

Evian G8:

Time to declare a War on Poverty in Africa

Last year, leaders of the world's richest countries used their G8 summit to unveil a plan of action to tackle poverty in Africa. While ambitious in its rhetoric, the plan produced little new aid or debt relief for Africa, and no reform of unfair terms of trade. As the same leaders prepare for this year's G8 summit in Evian, France, from June 1-3, action on African poverty is more vital than ever. And yet the danger is that the meeting will be dominated by Iraq. Oxfam is calling on G8 leaders also to focus their attention on Africa and to launch an all-out War Against Poverty.

Summary

'The state of Africa is a scar on the conscience of the world. But if the world as a community focused on it, we could heal it. And if we don't, it will become deeper and angrier.' Tony Blair, British Prime Minister, 2001.

'In recent years we have not been attentive enough to Africa's real economic and trade needs ... even though Africa's position has never been so weak.' Jacques Chirac, French President, 2003.

'This growing divide between wealth and poverty, between opportunity and misery, is both a challenge to our compassion and a source of instability. We must confront it.' George W. Bush, US President, 2002.

'When it comes to trade, we are totally forgotten. They talk about eliminating poverty, but why then must they subsidise their farmers?' Soloba Mady Keita, Cotton Farmer, Mali, 2003.

Last year, leaders of the world's richest countries used their G8 summit to unveil a plan of action for poverty reduction in Africa. While ambitious in its rhetoric, the plan was by any standards a timid offering. It produced little new aid or debt relief, and no reform of unfair trade. As the same leaders prepare for this year's G8 summit in Evian, France, from June 1-3, real action is more vital than ever. Across Africa, millions of people are fighting their own war against poverty every day. The danger is that the G8 leaders will fail to play their part because they are distracted by the continuing diplomatic fall-out from the war against Iraq.

The campaign of 'shock and awe' may be over in Iraq, but Africa's challenges are truly shocking:

- More than half of sub-Saharan Africa's 600 million people still live on less than US\$1 a day.
- More than 28 million Africans are living with HIV/AIDS.
- Forty per cent of children never go to school in Africa – the only region in the world where the numbers of children out of school are rising.

The Iraq crisis has demonstrated that vast financial resources can be rapidly mobilised when rich countries believe they have a strategic interest at stake. Around \$70bn was scrambled by the coalition combatants in a matter of weeks to fight the war. This is more than five times the aid provided to Africa last year, and more than twice the annual amount of aid Africa needs to meet the Millennium Development Goals, the internationally agreed targets aimed at halving world poverty by 2015. World leaders have shown that when they really want to make something happen, they can and do. Oxfam is calling on G8 leaders at Evian to focus their attention on sub-Saharan Africa, to form a new coalition and to launch an all-out war on poverty.

The key battlefields in the war on poverty are:

- **Trade:** the summit must address the enormous harm being done by the subsidies rich Western countries pay their farm sectors to produce a glut of cheap food which is dumped on world markets, undercutting African farmers and robbing millions of their livelihoods.

- **Aid:** the G8 must deliver on the promise made at last year's summit to devote an extra \$6bn a year in aid to Africa, and agree a timetable towards reaching the \$25-35bn a year which the UN estimates Africa will need if it is to meet the Millennium Goals. This should include delivering \$5bn annually for basic education, and fully funding the \$10bn Global Fund for HIV/AIDS, Tuberculosis and Malaria.
- **Debt:** the G8 must cancel the debts of African countries struggling to make repayments at the expense of their health and education systems, including delivering the full \$1bn top-up required for the HIPC trust fund used to cover the costs of granting debt relief.

World trade rules: the case for regime change

Africa is failing to reap many of the potential benefits of globalisation, thanks to an oppressive international economic regime that works against its interests. Sub-Saharan Africa currently has 11 per cent of the world's population, but only one per cent of global trade. Since the 1970s, deteriorating terms of trade have cost Africa more than seven times the amount it has gained in development aid. Rich countries are still putting up tariff barriers to keep out African goods, while subsidising their own farmers to the tune of \$1bn a day to produce cheap food which they dump onto world markets – and the local markets on which Africa's farmers depend. Very often African farmers are producing food more cost-effectively, but they cannot compete in this brutally skewed system.

The European Union and the United States are the world's farm subsidy superpowers. Between them, they account for more than 60 per cent of rich country subsidies – or \$153bn a year. The damage they inflict on African agriculture is enormous.

Take the case of cotton. America's 25,000 cotton farmers receive \$3-4bn a year in subsidies – more than the total of US aid to Africa. Because the US is the world's largest exporter, these subsidies push down world prices, which have fallen by half since the mid-1990s. The result: farmers in poor countries earn far less for what they produce.

Why does this matter for Africa? Because more than 10 million people in West Africa alone depend on cotton for cash to buy food and medicines, and to send their children to school. Lower prices mean more poverty in already desperately poor communities. Africa as a whole loses \$300m a year as a direct result of US cotton subsidies.

Cultivating poverty in West Africa's cotton belt

'Life is tougher than it has ever been,' says Soloba Mady Keita, a Cotton Farmer from the town of Kita, 150km east of Mali's capital Bamako. 'We no longer live on a year-to-year basis, we now live day by day.'

In a good year, Soloba will make \$300 per year from farming his seven hectares of land, but even this is \$75 short of what he needs to break even.

'If I could just get five per cent more than our costs, I could pay back my loans and really help my family. My three girls all sleep in the same bed – if I had more money I could buy each of them their own place to sleep.'

Three years ago, Soloba's nine-year-old daughter, Fatimata, broke her leg playing with her sisters. Soloba couldn't afford to take her to see the doctor. Fatimata missed out on school for a year and now walks with a limp. Across West Africa the cotton price slump has crushed livelihoods. In Soloba's village in Mali, the effect is deepening poverty, hunger – and incomprehension.

The EU matches the US in its use of subsidies. Thanks to the Common Agricultural Policy (CAP), Europe is the world's largest exporter of white sugar, pushing more efficient producers in countries such as Malawi and Zambia out of regional markets. The same CAP restricts the entry of African sugar into EU markets. Mozambique, where 70 per cent of the rural population lives below the poverty line, loses \$100m a year as a result.

And like the US, the EU uses Africa as a dumping ground for its surpluses. From Kenya to Senegal, European milk and wheat is sold at 'giveaway' prices, destroying the markets on which small farmers depend. By undermining local self-reliance, dumping by rich countries in Africa is helping to create conditions for famine.

Amidst the gloom there have been some positive developments. In February at a summit of African leaders in Paris, President Chirac called for a moratorium on agricultural dumping in Africa. However, most of France's G8 allies have been reluctant to translate this into a coherent proposal, suspicious that it was little more than a public relations gimmick. Meanwhile, differences between the EU and the US have brought the agricultural negotiations at the World Trade Organisation to a standstill. Unless the deadlock is broken – and quickly – the so-called Doha 'development round' will be seen in Africa as yet another charade disguising the intention of rich countries to continue business as usual.

The Chirac proposal could be a way to break this deadlock in trade negotiations – if the G8 as a whole is willing to work together to produce a series of radical trade reforms that would benefit developing countries, especially in sub-Saharan Africa. Such reforms must include challenging the French government to agree to reform of the CAP, and the US to reform its export subsidies programme. It is vital that the G8 makes progress on trade reform before the key WTO meeting in Cancun, Mexico in September.

The impact of WTO patent rules – the TRIPS agreement – on the price of medicines in Africa and elsewhere is another area of trade policy that demands urgent action at Evian. G8 countries, most notably the US, are resisting changes to the rules that would significantly

improve poor countries' access to affordable, generic versions of medicines for the treatment of HIV/AIDS and other diseases.

To fight a war on unfair trade rules, the G8 countries should:

- Immediately stop using subsidies and export credits that cause over-production and dumping of surpluses in developing countries.
- Open their own markets to all products from Africa and other low-income countries.
- Amend WTO patent rules in order to improve developing countries' access to affordable, generic medicines for HIV/AIDS and other diseases, as promised in Doha in 2001.

Money for the war but not for the poor?

Foreign aid to Africa fell by 40 per cent during the 1990s and now stands at approximately US\$12bn per annum, less than one fifth of the amount budgeted for the war against Iraq. The G8 announced at last year's summit in Canada that it could devote an extra US\$6bn in aid for Africa each year. So far, little concrete progress has been made towards reaching this goal. In any case, the pledge falls far short of the \$25-35bn a year which the UN estimates Africa will need if it is to meet the Millennium Goals, the internationally agreed targets aimed at halving world poverty by 2015. Education and health are two priority areas where an increase in aid is desperately needed and could make an enormous difference to the lives of millions of people in Africa.

Schools don't cost a bomb

Adiatou Issaka is 12 years old but she has never learned to read or write. She lives in Niger in West Africa, the poorest peaceful country on earth. She is one of a staggering 1.3 million primary-aged children there who don't go to school – out of a total population of just 11 million. Her local school is full. Adiatou spends her days pounding millet grain, fetching firewood and carrying water.

'Sometimes the work is very very hard,' she says. 'I want to learn to read and write.'

Across Africa, where education is such a scarce commodity, girls like Adiatou are losing out, as their brothers are usually given priority. In a knowledge-driven world economy, Africa's education crisis is stunting its development. And yet education – particularly for girls – has the potential to be a 'stealth weapon' in the war against poverty. It can open doors to better health, increased income and independence.

Compared with the sums spent by G8 countries on military hardware, the amounts of Western aid needed are modest – for the cost of just one of the Cruise missiles fired on Baghdad, around 100 schools could be built in Africa. At last year's summit, G8 leaders approved a global action plan to get the world's children into school. According to the UN, the total amount of Western aid needed each year to put every child in the world into school is \$5.6bn – a fraction of what was spent on the war against Iraq, and equivalent to around three days' global military spending. G8 countries currently spend \$639m a year on basic education, about half the cost of one Stealth bomber.

HIV/AIDS is a powerful brake on Africa's progress towards the Millennium Goals. Twenty-eight million Africans are infected with the virus, which is ripping the heart out of communities, killing the productive generation. Young women are increasingly affected and the pandemic has so far left 12 million orphans. Malaria also kills more than one million people in Africa every year, most of them children.

Tackling this health emergency will require a concerted assault. This will involve much more aid, both to pay for treatment and prevention programmes, and to finance the development of Africa's health infrastructure – hospitals, clinics, and trained staff. In 2001 the UN set up the Global Health Fund, to channel aid for HIV/AIDS, tuberculosis and malaria. The fund is supposed to disperse \$10bn yearly but so far total pledges are only in the region of \$3bn. The US is in the process of approving a package of \$15bn for HIV/AIDS projects to be spent over three years. The Bush administration has said it will commit up to \$1bn to the Global Fund – but only if other donors rise to the challenge. For the amount spent on the war, the Global Fund could have been replenished many times over.

To fund the war on poverty the G8 countries should:

- As a first step, make good on their 2002 summit pledge of \$6bn of extra aid to sub-Saharan Africa. But they must go further and agree a timetable for boosting their annual aid contributions to the \$25-35bn needed to reach the Millennium Goals.
- Using this new aid money, finance the education action plan that was ratified at last year's summit and which needs at least \$5bn a year to put every child in the world into primary school.
- Fully fund the Global Health Fund to \$10bn, and deliver on their promise at last year's summit to commit an extra US\$275m to eliminate polio.

The crippling burden of debt

African countries still owe almost \$300bn in external debt. There are worrying signs that, six years after its launch, the Heavily Indebted Poor Countries (HIPC) debt relief initiative is failing the continent.

Twenty-six countries are now receiving debt relief under the initiative. Of these, 19 still spend more than ten per cent of government revenues on debt repayments. For some of the world's poorest countries, this amounts to a massive transfer of scarce resources. Zambia, for example, is spending more on debt repayments – \$183m a year – than it spends on health or primary education.

Falling prices for commodities such as coffee and cotton are reinforcing debt unsustainability, and driving up rural poverty. It is high time that the G8 agenda included a serious consideration of the factors behind the relentless decline in prices for Africa's key commodity exports. And the IMF continues to block and delay debt relief for some of the poorest African countries, by demanding that countries complete tough economic reforms before their debts are cancelled.

Some Northern governments oppose further debt relief on the grounds that it is unaffordable, or that African governments will waste the money. Claims of unaffordability look increasingly absurd in the light of what was spent on the war in Iraq. As to the record of African governments, there is clear evidence from the IMF and World Bank that the \$800m freed up in debt relief is being spent on poverty alleviation. Allocations to health, education, and other priority sectors have all increased, and this is having a real impact on peoples' lives. In Niger, for example, debt relief money has been used to train teachers and build schools, with the result that ten per cent more children are in school now than in 1998.

'The choice we are left with under HIPC is thus to either abandon all independent and rational thinking in economic policy-making or wallow in the quagmire of unsustainable debt. It is a choice between the devil and the deep blue sea.' Meles Zenawi, Ethiopian Prime Minister.

Ethiopia is one of the poorest countries in the world and once again faces a serious food crisis, with more than 12 million people in need of aid. According to the UN, because of shortfalls in aid, a generation of children is being 'slowly starved'. While the crisis has been triggered by a severe drought, the collapse in coffee prices and Ethiopia's debt burden have both played their part.

In 2000/2001 Ethiopia's debt payments amounted to \$105m. The country's total debt stands at almost \$6bn, the equivalent of its entire GDP. Ethiopia is among the countries eligible for the HIPC initiative. However, full debt

relief has been delayed by stringent World Bank and IMF conditions placed on the government. Its ability to pay back its debts has been severely restricted by the collapse in the world price of coffee, which accounts for 60 per cent of its export earnings. Between 1998 and 2001, Ethiopia made debt repayments worth \$536 million to its international creditors – money that could have been spent on improving the country's agricultural sector and introducing safeguards to shield its population from famine.

In April, US Treasury Secretary John Snow said that 'the people of Iraq shouldn't be saddled with the debts incurred through the regime of a dictator who is now gone'. Oxfam supports debt relief for Iraq, but African countries must also be freed from the same burden. The quest for democracy and poverty reduction in Africa is being undermined by crippling debts, often run up in previous decades by undemocratic regimes and dictators, who have now been replaced. Secretary Snow's comments show that rich countries have enough money to deliver debt relief when the political will is there.

Oxfam believes the G8 must work towards greater debt relief if African countries are to have any chance of winning the war against poverty and meeting the Millennium Goals. For the cost of the war in Iraq, the G8 could have cancelled the majority of outstanding debt for all 34 African countries already in the HIPC debt relief programme.

To help Africa break the cycle of debt, the G8 should:

- Deliver the shortfall (up to \$1bn) in the trust fund that pays for HIPC Initiative debt relief, a promise it made at last year's summit.
- Cancel the debts of all HIPC countries which have good poverty reduction plans but are struggling to meet the Millennium Goals.

Conclusion

As they gather in Evian, G8 leaders should be taking a hard look at their priorities and asking themselves some tough questions. In spite of repeated promises to tackle poverty in Africa, Western development policies are being dominated by the strategic concerns of the war on terror and the war on Iraq rather than the war against poverty. Key issues such as trade reform continue to be casualties of internecine squabbling between the world's wealthiest nations. Meanwhile, the efforts of millions of African people to work their own way out of poverty are thwarted by Western policies. What is the point of giving aid and debt relief with one hand, while taking away money through unfair trade policies with the other? And what free market principle is it that gives rich countries the right to subsidise the destruction of poor farmers in Africa? At the Evian summit the G8 leaders are due to report on their progress over the past year in implementing their Africa 'action plan'. The real danger is that what they produce will be a repackaging of existing promises and little action. The war on poverty is already long overdue. It must start now – and its first salvos must be fired in Evian.

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This paper was written by Helen Palmer and Sarah Kline. It is part of a series of papers written to inform public debate on development and humanitarian policy issues. The text may be freely used for the purposes of campaigning, education, and research, provided that the source is acknowledged in full.

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