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Handout 2: Aid

What was agreed at the Gleneagles Summit?

Official Development Assistance to Africa (ODA)

"We have agreed to double aid for Africa by 2010. Aid for all developing countries will increase, according to the OECD, by around \$50 billion per year by 2010, of which at least \$25 billion extra per year [will be] for Africa.

Promoting Growth (Africa)

"We agree to support a comprehensive set of actions to raise agricultural productivity, strengthen urban rural linkages and empower the poor, based on national initiatives and in cooperation with AU/NEPAD Comprehensive African Agricultural Development Programme (CAADP) and other African Initiatives.

Education (Africa)

"As part of this effort, we will work to support the Education for All agenda in Africa, including continuing our support for the Fast Track Initiative (FTI) and our efforts to help FTI-endorsed countries to develop sustainable capacity and identify the resources necessary to pursue their sustainable education strategies.

Global Health (HIV/AIDS)

"We will work to meet the financing needs for HIV/AIDS, including through the replenishment this year of the Global Fund to fight AIDS, TB and Malaria [...] actively working with local stakeholders to implement the '3 ones' principles in all countries.¹

Health (Polio Eradication) (Africa)

"Supporting the Polio Eradication Initiative for the post-eradication period in 2006-8 through continuing or increasing our own contributions..."

Background

In June, before the 2005 summit, G8, EU representatives and African leaders had met to agree a new partnership with the countries of Africa. The New Partnership for Africa's Development (NEPAD) had begun life as a commitment by the Organisation for African Unity (OAU) to a strategy to halve African poverty which would be historically and culturally rooted in African experience, led by African heads of government and which would mobilise the peoples of Africa. The New Partnership document spoke of the 'need to negotiate a new relationship with development partners' with 'mutually agreed performance targets and standards for donors and recipients'.² One of the key elements of the strategy was to reverse the decline in overseas development aid (ODA) and to meet the previously agreed target level of 0.7 per cent of developed countries' gross national product (GNP). In the weeks leading up to the summit the G8 countries were divided over

¹ The Three-Ones is donor-agreed performance-based funding to combat the spread of AIDS and meet the needs of those living with the disease

² The New Partnership for Africa's Development, October 2001



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how much ODA to promise. The UK-led Commission for Africa worked on a comprehensive document and suggested that the G8 countries do the borrowing themselves in order to grant African countries large enough sums immediately in order to have a real impact on development.³ Not everyone agreed to this strategy, but a doubling of 2004 aid levels by 2010 was finally approved by the Summit, along with the above range of commitments in health, education and rural development.

The summit also endorsed the G8 Africa Action Plan. This prioritised the improvement of water resources and agricultural productivity, the tackling of AIDS and other major diseases and education for all, particularly girls. Key sections of the document also dealt with debt, trade, peace, security and governance. The plan endorsed the NEPAD peer-review mechanism for monitoring and improving governance in Africa, but fell short of giving it decisive authority in judging the scale, or setting conditions on future aid partnerships with particular African states. The G8 plan represented a lukewarm response to Africa's demand 'that Africa's future lies with Africa itself'. The G8 donors might grant more generous development assistance, especially to countries that were genuinely making an effort to apply their resources to poverty reduction, but they reserved the right to continue to decide for themselves which countries would benefit from NEPAD funds.

A more strategic approach

The United Nations Millennium Declaration to halve poverty by 2015, and the eight development goals, have led to a more strategic approach to poverty eradication.

The Millennium Development Goals

The eight Millennium Development Goals (MDGs) were adopted in 2000 by the member states of the United Nations to implement the Millennium Declaration and halve world poverty. The goals recognise that poverty is not only about lack of income but also about human development, such as education and health. The first seven goals are about poverty in all its forms, and the last, the global partnership for development, addresses the means to achieve the first seven. Each goal has a set of indicators for measuring progress. The date set for achievement of the goals is 2015.

Progress on reaching the goals varies widely. Whilst China will by 2015 reach the target of reducing by half the proportion of their people living below the poverty line of \$1PPP per day, many countries in Sub-Saharan Africa will not.⁴ Many African countries have made progress on making primary education universal. Some countries are still actually getting worse, for example, African countries where lack of health services and soaring HIV rates impede progress on maternal mortality. The goals are for rich and poor countries alike. Without help from the rich, the poor countries will not reach the goals set.

³ "Our Common Interest", Report of the Commission for Africa, 11 March 2005.

⁴ PPP stands for Purchasing Power Parity. This is a way of expressing the value of US\$1 in each country which reflects differences in the cost of living. To say that someone is living on \$1PPP per day means that they can buy goods and services equal to what \$1 would buy in the United States. In West Africa, for example, a US dollar could buy two reasonable meals; however, this is NOT what the poor have to spend. They are able to buy the equivalent of what could be bought by \$1 in the US - or, what is roughly the same, what 60p could buy in Scotland.



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The Millennium Development Goals

- 1 Eradication of extreme poverty and hunger
- 2 Universal primary education
- 3 Gender equality
- 4 Reduce child mortality
- 5 Improvement in maternal mortality
- 6 Combat diseases such as HIV/AIDS and malaria
- 7 Ensure environmental sustainability
- 8 Build a global partnership for development

The aim is that each impoverished country should set out its own economic and social plans for achieving these goals in a *Poverty Reduction Strategy* (PRS). Through national strategies, needs are assessed, political commitment is developed and monitoring of aid and development can become a national process. PRSs have encouraged donors to work in partnership with poor countries. The Commission for Africa report envisaged that this kind of partnership would go further. At the moment, many aid projects are unaccountable and uncoordinated, and the Commission for Africa wanted development ministers, African finance ministers, representatives of civil society and international organisations to work together to challenge this state of affairs.

Developing countries have responded to the challenge to produce national poverty strategies, seeing them as a step towards a more predictable process of aid disbursement, which would be linked to local needs, respectful of local decision-making procedures and complementary to national budgets.

Poverty Reduction Strategy Papers

Poverty Reduction Strategy Papers have become the current vehicle for aid. A strategy paper drawn up according to World Bank procedures, and approved by the International Monetary Fund (IMF), is a condition for receiving debt relief. Strategies can encourage local ownership and control of the development process, but because they are a condition for aid and debt they are often more influenced by donors and international financial institutions than poor communities or parliaments.

Each strategy paper is based on a poverty survey and must include some consultation with civil society to assess needs and to strengthen accountability. Most strategies contain sections on the economy and economic growth, social development and governance. Gender and environmental issues are mainstreamed and the whole strategy is meant to be integrated into the national budget. Strategies are funded by direct transfers into national budgets and monitored using national statistics.

A PRS represents a much-needed way of moving away from the 'islands of excellence' and heavy burdens of reporting which projects often represented. Where the process of consultation and assessment of need is through a PRS this also helps to raise expectations and strengthen accountability of national governments to poor communities. But the IFIs still have considerable power over the contents, particularly the economic re-structuring chapters. In some countries the consultation process has been 'tokenistic' and has also circumvented parliamentary procedures.

Some countries in Africa (for example Ghana, Uganda and Tanzania) have produced plans which many have seen as workable, and have also seen some poverty reduction as well as greater participation in policy making.

The poverty reduction strategy in Mali

The strategy has 3 "pillars":

1. Governance and institutional development: this includes decentralisation of decision-making to improve participation levels in development planning.
2. Improving core basic services: in health this includes fighting major diseases and improving nutrition, ensuring education for all and access to water and credit.
3. Improving productivity: this includes creating 10,000 jobs per year and ensuring rural growth through better transport systems - road building has the added advantage of providing jobs. The strategy also aims to ensure the availability of food in a crisis (which is important given Mali's history of hunger), and to improve the lives of the most marginalised by working with farmers to develop their cash earning potential.



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The poverty reduction strategy in Malawi

This strategy has 4 "pillars":

1. Economic growth which will benefit the poor: this part of the strategy looks at opportunities for the poor to earn cash through diversification in agriculture, encouraging private investment and exploiting tourism and mining opportunities.
2. Developing human capital: this includes basic education for all, a healthcare package to which all would be entitled, but for which there would be charges. More doctors, nurses and training opportunities are needed to fulfil the plan.
3. Protecting the most vulnerable: safety nets include the feeding of children at risk and free seeds and fertiliser for poor farmers.
4. Good governance includes improving service delivery by reforming transparency and accountability mechanisms, but also a change in the political climate to encourage politicians that politics is about service not material gain.

These poverty reduction strategies raise people's expectations of future improvement, and require the government to improve its standards of reporting. This puts a burden on the country which develops the Poverty Reduction Strategy - the question is, are the rich countries, which are meant to be funding these strategies, also play their role in providing the money needed? Poor country governments can argue, with some justification, that they have kept their side of the bargain but the rich are under no obligation to ensure that local poverty strategies are adequately funded. A PRS must be approved by the IMF and contain performance monitoring procedures. In contrast, monitoring of the G8 nation's compliance with their commitments to fund the priorities identified by poor countries is only just beginning to take off.⁵

⁵ University of Toronto G8 research group, www.g8.utoronto.ca; Gleneagles implementation plan, DFID 2006



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What has happened since the Gleneagles Summit?

By June 2006 only two of the G8 - Canada and the United Kingdom - had implemented their commitment towards doubling Official Development Assistance. The other G8 countries are making some progress, though. In February 2005 the Canadian government committed an extra \$3.4 billion over the next five years. This total included a doubling of Canada's aid to Africa. Whether Canada's new Prime Minister will continue with this policy we do not know. Gordon Brown increased the UK's overseas aid in the December 2005 budget and said that the pledges made at the Gleneagles summit were 'only a beginning'. The UK's aid budget will rise to £6.5 billion by 2007.⁶ In an effort to ensure that all G8 countries honour their commitments, the UK has initiated the Gleneagles Implementation Plan to follow up Summit promises with milestones and regular reporting. Monthly updates can be found at www.dfid.gov.uk. In March 2006 this bulletin reported that:

- there had been progress towards developing a Central Emergency Relief Fund for Humanitarian Aid which raised \$255 million from 36 donors
- a Ministerial Conference took place to look at funding future development from a levy on air tickets; and
- some progress was made at an AIDS funding conference.⁷

The European Union (EU) claims to provide 60 per cent of all aid to Africa. In June, before the Gleneagles Summit, the 25 EU members committed to increasing their aid so that the EU could meet its formal agreement to double aid for Africa. In October the EU agreed the Strategy on Africa, a commitment to deliver an extra Euro 20 billion by 2010 and Euro 46 billion by 2015. At least half of this money is promised to Africa, but the promised sum falls short of the agreement to double aid as made at Gleneagles.⁸

Health

The commitment on AIDS will require extensive funding to coordinate and monitor effectiveness. A body for developing assessment tools and improve accountability to donors will be expensive. But the new goals do represent an improvement on the 2004 promise to fund HIV vaccine research. The Global Fund has been a useful collaborative effort used for retro-virals, TB treatment and bed nets. To replenish the fund for 2006 US\$1.1 billion is needed. Japan paid \$100 million in November 2005 and UK pledged \$51 million. The EU has also fully complied with \$106 million. Commitments to fund polio eradication have been met by Germany, UK, the USA (which have pledged 108 million over 3 years) and France.

Agriculture

Eighty per cent of Africans depend on farming for their livelihoods and crops are the main source of export earnings in poor countries. Some people think that the answer to Africa's poverty is to boost its agricultural productivity and they claim that to meet poverty reduction targets output will need to increase by 8 per cent per year.⁹ Rural development is the core of most poverty

6 Pre-Budget Statement to the House of Commons, Gordon Brown 5th December 2005

7 Gleneagles Implementation Plan for Africa, February Update

8 G8 research Group: Interim Compliance Report, February 2006

9 EU Strategy for Africa: Towards a Euro-African plan to accelerate Africa's Development, EU Commission, Brussels Oct 2005



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reduction strategies and the G8 promises cooperation with such strategies and NEPAD's own plan which recognises the role of women and of food security, as well as the need to integrate the rural poor into markets, develop access to international markets and reward success with additional funds. Resources are needed to irrigate, transport and research crops as well as to educate farmers and provide them with loans. Although Britain has hosted the Infrastructure Consortium, funded this with \$20 million and hosted a meeting for the African Partnerships Joint Action Plan (which agreed to international monitoring of commitments to Africa) resources have not been transferred.

Education

G8 governments have an ongoing commitment to adult literacy, which they renewed, and are committed to the Millennium Development Goal of universal primary education. Britain has provided £1.4 billion plus a further £200 million to the aid funds held at the World Bank and £2 million to provide free schooling in Burundi.

NEPAD seeks increased ODA flows as well as reform of ODA delivery system [...] A critical dimension of Africa taking responsibility for the continent's destiny is the need to negotiate a new relationship with their development partners. The manner in which development is delivered creates serious problems for developing countries. The need to negotiate with, and account separately to, donors supporting the same sector or programme is both cumbersome and inefficient [...] the appeal is for a new relationship that takes the countries' programmes as the point of departure. The new relationship should set out mutually agreed performance targets and standards for both donor and recipient.

The Commission for Africa Report

Aid from the World Bank

The World Bank provides aid and loans to the most impoverished countries from a fund called the International Development Association. To get aid from this fund, countries have to meet a set of sixteen requirements including tests of efficient taxation, expenditure management, prudent borrowing, governance and trade liberalisation. These indicators are referred to as the Country Policy Institutional Assessment (CPIA). This is the World Bank's way of measuring whether the countries that apply to it for aid meet the economic and ideological profile which the Bank likes. The better a country scores on the CPIA, the more aid it gets.

Achieving a high CPIA score requires making decisions about the national accounts that can mean cuts and closures, charges for services, dropping trade barriers and privatisating national industries. It is disconcerting that although the rhetoric of the G8 Plan for Africa was about 'consolidating democracy', 'enhancing partnership' and 'measured results', there is no official discussion about how the need to get a high CPIA score might undermine autonomous national development in African countries.¹⁰

10 G8 Africa Development Plan



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Monitoring

Poverty has now been thoroughly assessed in many countries and their performance in poverty reduction is being monitored. Each country's progress in meeting the Millennium Development Goals is recorded by the relevant international institution. Scrutiny of the donor communities' performance in working with and funding poverty strategies is currently left to civil society in rich and poor countries. The rich countries' commitments to fund these strategies is, however, very poorly reported. While the G8 is good at insisting that impoverished countries monitor their performance in poverty reduction, there is much less done to monitor the rate at which the rich countries are making the necessary inputs to fund the strategy.

The G8 commitments also represent a step away from promises to fund comprehensive poverty strategies and a return to tying aid to narrow budget headings and targets with a plethora of conditions. This creates difficulties for poor countries' governments who will receive earmarked funds. But it is a more helpful process when it comes to tracking national compliance with promises made.¹¹

Research shows that G8 leaders' commitments are more likely to be met when they are precise about exactly what has been promised and clear about who is delegated to fulfill that promise. NEPAD recognises the danger of a return to a more project-based approach but nevertheless endorses the funding by budget heading strategy. Where this takes place within the framework of a PRS, as it does for the poorest countries, it will help civil society to monitor donor performance.

Activity 1

The Millennium Development Goals have been agreed by most of the countries in the world, both rich and poor.

Are the goals a good strategy for galvanising world action against poverty?

What do you see as their advantages and disadvantages?

Activity 2

Although the UN has agreed that rich countries should meet the target of 0.7 per cent of their GNP in aid, most countries do not meet that target. Where aid goes is also influenced by previous colonial links and foreign policy concerns.

What international rules would you suggest to regulate how much aid each country gives and how much each country gets?

¹¹ John Kirton, Explaining Compliance with G8 Financial and Development Commitments: Agency, Institutionalization and Structure, Annual Convention of the International Studies Association, San Diego March 2006

How would you monitor your system?



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