

# Africa: Reports expose fraud of G8 pledges of aid and debt relief

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15 August 2006

Last year's Group of Eight (G8) summit of leading industrial nations was hailed as a milestone in tackling global poverty.

Hundreds of thousands of people had been mobilized to join demonstrations coinciding with the meeting in Scotland by the "Make Poverty History" campaign, comprising Non-Governmental Organisations (NGOs) and church groups. The campaign's front men, rock stars Bob Geldof and Bono, claimed the summit would provide an opportunity to force world leaders to address the desperate poverty endured by billions of the world's population.

At the summit's closure Geldof said this aim had been met. He declared that the G8 had scored "10 out of 10" on aid relief and "8 out of 10" on debt relief. British Prime Minister Tony Blair boasted that "great progress has been made."

One year on and the G8's pledges on debt and aid have been subject to an analysis by three British development charities—Action Aid, Oxfam International and the World Development Movement.

Beyond the hyperbole, the G8 agreement announced just \$40 billion in debt forgiveness over 10 years out of a total external debt of \$230 billion in sub-Saharan Africa alone, and \$2.4 trillion in the so-called "developing" countries.

Even then, the reports find that much of the promised cancellation of debt to the World Bank and International Monetary Fund is outstanding. The World Bank has said it will only cancel debt incurred up to December 2003 rather than December 2004—a \$5 billion shortfall on the amount pledged.

According to the World Development Movement report, "To date, of the \$37 billion needed to pay for the initiative, only 60 percent has been pledged by rich countries including the G8, leaving them \$14.8 billion

short. Worse still, of this 60 percent, only 10 percent is a firm commitment. The remainder is 'qualified,' meaning it has first to be agreed by various national parliaments, budgetary processes and cabinets, with no guarantee it will happen. In other words, nine months after the deal was announced by the G8, so far they have committed only 10 percent of the money needed to finance it."

Another report by the Jubilee Debt Campaign explains, "The benefit of the total \$50 billion cancellation will be felt over about 40 years—that is the time over which the debts would otherwise have been paid—so on average the benefit is about \$1.25 billion a year ... [which] is equal only to the amount that the world's poorest countries altogether pay in debt service every 12 days."

The G8 countries pledged to increase aid spending by \$50 billion by 2010 and reiterated promises to raise aid spending to 0.7 percent of each member state's GDP. This pledge was originally made back in the 1970s, but on average the level reached is about half the target level.

Oxfam notes, "On the face of it, OECD (Organisation for Economic Co-operation and Development) figures show that 2005 aid from the G8 has increased massively, by \$21 billion or 37 percent over its 2004 levels. However, this increase does not withstand closer scrutiny, since the overwhelming majority of the increase (80 percent) is made up of one-off debt cancellation deals for Iraq and Nigeria—it is not actually new money in the fight against poverty ... these two deals add up to \$17 billion of the \$21 billion ... the underlying trend in aid ... gives cause for serious concern."

The practice of double counting debt cancellation as aid still continues:

“Rich countries also count the full cost of the cancellation (of debt) over a very short period. But the savings made by poor countries are spread over a much longer timeframe. This means aid figures are inflated by apparently huge amounts, even when the actual money available to spend fighting poverty is far less.”

The G8 also pledged to make treatment for HIV sufferers universal by 2010. Currently over 5 million people worldwide who urgently need treatment do not have access, with some NGOs estimating this figure will double by 2010. Action Aid states, “Donors are failing to back the pledge with sufficient money, leaving an annual funding gap of at least \$10 billion a year.”

Starvation and malnutrition are endemic in many areas, especially in southern Africa. A recent World Food Programme (WFP) news briefing describes the situation in southern Africa, with “high levels of HIV/AIDS, food insecurity and chronic poverty ... dependence on rain fed agriculture ... nonavailability or poor access to seeds and fertilisers ... high incidence of pests and disease for livestock and crops.”

The Make Poverty History campaign pushed “fair trade” as a solution to this problem.

The G8 summit made pledges to cut domestic farm subsidies, open markets to goods from poor countries and work towards cutting subsidies to agricultural exports from developed countries. But last month the Doha round of world trade liberalisation talks between the United States, European Union, Japan, India, Brazil and Australia collapsed without agreement—with measures to reduce agricultural subsidies in the West one of the main points of contention.

In fact, the main thrust of the World Trade Organisation’s policy towards the so-called Third World is to open up markets as a source of cheap resources and labour. Loans made are subject to “structural adjustment programmes” whereby existing utilities and services are privatised to the benefit of Western capital.

The World Development Movement explains that a “recent World Bank economic model estimates that developing countries will gain \$16 billion per year from the likely outcome of the Doha Round. At the same time, UN research based on the same ‘liberalisation scenario’ estimates a loss of developing country tax revenues of some \$64.3 billion. Even being

optimistic about the ability of developing countries to create new forms of tax income to replace in part tariffs, the loss is likely to be in the region of \$25 billion ... increasing the reliance of developing countries on unpredictable and conditional aid rather than having their own sources of government revenue.”

Given this record, it is little wonder that world debt and aid to the poorest countries did not even figure on the agenda of this year’s G8 summit in Russia.



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