

Gleneagles, Five Years Later

No More Broken Promises – G8 Leaders must not turn their backs on the world's poor

Summary

Five years ago the G8 promised to increase overseas aid by US\$50 billion by 2010, with US\$25 billion of it going to Africa. They also agreed to cancel the debt of the poorest countries as a first step towards making poverty history. They did so in the face of an unprecedented global campaign, which mobilised millions to demand action.

2010 is the year of reckoning. Of the \$50 billion promised, Oxfam calculates only \$30 billion will be delivered,ⁱ leaving a \$20 billion dollar hole. To place this in context, \$20 billion dollars is just 0.07% of G8 GNI,ⁱⁱ yet is enough to put every child in school or stop millions of children dying of malaria.

Even more scandalous, only \$11 billion of the \$25 billion promised to Africa has reached the poorest continent on earth. As mass hunger again stalks the country of Niger, this shortfall is costing lives.

France, Germany, Italy and Japan have all failed to find the money they promised to help the poor, Italy being the worst offender. Canada is close to hitting the target it promised, mainly because its promise was much lower than others. The United States has met its modest promise, but its aid remains far below the avowed target of 0.7% of national income. The UK is almost on track to meet its 2010 promise, and is on track to reach its promise of 0.7% by 2013. Russia is not a significant aid donor.

What was promised: Gleneagles commitments on development finance

In 2005, leaders at the G8 Summit in Gleneagles promised that by 2010 their total annual aid would increase by US\$50 billion compared to 2004 levels. A \$25 billion aid increase (half of the overall pledge) was to go to Africa by 2010.

At the same time, Europe stepped up as the leading provider of aid promises by pledging in 2005 to commit a minimum of 0.51% of GNI as aid each by 2010,ⁱⁱⁱ and 0.56% collectively by 2010, increasing to 0.7% of GNI overall by 2015.

The G8 also agreed to cancel 100% of the debts owed by some poor countries to the World Bank, the IMF, and the African Development Bank. This step benefited 18 countries immediately, with the potential of benefiting as many as 38 countries.

In the years that followed, the G8 repeatedly assured those living under the shadow of poverty of their promise to address the horrendous imbalance of wealth. At last year's Summit in L'Aquila, leaders declared, "We renew all our commitments towards the poor, especially in Africa" and "despite the severe impact of the crisis in our economies, reiterate the importance of fulfilling our commitments to increase aid made at Gleneagles, and reaffirmed at Heiligendamm and Toyako".

Five years has now passed since these ambitious targets were set. In that time there have been momentous steps taken to raise people out of poverty in the developing world and reduce inequality, but there have also been broken promises, foot dragging and backtracking from these historic commitments. In 2010, this crucial year of accountability, we pose the question to leaders: how much have you delivered on your promises to the poor?

The gloomy reality, 5 years later

Now in 2010, it is time for G8 leaders to be judged against those promises. Over the past five years, increasing aid and debt relief has brought unquestionable and life-changing benefits to thousands of people living in extreme poverty around the world. But at the same time, the G8's performance against their 2005 aid promises has been at best variable and in some cases woeful. Failure to meet the \$50 billion Gleneagles commitment means that the Millennium Development Goals are left hanging in the balance.

The OECD estimates that there is now an \$18 billion shortfall (in 2004 dollars) against the 2005 commitments. These estimates have adjusted aid promises to take account of shrinking G8 economies as a result of the financial crisis, which has reduced the dollar value of commitments made for 2010 to around \$46.4 billion compared with the original \$48.7 billion promise.^{iv} As a result, developing countries have had \$2.3 billion taken from the original Gleneagles promise, effectively making poor countries pay with an aid cut for lower expected growth in rich nations. This is even more galling when the financial crisis has left a \$65 billion dollar hole in the budgets of the poorest countries, according to Oxfam research. With the financial crisis rich countries should be increasing aid and not cutting it.

In their accountability report, the G8 do their best to make the disappointing figures look better. They revise the target down to \$46 billion as described above, and then count their commitment in 2009 dollars, rather than the original 2004 dollars as promised.^v As the dollar is worth substantially less today, this makes their spending look higher, without a single extra dollar in value for the poorest nations. By such cooking of the books the G8 claims they have delivered \$40 of the \$50 billion instead of the reality, which is that donors will actually be \$20 billion short of the Gleneagles commitment by the end of the year. This shameful manipulation of statistics is unacceptable.

Tragically, the promises of the world's leaders to deliver poverty reduction to Africa fare even worse, with estimates from the OECD showing that in 2010 Africa is expected to receive around \$11 billion more than in 2004 – well under half of the \$25 billion increase envisaged. The failure of donors to deliver on their aid promises to Africa by such a scale will have drastic implications for Africa's likelihood of reaching the Millennium Development Goals (MDGs), particularly those that are far off-track such as halving hunger and reducing maternal and child mortality. With potentially millions facing severe food shortages in West Africa as the G8 meet, the human cost of this failure is starkly clear.

As a group, the EU is made up of the world's most generous donors, although this masks some of the worst offenders such as Italy. Of the \$50 billion extra promised at Gleneagles, \$40 billion was to come from Europe, showing how little extra was promised by Canada, the US and Japan. European leaders met in the run-up to the G8 and announced the failure of the EU to reach its collective commitment to provide 0.56% of GNI in aid by 2010. Although Europe remains committed to its objective of providing 0.7% of GNI in aid by

2015, this fall from grace from the world's biggest aid provider is a worrying sign that governments in the G8 and beyond are backing away from their commitments to address global poverty.

Smoke and mirrors: how the G8 have performed since 2005^{vi}

Looking below the headline numbers reveals more missed promises. The US has met its Gleneagles target, but proportionally its promise was much less ambitious, particularly compared to the Europeans. The UK, which made a much more substantial commitment, is still off-track but close to meeting its 2010 target. Canada is also off-track, but also close to meeting its much less ambitious commitment. Japan (which also made less ambitious commitments than the Europeans), France, Germany and Italy are all a long way off meeting their promised 2010 targets.

- On current projections for 2010, Canada will fall just short of meeting its modest Gleneagles target by around \$100 million (\$135 million in 2009 prices) in 2010. Despite being close to meeting its smaller target, the future of Canadian aid remains uncertain. The Canadian government has frozen the aid budget at 2010 levels for the coming five years, casting doubt on whether they will finance anywhere near their fair share of efforts to achieve the MDGs by the target deadline of 2015.
- US aid registered a small proportional increase from 0.19% of GNI in 2008 to 0.20 in 2009, which meant that the US has already met its Gleneagles target, and is the only one to do so. But the target was not ambitious compared with many other donors. The US is now providing just 0.20% of its GNI in aid, and on current projections, will not get to the UN target of giving 0.7% of GNI in ODA until 2055. To do so would require the US to increase the proportion of its GNI given as aid by 250%. Like Canada, this continued low level of ambition brings into question the commitment of the US to play its part in helping to secure the MDGs.
- Japanese aid fell by 10.7% in real terms from 2008 to 2009 (and from 0.19 to 0.18% of GNI) and is now \$8.5 billion (\$9.5 billion in 2009 prices). This means that Japan will miss its Gleneagles target by \$3.4 billion (\$3.8 billion in 2009 prices). In order to reach the 0.7% target, Japan would need to increase the proportion of its GNI given as aid by close to 300%, placing Japan the second furthest away from the 0.7% target after Italy.

France, the UK, Germany and Italy made more ambitious commitments, promising to deliver 0.51% of GNI in aid by 2010, rising to 0.7% by 2012,^{vii} 2013^{viii} and 2015^{ix} respectively. Apart from the UK, the G8's European members remain markedly off-track on their promises.

- The UK like other European donors, committed to providing 0.59% in 2010 and 0.7% by the earlier and more ambitious date of 2013. In 2009, the UK gave 0.52% of its GNI or \$12.0 billion (\$11.5 billion in 2009 prices) in aid, and now will provide \$14.2 billion in ODA by 2010, slightly short of its \$14.6 billion 2010 target. This means that of the more ambitious donors, the UK is by far and away the closest to meeting its target. The UK has also committed to introduce legislation that will make provision of 0.7% of GNI in aid legally binding and remains committed to achieving it by the earlier date of 2013.
- France has reneged on its commitment to hit 0.7% by 2012, pushing back its target to 2015, and is currently off-track on its Gleneagles 2010 target to give 0.51% of GNI in aid by nearly \$4 billion (close to \$5 billion in 2009 prices). France would need to increase the proportion of its GNI given as aid by over 50% to get to its agreed target of 0.7%.

- Germany remains far off track for its 2010 commitment to provide 0.51% of GNI in ODA by 2010: reaching just 0.35% in 2009. Yet instead of increasing aid in line with promises, Germany seems to be going in the opposite direction: the volume of German aid fell by 12% from the previous year in 2009. Despite an increase in 2010, the difference between what Germany promised to deliver by 2010 and what it is on track to provide is over \$3.8 billion (\$4.5 billion in 2009 prices). Cuts to the national budget threaten Germany's aid budget further.
- Of all the G8 donors, Italy has been the most disappointing. A series of cuts, including a drop of 31 per cent in aid volumes from the previous year in 2009, mean the difference between what Italy promised in 2005, and what it plans to give in 2010 is \$5.8 billion (\$7.3 billion in 2009 prices).
- Russia is not a significant aid donor.

Table 1: How far are they off their Gleneagles promises? ^x

	Original Gleneagles promises for 2010 (millions, 2004 \$)	Aid projected for 2010 (Oxfam Projections) (millions, 2004 \$)	Increase required to meet promises (millions, 2004 \$)
Canada	3,648	3,542	106
France	14,110	10,130	3,980
Germany	15,509	11,691	3,818
Italy	9,262	3,426	5,836
Japan	11,906	8,501	3,405
UK	14,600	14,185	415
US	24,000	24,705	none

Good news: the life-changing benefits of Gleneagles aid delivered

The OECD estimates that by 2010, donors will have provided an additional \$28.7 per year in aid against 2004 volumes.^{xi} This money, combined with increased investment in core and essential services from poor countries themselves, has saved lives across the developing world. Where aid has been delivered effectively, it has resulted in some breathtaking successes. Despite the size of the challenge, the goal to halt and reverse the spread of HIV and AIDS by 2015 is on the way to being met. Through targeted funding, the coverage of antiretroviral treatment (ART) for HIV and AIDS has increased ten-fold over a five year time span. Over three million people now have access to antiretroviral drugs, representing a 47% increase from 2006-07 alone.^{xii} Abolition of school fees, constructing new schools, and investing in recruitment of teachers have translated into millions more children being in school. The removal of school fees has relieved financial pressures and has acted as a key incentive for families to send girls, in particular, to school.^{xiii}

In Zambia debt relief was used to pay for the removal of user fees for health care in rural areas; visits to government facilities increased by 50%.^{xiv} Sierra Leone has long had one of the highest maternal death rates in the world. In April 2010 with support from international aid the President announced free health care for all pregnant women and children. Initial results from a sample of health facilities indicate a four-fold (400%) increase in the number of children seeking health care and a six-fold (600%) increase in antenatal care and skilled birth attendance.^{xv}

Additional finance released through debt cancellation

In 2005, the G8 agreed a proposal to cancel 100% of outstanding debts of eligible Heavily Indebted Poor Countries to the World Bank, IMF, and African Development Fund.^{xvi} As a result of this and ongoing HIPC commitments, more than 23 of the poorest countries in the world have now received over \$88 billion in debt relief. At present, 28 countries have completed the HIPC initiative including Benin, Burkina Faso, Madagascar, Malawi, Mozambique, Tanzania, Uganda, Zambia, and Honduras. Countries that have received debt relief – which essentially is a form of general budget support as it frees up money in the national budget – have increased investment in poverty reduction.

Time and again, the evidence has shown that the impact of debt cancellation has been phenomenal. For example:

- The number of children enrolled in primary schools more than doubled (to more than 5 million) in the first four years after Uganda eliminated school fees through finance from debt relief. Enrolments increased by another 50% (2.7 million children) in the four years after that.
- Bolivia directed funds from debt relief towards improving healthcare. Before debt relief, only around 40% of births were attended by a health professional, now 70% are.
- Debt relief for Mozambique led to the introduction of a free childhood immunisation programme; so far almost a million children have been vaccinated against killer diseases.

Much more debt cancellation is still needed; massively indebted countries like Bangladesh and Kenya remain excluded. The agreed cancellations do not include all debts: debts are only partially cancelled, and some countries, banks and companies refuse or fail to take part in the HIPC process at all. Moreover, in 2009 three-quarters of low-income countries were forced to borrow more from expensive domestic markets. Though most external loans were cheap, the crisis has exacerbated risks of external and especially domestic debt problems for low-income countries. Now these countries are cutting spending prematurely to avoid a new debt crisis.

What needs to be done in 2010

In 2010, the commitments of the world's rich countries to take on the momentous challenge of ending poverty and inequality hang by a thread. If this promise the G8 made so publicly to their taxpayers and to those living in poverty the world over is to be kept, G8 leaders meeting in Muskoka must:

- Reaffirm the Gleneagles commitments in the G8 communiqué and recognise the shortfall.
- Use accurate figures, with 2004 dollars to be comparable, and no downward revision of the \$50 billion promise due to lower growth in rich countries. Recognise that this means a \$20 billion dollar shortfall.
- Set out an emergency plan to deliver the US\$20 billion shortfall against commitments by 2012.
- Produce national and binding timetables setting out how they will do this.
- Agree additional financing to accelerate progress towards the MDGs, particularly where there has been poor performance on reducing hunger and maternal and child mortality.

Notes

ⁱ The numbers for donor shortfalls in this briefing have been calculated on the basis of the original Gleneagles promises, in 2004 prices, unless stated otherwise.

ⁱⁱ G8 GNI in 2009 was 33,668 billion dollars.

ⁱⁱⁱ The EU 15 original member states each committed to providing 0.51 per cent of aid in GNI by 2010 rising to 0.7 per cent by 2015. The additional 12 new EU member states each committed to provide 0.17 per cent of aid in GNI by 2010, rising to 0.33 per cent by 2015.

^{iv} The OECD calculations of growth-adjusted targets to account for the impact of the financial crisis on rich countries' GNIs can be found at: <http://www.oecd.org/dataoecd/47/56/42458719.pdf>.

^v The difference in aid volumes between 2004 prices and 2009 prices is substantial.

Actual aid given in 2009	In 2004 dollars (millions)	In 2009 dollars (millions)
Canada	3,158	4,013
France	10,006	12,431
Germany	10,119	11,982
Italy	2,636	3,314
Japan	8,501	9,480
UK	12,017	11,505
US	25,249	28,665

^{vi} These calculations have been made on the basis of OECD data on the original Gleneagles commitment. They are in 2004 prices unless stated otherwise.

^{vii} France originally committed to reach the target of providing 0.7 per cent of GNI in aid by the earlier date of 2012. It has since reneged on this commitment.

^{viii} The UK promised that it would provide 0.7 per cent of GNI in aid by 2013.

^{ix} Germany and Italy, the other European members of the G8 pledged to provide 0.7 per cent of their respective GNIs in aid by 2015, along with many other European donors.

^x These figures are calculated from OECD data on the basis of the original Gleneagles promises, 2004 prices. The OECD's growth adjusted figures which have scaled down the Gleneagles promise from the original USD \$50 billion to take account of the impact of the financial crisis on rich country economies can be found for reference in the notes.

^{xi} OECD DAC

^{xii} The Millennium Development Report (2009)

^{xiii} *ibid*

^{xiv} *Your money or Your Life*, 2009, Oxfam International, and others

^{xv} Presentation by Ministry of Health and Sanitation, Sierra Leone, June 2010.

^{xvi} The Highly Indebted Poor Countries (HIPC) initiative was set up in 1996, and subsequently reformed in 1999

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