Where's the money?
G8 promises, G8 failures

The richest countries of the world promised to help developing countries halve poverty, reduce child mortality by two thirds, and ensure every child gets a free and good quality primary education. All by 2015. There remains a huge gap between promises and action. Inadequate commitments to meet a global crisis in health; inaction in education, and a debt relief programme that leaves most countries still paying more on debt than on the health of their citizens.

Oxfam calls on the G8 to fully fund their part of the Global HIV/AIDS and Health Fund; to launch a Global Initiative to end school fees and get all the world's children into school, and to cancel 100% of IMF and World Bank debt for countries which cannot achieve the 2015 goals without additional debt relief.

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Oxfam is concerned that the richest countries in the world may once again fail the poor and break past promises to fight poverty. G8 governments will meet in Genoa, on the weekend of 20th July, to discuss efforts to help the 1.2 billion people who live on less than a dollar a day[1]. Promises on health, on education and on debt are not being met because the richest countries in the world are failing to provide the necessary finance.

The G8 summit will discuss a global development crisis. A checklist of indicators of human welfare point to a bleak picture:

- 11 million people dying each year from easily preventable and treatable diseases;
- 36 million people live with HIV/AIDS, three quarters of them in Africa;
- 125 million children are out of school – equivalent to the total number of children between the ages of 6 and 14 in Europe and North America - with two thirds of them girls;
- almost a billion adults, mainly women, cannot read or write properly.

Without serious action, future prospects for poor people are in jeopardy. Although G8 governments have committed themselves to ensuring the achievement of the international development goals for 2015, including halving world poverty, reducing child mortality by two thirds and ensuring every child gets a free and good quality primary education, current trends indicate failure.

Oxfam research shows that child death rates are falling at half the rate required to reach the 2015 goal. On current trends there will be 8.5 million child deaths in 2015, twice the number that would occur if the 2015 goals were met. In education, 75 million children will still remain out of school by 2015, and three quarters of these children will be African.

Trend is not destiny. These goals can be met with the right kind of policy environment, nationally and internationally, and with sufficient financing. The G8 should:

- Help create a financing framework for health care, that ensures than no country with a serious health plan fails to achieve the 2015 goals through lack of resources. To guarantee cost-effectiveness with regards to the purchase of drugs, the G8 must promote the full use of existing flexibility in the World Trade Organisation (WTO) patents rules (TRIPS).
- Call on the World Bank to help governments create plans to put an end to school fees, and to work with UNESCO to develop a Global Initiative to finance basic education. The G7 should contribute $4.5bn of the $9.1bn required to get every child into primary school.
- Develop a debt relief programme that provides an immediate reduction in debt servicing to 10% of government revenue. Agree to 100% cancellation of IMF and World Bank debt for HIPC countries which have illustrated that they can use the resources to deliver poverty reduction, but require additional debt relief to meet the 2015 development goals.

[1] Average annual income in the G7 countries is $25,000.

Rich and poor country governments at numerous international meetings have promised to tackle these crises, and to meet these goals. But promises have not been matched with resources. The world's richest countries continue to fail the poorest. Aid levels have declined to their lowest levels, at $53bn, and are still declining. Between 1999 and 2000, G7 aid fell by almost 5%. However, while the target level for aid has been agreed at 0.7% of the economic wealth of a country (GNP), G7 countries only allocate an average of 0.19%, while non-G7 donor countries give 0.46%. Denmark, Norway, Sweden and the Netherlands, provide an equivalent of four fifths of total US aid, yet have the combined population of California. Sweden provides more aid than Canada; the Netherlands, twice as much as Italy.

According to the UN[2], if countries from the Organisation for Economic Co-operation and Development (OECD) countries actually met the 0.7% commitment, an additional $100bn could be provided to developing countries – providing sufficient resources to achieve the 2015 goals, finance global public goods, and provide sufficient humanitarian relief.

While aid is vital, developing countries could do more to help themselves. But in part, they are prevented by rich country protectionism. Trade barriers deny the 49 least developed countries (LDCs) some $2.5 billion a year in export revenues.

What is needed is a two way contract – those countries seriously committed to achieving the 2015 gaols should be rewarded with the additional resources they require to meet them. G8 governments have the power in Genoa to lay the foundations to end this crisis. What is required is the will. Sadly this is in short supply. Recent efforts on health, education, debt relief and trade, show that words have not been matched with action.

On the edge of failure: the Global HIV/AIDS and Health Fund

The horrific impact of HIV/AIDS coupled with killer diseases such as malaria, TB, pneumonia, diarrhoea, and the wider collapse of health care in many developing countries, has led to recent efforts to galvanise a bold international response. The most recent initiative has been the proposal to create a Global HIV/AIDS and Health Fund, with the UN Secretary General calling for $7-10bn annually to address HIV/AIDS, TB, and malaria. Even with this Fund, other health priorities such as maternal mortality, or child deaths from chest infections, would not be addressed – the Fund should be seen as a key step in developing a coherent a long-term response to the health crisis in poor countries. The recent UN General Assembly Special Session (UNGASS) on HIV/AIDS reinforced this vision.

However, the Global HIV/AIDS and Health Fund stands at the edge of failure. The Fund was meant to embody a new spirit of commitment by rich countries to attack one of the root causes of global poverty: the blight of sickness in developing countries which leaves almost 11 million people dead each year from preventable and treatable disease. The 2001 Human Development Report starkly warns that the international goal of reducing infant and maternal mortality is now way off target. Ninety-three countries with almost two-thirds of the world's people, are set to miss the target to reduce under-five mortality by two-thirds. Without concerted action this goal will transform into another empty promise.

After just four short months of discussion on the Fund by global leaders, a vision of $10 billion of new investment each year in health has been bargained down to an unambitious sum of $1-2 billion.

[2] Recommendations of the High-level Panel on Financing for Development, UN, 26 June 2001.

The G8 now have the final opportunity to breathe new life into the vision by:

1. Making major new aid commitments for health systems in developing countries over the next 15 years. This will require an international financing framework to ensure no country with an adequate health plan cannot implement it through lack of resources. This should include a Fund of $10 billion a year focused on attacking the major killers of HIV/AIDS, TB and malaria.
2. Ensuring the fund is cost-effective by promoting the full use of the existing flexibility available in the WTO patent rules (TRIPS), and the full use of generic medicines, including anti-retrovirals where appropriate.
3. Only using medicines from the pharmaceutical giants when they have implemented a systematic tiered-pricing scheme delivering deep discounts for developing countries.

If these conditions are not met, the Fund will fail. It is in danger now of acting as little more than window dressing for the G8, distracting attention away from the global campaign to change the WTO patent rules which currently deny developing countries the right to obtain the cheapest possible medicines for their citizens.

Education: laying the foundations for progress

One year has passed since the Okinawa summit, where the G8 promised “that no government seriously committed to achieving education for all will be thwarted in this achievement by lack of resources.” Very little has happened to turn this pledge into action. While some of the G8 have increased aid to education, such as the UK and Canada, there is still no global initiative to deliver the resources required to get every child into primary school, and to end once and for all the injustice of school fees. Schools cannot be built on words.

What is required is a global initiative to identify the finance gaps in all country education plans, and to mobilise the resources required to fill those gaps. UNICEF’s current estimates put the finance gap for ensuring all children get a good quality and free primary education, at around $9.1 billion a year. In global terms, this is a small price to pay; it is equivalent to 4 days worth of military spending, or equivalent to 7% of the tax rebate that US tax-payers will receive this year following legislation to reduce taxes. Meeting this need requires effort from donors and from developing countries. Of this amount, $5.1bn should come from donor support, with the remainder from the use of debt relief and re-allocations of current spending in developing countries. In comparison with the size of their economies, G7 contributions to the $5.1bn be some $4.5bn, and would include, for example, $2bn from the US and $1bn from Japan.

Recent research carried out by Oxfam in Tanzania, shows that the country faces a finance gap of almost $300m in their education plan over the next three years. One of Tanzania’s aims is to end school fees, so that poor children are not barred from school by cost. At present some 2.5 million children are out of school. A financing gap of this size will mean a failure to end school fees and improve education quality. The G8 and other donors have pledged to fill this gap, but at this time, only the UK government has agreed to do so.

Oxfam urges the G8 to:

1. Call on the World Bank to immediately work with poor countries to put an end to school fees.
2. Call on the World Bank to work with other education actors, such as UNESCO and UNICEF, to develop a Global Initiative to provide the resources necessary to end school fees, and provide education for all, and to report on progress at the annual meetings this year.
3. As part of this Global Initiative, to increase aid, whereby G7 countries must contribute to mobilising the $9.1bn required each year to provide every child with a good primary education. They can do their part by increasing aid to basic education to 8% of overall aid - current spending is around 2%, providing $4.5bn as their share of the $9.1bn, and increasing overall aid to 0.7% GNP.

Drop the debt

The debt relief promised at the Cologne G8 is failing to end the debt crisis, with two thirds of countries which are now receiving debt relief, spending more on debt than on health. A half spend more on debt than on primary education and health care. The Heavily Indebted Poor Country (HIPC) initiative is failing to achieve what it was created for, as Mr. Wolfensohn, the World Bank President declared, "… to eliminate debt as an obstacle to poverty reduction".

Tanzania is one of the HIPCs which, even on HIPC criteria, will remain with unsustainable debt after receiving debt relief[3]. Even this position is based on exaggerated projections by IMF and World Bank staff[4]. Such assumptions leave Tanzania in an extremely precarious position, both in terms of the size of debt relief, but also in terms of resources freed up for education and other poverty reduction financing. This situation exists in many other HIPCs.

That is why increased debt relief is required for Tanzania and other HIPCs.

- reducing debt service in Tanzania to 10% of government revenue would immediately release $50m a year.
- coupled with projected HIPC relief of $66m, this would fully cover the yearly education financing gap of $100 million a year for the next three years.
- This would put an end to school fees, and would ensure that the 2.5 million children who do not go to school now, finally can.

Oxfam calls on the G8 to:

1. Undertake an urgent debt sustainability analysis of all low-income countries, and widen the initiative to more countries such as Haiti, Nigeria, Georgia or Bangladesh.
2. Work towards the development of a new HIPC3 by the time of the annual meetings of the IMF and World Bank that provides an immediate reduction in debt servicing to 10% of revenue.

- Agree to 100% cancellation of IMF and World Bank debt for HIPC countries which have illustrated that they can use the resources to deliver poverty reduction, but require additional debt relief to meet the 2015 development goals.

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3 Debt stock/exports at almost 180% (compared to a HIPC target threshold of 150%).
4 GDP growth is projected to double to 6% annually from 1989-99 averages, and revenue projected to rise 15% by 2005 – both extremely unrealistic projections.

Oxfam International is a network of twelve aid agencies working in 120 countries throughout the developing world: Oxfam America, Oxfam in Belgium, Oxfam Canada, Oxfam Community Aid Abroad (Australia), Oxfam Germany, Oxfam GB, Oxfam Hong Kong, Intermon Oxfam (Spain), Oxfam Ireland, Novib, Oxfam New Zealand, and Oxfam Quebec. Please call or write to any of the agencies for further information.

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