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The world can afford to double aid budget

By Philip Thornton, Economics Correspondent**18 January 2005**

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A trillion here, a trillion there, and pretty soon you are talking real money. Yesterday's report by Jeff Sachs, the US economics professor who heads the United Nations' effort to hit its ambitious millennium development goals, has no problems with big numbers.

Aid payments must double to \$135bn (£72.5bn) next year, rising to \$195bn by the year 2015, the final deadline for meeting all the UN goals, he says. This would mean between one and two trillion dollars over 10 years.

Thirty-four years ago the world's wealthiest countries stood before the UN and pledged to raise their spending on aid for poor nations from 0.46 to 0.7 per cent of their annual wealth. In 2003 they gave just 0.24 per cent and even if Professor Sachs' report were implemented exactly it would raise that contribution to only 0.54 per cent. "You are talking about moving from a quarter of a percentage point to a half point," he says. "It pales beside the wealth of high-income countries, and the world's military budget of \$900bn a year."

Professor Sachs says it is achievable and insists the world needs to act. "The system is not working right now," he says. "There's a tremendous imbalance of focus on the issues of war and peace, and less on the dying and suffering of the poor who have no voice."

The obvious comparison is with the Marshall Plan under which the United States offered \$20bn - roughly \$200bn in today's money - after the Second World War to rebuild Europe's economies. The US took the lessons from the failure of the Allies to rebuild Germany after the First World War and effectively acted in self-interest by "buying" peace and ensuring it had a partner to trade with as the economy rebounded.

Hitting the 2015 goals would drag 500 million people out of poverty and ensure that hundreds of thousands of people will live who would otherwise have died. In addition, success should lead to stability in countries that could become harbours of terrorism if the appalling situation is allowed to continue.

Few would argue with that. But the plan involves pumping a trillion dollars into the world's poorest, most disease-ridden and ill-educated parts of the world, and also the most corrupt. The report raises concerns among economists that the money may be wasted, misdirected or misused.

Lord Desai, the economist, said simply providing vast quantities of aid would not solve the problem. "The thing is to enable the poor to help themselves by removing trade barriers." Lord Desai said he had found that simply taking the present \$50bn aid budget and sharing it with all those living on less than a dollar a week would do more to boost livelihoods.

Sir Partha Dasgupta, professor of economics at Cambridge University, said he feared corrupt regimes in developing countries would use the extra cash as an excuse to cut their own aid budgets or boost military spending. "It is a terrible moral dilemma," he said.

Diane Coyle, a writer on globalisation and director of the Enlightenment Economics consultancy, said: "We have provided a lot of money over the past three or four decades and a lot of it ends up being syphoned off into Swiss bank accounts or into building palaces," she says. "The record of aid is not encouraging."

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