

Wanted a Second *Delivering as One* Initiative

BY INGE KAUL

THE international discourse on foreign aid has in recent years been dominated by the theme of harmonization and coordination of aid efforts sometimes also referred to as 'Delivering as One'.

This discourse has shown that nationalism is still deeply entrenched in industrial countries and affects even matters like foreign aid procedures; and this, although the current multiplicity of donor approaches has since long been recognized as detrimental to aid efficiency and effectiveness. It allows global poverty with all its ill-effects to persist, including ill-effects of often worldwide reach. Neither donors nor recipient countries really benefit from the present diversity of delivery, accounting and reporting practices. And yet, even major international conferences such as the 2008 Accra meeting have come and gone - without much noticeable progress towards harmonization.

During recent months another area of weak coordination among industrial countries has become apparent. It concerns their response to the current global financial and economic crisis. Most stimulus packages carry national blinders. They have been designed primarily with national concerns in mind, often seeking a unilateral way out of the crisis rather than one coordinated across national boundaries and regions. If the outside world matters in the debates on stimulus packages then often because policymakers are concerned about the possibility of a stimulus leakage, i.e. other countries benefiting from their national rescue efforts. For example, stimulus leakage would occur if, say, a German citizen purchased with German stimulus funds, a car imported from an Asian country.

WEAK COORDINATION WITHIN THE EU

Obviously, if stimulus packages were coordinated across countries such leakage problems and other beggar-thy-neighbour type challenges could be reduced, if not avoided altogether. Yet even within the European Union (EU) coordination in this area has remained weak to date. The conclusions

adopted by the EU Council in December 2008 on "economic and financial questions" are a case in point. They suggest a stimulus level of 1.5 percent of the EU's GDP, without, however, specifying which country should aim at which level and do so by which date. In fact, the Council adds that Member States' individual circumstances must be taken into account, thus offering countries a tremendous leeway in their response to the crisis, including the temptation to free-ride on others' efforts. More astonishing even is the Euro Group's low public profile during the present crisis episode.

Realizing that even a severe crisis such as the present one is evidently not motivation enough for national policymakers to overcome their collective action problems and to pursue a common, mutually supportive strategy, an international group of economists launched on 9 February 2009 in Berlin an appeal entitled *Towards a Common Fiscal Policy to Re-launch the Euro-zone Economies*' (see page 9). The group was supported by the Paris Centre Cournot for Economic Research [www.centrecournot.org] and led by the 1987 winner of the Nobel Prize for economics, Professor Robert Solow of the Massachusetts Institute of Technology (MIT). The appeal calls on the European countries to aim at a coordinated stimulus level of 2 percent of their GDP, and to reach this level urgently.

INJECT A NEW DYNAMICS INTO G20 SUMMIT

One expeditious way of realizing this target and turning the aforementioned policy appeal into policy action is to strengthen the Euro Group.

The Euro Group could, at least temporarily, be mandated to engage in follow-up negotiations with Member States aimed at fostering a more concerted and sustainable stimulus approach in all Euro-zone countries. To this end, the Euro Group would need an adequately resourced secretariat composed of eminent experts combining both theoretical excellence as well as practical-political experience.

If Europe were to accomplish this challenge of delivering as one and moving towards a common fiscal stimulus package, it would set a positive example and inject a new dynamics into the summit meeting of G-20 leaders on the financial crisis scheduled to take place in London on 2 April 2009.

The 2009 London meeting could then in the area of finance become what the 2008 Accra meeting was meant to be for foreign aid. It could become a second 'Delivering as One' event. Only, considering the severity of the crisis, let us hope the London event will generate results faster than Accra appears to do. As in the case of enhanced aid effectiveness and efficiency, resolving the present crisis would also benefit both, industrial and developing countries.

So, maybe, developing-country policymakers, economists, and citizens at large might also want to support the Berlin appeal and urge European countries to better coordinate among themselves for the benefit of a revitalized world economy, and thus, in the interest of all. This, too, would be a tremendously important input into the April G-20 summit meeting.

GLOBAL PERSPECTIVES ■