

# Boost the developing world

Directing finance into sustainable infrastructure in the poorest countries helps the whole world, says **Jeffrey Sachs**.

The economic crisis that originated in the consumption boom and bust of the United States and Europe has quickly spread, and is now hitting developing countries hard. This requires urgent global attention: inhabitants of poor countries lack the personal and societal buffers that enable those in richer countries to weather the economic storm that they have created. But the crisis also provides global opportunity. A financial package from the G20 — a forum of cooperation among 20 large economies — to support sustainable energy, land and water use in the poorest countries could provide a 'triple win'. It could lead to stimulus for richer countries, development for poorer countries and environmental sustainability for all.

Sub-Saharan Africa's income growth in 2009 is projected at just 3.25%, down from 6.9% in 2007, and around 3 percentage points below the forecast of a few months ago. The Institute of International Finance based in Washington DC projects a collapse of private-sector financial flows to the world's emerging market economies (mainly middle-income countries such as Morocco in North Africa), from US\$928.6 billion in 2007 to just \$165.3 billion in 2009. International banks are expected to reduce their loans to the middle-income countries by around \$60 billion, compared with a net loan increase of \$410 billion in 2007. Money sent from expatriates to their families in poor countries is plummeting, and millions of workers are returning home after losing jobs, work permits and visas. Long-promised aid is already being cut by some of the largest donor countries. Italy, the host of the Group of Eight (G8) Summit this year, has cut its 2009 aid budget by around half.

These results, compounded by the effects of changing climate, could well prove calamitous. The world's hungry population has increased by 100 million or more compared with 2003–5. Famine stalks large parts of Africa as a result of pervasive climate shocks, growing financial crisis and political instability. The rich world has



looked on, made ample aid pledges in earnest speeches and summit texts, and so far delivered almost nothing of what has been promised.

The tragedy of inaction is made worse by two basic truths. First, the amounts promised but not delivered for Africa by the rich world — about \$60 billion per year up to 2010, compared with actual aid flows stuck at around \$30 billion — are an insignificant fraction of the trillions of dollars of financial bailouts and stimulus packages adopted by the rich countries in the past four months. Merrill Lynch's Christmas bonus of \$4 billion, using bailout funds, was only slightly less than the \$5 billion of US aid to Africa.

Second, the United States, Europe and Japan are missing out on a huge opportunity for themselves: should they actually follow through on their unmet promises of grants and loans to help build Africa's roads, power-generation facilities, ports, water and sanitation systems, fibre-optic networks and functioning agriculture systems, they would provide an enormous stimulus for the faltering factories of the donor countries. Ironically, there is a glut of solar-panel production throughout the rich world, because domestic demand has dropped, while at the same time an absolutely urgent need for solar power in the tens of thousands of African villages not connected to a power grid. That solar power would enable Africa to pump clean water, irrigate crops, run grain-grinding mills, and power clinics and hospitals.

The G20 countries, meeting in London in early April, would be wise to devote at least \$25 billion in urgent additional funding for African sustainable investments in 2009, and another \$25 billion for low-income countries in other regions. The numbers can hardly shock in a meeting that will spend all its time discussing trillions of dollars for our own economies, but

whether the G20 will spare attention and money for the world's poorest is anyone's guess.

The rich countries frequently tell the poor that "it's not the lack of aid but your own governance" that slows the pace of development, even as many poor countries have greatly strengthened their governance and are held back by insufficient aid. Such words ring even more hollow today, as the poor reel under the weight of rich-country scandals, regulatory breakdowns, financial crises and the impacts of climate change emanating from the rich world. All of the world will be losers if the needs of poor countries remain unaddressed, causing rising violence, disease, population displacement and shrinking markets. ■

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## Learn to convince politicians

Scientists must be prepared to explain why research budgets need protecting when times are tough, says **Ian Taylor**.

The severity of the current economic downturn is much greater than when Britain last experienced a recession in the early 1990s. Yet there may be lessons to learn from that downturn. Now more than ever, government has a role in focusing strong, directed efforts to boost the translation of scientific ideas into useful technologies, and to reinforce the base of science skills that drives this innovation.

The United Kingdom cannot rely on the formerly dynamic financial services sector as the engine of growth, so a rebalancing of economic activity is vital for recovery. The ability to capture ideas and discoveries that flow from research will be the test of whether we can recover growth and prosperity, and will influence the degree of public support for investment in science.

I was UK science and technology minister in 1994–97, as we were emerging from the last recession. The 1996 budget was a vigorous attempt to rein in public expenditure,