

Class of G8: Five Years on from Gleneagles

PERFORMANCE OVERVIEW

While on a trip to Gleneagles in 2005, the Class of G8¹ promised to markedly improve their performance in three neglected subjects – aid, debt and trade. They promised to double aid to Africa, cancel 100% of outstanding debts of eligible highly indebted poor countries to international financial institutions, and to 'make trade work for Africa'. While some G8 classmates have performed well in their chosen subjects, others have fallen far behind.

The Class of G8's best subject is aid. Aid levels have increased, but improvements on making aid more effective remain slow. However, more effort is required on their other subjects to bring them up to scratch. Although billions of dollars of debt has been cancelled, many poor countries still suffer under unsustainable debt burdens and progress on making global trade fairer has been woeful.

The G8's aim was to help get Africa back on track to meet the Millennium Development Goals, which aim to halve extreme poverty and hunger by 2015. However since 2005, the number of chronically hungry people worldwide has increased from 850 million² to 1.02 billion³. As a result of the global economic crisis an additional 63 million people will fall into extreme poverty by the end of 2010.⁴

Overall, it seems the Class of G8 lacks the political will needed to substantially reduce global poverty and meet the Millennium Development Goals. This will require significant improvement over the coming years if the Class of G8 is to make the grade.

INDIVIDUAL SUBJECTS

AID

GRADE: C

G7 countries⁵ committed to increase aid to Africa by \$25 billion by 2010. However, this figure was later revised downwards to \$22.6 billion and it is projected that the G8 will deliver just 61% of this downgraded promise by the end of 2010⁶. To meet their Gleneagles' commitment in full, the G7 would need to increase the level of global aid by \$12.7 billion by the end of the year.⁷ Some G7 countries are lagging far behind. Italy is on track to provide 6% less aid to Africa in 2010 than it did in 2005.

The quality of aid to Africa has improved, yet progress remains slow. Little progress has been made on increasing the transparency and predictability of aid. Performance also varies between countries. The G7 were encouraged to produce action plans on aid effectiveness, yet only Canada, Germany, Italy and the UK have completed them.

DEBT

GRADE: C-

The Class of G8 is off track to meet its debt reduction commitments. Further, the impact of the economic crisis has increased the level of unsustainable debt for many African countries, increasing the risk of many countries falling into debt distress again. So far, \$100 billion of debt has been cancelled since 2000⁸, but many G8 countries are failing to provide the long term financial support that international finance institutions need to write off the debts of highly indebted poor countries (HIPC). But even this debt relief does not go far enough and is only provided to a few countries. As a result, the poorest 48 countries still have debts totalling \$222 billion, and the debt of the poorest 128 countries amounts to \$3.4 trillion⁹.

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TRADE

GRADE: **F**

The Class of G8 promised to “make trade work for Africa” and called on World Trade Organisation (WTO) members to “seek an ambitious and balanced conclusion to the Doha round” of global trade talks and put development back at its heart. The Doha round broke down in July 2008 after rich countries tried to push poor countries to accept disproportionate access to their local markets while receiving little in return. Since then, the European Union (EU) and other G8 countries have been negotiating bilateral and regional trade deals with developing countries, many of which risk undermining their ability to develop, by forcing them to open their domestic markets to the fluctuations of the global economy too quickly and too widely. At the same time, G8 countries continue to spend billions on domestic agricultural subsidies. The US, Canada, Japan and the EU together spent \$219.4 billion on agricultural subsidies in 2008 – almost eight times the amount the G7 spent on aid to Sub Saharan Africa in 2009¹⁰. Subsidies of this scale give rich countries an unfair advantage over small scale producers in developing countries, particularly when they flood developing country markets with cheap imports, undercutting local producers and depriving small scale farmers of their livelihoods.

CLIMATE CHANGE:

GRADE: **D**

The Gleneagles communiqué also acknowledged the serious and long term threat climate change poses, and since then the G8 has committed to cut its greenhouse gas emissions by 80% by 2050. But this is not enough to keep global temperatures below the threshold of two degrees Celsius. Rich countries, including the G8, must reduce their greenhouse gas emissions by more than 40% by 2020 and towards the high end of 80-95% by 2050. On a recent trip to Copenhagen, a number of G8 members behaved poorly. They failed to commit to ambitious emission reduction commitments and provide additional finance to support developing countries to adapt to and mitigate the effects of climate change.

AREAS FOR IMPROVEMENT

The Class of G8 seems to lack the political will to make substantive progress on poverty reduction in time to meet the Millennium Development Goals, and this is most evident in the subjects that require real systemic change such as trade reform and climate change. In order to tackle global poverty and meet the Millennium Development Goals urgent action is needed. The Class of G8 must:

- ✓ Increase aid spending to 0.7% of national income and set out a clear timetable for meeting this commitment.
- ✓ Improve the quality of aid by ensuring all aid is given in the form of grants not loans; where possible, increase the proportion of aid that is given directly to developing country governments, through direct budget support; and speed up implementation of the recommendations contained in the Accra Agenda for Action and Paris Declarations on aid effectiveness.
- ✓ Push to agree a fair, ambitious and binding deal on climate change, including emissions reductions of more than 40% for developed countries, and provide new and additional climate finance to help communities living in developing countries to adapt to the effects of climate change.
- ✓ Ensure that trade deals, whether through the EU or WTO, do not deepen poverty by forcing through excessive deregulation and liberalisation measures.
- ✓ Extend and accelerate the debt relief process to cover all poor countries with unsustainable debt burdens; provide secure long term financing to the Multilateral Debt Relief Initiative (MDRI) to cover debt relief measures; give aid in grants not loans and ensure any future loans should be given responsibly, on fair terms, and in a transparent way; and establish a fair and transparent international insolvency procedure or debt work out mechanism for highly indebted countries.
- ✓ Explore and adopt fresh and innovative responses to global poverty such as the Robin Hood Tax – a tiny tax on financial transactions - which will provide new and additional financing to help tackle global poverty and climate change.

UK'S PERFORMANCE

PERFORMANCE OVERVIEW

Overall the UK has performed better than its G8 classmates but there are still areas for improvement. The UK is on target to meet commitments on aid, and has made progress on debt relief but has failed on trade. The new UK Government must build on the work of the previous administration to ensure existing targets are met and improvements made.

INDIVIDUAL SUBJECTS

AID

GRADE: **B**

The UK is expected to meet 93% of its Gleneagles' commitment to spend £3.955 billion on aid to Africa but this will require an ambitious increase of £1.2 billion in 2010, a rise bigger than the total increase in aid between 2004 and 2009. The UK is committed to spend 0.7% of national income on aid by 2013 and the coalition government has committed to enshrine this target in law. In 2009 the UK spent 0.52% of national income on aid and this is expected to rise to 0.60% in 2010¹¹; 87.5% of UK aid was delivered by the Department for International Development (DFID) in 2009, but this figure is expected to fall¹². This is concerning as aid that is not channelled through DFID is not required by law to focus on poverty reduction.

The UK is ahead of other countries on aid effectiveness. It provides more of its aid in direct budget support than any other G7 donor. The UK is very supportive of global efforts to promote aid transparency, yet in 2009 there were only limited improvements in transparency within DFID.

DEBT

GRADE: **B-**

The UK is also on track with its Gleneagles commitments on debt. The UK has cancelled 100% of bilateral debt to heavily indebted developing countries that have completed the Highly Indebted Poor Country (HIPC) debt relief initiative, and has pledged to cover the cost of debt relief from international finance institutions through to 2044 at the cost of \$5.195 billion. The UK Government has also passed a law preventing 'vulture funds', private companies that buy up developing country debt and attempt to sue the country for the full amount of the debt, using the UK courts. However despite this progress, the UK still holds more than £2 billion of debt from other poor countries which are not eligible for HIPC debt relief, including countries like Angola, Kenya, and Ecuador – countries that need to invest more money in basic public services such as healthcare and education, but are still making debt payments to the UK.¹³

TRADE

GRADE: **F**

Generally, the UK is represented by the EU in trade negotiations. Since 2005 the EU, alongside other rich nations, has impeded progress on multilateral trade negotiations through its position on agricultural subsidies and by forcing poor developing countries to open up their markets too widely and too early.

Under the leadership of trade commissioners Peter Mandelson and Catherine Ashton the EU also pushed bilateral and regional trade negotiations with developing countries which sought to force excessive deregulation and liberalisation measures on developing countries.

To date the UK has been ahead of other G8 members on climate change. The UK introduced the first climate legislation in the world, committing to emissions cuts of 34% by 2020. The UK has also been active in the EU and the UN and has pushed other countries to increase their ambition. However, the UK could do better by following Scotland's lead and moving unilaterally to a 40%+ emissions reduction target by 2020 and by providing new and additional finance to developing countries to help them adapt to and mitigate the effects of climate change. The 'fast start' finance that the UK pledged in Copenhagen is insufficient and neither new nor additional.

AREAS FOR IMPROVEMENT

While the UK has performed better than most of its G8 classmates, it must not become complacent and let its progress on reducing global poverty slip. The UK must continue to raise ambition among its classmates and lead from the front through taking decisive action on subjects like climate change and pioneering new and innovative solutions to tackle poverty such as the Robin Hood Tax. The UK should:

- ✓ Ensure all UK aid is focussed exclusively on poverty reduction and remains separate from UK foreign, security and commercial interests.
- ✓ Spend 0.7% of national income on aid, enshrine this commitment in law and publish annual aid spending plans to demonstrate how this commitment will be achieved.
- ✓ Cancel the £2 billion plus in debts that the UK holds over developing countries that are not eligible for the HIPC debt relief initiative so that more money can be spent on basic services such as health and education for their citizens.
- ✓ Make sure that trade deals, whether through the EU or the WTO, don't deepen poverty. Trade should allow people to work their way out of poverty, not force through excessive deregulation or liberalisation measures which can force developing countries to open up their markets too early and too widely.
- ✓ Reduce greenhouse gas emissions by more than 40% by 2020 and provide climate finance in addition to the aid budget.
- ✓ Adopt fresh and innovative responses to global poverty such as the Robin Hood Tax, which will provide new and additional financing to help tackle global poverty and climate change.

CLASS NOTES

- 1 The G8 is comprised of Canada, France, Germany, Italy, Japan, Russia, the UK and the US.
- 2 WFP (2005) Annual Report 2005 (WFP)
- 3 WFP (2009) State of Food Security in the World Report (WFP)
- 4 Concord (2010) Penalty Against Poverty: More and better EU aid can score Millennium Development Goals (Concord/ Aidwatch)
- 5 The G7 is comprised of Canada, France, Germany, Italy, Japan, the UK and the US.
- 6 ONE (2010) The Data Report 2010
- 7 ONE (2010) The Data Report 2010
- 8 IMF and World Bank (2009) 'Heavily Indebted Poor Countries and Multilateral Debt Relief Initiative Status of Implementation Report'.
- 9 Figures relate to 2007 which are the latest figures available - there has been some debt cancellation in 2008 and 2009, but there also have been new debts taken on, particularly in response to the global financial crisis. If anything, the latest figures are likely to be higher than this. Jubilee Debt Campaign available at <http://www.jubileedebtcampaign.org.uk/2%20How%20big%20is%20the%20debt%20of%20poor%20countries%3F+2647.twl>
- 10 ONE (2010) The Data Report 2010
- 11 OECD (14/04/2010) "Net Official Development Assistance in 2009" available at <http://www.oecd.org>
- 12 Concord (2010) Penalty Against Poverty: More and better EU aid can score Millennium Development Goals (Concord/ Aidwatch)
- 13 Jubilee Debt Campaign available at <http://www.jubileedebtcampaign.org.uk/5%20Hasn%27t%20the%20UK%20cancelled%20all%20debts%3F+2654.twl>