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# **Mission unaccomplished**

**One year on from Gleneagles, is the G8 hitting its targets on debt, trade and aid?**

## **EXECUTIVE SUMMARY**

In 2005, millions of people in the UK and around the world spoke out against the scandal of poverty in a world of plenty, and demanded decisive political action from their leaders. The Make Poverty History campaign generated massive public pressure for action – on debt cancellation, trade justice and more and better aid – and pushed poverty to the top of the agenda when the world's most powerful countries met at the G8 summit at Gleneagles in Scotland last July.

G8 leaders responded with a series of pledges – on debt, trade and aid, and on HIV and AIDS, which promised to help address the needs of more than one billion people living in extreme poverty. While these pledges fell short of campaigners' demands, ActionAid recognised that if they were implemented in full, 2005 would mark a turning point in the struggle to realise poor people's most basic rights.

One year on, we ask whether the G8 is hitting its targets on debt, trade and aid. While 2005 was the start of a long process, and agreement on a genuinely pro-poor trade deal continues to elude, the extent to which the G8 is progressing on last year's pledges is an important indication of their commitment to the fight against poverty. The picture varies, by country and by target, but our overall verdict is 'mission unaccomplished' – a comment both on the extent of implementation and the staying power of the G8 leaders. At present, a mix of backsliding, buck-passing and half-measures by rich countries risk undoing much of the progress of last year:

### **DROP THE DEBT?**

- They promised to write off most of the multilateral debts in 18 of the world's poorest countries.
- One year on, they have delivered on this pledge, but have yet to cancel the debts of over 40 other countries

### **TRADE JUSTICE?**

- They promised to put the needs of poor people first, and cut harmful subsidies that put jobs at risk.
- They have backtracked on this pledge, and continue to push for a trade deal against the interests of the poorest countries.

### **MORE AND BETTER AID?**

- They promised to double aid to Africa as part of an extra \$50 billion package by 2010, and take immediate action on better aid.

- Currently they're not on track to achieve this increase, with the countries that need to do most, currently doing least. On key aspects of better aid, donors are failing to reform.

#### **UNIVERSAL AIDS TREATMENT?**

- They promised to achieve universal access to treatment by 2010.
- Donors are failing to back the pledge with sufficient money, leaving an annual funding gap of at least \$10 billion a year.

If rich countries continue on this current path, the implications for poverty reduction are far-reaching: inadequate progress on aid and HIV and AIDS, and absence of any significant progress on trade, would jeopardise the international development goals of halving poverty, achieving universal education and cutting child deaths by 2015.

Yet the G8 are not fated to fail. The world's richest countries face a genuine and urgent choice: if they act now to implement the pledges they made at Gleneagles, their targets remain feasible and can lay the foundations for real inroads into poverty. If in contrast they continue to allow the pledges made last year to slip, they will rapidly become unattainable, with grave consequences for people living in poverty. The coming months are a narrow window in which the G8 countries, either deliberately or by default, will make their decision. Millions of campaigners around the world will be pressing them to take the steps needed to start making poverty history.

## INTRODUCTION

When the leaders of the world's eight most powerful countries met in Gleneagles, Scotland, last July, they pledged to take concrete steps to tackle poverty in the world's poorest countries by cancelling debt, increasing aid, reforming trade rules and extending treatment for HIV and AIDS.

These commitments were a response to an unprecedented campaign involving millions of people in the UK and around the world calling for decisive action against poverty. On most counts, the G8 pledges fell well short of what campaigners demanded and poor people needed. However, if they were implemented in full they would represent a significant turning point and lay the foundations for further efforts to end extreme poverty.

In this briefing, ActionAid takes stock of the progress that has been made on the key G8 pledges – on debt, trade, aid and HIV and AIDS – one year on from the summit in Scotland. While the story varies target by target, the general picture is not impressive. One exception is debt, where the G8 has largely done what it promised, and generated genuine benefits for 19 countries.<sup>1</sup> It now needs to extend the deal to more than 40 other countries that continue to be burdened by unpayable and unjust debts. On trade, the G8 is backtracking on the very limited movement last year on subsidies and opening markets to poor countries' products, thereby threatening to jeopardise wider efforts to fight poverty. On aid, it is too soon to make a final judgement, but the donors that are furthest from meeting the targets set last year – Germany and Italy – urgently need to come forward with detailed plans for scaling up their aid budgets. On HIV and AIDS, the G8 agreed to campaigners' demands and adopted a target of achieving universal treatment by 2010. Yet so far, they have done far too little to realise this goal, with rich countries stalling on new finance.

### **Mission unaccomplished**

- More than 1 billion people still live on less than \$1 a day.
- Africa is off-track on meeting all eight of the Millennium Development Goals by 2015.<sup>2</sup>
- 7 million children die each year from poverty-related diseases.<sup>3</sup>
- Half a million women worldwide die each year from complications arising from pregnancy and childbirth.<sup>4</sup>

Overall, our verdict in this briefing is 'mission unaccomplished': so far, the G8 has not done what it said it would do on trade, and is letting the targets on aid and HIV and AIDS slip. Yet failure is not inevitable. Over the coming months, the world's richest countries have the opportunity to remedy this situation, by getting the Gleneagles commitments back on track. Doing so will restore some badly-needed credibility to

the G8, and represent a measure of hope to the millions of people living in poverty who urgently need action now to achieve a more just world.

## 1. DROP THE DEBT?

- **The G8 pledged 100% cancellation of debts owed to three major multilateral creditors, in 18 of the world's poorest countries.**
- **They delivered on their commitment for 19 countries.**

One year on from Gleneagles:

- 19 countries have had \$35 billion of their multilateral debts cancelled.
- Nigeria has had \$18 billion of its \$30 billion debt cancelled.
- In return, Nigeria had to make a \$12 billion payment to creditor countries, one quarter of it to the UK.
- Over 40 other countries still need 100% of their debts cancelled.
- Rich countries moved the goalposts on the amount of World Bank debt eligible for cancellation, reducing the face value of the deal by \$5 billion.

### 1.1 What was promised?

When G8 leaders met in Scotland last year, they pledged to cancel 100% of debts owed by 18 of the poorest countries to the World Bank, International Monetary Fund (IMF) and the African Development Bank. For these countries, 14 of which are in Africa, the deal is worth \$1 billion a year for 40 years. The 'Paris Club' group of creditors, dominated by the G8, also promised to cancel \$18 billion of Nigeria's \$30 billion debt in return for Nigeria repaying the remaining \$12 billion during 2006.<sup>5</sup>

### 1.2 Have the promises been kept?

The G8 have mostly kept their promises. After initial attempts by some donor countries to delay the deal by adding extra conditions, IMF and African Development Fund debt was cancelled in January 2006. World Bank debt is due to be cancelled in July. This means that the deal will shortly be fully implemented, although the amount of World Bank debt cancelled was cut by \$5 billion by changing the cut-off date for debts eligible for cancellation from 2004 to 2003. Also, while new conditions were not attached to this debt relief, the countries receiving it have already had to meet several years of harmful IMF and World Bank conditions under 'stabilisation' and 'adjustment' programmes, in order to qualify.

The package will release about \$1 billion a year for the 19 Heavily Indebted Poor Countries (HIPC), and about the same amount for Nigeria – although Nigeria has

had to meet 40% of the costs of the debt deal from its own resources. Although the sums of money freed by this deal are relatively small, they are already having a positive impact on the ground. In the case of Zambia, for example, a reduction in its total stock of debt from \$7.1 billion a few years ago to \$500 million now is enabling the government to announce free basic healthcare, in a country where one in ten children currently die before their first birthday.

**Debt cancellation works:<sup>6</sup>**

- In Benin, 54% of the money saved through debt relief has been spent on health, including on rural primary health care and HIV programmes.
- After Mozambique was granted debt relief, it was able to offer all children free immunisation.
- In Uganda, debt relief led to 2.2 million people gaining access to water.

**1.3 What needs to happen next?**

The Gleneagles deal was a good first step, but the G8 now needs to go further. Last year, campaigners demanded cancellation of the debts of a total of 60 poor countries. Countries such as Bangladesh and Haiti are still burdened by unsustainable debts that divert scarce resources from essential services, and in many cases have already been paid several times over. The consequences of failing to consolidate the debt deal are clear: without a write-off, these countries will be unable to meet the international poverty reduction targets for 2015.

In January this year, Gordon Brown said that the G8 should provide ‘full debt relief for not 38 but all the world’s poorest countries’.<sup>7</sup> But so far these encouraging words have not been backed by an extended deal. Instead, G8 countries are behaving as if debt has been ‘done’. This is despite the fact Sierra Leone – the world’s second poorest country – paid \$37 million servicing debts in 2004, some 180% of what it spent on health.<sup>8</sup>

Countries like Sierra Leone that have yet to reach completion point under the World Bank and IMF’s HIPC debt programme are still being required to meet a raft of conditions on privatising basic services and opening up markets to unfair competition. For example, for Sierra Leone to reach the mid-term ‘decision point’ on debt relief, it had to embark on the privatisation of some 24 state-owned enterprises, including energy and urban water.

Finally, the G8 must urgently address the problem of ‘illegitimate’ debts that countries incurred under military dictatorships and undemocratic governments, which were often used for purposes unrelated to poverty reduction. South Africa, which continues to repay \$22 billion of debt accrued under the apartheid regime, is a case in point.

Likewise, countries such as Indonesia and Kenya continue to pay back debts that were lent recklessly to unaccountable governments. In this respect, cancellation of almost two thirds of Nigeria's debt established an important precedent. The G8 must now discuss debt cancellation for a wider group of countries that are outside the HIPC initiative.

### **Debt and education in Mozambique**

Amelia – a Maputo teenager – has seen schools and roads built since last year, when the G8 countries agreed to cancel Mozambique's debt. Shedding the \$2 billion in total debt to the international finance institutions means the government now has more money to embark on such infrastructure projects.

Amelia has seen some improvements in her family's long term opportunities, but grinding poverty and the birth of a baby have made her immediate personal circumstances more difficult. When she was 13, her mother, Cecilia, died of AIDS. Her father also died of AIDS a year later, forcing Amelia to abandon class and care for her brothers, Fernando and Sergio, then aged eight and three, and her sisters, Zelia and Cacilda, aged six and one respectively.

A year on from Gleneagles, Amelia's four siblings, now aged between 13 and six, assisted by an NGO, have started school. Across Mozambique, children are going into the classroom because debt cancellation is helping free money to fund education.

At home, Amelia works and cares for her nine-month-old son, Helio, born of a father who disowns him. "I get up at 6am. I sweep up the back yard. I wash dishes. I clean the house. Then I go out to find small jobs [for money], washing clothes, ironing, carrying water. I get back home at 4pm. Then I cook our only meal of the day."

She earns between 40p and 60p a day and her brothers collect scrap metal, earning 6p a week – enough for three bread rolls. "We can't even have a cup of tea every day – only sometimes, when I can afford a spoon of sugar," she says. Her dream is to run a market vegetable stall. She also wants to return to studying. The funding going into education might just help make that happen.

*Reported by Mussagy Junior, ActionAid Mozambique.*

## **2. TRADE JUSTICE?**

- **The G8 pledged to put the needs of poor people first and cut harmful subsidies that put jobs at risk. They also promised to open their markets to goods from the poorest countries.**
- **They reneged on this pledge, and continue to push their interests at the expense of the poor.**

One year on from Gleneagles:

- The US and EU still spend \$100 billion per year on trade-distorting farm subsidies that undercut livelihoods in the poorest countries.<sup>9</sup>
- Rich countries stand to gain \$96 billion or 83% of the total gains of the likely World Trade Organization (WTO) deal.<sup>10</sup>
- The EU's own impact assessment says poverty will increase in sub-Saharan Africa as a result of the deal currently under discussion.<sup>11</sup>
- The UK is pushing for a deal at any cost, with the risk that what gets agreed will increase rather than reduce poverty.

## **2.1 What was promised?**

Although the progress last year on trade fell massively short of what campaigners were calling for and poor countries need, the G8 countries did move their position. In particular, they promised to push for a pro-poor global trade deal in the Doha round of negotiations at the WTO. They made three key pledges:

- “Substantially” cut damaging domestic farm subsidies.
- Eliminate agricultural export subsidies by a “credible end date”.
- Completely open their markets to goods from the world's poorest countries.<sup>12</sup>

If implemented, these pledges would start to make a positive difference to some of the world's poorest people. A 50% cut in G8 subsidies, implemented over five years, would reduce the dumping of farm goods on developing country markets, particularly in Africa. For example, the IMF estimates that if US cotton subsidies alone were “substantially” cut then African farmers would see income gains of \$250 million a year from higher prices and increased access to local and regional markets.

## **2.2 Have the promises been kept?**

One year on, not one of these promises has been kept. Instead, G8 countries continue to push for a bad trade deal at the WTO which would lead to more poverty, not less. Seven members of the G8 (Russia is not a WTO member) are pushing for an agreement on manufactured goods that would force developing countries to cut their tariffs by up to 70% , threatening dramatic job losses. In the latest round of services negotiations Japan has made demands that developing countries open up strategic sectors of their economies to foreign ownership. The US and the EU are pushing a similar agenda.

At the WTO Hong Kong ministerial in December 2005 the EU, the largest user of agricultural export subsidies, agreed to eliminate them by 2013. But this is five years later than a “credible end date” – 2008 – and comes with the get-out-clause that this



will be confirmed only when all other trade issues are agreed. In any case, because the EU had already agreed changes to its Common Agricultural Policy, which would have seen the *de facto* elimination of export subsidies by 2013, it is questionable whether this can really be described as a 'new commitment'. A similar picture exists with domestic farm subsidies, which in sectors such as cotton – where the US spends \$3.8 billion a year – continue to undermine farmers in some of the world's poorest countries.

Overall, ActionAid calculates that the EU's trade-distorting domestic subsidies that lead to dumping continue to amount to around €60 billion per year. The four European members of the G8 – France, Germany, Italy and the UK – together receive more than half of all EU farm subsidies, more than €30 billion per year. Meanwhile, damaging domestic subsidies in the US continue to amount to at least \$25 billion a year according to ActionAid's calculations, although the lack of more recent data means it could be higher still.

Finally, staunch opposition from the US and Japan scuppered an agreement that G8 countries completely open up their markets to goods from the poorest countries. Instead, rich countries only committed to provide duty and quota-free market access for 97% of their products – excluding the 3% of products likely to be of most export interest, and therefore of greatest benefit to poor countries.

### **2.3 What needs to happen next?**

The aggressive demands being made of developing countries in trade talks contrast sharply with the G8's own failure to act on the promises it made just one year ago. France has said it will 'reject the outcome of talks'<sup>13</sup> if they imply further reform of the Common Agricultural Policy – in short, any real cuts to the EU's farm subsidy regime – before 2013. France is not alone: 12 other EU member states, including Italy, take a similar view.<sup>14</sup> While these countries block a pro-poor agriculture deal on subsidies, they are simultaneously demanding a deal on manufactured goods and services that goes against poor countries' own interests. Because of the 'single-undertaking' nature of the negotiations whereby nothing is agreed until everything is agreed, key G8 members have gone so far as to blame the lack of progress on subsidies on the failure by developing countries to make major concessions. For its part, the UK must drop its 'any deal is better than no deal' position and recognise that the wrong deal threatens to jeopardise wider poverty reduction efforts.

The recent G8 finance ministers' communiqué, which rows back on the language at Gleneagles about poor countries not being forced to open their markets, and ignores the threat to poor people posed by the indiscriminate liberalisation of manufactured

goods and services, underscores this concern. Given the looming deadline on getting a trade deal agreed before President Bush's negotiating mandate from the US Congress expires, the risk is that any deal will be equated with success, regardless of whether it benefits people in poverty. ActionAid believes that without radical changes to the negotiating positions of the G8 and other rich countries, no deal is the best option for developing countries.

### **G8 trade rules: the view from Senegal**

Sidy Ba has been growing peanuts in Senegal for 30 years, but in recent years his income has plummeted because so many cheap cooking oils have flooded into the country, undercutting the price of oil made from local peanuts.

"Our income has decreased drastically and that means that my wife, my children and I can just about survive. I cannot afford school books any more for my younger children and I can't pay the fees."

"If someone in the family is sick, it will cost us between 5,000 to 15,000 Senegalese francs (£5 to £15). Nothing in Senegal is free," he says.

Fifty-two-year-old Sidy and his wife and children live in Gandiaya – the heart of Senegal's 'peanut basin' – 150 km southeast of the capital Dakar.

Sidy owns a seven hectare farm and grows peanuts on about half the land. But he says he's lucky if earns much more than a pound a day and more than a third of that is spent on basic food costs.

The problem he faces is that oil from his peanuts costs more than the cheap subsidised sunflower and soya oil imported from the EU. The US also dumps subsidised vegetable oil there as 'food aid'.

Now there's no incentive to stay with the locally sourced oil, says Sidy. So the imported oils are brought for refining while Sidy and neighbouring farmers watch their own peanuts going to rot.

*Reported by Moussa Faye, ActionAid Senegal.*

### **3. MORE AND BETTER AID?**

- **The G8 pledged to double aid, as part of a \$50 billion increase by 2010, and take immediate action on better aid.**
- **They are currently off-track to reach this target, and are failing on key steps to reform aid.**

One year on from Gleneagles:

- The UK is off-track to reach the 2010 European target of giving 0.56% of national income in aid, once debt relief is excluded.

- Excluding debt relief, UK and German aid fell between 2004 and 2005.<sup>15</sup>
- As the countries furthest from the target, Germany, the US and Italy must meet the lion's share of the G8 aid increase, yet are dragging their heels on their pledge
- Donors have failed to end most harmful policy conditions attached to aid programmes.

### 3.1 What was promised?

In the Gleneagles communiqué, the G8 made a twofold pledge. On aid volume, it committed to giving \$50 billion more in aid each year, over and above 2004 levels, by the target date of 2010. Much of this money had in fact already been committed, and 25% of the increase is from non-G8 donors. Even so, substantial new sums were pledged, of between \$15-20 billion annually by the end of the decade.

These promises include:

- An EU-wide commitment to raise aid spending to 0.56% of national income by 2010, worth some \$38 billion, with at least half going to Africa.
- An EU commitment to build on this, and reach the UN aid target of 0.7% of national income by 2015 (and 2013 in the case of the UK).
- A proposal from the US to double aid to sub-Saharan Africa, as part of a \$5 billion increase.
- An increase in Japanese aid of \$1 billion in 2006, rising to \$3 billion extra in 2010.
- A doubling of aid from Canada from 2001 worth \$1.5 billion extra by 2010.

If all these promises are kept, then by 2010 the rich countries will collectively be giving 0.36% of their income in aid, which means they will be halfway to reaching the UN aid target of 0.7% which they agreed in 1970.

Secondly, on aid effectiveness, the G8 promised to substantially improve the quality of its aid, and ensure that it leads to sustainable benefits for poor people. In particular, the Gleneagles communiqué acknowledged that the conditions attached to aid have often failed or proven counter-productive when it recognised the right of developing countries to, “decide, plan and sequence their economic policies to fit with their own development strategies”. Likewise, the G8 recognised the need to allocate aid on the basis of need when it pledged to focus on low-income countries committed to growth, poverty reduction and good governance. Finally, they committed to implement and be monitored on the aid effectiveness targets for 2010 which they adopted at the Paris High Level Forum in March 2005. These targets do not address either ‘tied aid’, the practice of requiring aid to be spent on goods and services from

the donor country, or the removal of economic policy conditions from aid programmes. Nonetheless, if implemented these targets would have a significant impact on the quality of aid.<sup>16</sup>

#### **Where aid has worked**

- In Uganda aid increases led to an increase of primary school enrolment from three million children in 1997 to nearly eight million in 2003.<sup>17</sup>
- In South Africa a donor-financed measles immunisation campaign reduced the number of cases from 66,000 in 1996 to 117 in 2000.<sup>18</sup>
- In Tanzania increased aid has enabled the government to double spending on education between 1999 and 2003.<sup>19</sup>

### **3.2 Have the promises been kept?**

Just one year on, it is too early to reach a definitive verdict on whether the Gleneagles aid promises will be met. However, the early signs on aid volume are not encouraging. In 2005, 85% of the aid increase showing up in donors' accounts was the result of the write-off of Iraqi and Nigerian debt – in the case of the UK, over one third of all aid in 2005 was the result of these deals. Excluding debt cancellation and tsunami-related emergency aid, between 2004 and 2005 global aid increased by 7% , putting donors behind schedule in terms of providing an additional \$50 billion by 2010.

This debt cancellation will continue to account for most of the rise in aid until 2008. Because most of this debt was not being serviced, the headline figures are misleading –only a small proportion of the rise is a genuine resource transfer to developing countries. The upshot is that, when the debt-related spike in aid figures has passed, donors will face the challenge of increasing their real 'cash' spending on aid dramatically in the space of just two or three years.

The challenge is greatest for countries such as Germany, which must more than double its aid by 2010 to meet the EU target, and Italy, which must almost triple it. These countries and others urgently need a year-by-year road map for progress towards 0.56% if the promise is going to be kept and the aid spent effectively. Yet at present, these countries are stalling. Even in the UK, where the government has publicly committed to reaching the target, the underlying rate of increase in aid, once debt relief is excluded, is insufficient. Although the Department for International Development (DFID)'s core departmental budget has increased significantly, by itself this accounted for less than half of the overall aid spend in 2005.

On 'better aid', the G8's performance again falls far short of what is needed. Although the UK government committed to ending harmful policy conditions in 2005, and the G8 communiqué echoed this language, other rich countries have been reluctant to cut the strings they attach to their aid. So far, no other G8 member has followed the UK's example, or pressed for significant reform of the World Bank and IMF's own use of conditions. Meanwhile, the 2010 aid effectiveness targets agreed by donors at the Organisation for Economic Co-operation and Development (OECD) in Paris are being implemented in a way that leaves donors as the ultimate judges of their own performance.

### **Real aid makes a difference in Kenya**

Elizabeth Afwande, 50, stares into the dyke that separates her Kenyan home from the river Nzoia. "This dyke has saved my family. [Without it] I would not be living here today," she says.

More than 28,000 people live by the side of the Budalangi dykes. But by last year the walls had fallen into such disrepair that they became a threat to people's safety rather than a life-saver. Water was flooding through, destroying homes and crops.

One year later, the dyke has been repaired by the Kenyan government, who in turn, received more than £60 million in aid from Britain for such projects. Elizabeth and her neighbours have sown crops, while those who fled their homes have returned.

The story of the Budalangi dykes is an example of how aid money can work well and improve people's lives in the short term and help them build sustainable livelihoods for the long term.

Elizabeth – a widow with eight children and eight grandchildren – was forced to flee to a temporary camp twice when the waters burst over the dykes. Farmers lost their harvest in the floodwater.

Then last year, before Gleneagles, Elizabeth was among 15,000 villagers who signed a petition calling for the speedy repair of the 33 kilometre long dykes, saying they felt unsafe in their homes.

Shortly afterwards, the Kenyan government responded by sending the National Youth Service to carry out an estimated £22,000 worth of repairs.

It has pledged a further £250,000 for the maintenance of the dykes, which are more than 40 years old and needed regular repairs.

Now farmers have doubled the amount of sorghum, rice, beans and cassava compared to last year, because they have more confidence in the dyke.

Elizabeth is benefiting too, thanks to the mangoes she sells at a nearby market. "These mangoes are signs that things are beginning to improve," she says. "I sell them to supplement my income – and sometimes my family just eat the fruits."

*Reported by John Oywa, Kenya*

### **3.3 What needs to happen next?**

Fortunately, projections of failure to reach the target are not the same thing as forecasts: rich countries still have sufficient time to deliver their promises, provided they act now to set concrete plans for doing so. To date progress has been mixed: Japan still has no clear timetable for disbursing the \$10 billion extra aid over five years pledged at Gleneagles; there has been no clear indication that Canada will increase aid in the budget of the new Canadian government; and in the EU, Italy and Germany have yet to provide details as to when they will meet their pledges. The coming months provide a narrow window in which to address these issues.

In terms of the 'better aid' agenda, donor progress has been similarly halting and patchy. In particular, donors need to act on the pledge in the Gleneagles communiqué and change their aid policies to remove harmful conditions attached to the disbursement of aid. At the moment, some countries, led by the US, are actually pushing for greater levels of conditionality due to concerns about corruption, although Germany has made more recent progressive statements.

### **Education – will the G8 pass the test?**

When the G8 met in Gleneagles, they promised, 'to ensure that by 2015 all children have access to and complete free and compulsory primary education of good quality'. This promise was made in the context of 100 million children – almost 60% of them girls – missing out on a basic education.<sup>20</sup> The commitment was also rooted in a recognition that as an 'enabling right' with knock-on benefits in areas like health and the economy, education can be a catalyst for wider development.

An estimated \$10 billion more a year is needed for every child to go to school, or one-fifth of the annual increase in aid pledged at Gleneagles.<sup>21</sup> Yet so far, the donor response has been lacklustre. The UK has earmarked some of the aid pledges made last year, totalling some \$15 billion up to 2015, which should ensure that its funding for education does not fall as a proportion of its total aid. The French have made similar commitments, while the US, Japan, and Germany have so far failed to back their G8 pledge with new money.

The current funding situation for the education for all Fast Track Initiative (FTI) illustrates the problems faced by the poorest countries as they attempt to reach the 2015 goal of getting every child through primary school. The FTI, which is managed by the World Bank, is a multilateral initiative designed to help low-income countries reach the education goal. So far, 20 countries with 16 million children out of school are in the Fast Track. Already, countries such as Mozambique and Niger have been able to start increasing the numbers of children in school as a result. However, the plans of most countries in the FTI continue to be underfunded – together they face an immediate funding gap for 2006 of \$510 million. If these countries receive the necessary funding for their education plans, the Fast Track Initiative could admit a further 40 countries in the next 18 months, reaching 70% of the world's out-of-school population.

Some donors have come forward with commitments. Russia is expected to pledge \$78 million at the G8 summit in St. Petersburg in July, and France pledged in 2005 to fully fund seven Francophone countries, although this money has yet to materialise. In April, the UK also committed \$50 million a year over two years to the FTI. The onus is now on other G8 countries to step forward with commitments to plug the funding gap: at a meeting in May, African finance ministers from 20 countries demonstrated their commitment when they agreed to prepare ambitious ten-year plans to achieve universal basic education. These plans are expected to be completed by the time of the World Bank-IMF annual meetings this September. Whether the G8 back these plans with new money will be the real test of their commitment to the pledges they made at Gleneagles.

### **4. UNIVERSAL AIDS TREATMENT?**

- **The G8 pledged to achieve universal access to treatment by 2010.**
- **They have so far failed to set a clear plan for reaching the target, and aren't putting forward enough money.**

One year on from Gleneagles:

- 5.2 million people in urgent need currently lack access to treatment.
- At least \$10 billion per annum extra is needed to fund universal access to HIV prevention, treatment and care by 2010.<sup>22</sup>
- The UK and France are paying close to their fair share to the Global Fund to fight AIDS, TB and Malaria but the US, Japan and Canada are resisting.

#### 4.1 What was promised?

Under pressure from campaigners at Gleneagles, the G8 agreed to the demand for a target date of 2010 for providing universal access to treatment for HIV and AIDS, for all those who need it. Importantly, they also committed, “to meet the financing needs for HIV and AIDS, including through the replenishment this year of the Global Fund to fight AIDS, TB and Malaria”.<sup>23</sup> This was an ambitious promise that reversed a long-standing preference amongst most donors for focusing exclusively on prevention. It was also endorsed by the UN World Summit in September 2005, thereby making it binding on all UN member states. Currently only an estimated 1.3 million people living with HIV and AIDS are able to get access to treatment, but there are 6.5 million people in urgent need. The track record of such treatments is now proven – an estimated 350,000 deaths were averted last year as a result of increased access.<sup>24</sup>

#### The HIV and AIDS epidemic and the battle to stop it

- An estimated 38.6 million people living with HIV and AIDS worldwide.<sup>25</sup>
- 95% of them living in developing countries.<sup>26</sup>
- Women represent 60% of people living with HIV in Africa.<sup>27</sup>
- 4.1 million people were newly infected in 2005.
- 2.8 million people died of AIDS in 2005.
- \$8.3 billion was spent on AIDS in 2005, more than five times the funding in 2001 (\$1.6 billion).
- The number of people receiving treatment doubled between 2004 and 2005 (700,000 to 1.3 million).

#### 4.2 Has the promise been kept?

As of 2006 it is too early to say whether the 2010 commitment will be met, but again the G8 can be judged on whether it is taking steps in the right direction.

There are some difficulties in determining precise commitments for ‘universal access’, with some NGOs estimating that by 2010 there will be 10 million people in clinical need of antiretroviral drugs. However, there appears to be a strong reluctance from most donor countries to set any specific target to which they can be held accountable.



The first financial test of the G8's commitment was the Global Fund Replenishment Conference in September 2005. Donors pledged \$3.7 billion for 2006-2007. The UK doubled its contribution to the fund for 2006-2007 to \$357 million, finally paying its fair share. Japan also increased its contribution, from \$100 million in 2005 to \$500 million for 2006-2007.<sup>28</sup> However, the US actually reduced its annual contribution to \$600 million for 2006 and 2007, proportionately less than the amounts pledged by China and Nigeria (\$10 million each). Canada failed to pledge any new money and a question mark hangs over whether Italy's pledge will be delivered.

A second key test involved decisions on intellectual property rights in the run-up to the Hong Kong ministerial meeting of the WTO in December 2005. WTO members agreed to make the 2003 "temporary solution" that allows the import of cheaper, generic copies of branded medicines for HIV into countries without manufacturing capacity into a permanent arrangement. This agreement was reached against the backdrop of last-minute disputes with African countries, who argued that the wider intellectual property agreement (TRIPS) itself needed to be opened up for debate. Despite the agreement on generics, so far no African country has successfully been able to make use of the provisions, reflecting earlier concerns that the current system is too complicated and inflexible to enable a reliable supply of low-cost drugs to the poorest countries.

### **HIV and AIDS treatment works**

Beatrice Were is an internationally renowned AIDS activist and a mother of three. She was one of the first Ugandans to declare her HIV status publicly after she was diagnosed in 1991 following the death of her first husband.

She is also one of only 810,000 people in sub-Saharan Africa taking antiretroviral drugs to stay alive.

Beatrice says treatment has given her new life. "For most of the time I am not sick, I am not threatened by disease. I can get along in my daily business. I work very hard. I am not worried about death at any one moment. The treatment has enabled me to plan for my life, plan for my children and look at life from a different perspective.

"I was able to have a third baby and my daughter is free from HIV, so that brings a sense of joy and hope. But people without access to treatment risk infecting their unborn children."

Beatrice heads ActionAid's work on HIV in Uganda and her treatment is funded through a workplace healthplan. But for most of the 4.7 million people in sub-Saharan Africa who need life-saving medicines urgently their cost, the weakness of health systems and the lack of funding ensure that they are frequently too sick to work and will soon die. The number of orphans continues to rise and families, communities and countries struggle to develop.

At Gleneagles in 2005, the G8 committed to a target of universal access to treatment for HIV and AIDS by 2010. 2006 is a crucial year to make sure the money starts to flow. As Beatrice says: "Access to treatment is about justice and human rights. Without the necessary funds, people will continue to die."

### **4.3 What needs to happen next?**

The extent to which rich countries finance the fight against HIV and AIDS is a critical measure of the G8's commitment to the Gleneagles aid pledges. Low and middle-income countries are calculated to need to spend \$14.9 billion in 2006, increasing to \$22 billion for 2008, on combating HIV and AIDS. From 2008, at least \$5.3 billion per year needs to be spent on care and treatment alone.<sup>29</sup> Even if rich countries maintain their estimated 2007 level of spending on HIV and AIDS for the years 2008-2010, ActionAid calculates that there is still a funding gap of at least \$10 billion per year.

The time lag involved in funding proposals means that the meeting of the Global Fund Board in November 2006 will be one of the last opportunities to inject sufficient funding into the scale-up of treatment needed to meet the 2010 target. The UK must ensure that the US, Canada and Japan meet their fair share of the financing requirements, while the meeting will also be a key indicator of Italy and Germany's commitment to increasing their aid budgets.

Finally, donors must prove that the flexibilities under intellectual property rules, designed to allow essential drugs to be imported into the poorest countries, actually

work. Access to generic antiretroviral drugs is an essential element in efforts to expand access to treatment. In addition to concerns about the current arrangements, it is unclear how the next generation of antiretroviral drugs will become available under the new intellectual property legislation being implemented in many producing countries.

## **CONCLUSION**

One year on from the summit in Gleneagles, the world's richest countries are moving too slowly, or not moving at all, on most of their key commitments to tackle poverty. Unless they take urgent action now to meet their pledges on aid, trade and HIV and AIDS, the prospect of progress towards ending poverty will be jeopardised. Failure to act will seriously damage the credibility of the G8, and of individual governments, in the eyes of millions of people who campaigned in 2005 for an end to extreme poverty. It would also be a betrayal of the 1.2 billion people around the world who live on less than one dollar a day, and to whose daily lives the G8 could make a genuine difference.

Despite the unacceptably slow start, the G8 can still get back on track. The progress on debt since last summer demonstrates what is achievable, and if they act now the G8 countries have sufficient time to meet the targets they have set themselves. On aid, donors must establish plans immediately to meet their fair share of the \$50 billion pledge by 2010. As well as increasing their underlying aid budgets, they must take steps to ensure that the money is well spent, by ending harmful conditions, untying their aid and by allocating funds on the basis of need. On trade, the G8 must stop pushing for a bad WTO deal that contradicts their Gleneagles pledges, and work with developing countries to achieve root and branch WTO reform. On HIV and AIDS, countries must step forward with the resources needed to provide universal treatment, and act to ensure the poorest countries are able to obtain affordable medicines.

The coming months will be decisive in terms of whether momentum behind the Gleneagles pledges is lost or regained. The 36 million people around the world who came together last year under the Global Call to Action Against Poverty and demanded action will be watching closely as the G8 meets again, in St. Petersburg this July.

<sup>1</sup> Initially, the G8 committed to 100% write off of World Bank, IMF and African Development Fund loans for 18 low income countries that had reached 'completion point' under the HIPC Initiative. Mauritania's debt cancellation was postponed because of governance concerns, but Cambodia and Tajikistan were subsequently added to the group.

<sup>2</sup> UK Government, Implementation of the Commission for Africa recommendations and G8 Gleneagles' commitments on poverty: the UK's contribution, March 2006.

<sup>3</sup> UN, quoted by Jubilee Debt Campaign.

<sup>4</sup> Joint European NGO report, EU aid: genuine leadership of misleading figures? An independent analysis of European Governments' aid levels, April 2006.

<sup>5</sup> Gleneagles Communiqué, paragraphs 29 and 30.

<sup>6</sup> Jubilee Debt Campaign: [www.jubileedebtcampaign.org.uk](http://www.jubileedebtcampaign.org.uk).

<sup>7</sup> Published in the Guardian, January 11 2006

<sup>8</sup> <http://www.wdm.org.uk/news/presrel/current/sierraleone.htm>

<sup>9</sup> ActionAid calculation.

<sup>10</sup> Gallagher K P, *Brazil: trading away industrial development*, IRC Americas, 13 December 2005.

<sup>11</sup> Kirkpatrick C, et al, *Sustainability impact assessment of proposed WTO negotiations*, May 2006: [www.sia-trade.org](http://www.sia-trade.org)

<sup>12</sup> Gleneagles Communiqué – Africa – paragraph 35; Trade – paragraph 3.

<sup>13</sup> Leaked letter from the French Embassy to African trade ministers in advance of the African Union summit 12-14 April 2006.

<sup>14</sup> They are: Austria, Belgium, Cyprus, Finland, Greece, Hungary, Ireland, Italy, Lithuania, Luxembourg, Poland and Spain. See leaked letter to EU Agriculture Commissioner Mariann Fischer-Boel, 25 September 2005.

<sup>15</sup> Joint European NGO report, *EU aid: genuine leadership or misleading figures?*, April 2006.

<sup>16</sup> Gleneagles Communiqué – Africa – paragraphs 30-32.

<sup>17</sup> ActionAid, *Real aid report*, 2005.

<sup>18</sup> *ibid.*

<sup>19</sup> *Our common interest: report of the Commission for Africa*, March 2005, p307.

<sup>20</sup> Fast-track initiative for education: [www.fasttrackinitiative.org](http://www.fasttrackinitiative.org).

<sup>21</sup> *ibid.*

<sup>22</sup> From 2007. ActionAid calculation using data from UNAIDS 2006 *Report on the global AIDS epidemic*.

<sup>23</sup> Gleneagles Communiqué – Africa – paragraph 18(d).

<sup>24</sup> UNAIDS Report 2006, p153.

<sup>25</sup> UNAIDS Report 2006.

<sup>26</sup> UNGASS declaration, 2 June 2006.

<sup>27</sup> *ibid.*

<sup>28</sup> <http://www.aidsmap.com/en/news/3ADEFC3B-AD1A-497C-AEC2-BBA648DDAFD8.asp>.

<sup>29</sup> UNAIDS Report 2006.