Towards a new Marshall Plan?

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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.

At 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
In June, at the G8 meeting of Action on debt poverty and deprivation. The 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 (HIPC) – 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 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...
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.