average of 0.39 percent of gross national product — a significant step toward the United Nations target of 0.7 percent.

These amounts will not be sufficient by themselves. All economic studies indicate that to achieve the Millennium Development Goals, we need an increase of about \$50 billion a year in worldwide official aid – a doubling of present levels.

But the European and American decisions do suggest that the argument on principle has been won. All governments accept that official aid is only one element in the development mix, but an essential one. Aid can be much more effective today than it was 20 years ago if it is focused on building the capacity of recipient countries to run their own economies, not on tying them to the business or geopolitical interests of the donor countries. Aid today must aim at developing human resources so that growth can be

sustained. It must be directed not at securing loyalty but at rewarding sound governance that will last.

If the new global deal is clinched in Monterrey this week, many more girls, in Africa, Asia and Latin America, could have the chance to go to school as girls in Narshingdi do. Millions of children could grow up to be productive members of their societies instead of falling victim to AIDS, tuberculosis or malaria. As their lives improve, the world will become a more prosperous and stable place.

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