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Translation: Paul Sivenius, Anne Ruohonen

Editing: Sean Crowley

Development Aid must be Maintained

by Kustaa Hulkko

Economy: *A wealthy country must not use the financial crisis as an excuse for going back on commitments towards developing countries, says the new director of the Wider-institute, Finn Tarp.*

Danish professor **Finn Tarp**, 58, surprises with his question: “Do you remember the **Donovan** song from the sixties ‘Children of the World’? There was a line: *Some of us believe in analyzing, some of us believe in humanizing.*”

“I believe in both.” So he believes that in addition to analyzing, it is possible to make the world a more humane place. He is especially interested in promoting equality between poor and wealthy countries.

Tarp is the new director of Wider-institute. Wider is a United Nations University institute established in Helsinki in 1984, which specializes in development economics – in other words doing research on the economies of the poorest nations.

First Tarp holds an economics degree. Eventually, however, he became a professor of development economics at the Copenhagen University.

This was not a coincidence, as Tarp had already demonstrated a commitment to the United Nations and developing countries as a student. He has now worked for 12 years for the UN in Africa and Asia.

One of Tarp’s key experiences was a work assignment in Mozambique, some 20 years ago, when he organized development aid to people suffering from war, drought and floods.

This field experience gives his words special weight, when he defends development assistance against those who think that aid makes its recipients passive and corrupt. “I am interested in economics as a tool, which can be used to understand development issues. I try to keep my heart warm and my head cool.”

Recession must be warded off

According to Tarp, the task of economic policymakers is clear. They must ensure that the world will not sink into a deep recession – i.e. a depression – for a prolonged period of time. It is important for both the poor and the developed nations.

On the other hand, rich countries must not use the financial crisis as an excuse for going back on development aid commitments.

“The international community made a commitment in 1967 that is yet to be fulfilled.” Tarp is referring to the UN resolution according to which rich countries will increase their development aid to 0.7% of their GDP.

Finland has not kept this promise, and in the latest budget negotiations the government directed part of its development aid funds into covering expenses for receiving refugees.

Tarp knows that there was a heated debate regarding this issue in Finland. For now, he refrains from commenting on the budget policy of the host country of his new employer. “I am not yet well aware enough of the details of the discussion.”

“I understand well that the Ministry of Finance is in an unusually challenging position due to the financial crisis,” Tarp added. “I can only restate that a crisis does not justify us breaking our promises. Development aid budgets are not large – they must be protected.”

Climate change threats

Tarp emphasizes that continuity is important for a research institute. “A boat cannot be turned just like that.” Nevertheless, he has a few research areas that he would wish Wider to allocate more resources to.

One of them is climate change and its impacts. For example, drought is already causing real harm to African farmers. On the other hand, current climate change issues are already being researched widely. Therefore, the focus of Wider’s research should be in looking even further into the future around climate change.

“The question is: what type of urgent actions must be taken globally, regionally, nationally – and what type of investments must be made now, so that the threats looming in 50 years could be avoided or minimized.”

Also, global agriculture and food trade are core topics, in which Wider will focus during Tarp’s term. Global food prices increased drastically in 2007-2008. This year the prices have gone down significantly.

There was a group of factors behind the food crisis: drought in grain-producing countries; price increases in oil, fertilizer and transportation; the entry of bio-fuels to the market; an increased demand for meat in China; trade policies; state subsidies ...

Tarp emphasizes the volatility of prices, which negatively affect both the consumer and the farmer. Drastic price increases make farming initially highly profitable, and encourage investment, until a price decrease pulls the carpet from under the producer’s feet.

“It is very important to understand why prices swing strongly, what it means for the poor, and what can be done to the phenomenon.”

Photo text 1:

A boy in Kenya fetching drinking water from a river before his school day in August (2009). The drought affecting East Africa threatens to leave estimated 10 million people at the mercy of food aid.

Photo text 2:

Finn Tarp says that in his heart he is an activist, who wishes to change the world. "Because the world is not fair."

(Comment: In Finland there is a tendency to call UNU-WIDER incorrectly Wider-institute)