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Challenges for German Development Cooperation in the Run-up to the Millennium +5 Summit

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Challenges for German Development Cooperation in the Run-up to the Millennium +5 Summit

Tilman Brück and Kevin Watkins

Extreme poverty blights the lives of one fifth of the world's population and denies more than 100 million children per year the chance of an education. Today in sub-Saharan Africa alone 45 million children are out of school and 313 million people are living on less than US \$ 1 a day.

2005 provides an opportunity for rich countries to help put in place effective and cost-efficient strategies needed to change this picture in the long run. The world can choose to continue on its current course, leading to increased poverty and additional human suffering, or to adopt an agenda in favour of expanded human welfare and human security.

This agenda is incorporated in the Millennium Development Goals still achievable with an increased support from Germany and the EU. However, in order for this to happen, the heads of state and government at the G8 Summit in Gleneagles and at the Millennium+5 Summit in New York this summer must make the right political decisions. We propose an analysis that can serve as the basis for discussions and decisions during these summits. Germany has then potential to assume an internationally significant role in the key areas of human development, trade policy and human security and thus credibly promote further reforms to alleviate poverty within the G8 states, the European Union and the United Nations.

Global Poverty – a political challenge

At the beginning of the 21st century, global poverty continues to be a massive political challenge. Statistics alone cannot capture the scale and the human tragedy of absolute poverty. But some statistics get closer than others.

In the next hour, 1200 children will lose their lives.¹ Some will die from malaria, some from pneumonia, some from tetanus, and some from other diseases. Almost all of the deaths will be traceable to a single pathology. That pathology is poverty. And it is the same pathology that keeps 115 mil-

¹ UNICEF: 'The State of the World's Children 2005'. New York 2005. Table 1.

The cooperation between the Human Development Report Office and DIW Berlin

The present weekly report was written in cooperation between the Human Development Report Office (HDRO) in New York and the German Institute for Economic Research (DIW Berlin). The *Human Development Report* is an independent annual publication. It is prepared on behalf of UNDP by a team of scientists, experts and employees of HDRO, with Kevin Watkins being its director.

DIW Berlin analyzes development economies and development policy issues, among others, in the 'Households in Conflict Network' (www.hicn.org), of which DIW Berlin is a co-founder.

The topics of the next *Human Development Report* were also discussed at the international symposium 'Development Cooperation, Trade and Human Security in an Unequal World: The Agenda of the Millennium +5 Summit' on 9 June 2005 (www.diw.de).

The issue of the present weekly report summarizes the most significant statements concerning development aid, trade policy and human security and discusses possible German and European contributions in those areas.

lion children out of school worldwide today, 45 million of which live in Africa.² Over one billion people living on less than US \$ 1 a day – a level of existence so abject that it threatens survival.³

The scale of global poverty and its pathology is only dimly perceived in rich countries.

At the end of last year, television screens brought into the living rooms of people in rich countries images of one of the world's worst ever humanitarian disaster. The tsunami that devastated the shores of the Indian Ocean in December 2004 inflicted enormous human suffering in all the affected countries but also to many families in northern nations amongst which Germany was particularly hard hit. It also led to an unprecedented humanitarian response and an act of global solidarity. Within days of the tsunami striking, one of the world's worst ever humanitarian disasters had given rise to the greatest ever international relief effort, showing what can be achieved when the international community commits itself to a great endeavour. Germany rose to the challenge and pledged some US \$ 40 million of immediate financial assistance within days.

Meanwhile, the human toll associated with child deaths in Africa alone is equivalent to one tsunami visiting the region every month. Unlike the real tsunami, the poverty tsunami is predictable. More than that, it is even avoidable, as there are alternatives. Yet the world chooses to let it happen, until now.

The MDGs – target 2015

In September at the Millennium+5 Summit, the world's governments will mark the fifth anniversary of the Mil-

lennium Declaration by meeting at the UN General Assembly to review progress towards the Millennium Development Goals (MDGs).

In light of this Summit, the Human Development Report Office (HDRO) of the United Nations Development Programme (UNDP) is just completing a detailed country-by-country assessment of progress towards several of the MDGs (cf. box). That assessment will be published just before the General Assembly, along with another exercise: a projection of current poverty trends till 2015. These trend analyses can help identify what the world might look like in 2015 if development policy continues on a business as usual scenario.

That scenario would have especially grave implications for sub-Saharan Africa. In 2015, sub-Saharan Africa, with around 20% of the world's births, would account for some 60% of child deaths.⁴ Not a single major population country in the region is on track for the MDGs target of cutting child deaths by two-thirds (cf. figure 1).⁵

In addition, there will still be around 20 million African children out of school in 2015 – a prospect that threatens to derail the MDGs target of universal primary education (cf. figure 2).⁶

In order to achieve the goal of halving extreme poverty, Africa's per capita income will need to grow at 4% to 5% a year – an implausible prospect under current conditions for all but a handful of countries. In accordance with UNDP's estimate, in 2015 approximately 353 million people in Africa will be living on less than US \$ 1 a day without additional measures – in comparison to 133 million people if additional efforts were made.

² UNICEF: 'Progress for Children. A Report Card on Gender Parity and Primary Education' no. 2, New York 2005.

³ World Bank: 'Global Economic Prospects 2005: Trade, Regionalism, and Development'. Washington, D.C. 2004.

⁴ United Nations: 'World Population Prospects 1950-2050: The 2002 Revision'. Department of Economics and Social Affairs, Population Division, New York 2003. UNICEF: 'The State of the World's Children 2001'. New York 2001.

⁵ UNESCO Institute for Statistics. Montreal, May 2005.

⁶ UNICEF: 'Progress for Children'.

Therefore, the difference between unaltered development efforts of the world community and the achievement of the Millennium Development Goal to halve extreme poverty worldwide are 219 million people in Africa, who would not have to live in extreme poverty in 2015 (cf. figure 3).⁷

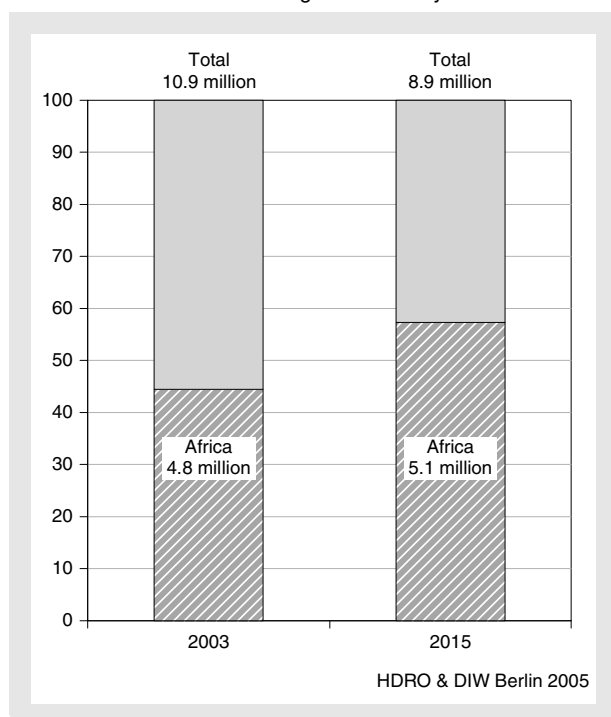
None of these outcomes are inevitable. On the one hand, stronger domestic policies – extending from economic reforms, to a commitment to pro-poor public spending, to anti-corruption strategies – would all help to create the conditions for renewed hope especially in Africa. Some of the world's poorest countries – Vietnam and Bangladesh to name but two – have shown over the past decade that it is possible to achieve a marked increase in the development of economic and social living conditions.

Yet it is abundantly clear that in the absence of strengthened international co-operation Africa acting alone will not achieve the MDGs.

Figure 1

Forecast: Under Five Deaths in Sub-Saharan Africa

Sub-Saharan Africa's share of global mortality in %



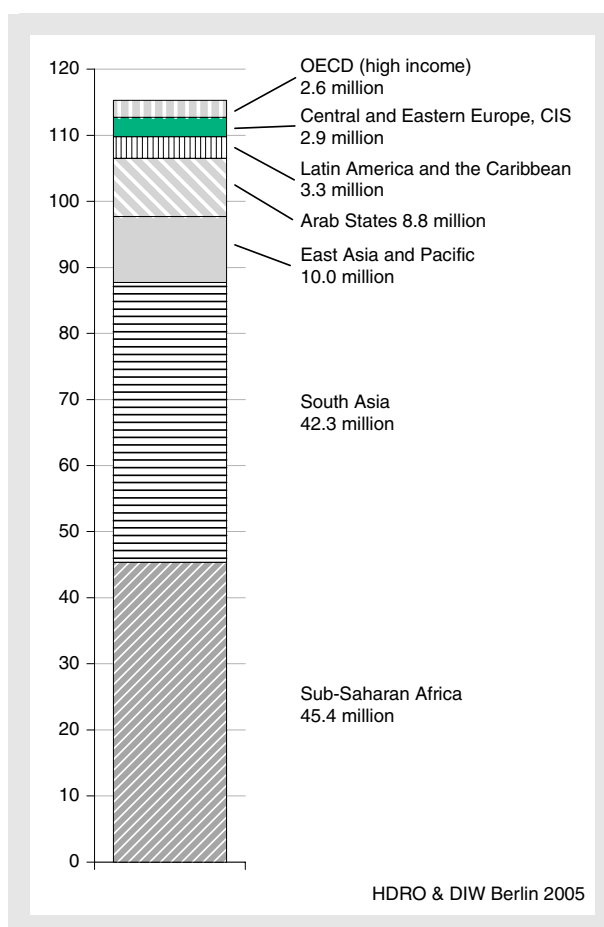
Sources: United Nations: 'World Population Prospects 1950-2050: The 2002 Revision. Database.' Department of Economics and Social Affairs, New York 2003; UNICEF: 'The State of the World's Children 2001', New York 2001; HDRO calculations.

⁷ HDRO calculation based on World Bank: 'PovCal: A Programme for Calculating Poverty Measures from Grouped Data', <http://www.world-bank.org/lsmstools/povcal/>

Figure 2

Children out of School – Mostly in Sub-Saharan Africa and South Asia

Million children without education



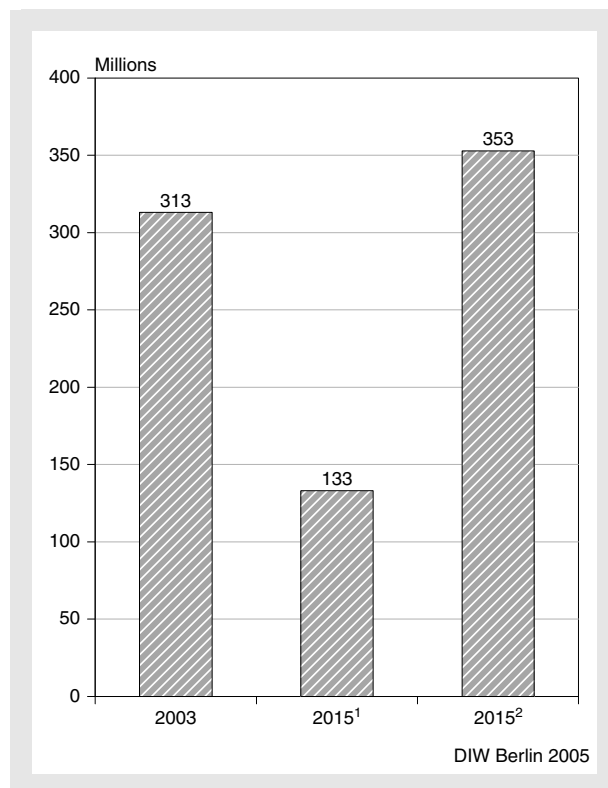
Source: UNESCO Institute for Statistics, correspondence on gross net enrolment ratios and survival rate to grade, Montreal, 5 May 2005

The costs of failure of the Millennium Development Project will be most keenly felt in sub-Saharan Africa itself. But rich countries will not be immune towards economic failures in Africa. In a globalized world, the problems generated by mass poverty – including disease, conflict, flows of refugees, and state breakdown – travel without passports and cross borders with impunity.

The German contribution to the fight against poverty

'We have a chance,' wrote the former German Chancellor Willy Brandt in 1979, 'to shape the world's future in peace and welfare, in solidarity and dignity.'⁸ The report

Figure 3
Population in Sub-Saharan Africa with an
Income of Less than US \$ 1 per Day
2001 and future prospects for 2015



¹ With additional measures: MDGs of halving extreme poverty achieved. — ² Without additional measures: MDGs of halving extreme poverty failed.
Sources: World Bank: 'PovCal: A Programme for Calculating Poverty Measures from Grouped Data', www.worldbank.org/lsmstools/povcal; HDRO calculations.

of his Independent Commission on International Development, 'North-South: a Programme for Survival', set out a bold vision backed by a strategy seizing that chance through the creation of a new, more just – and more sustainable – world order. Above all, Willy Brandt provided intellectual and political leadership at a critical juncture in relations between rich and poor countries.

More than 25 years after this important initiative, Germany has a renewed opportunity to start and implement development policy initiatives. 2005 has been a year of commissions and reports on world development. The Millennium Project Report, the report of the Africa Commission established by the British Government, and the UN Secretary General's report *In Larger Freedom* all reflect a shared vision for our planet's future.⁹ In different ways each of these reports addresses some of the great challenges posed by poverty, inequality, and new

⁸ Willy Brandt: 'North-South: A Programme for Survival', London 1980

security threats in a world that is being transformed by globalization.

Notwithstanding the strengths of these interventions, from a German perspective there are two reasons for looking back even as we reflect on the challenges ahead.

First, over the past several decades, the rate of globalization and therefore the requirement for structural reforms in the industrialized states have increased significantly. However, this has weakened the political focus on global development shortfalls as well as the political will to implement common development strategies. The end result was a 'lost decade' for human development, with grave setbacks for poverty reduction – after an already difficult period in the 1980s. Today, the challenge is to make the next decade a genuine decade for development.

Second, if we are to achieve the MDGs, rich countries as a group need to display a stronger leadership than is currently on display. Countries acting internationally alone can make a difference – but, ultimately, there are limits to what they can achieve. What is needed in order to achieve the MDGs is a critical mass of collective leadership in the G8 and other industrial nations.

In the wake of the upcoming G8 Summit in Gleneagles in July 2005, proclaimed by the UK as a development summit, Germany should be in the front rank of countries providing that leadership. Germany has a self-interest in becoming an international leader in global poverty reduction and the strengthening of international security. Part of that self-interest can be traced to security considerations. Poverty reduction and conflict prevention is just as important to Germany's security as military expenditure – a point forcefully made in Kofi Annan's, the UN Secretary General's report.¹⁰

Beyond the security sphere, there is a powerful economic rationale for Germany to be showing a high order of political leadership in development policy cooperation. More than most countries in the EU, prosperity in Germany is heavily dependent on trade: imports and exports represent over half of German GDP. Developing countries figure increasingly prominently as export markets for German firms. It follows that Germany has

⁹ UN Millennium Project. 'Investing in Development: A Practical Plan to Achieve the Millennium Development Goals.' New York 2005; Commission for Africa. 'Our Common Interest: Report of the Commission for Africa.' London, 2004; Annan, Kofi: 'In Larger Freedom: Towards Development, Security and Human Rights for All.' Report of the Secretary-General to the General Assembly A/59/2005. New York 2005.

¹⁰ As Chancellor Schröder put it on 29 October 2002: 'Today security is less than ever to be achieved by military means, and certainly not by military means alone ... (In) a world in which everyone has moved closer together we will not achieve security if we allow injustice, oppression and underdevelopment to ferment.'

an obvious stake in an orderly, rules-based multilateral trading system.

In politics, as in economics and security, there is an overwhelming case for leadership. As the debate on UN reform gathers pace, Germany is seeking representation on the Security Council. It is difficult to think of anything that would more powerfully strengthen the case for a Security Council seat than a display of leadership on behalf of the world's poor, starting with a bold agenda for advancing the MDGs. Such an agenda would not only make a difference to the eradication of extreme poverty, but also enable the European Union to emerge as a stronger force in human development – especially as a counterbalance to the US and Japan.

Rethinking German aid

International aid is one of the keys for unlocking progress towards the MDGs. The current global shortfall in aid financing needed to achieve the Goals is around US \$ 40 billion for 2006 and rising.¹¹ Much of this must come from developing countries themselves, as they make poverty reduction a domestic spending priority. But even with this increased revenue effort, the developing countries furthest off-track for achieving the MDGs lack the capacity to fill the financing gap. Put bluntly, without an increase in aid linked to strong national financing strategies for poverty reduction, the MDGs project will fail.

On a global scale, development aid is far from the target of spending 0.7% of the national economic power of the industrialized countries on international cooperation. Rich countries as a group now allocate only 0.25% of the GNI to aid.¹² That is a marked recovery from the low of 1997, but far below the level in 1990. At the end of the 1970s, Germany gave 0.44% of GNI in aid and ranked 7th in the world as a donor. Today, the aid/GNI ratio is 0.28% and Germany ranks joint 17th as a donor, or four places from the bottom of the aid generosity league.¹³

Turning from German aid quantity to aid quality changes the picture. By any standards, Germany has one of the most innovative aid programmes of any major donor, and it outperforms most other countries in

some key areas. For example, German aid has played a critical role in supporting social insurance programmes across the developing world. In Zambia, those programmes started as targeted assistance in urban slums but are now being scaled up. In India, the Philippines and Kenya, Germany has taken the lead in developing health insurance programmes aimed at extending basic services and treatment to the most marginalized sections of society. These are all cutting edge interventions that are making a huge difference to people's lives in the poorest countries.

Not all aid provides value for money. Too much development assistance is still linked to the purchase of overpriced and inadequate goods and services in donor countries. In contrast to some of its EU partners, Germany has made some progress in untying aid. Tying aid is a form of cooperation in effect constituting a tax on aid transferred from poor people in poor countries to private companies in donor countries.

The higher prices of goods and services associated with tied aid cost developing countries US \$ 5 billion to US \$ 7 billion a year.¹⁴ According to the OECD's Development Assistance Committee (DAC), 76% of German aid was untied in 2003, compared with 43% for 1999 to 2001. It should be Germany's goal to raise this level significantly again in order to increase aid efficiency and aid impact further.

Showing leadership in aid will require Germany to build on the current foundations in aid quality, while at the same time scaling-up aid quantity. One way of showing leadership would be for the German Government to unequivocally implement the recently agreed EU aid target under which all Member States will reach an aid to GNI 'floor' of 0.51% by 2010, with the average set at 0.56%.¹⁵ A positive sign for this plan is the consistent increase of German ODA since 1999 – after almost 20 years of steady decline (cf. figure 4).

Such an active stance on aid quantity would enable Germany to have a stronger voice in debates on the strengthening of aid quality. This is especially important in order to turn the 50 commitments made in the March 2005 Paris Declaration on Aid Effectiveness into something more than vague principles.

¹¹ UN Millennium Project. 'Investing in Development: A Practical Plan to Achieve the Millennium Development Goals.' New York 2005.

¹² HDRO calculation based on 'The DAC Journal Development Cooperation Report 2004', vol. 6, no. 1, 2005, and 'Development Initiatives, Aid data report', Thematic Paper for the 2005 Human Development Report.

¹³ DAC/OECD, Online [http://www.oecd.org/dataoecd/50/17/5037721.htm]. Accessed April 2005

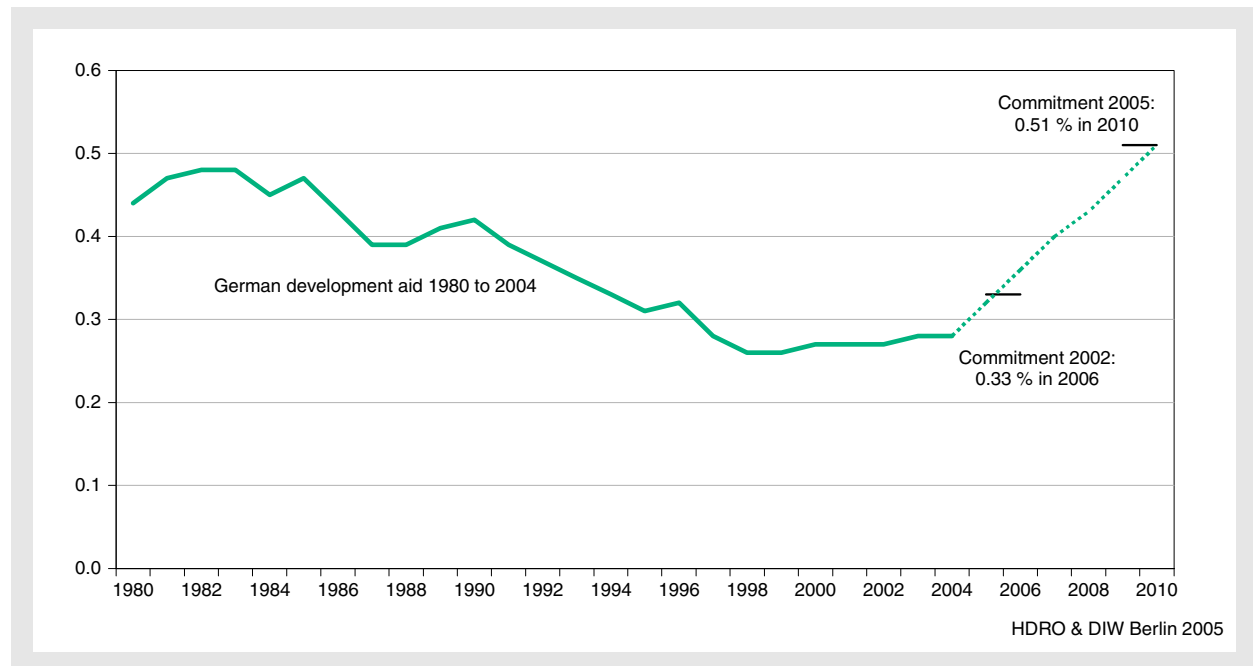
¹⁴ Reports for the High level DAC meetings 'Implementing the 2001 DAC recommendations on untying official development assistance to the least developed countries 2004 progress report'. (2004) and 'Implementing the 2001 DAC recommendations on untying official development assistance to the least developed countries 2005 progress report.' (March 2005).

¹⁵ Council of the European Union: 'External Relations Council, Council Conclusions: Accelerating Progress Towards Achieving the Millennium Development Goals', Brussels 2005, (http://www.eu2005.lu/en/actualites/conseil/2005/05/23cagre/milldego.pdf. Accessed 24 May 2005)

Figure 4

German Development Aid – Progress Must Accelerate to Meet EU-targets

Development aid as % of GDP



Of course, the fiscal pressures faced by Germany are real – and the challenges facing national policy makers should not be under-estimated. At the same time, there are ways to diminish the fiscal pressures associated with ODA increases. The International Financing Facility (IFF) proposed by the British Government is one option under which aid expenditure could be front-loaded rapidly to finance progress towards the MDGs, with some of the budget obligations back-loaded through bond issues.

Another option is the alternative financing mechanisms that have been explored by the Landau Commission on behalf of President Jacques Chirac. Of course, progress on these proposals may prove difficult given the opposition of the US Government. But surely this is an area in which, with effective leadership, the EU could jointly push for progress.

Another area in which international leadership is needed is improving coherence between aid policies and debt relief. Today it is widely acknowledged that the HIPC Initiative, as practiced to date, is not working. However, progress towards solutions has proven more difficult than the identification of the problem. Protracted disputes over how to finance multilateral debt reduction, the future role of the International Development Association (IDA), and the proper role of IMF resources has created an inertia that must be broken this

year if the MDGs project is to be freed from the shackles of unsustainable debt. In this context Germany should take the initiative and make the case for a 100% reduction in multilateral debt for HIPCs. The run-up to the G8 summit in 2005 provides the opportunity to display that leadership, as recent events have suggested.

World Trade and the Doha Round

We are now in the fourth year of negotiations on the World Trade Organization (WTO) Doha Round, the so-called development round. In December 2005, the ministerial meeting in Hong Kong will discuss a wide range of technical issues, and decide one overwhelmingly non-technical issue. That issue is whether or not the Doha round goes down in history as a lost opportunity to start the process of aligning globalization with a commitment to poverty reduction. A failure of the Doha Round would be a setback for world trade, worldwide poverty reduction and multilateralism.

So far progress in the Doha round has been limited. This is especially true in areas of concern to developing countries. The challenge in the months leading up to the ministerial meeting is to create a platform for real and tangible progress in the next phase of negotiations.

The starting point has to be agriculture. In the last round of world trade talks – the Uruguay Round – northern governments pledged to cut agricultural support from the levels of 1986 to 1988. Instead, they have increased support. Using the OECD's Producer Support Estimate, around US \$ 257 billion was diverted into agricultural production in 2003; taking into account total support would raise the figure to US \$ 350 billion.¹⁶

Rich countries currently spend just over US \$ 1 billion a *year* on aid to agriculture in poor countries, and just under US \$ 1 billion a *day* subsidizing agriculture at home. Most of the subsidies go to the rich world's richest farmers and large large-scale agribusiness companies, rather than to small producers.

Agricultural support in rich countries hurts small producers and agricultural labourers in poor countries. While patterns of support vary across countries and sectors, they have the broad effect of increasing output, reducing imports, and generating large surpluses for export. The net effect is to lower world prices and to restrict the market share of non-subsidizing exporters. Small farmers in developing countries lose out on several counts. Exporters get lower prices for their output and get pushed out of markets. Meanwhile, domestic food producers have to adjust to competition from heavily subsidized imports in national markets, often with ruinous consequences.

From Mexico to Ghana, subsidized agricultural goods produced in rich countries are disrupting local markets, undermining livelihoods, and creating an unhealthy dependence on imports. Two commodities, cotton and sugar, demonstrate the problems facing exporters. In West Africa, some 2 to 3 million cotton producing households have been forced to compete against US cotton exports that reduce world prices by between 10% to 20%. In the sugar sector, the EU pays producers up to four to five times world market prices, and then dumps the 4 million tons surplus on world markets. It is true that the EU also imports sugar under a preferential trade arrangement. However, a low-cost producer in sub-Saharan Africa such as Mozambique currently has an import quota equivalent to roughly 2 hours worth of EU consumption.

Effective WTO rules could resolve many of these problems. An agreement on agriculture could cut agricultural support, prohibit direct and indirect export subsidies and reduce rich country tariffs – some of which rise to peaks of over 200%. However, no real progress has been achieved with regards to this important question.

¹⁶ OECD: 'Agricultural Policies in OECD Countries at a Glance', Paris 2004

The same is true in the area of market access. At present, the world's poorest countries face some of the highest tariff barriers. The average tariff on goods traded between rich countries and developing countries is around four times the average tariff on goods traded among rich countries.¹⁷

Even this understates the problem. Labour intensive goods produced by poor people face some of the highest tariffs of all, with the effective tariff on imports from Bangladesh into the US rising to around 15% today.

Not all protectionist effects are as visible as tariffs. One example are the numerous requirements that are hard to comply with, according to which both the EU and the US provide preferences to some trade partners. In the case of the EU, the 'Everything But Arms' initiative offers duty free access to the least developed countries, if they meet eligibility requirements set out under rules of origin arrangements. These specify how much of the value in an exported good has to be generated locally. Some countries are unable to meet or prove these requirements. This is especially the case for countries seeking to export to the EU. So in theory, Bangladesh enjoys duty free access for garments.¹⁸ But in practice, only around half of its exports qualify.¹⁹

The German contribution to a successful Doha Round

What can Germany and the EU do to make the Doha Round a genuine development round? A strategy is required which delivers practical results soon in a few distinct areas, with agriculture and market access an immediate priority.

In the case of agriculture, an agreement would include:

- A comprehensive ban on all direct and indirect export subsidies by the end of 2006;
- Deep cuts in agricultural support;
- Reductions in tariffs;
- Provisions allowing developing countries to protect vulnerable producers on food security and development grounds.

¹⁷ HDRO calculations based on United States International Trade Commission, New York 2005 <http://www.usitc.gov/>

¹⁸ Mlachila Montfort and Yang Yongzheng: 'The End of Textiles Quotas: A Case study of the Impact on Bangladesh', *IMF Working paper*, no. 04/108, Washington D.C. 2004

¹⁹ The phasing out of the Multi-Fibre Agreement has exposed countries like Bangladesh to increasingly intense competition from lower cost exporters like China and India. Over 1 million jobs are at risk. Ironically, though, the very real vulnerability of countries like Bangladesh has received less attention than the claims of garment industries in the EU and the US.

Like the US, the EU remains a barrier to such an agreement. Much has been made of the new CAP reform package. However, this is a package that allows for increased spending, provides for a modest cut in producer support, and – according to the OECD – will have a negligible effect on production patterns. European policy makers defend the reforms on the grounds that they will increase the share of support provided on terms that do not distort markets. At best, this claim is unproven. In any case, market price support still accounts for over two-thirds of total support in 2001 to 2003.

German leadership could help to take CAP reform in a more positive direction, thereby opening the door for a more constructive EU role in the Doha Round. An immediate priority should be:

- the re-opening of the CAP reform debate,
- the elimination of all EU sugar exports;
- improved market access for developing countries, and
- an unilateral commitment to eliminate all export subsidies.

Turning to non-agricultural market access, the best approach would be for rich countries to adopt a simple formula-based approach. Such an approach would set an upper ceiling on import tariffs at a level of, say, no more than three times the average tariff. But Europe also needs to rethink its approach to applying market access agreements to developing countries.

Import liberalization might make good sense for poor countries as part of a wider development strategy, provided their governments have the scope and capacity to proceed in a gradual and sequenced manner. The danger is that WTO rules will be used to enforce tariff cuts that are inconsistent with the development needs of poor countries. Once again, German leadership within the EU could play an important role in charting a new course in the WTO debates.

Human Security

Fifteen years after the end of the Cold War appeared to mark the start of a new era of peace, security concerns again dominate the international agenda. For industrialized states these concerns focus on the threats posed by global terrorism and organized crime. Yet the threat of violent conflict is overwhelmingly concentrated in developing countries.

When the UN was created 60 years ago, an institutional structure was meant to be created to resolve and prevent conflict *between* states. Today, the nature of armed conflicts is fundamentally different. Often, the most violent conflicts take place *within* states, not

between states – and most of the victims are generally civilians, indirectly affected by violence. The 1 million people displaced in Darfur, Sudan represent the face of the typical conflict victim of 2005.

Resolving mass violence and wars is an important political challenge in itself. In addition, conflicts lead to massive economic and humanitarian challenges, e.g. through capital destruction and insecurity, as well as through illnesses and forced migration. However, the indirect costs extend far beyond the immediate victims. Of the 32 countries in the low human development category of the UNDP Human Development Index, 22 have experienced armed conflict at some time in the last decade.²⁰ In addition, one of the findings in the HDRO projection to 2015 is that many of the countries most seriously off-track for the MDGs are countries that have been especially prone to conflict. Apart from destroying lives in a very immediate sense, illegitimate violence at a massive scale destroys education systems, undermines public health, and – critically – erodes the economic and social trust on which democratic governance and economy depend.

Conflict prevention is better – and cheaper in human lives and finance – than post conflict reconciliation and reconstruction measures. Typically, conflicts develop a lethal and distinct dynamic with the most dramatic impact on the poorest people. As a counter strategy, poverty reduction is among the most effective of all conflict prevention strategies.

Four priorities deserve immediate international attention in order to strengthen human security:

- the control of small arms;
- the international regulation of natural resource exploitation;
- the support of regional capacities, for peacekeeping and conflict prevention (especially an Africa Peace Keeping Force); and
- the pursuit of an integrated approach to reconstruction.

There are approximately 639 million small arms in circulation in the world, which cause nearly half a million deaths each year; much more than the annual 25 000 landmine casualties.²¹ Yet there is no legally binding international treaty to control the spread of small arms. The wide availability of small arms is a key factor behind the growing intensity of conflicts as well as their persistence. Even in post-conflict situations par-

²⁰ Human Development Report Tables; Strand, Håvard, Lars Wilhelmsen and Nils Petter Gleditsch: 'Armed Conflict Data Project 2004: Armed Conflict Database Codebook'. Oslo: PRIO (International Peace Research Institute) 2004

²¹ The Small Arms Survey. 'Small Arms Survey 2002: Counting the Human Cost.' Oxford 2002

tial demobilization contributes to continuing insecurity and the rise of criminal groups. From Afghanistan and Liberia to Haiti and Colombia small arms have fed recurring cycles of violence and insecurity.

Recent initiatives²² have tried to address the problem from both the demand and supply sides. But many of such arrangements are not legally binding, focus only on illegal trade (without regulating state-authorized transfers) and do not resolve the problem of multiple sources of supply that undermine any regional arrangement. Only a comprehensive international treaty with effective enforcement mechanisms can control the global arms trade and diminish the role of one of the most important enabling factors for violent conflict.

Another important factor is the unregulated exploitation of natural resources, proceeds from which finance both governments and rebel groups. Neighboring countries, rebel groups and government-funded militias all develop a stake in prolonging conflict. The Kimberley Process on diamonds has been largely successful in certifying over 99% of rough diamonds – a model that EU is adopting successfully for regulating the timber trade.²³

But governments are not the only ones accountable. Transnational companies have been equally complicit in making off-the-book payments to government officials. The Extractive Industries Transparency Initiative is a positive step but again only voluntary, giving no incentive for individual companies to adopt ethical practices that their competitors might not. Calls for strengthened multilateral treaties that incorporate strict guidelines for corporate activities are not chimerical; they are only an extension of the standards that industrial states expect of companies acting in their own markets.

The combination of porous borders, unregulated exploitation of natural resources and the spread of arms creates strong incentives for regional interventions for conflict prevention and resolution. But even where the political will exists, a lack of resources can easily constrain effective action. In the absence of adequate financial support, for example, many countries had to withdraw from ECOWAS peace interventions in the mid-1990s. A Peace Fund set up by the Organization for African Unity could mobilize only US \$ 1 million annually during 1996 to 2001. The African Union's Constitutive Act now gives it the right to intervene under cir-

cumstances of 'war crimes, genocide and crimes against humanity'.

But given that less than 300 peacekeepers were sent to police Darfur last year, the yawning gap between political will and available resources becomes too stark to ignore. Financing and training a 15 000 strong African Standby Force (ASF) can go some way to stem conflicts before they turn into humanitarian disasters.

Almost 50% of all countries that emerged from civil war will relapse into a new conflict within a few years. The reconstruction of countries destroyed by war is, therefore, an investment in conflict prevention.

A growing number of international interventions (through the UN or otherwise) assumed more governmental powers in post-conflict situations in the 1990s. But lack of strategic clarity for missions and problems of institutional coordination and policy coherence added to insufficient and unpredictable funding for reconstruction efforts. In many cases parallel institutions delivered basic services but failed to create state capacity. In other instances, the priority for protecting civilians took a backseat with limited funding of police forces and their training.

Recent experiences show a growing trend towards integrated missions whereby peacekeeping, humanitarian and development agencies work under a common banner. These first steps need greater international support, primarily through the establishment of a Peace Building Fund, as proposed by the Secretary General in his recent reform proposal 'In Larger Freedom'. Ultimately, post conflict reconstruction must be pursued with the objective of mitigating the different causes of conflict, through equitable development, economic diversification and strengthened state capacity.

Conclusions

In a globalized world, the massive economic and social problems developing countries are faced with represent a global challenge. The time has come for rich donor countries to turn the next decade into a development decade if the MDGs are to be achieved.

Germany has both the national interest and the capacity to take international leadership in the global fight against poverty. A more active engagement with regards to the quantity and quality of development aid would enable Germany to have a stronger voice in international development politics and at the United Nations.

The German as well as the European contribution to help shape a more development-orientated international trade system is another key step on the road to reaching the MDGs. The Doha Trade Round still has a chance to

²² Including the ECOWAS Moratorium of 1998; the 2004 Protocol to prevent and control the spread of arms (signed by governments in the Horn of Africa and the Great Lakes region); the EU Code of Conduct on Arms Transfers; the 33 nation Wassenaar Arrangement; and the 2001 UN Protocol against illegal trafficking in arms.

²³ The Kimberley Process. Chair's Report to Plenary, Gatineau, Canada, October 2004 http://www.kimberleyprocess.com:8080/site/www_docs/plenary_meetings20/chair_report_to_plenary.pdf.

become a genuine development round if the industrial countries agree bold steps of reform.

Human security, crisis prevention and the reconstruction of war-torn poor countries represent another crucial reform-package towards ending world poverty and securing world peace. Germany can make a credible contribution to this global process as well. Important measures include the immediate support and implementation of an effective control of small arms trade, the control of companies in conflict zones, as well as supporting the sustainable reconstruction of poor countries.