THE DATA DEAL:

An Emergency G7 Package for

AFRICA

DEBT

AIDS

TRADE

DEMOCRACY
ACCOUNTABILITY
TRANSPARENCY

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LIST OF ABBREVIATIONS

AGOA	African Growth and Opportunity Act
CMs	Country Coordinating Mechanisms
CMH	Commission on Macroeconomics and Health
DFID UK	Department for International Development
EBA	Everything but Arms
EU	European Union
Global Fund	Global Fund to Fight AIDS, TB, Malaria
HIPC	Highly Indebted Poor Countries
IFI	International Financing Institution
IMF	International Monetary Fund
LDC	Least-Developed Countries
MCA	Millennium Challenge Account
MDGs	Millennium Development Goals
NEPAD	New Partnership for African Development
NGO	Non-Governmental Organization
PRSP	Poverty-Reduction Strategy Papers
SDRs	Special Drawing Rights
SDRM	Sovereign Debt Restructuring Mechanism
SWAps	Sector Wide Approaches
TB	Tuberculosis
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UNAIDS	United Nations Program on HIV/AIDS
WB	World Bank
WHO	World Health Organization
WTO	World Trade Organization

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INTRODUCTION

DATA argues that long term development and poverty alleviation in Sub-Saharan Africa will be impossible unless there is a new partnership, on an emergency basis, to tackle the crises of debt, HIV/AIDS and trade in the region. DATA also argues that increased democracy, accountability and transparency on the part of both African countries and those agencies working with Africa are necessary for development assistance to bring about lasting change. This report provides policy suggestions on each of the critical challenges of debt, AIDS, trade and democratizing the development process, with a summary of key recommendations which should be agreed at the G8 Summit in June.[1]

While there are many areas in the world with great needs, DATA focuses on Sub-Saharan Africa because of its extreme poverty and marginalization:

- MORE THAN 300 MILLION PEOPLE in Sub-Saharan Africa — nearly half the region's population — live on less than $1 a day. The World Bank expects this number to rise to 345 million by 2015.[2]
- SUB-SAHARAN AFRICA is the region of the world that is least likely to achieve the internationally agreed-upon poverty reduction targets by the year 2015, known as the Millennium Development Goals (see Appendix 1), according to World Bank estimates.[3]
- PER CAPITA INCOME IN AFRICA in 2000 was 10% below the level reached in 1980—a drop that has hit the poorest 20% of Africans the hardest, with their incomes dropping by 2% per year.[4]

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1 *This report focuses on recommendations to the G7 members.*
2 *The World Bank "Millennium Development Goals"*
3 *The World Bank "Millennium Development Goals"*
4 *United Nations Conference on Trade and Development (UNCTAD). 5 UNAIDS; World Food Program estimates*

A RENEWED PARTNERSHIP FOR AFRICA

There is no "cookie-cutter," "one size fits all" prescription to be forced on African policy-makers by donors. Sub-Saharan Africa is a diverse region with great success stories and great failures. Structural adjustment policies, trade liberalization and capital account openness have been the big policy forces shaping the continent's economic landscape over the past two decades. However, recent IMF reports and World Bank surveys indicate that these old loan conditionality approaches have largely failed.[9]

This notion of a new partnership is at the core of both the African New Partnership for African Development (NEPAD) and the G8 Africa Action Plan agreed to last year in Kananaskis. In Kananaskis, the leaders of the developed countries committed to provide an additional $6 billion annually for Africa by 2006 ($3.5 billion from the EC and $2.5 billion from the U.S.) The U.S. has now committed a further $1.6 billion to that total through the President's Emergency Plan for AIDS Relief.[10] Should all of these funds be appropriated, this new total of $7.6 billion by 2006 would represent a serious new investment, and the U.S. is to be congratulated for announcing its renewed commitment to Africa. DATA worked closely with the U.S. Administration on both the announcement of the Millennium Challenge Account (through which the increased resources announced last year will be channeled) and the AIDS initiative, and will continue to work with all advocates to ensure that the U.S. Congress and other G7 parliaments fulfill their promises as well.[11]

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7 *United Nations Conference on Trade and Development (UNCTAD). "Economic Development in Africa: Performance, Prospects and Policy Issues"*

8 *IMF. "HIPC Initiative: Status of Implementation Report" 23 September 2002*

9 *Effects of Financial Globalization on Developing Countries: Some Empirical Evidence" Eswar Prasad, Kenneth Rogoff, Shang-Jin Wei and M. Ayhan*

10 *For more information on the President's Emergency Plan for AIDS Relief please see www.datadata.org/press_sotu_response.htm*

11 *For more information on the Millennium Challenge Account please see www.datadata.org/press_millenniumchallenge.htm.*

However, if Sub-Saharan Africa is to achieve the internationally agreed-upon Millennium Development Goals (MDGs), Africa will need even more assistance. The United Nations estimates that an additional $25-$35 billion is needed each year if Africa is to reach the MDGs by 2015; the World Bank estimates that the 30 best governed countries in Africa will need $20-$25 billion additional each year.[12] By these assessments, current promises of $7.6 billion represent approximately one third of the required additional funding. The Marshall Plan involved the same components for Europe as DATA proposes for Africa: debt relief, substantial development assistance and advantageous trade terms. The scale of financing was far greater: the Marshall Plan involved an annual transfer of 1.1% of U.S. GDP for four years to Europe.[13] Africa currently receives just 0.06% of developed countries' GDP. According to the above calculations Africa doesn't need 1.1% of the world's GDP but merely an additional tenth of a percent to get to the 0.16% of developed countries' GDP required to reach the MDGs.[14] This is modest compared to historic assistance pledges such as made through the Pearson Commission when all donor nations committed to giving 0.7% of GNP in assistance.[15]

Further increases in assistance must be accompanied by improvements in the quality of assistance. Many qualitative improvements require greater policy coherence and donor harmonization. The scale of the AIDS emergency in particular requires strongpartnership: both among donors as well as between donors and recipients. Country-level Poverty Reduction Strategy Plans (PRSPs) combined with the Country-Coordinating Mechanisms (CCMs) of the Global Fund to Fight AIDS, TB and Malaria offer the right means to harmonize efforts against AIDS in the context of an overall effort against poverty, and should be fully utilized.

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12 NEPAD estimates Africa has a resource gap of $64bn annually if it is to achive the MDGs – but does not expect all this will come in the form of development assistance; much will depend on fairer trade terms

13 Marshall Foundation "A Summary of the Marshall Plan/Marshall Plan Expenditures": www.marshallfoundation.org/about_gcm/marshall_plan.

14 Figures based on data from OECD: www.oecd.org

15 A target of 0.7% of GNP (called for by the Pearson Commission in 1969) was accepted by all the members of the Development Assistance Committee and endorsed by the UN General Assembly.

As mechanisms such as the MCA, the Global Fund and PRSPs prove increasingly effective, DATA believes that taxpayers and policy makers will increase their support for assistance. But in order to raise greater resources from a variety of sources in the nearer term, innovative schemes such as a new issue of Special Drawing Rights of the IMF (SDRs) (as recommended by the high level panel on financing for development) or the proposed International Financing Facility should be aggressively pursued. Much of the increased support needed must also derive from fairer international trading terms for Africa. This would truly spur economic growth and foster the investment in infrastructure necessary for a sustained poverty alleviation campaign.

Sections 1-3 of the report outline the issues and policy recommendations to the G7 in order to tackle the crises of debt, AIDS and trade. Section 4 addresses how the G7 can assist improvements in Democracy, Accountability and Transparency in Africa and in the international financial institutions, corporations and aid bureaucracies dealing with Africa. The conclusion summarizes key recommendations for the G7 at the upcoming Summit in France. ▪

1

DEBT

THE DEBT CRISIS

FACT:

Many countries in Africa are spending more each year on debt than on health care and education combined.

In 2001, Sub-Saharan Africa spent $14.5 billion repaying debts to the world's wealthiest countries and multilateral development banks.[16] This is the equivalent of $40 million per day for debt service that, for many African countries, is more than they spend on healthcare, education or other basic needs. At the same time, these payments undermine the impact of development assistance. For example, the 14 countries targeted to receive $8.5 billion dollars over the next five years under President Bush's new Emergency AIDS Plan for Africa paid more than that amount — $9.1 billion — in debt service and repayment in 2001 alone.[17]

As a result of the Jubilee 2000 Campaign, the enhanced Highly Indebted Poor Countries Initiative (HIPC) has provided debt relief to countries working toward economic growth, poverty reduction and sound governance. For the 22 Sub-Saharan African countries that have reached "decision point" in the HIPC process, and thus qualify for relief, debt payments have been reduced from $2.2 billion per year in 2000 to $1.4 billion in 2002.[18] Major bilateral creditors, including the G7 members, have agreed to cancel up to 100% of the debts they are owed by HIPCs, while the IMF and World Bank are canceling approximately one third to one half of what they are owed.[19]

DATA argues that long term development and poverty alleviation in Sub-Saharan Africa will be impossible unless there is a new partnership, on an emergency basis, to tackle the crises of debt, HIV/AIDS and trade in the region. DATA also argues that increased democracy, accountability and transparency on the part of both African countries and those agencies working with Africa are necessary for development assistance to bring about lasting change. This report provides policy suggestions on each of the critical challenges of debt, AIDS, trade and democratizing the development process, with a summary of key recommendations which should be agreed at the G8 Summit in June.

Some HIPC Success Stories

- ***Tanzania**—Under HIPC, Tanzania reduced its annual debt service payments by $170 million and used the savings to increase education spending and eliminate school fees for elementary school education. Almost overnight, enrolment increased by an estimated 1.6 million.*
- ***Uganda**—Uganda's debt service payments have dropped from $151 million a year to $88 million. The bulk of resources freed by debt relief have funded universal primary education. As a result, the number of young children attending school has increased from 2.3 million in early 1997 to 6.5 million by March 1999, marking more than a doubling of the enrolment rate to 94%.*

16 *The World Bank. "Global Development Finance 2002: Financing the Poorest Countries" April 2002.*
17 *Jubilee USA Network "Debt Relief Increases Impact of US Efforts to Fight HIV-AIDS": http://jubileeusa.org/resources/IncreasesImpact.doc*
18 *IMF. "HIPC Initiative: Status of Implementation Report" 23 September 2002*

FACT:

More than 300 million people in Sub-Saharan Africa live on less than 1 dollar a day.

Some HIPC Success Stories (continued)

- ***Mozambique***—*In Mozambique, debt relief has freed resources to increase health spending by $13.9 million. Half a million children are being vaccinated against tetanus, whooping cough and diphtheria, increasing coverage to 80% over the last two years. An estimated $10 million is being spent on electrification of rural schools and hospitals and rehabilitation of infrastructure following the floods; an additional $3.2 million is being used to promote girls' education and build new primary schools.*

- ***Cameroon***—*Cameroon received a $114 million cut in its annual debt service obligation. A national HIV/AIDS control program was already in place, but was small-scale and fragmented. In September 2000, with help from debt savings, a comprehensive national HIV/AIDS strategic plan was launched. The plan contains a set of highly focused emergency actions including promoting behavior change among young people through information and education campaigns, making voluntary testing and counseling widely available and preventing HIV transmission from pregnant women to their babies.*

While it is true that even 100% debt cancellation would not generate sufficient resources for Africa on its own, debt relief is proving to be one of the international community's most effective tools for financing development. Approximately 40% of debt savings are now being directed to education and 25% to health care.[20] Nearly every HIPC country is using a portion of debt relief to create or expand HIV/AIDS prevention and education programs. A study of ten African countries which had begun to receive debt relief by the end of 2000 found that education spending increased from $929 million in 1998 (less than the amount spent on debt service), to $1.3 billion in 2002 (more than twice the amount spent on debt service). During that same time period, health spending increased from $466 million (50% of debt service), to $796 million (33% more than spending on debt service).[21] In the best cases, African governments have consulted with civil society and the international community to create Poverty Reduction Strategy Papers (PRSPs) to carefully monitor savings from debt relief and ensure that they are allocated towards spending on basic needs.

While there are many areas in the world with great needs, DATA focuses on Sub-Saharan Africa. Because debt relief is actually working, there is a strong argument for doing more of it. There is certainly a need to do more of it; the 22 currently qualified African HIPCs continue to pay more than $1.4 billion annually on debt service, with the World Bank and IMF as the two largest remaining creditors. Recent evaluations of the HIPC program reveal that — despite positive steps — it may not be achieving the goal of providing a lasting exit from the debt crisis. Both the 2002 IMF "Status of Implementation" report and a 2003 World Bank Operations Evaluation Department report.

19 *IMF. "A Progress Report"www.imf.org/external/np/hipc/2000/041400.htm#Participation April 2000*

20 *Debt Relief and Beyond, Report transmitted by G7 Finance Ministers to the Heads of State and Government: Genoa, 20-22 July 2001*

21 *Jubilee Research "Relief Works": www.jubileeresearch.org/analysis/reports/reliefworks.pdf August 2002 (Data taken from the Overseas Development Institute) October 2000*

22 *IMF "HIPC Initiative: Status of Implementation Report" 23 September 2002; World Bank "The Highly Indebted Poor Countries Initiative: An OED Review" February 2003*

RECOMMENDATIONS

- **DEEPEN DEBT CANCELLATION:** DATA advocates moving away from the IFI's exportbased measure of sustainability, and instead supports the proposal to use debt service as a percentage of fiscal revenue as a measure. Donors and the IFIs should provide enough relief and conversion from loans to grants to ensure that no African HIPC with a credible PRSP spends more than 10% of revenues on debt service and that African HIPCs with a health emergency spend no more than 5% of revenues on debt service. This can be financed in part by IMF gold sales.

- **A DEBT DEAL FOR NIGERIA:** Given its size and influence, and the consequent impact of its success or failure on the rest of Africa, Nigeria represents a special case. Nigeria has recently been identified by the U.S. National Intelligence Council as one of the "second wave" countries in the HIV/AIDS epidemic. Experts estimate that the populous country may have up to 15 million infected with HIV by 2010. Meanwhile, Nigeria was scheduled to pay $2.9 billion servicing its debt in 2002 but only had $350 million to dedicate to the health care of its 120 million people in 2001.[24] Without a concentrated effort, the epidemic will have a significant economic and political impact on the country and the region. A special debt for health and education swap for Nigeria would redirect debt service payments to these priority sectors. Funds would be carefully ring-fenced and, to the extent possible, programmed through NGOs and monitored by third parties. Such relief would help lessen the impact of the growing epidemic and stabilize the situation in Nigeria.[25]

- **PLACE A MORATORIUM ON DEBT PAYMENTS BY POST-CONFLICT AND POST-DISASTER COUNTRIES:** Upon conclusion of internationally-recognized peace agreements or in the aftermath of natural disasters, countries may not yet be ready to meet HIPC criteria but are still in need of debt relief. These countries should be provided a time-limited moratorium on debt repayments subject to strict ring-fencing and monitoring of debt service savings.

- **CREATE AND ENDORSE THE FINDINGS OF A COMMISSION ON FAIR AND TRANSPARENT REVIEW OF DEBTS:** Much of the longstanding debt owed by African governments was accrued through massive loans to past dictators offered in exchange for their allegiance during the Cold War (i.e. Mobutu in Zaire - now the Democratic Republic of Congo) while other debts were incurred by individuals who looted their national treasuries (i.e. Abacha in Nigeria). Neither the people of these countries nor subsequent democratic governments should be obligated to repay this kind of debt. DATA endorses Kofi Annan's call for independent and transparent mediation on debt. A commission should be established to examine the debt portfolios of certain nations, make proposals on how to improve the fairness and transparency of the creditor-debtor process going forward and deter disruptive legislation from predatory creditors.[26]

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24 *IMF. "Nigeria: Selected Issues and Statistical Appendix": www.imf.org/external/pubs/ft/scr/2003/cr0360.pdf 4 December 2002*

25 *National Intelligence Council "The Next Wave of HIV/AIDS: Nigeria, Ethiopia, Russia, India and China" September 2002*

26 *Report of the Secretary-General to the Preparatory Committee for the High-level International Intergovernmental Event on Financing for Development"*

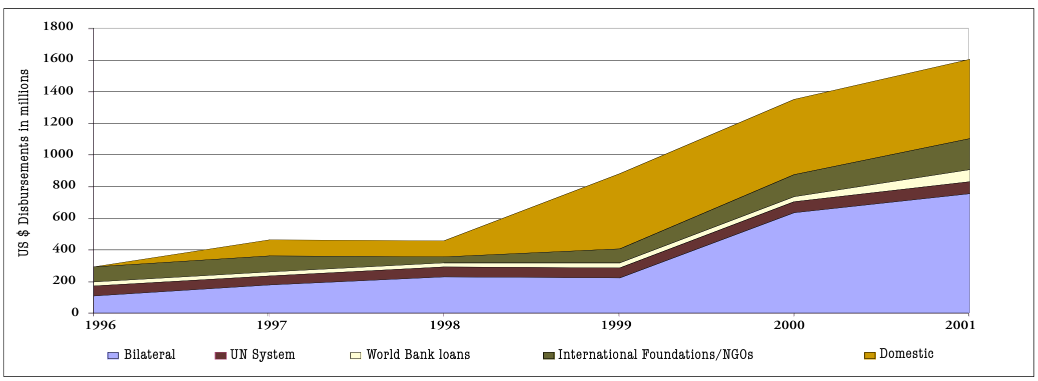
Over the last few years, donors have increased funding through a variety of channels:

- BILATERAL assistance programs comprise the lion's share of increases in international spending on HIV/AIDS. According to UNAIDS, the top bilateral donors in 2002 included the U.S., UK, Germany, the Netherlands, Canada, Norway, France and the European Commission (EC). Together, these countries budgeted approximately $1.6 billion for HIV/AIDS. The U.S. appropriated $1.2 billion (excluding research) in 2003 and announced a scale-up of expenditures over the next five years.

- MULTILATERAL organizations have also increased funding for HIV/AIDS efforts. The World Bank has committed $612 million to 18 Sub-Saharan African countries for HIV/AIDS. Multilateral funding has substantially increased in the past year with the establishment of the new Global Fund to Fight AIDS, TB and Malaria. As of March 2003, the Fund had received a total of $3.4 billion in pledges and $945 million in paid-in contributions to finance country programs judged to be technically sound, responsive to need and coordinated with broader health sector reform strategies.

- RECIPIENT countries have poor resource-tracking mechanisms and are often ill-equipped to provide current, accurate data on HIV/AIDS spending, making it difficult to estimate their contributions. UNAIDS data indicates that spending on sexually-transmitted diseases and HIV/AIDS by 28 resource-poor countries was approximately $474 million in 1999. In addition, 40 Sub-Saharan African countries now have national HIV/AIDS plans, three times as many as two years ago.[27]

- PHILANTHROPY and Corporations also represent an important source of funding. HIV/AIDS-related grants by foundations and non-governmental organizations to poor countries were estimated at $200 million for 2002. Corporate support for HIV/AIDS programs in the developing world includes price reductions for HIV/AIDS medicines, cash donations and other in-kind support. Many businesses operating in highly affected areas also support workplace-based prevention, education, voluntary counseling and testing and treatment programs for employees.



As a result of these commitments, real successes have been realized:

- UGANDA has controlled an HIV rate that peaked at 15% in 1991 and reduced it to 5% by 2000
- SENEGAL reacted early to a growing HIV prevalence and turned its rate around from 1.77% to 0.5%
- IN ETHIOPIA, HIV prevalence levels among young women in Addis Ababa declined by more than one-third between 1995 and 2001— dropping from 24% to 15%.
- IN SOUTH AFRICA, HIV prevalence levels among pregnant teenagers shrank from 21% in 1998 to 15% in 2001.

29 *UNAIDS "Financial resources for HIV/AIDS Programmes in Low and Middle Income Countries over the next Five Years," Paper for the 13th meeting of the Programme Coordinating Board, Lisbon December 2002.*

30 *Figures taken from Stop TB and Roll Back Malaria*

2

AIDS

THE CRISES – AND THE SOLUTIONS

THE HIV/AIDS CRISIS

FACT:
HIV/AIDS kills 6,600 people every day in Africa

According to several recent African country reports which outline what needs to be done to achieve the MDGs, the onslaught of HIV/AIDS threatens to single-handedly undermine any progress those countries may make toward achieving their development goals.[28] HIV/AIDS often has the greatest impact on the able-bodied and therefore depletes work forces, destroying social structures and killing off family breadwinners, teachers, doctors and nurses and farmers. Today in Sub-Saharan Africa, 29.5 million people are infected and 6,500 die every day. Nearly 70 million people will die in the 45 most affected countries over the next 20 years and this number may rise even further due to the impact of TB and malaria–deadly killers in Africa that become even more potent on those whose immune systems have been ravaged by the HIV virus. Africa will not only fail to meet poverty reduction goals, but may instead actually witness the expansion of poverty due to AIDS.

For this reason, the health crisis of AIDS in Africa must be emphasized on par with the broader crises of debt burdens and trade inequities. The epidemic is not only a symptom of deeper structural troubles but a multiplier of them. While focusing on the immediate needs generated by HIV/AIDS, the global community must measure success not only by infections prevented and lives saved now but also by how equipped Africa is to confront the next public health emergency. If the majority of nurses in a country are dying of AIDS, they cannot tend to the basic health needs of others. At the same time, without long-term investments in the health systems of a country, there will be no systems in place to train and support nurses.

28 Country Reports from Cameroon- www.undp.org/mdg/Cameroon.pdf; Mozambiquewww. undp.org/mdg/MozambiqueMDGreport.pdf; and Tanzania- www.undp.org/mdg/Tanzania.pdf

FACT:
1,400 newborn babies are infected during childbirth or by their mother's milk everyday in Africa.

The short- and long-term needs must be addressed simultaneously and such an effort is expensive. Experts have recently completed detailed analyses of the total financial resources needed to address HIV/AIDS, TB and malaria globally:

- HIV/AIDS: $10.5 billion in 2005 and $15 billion per year by 2007. In Sub-Saharan Africa alone, $6 billion will be required annually by 2007.[29]
- TB AND MALARIA: $760 million is necessary to fight tuberculosis each year and an additional $3 billion is needed to fight malaria.[30]
- TOTAL: By 2007, the global annual needs to fight HIV/AIDS, TB and Malaria will reach $18 billion.

These estimates should be viewed as minimum requirements. They include costs for prevention, care and treatment but do not include the cost of necessary investments in physical and human infrastructure. According to the Commission on Macroeconomics and Health (CMH) led by Jeffrey Sachs, needs including infrastructure reach an additional $13.6-15.4 billion for HIV/AIDS prevention and care in 83 selected low and middle-income countries by 2007. The CMH estimated need increases to between $20-$25 billion for HIV/AIDS by 2015.

29 *UNAIDS "Financial resources for HIV/AIDS Programmes in Low and Middle Income Countries over the next Five Years," Paper for the thirteenth meeting of the Programme Coordinating Board, Lisbon 11-12 December 2002.*
30 *Figures taken from Stop TB and Roll Back Malaria*

RECOMMENDATIONS

- **FUND THE FUND:** Commit to tackling the health emergency of HIV/AIDS by fully supporting every African country which has a clear and costed HIV/AIDS plan. This requires a significant increase in donors' bilateral and multilateral allocations. Specifically, donors should commit to fully fund the Global Fund to Fight AIDS, TB and Malaria to ensure that all credible and technically-sound applications in the forthcoming rounds of Global Fund financing (Rounds 3, 4, 5) are funded.

- **DONORS SHOULD IMPROVE THE HARMONIZATION OF HIV/AIDS RESOURCES:**

  o At the country level—Donors should work to reduce the burden on recipient governments and ensure optimal impact by utilizing mechanisms such as PRSPs, Sector Wide Approaches (SWAps), National AIDS Commissions and DATA—Debt, AIDS, Trade, Africa the Country Coordinating Mechanisms of the Global Fund to coordinate assistance, and ensure that these are all consistent.[33]

  o At a global level—International coordination of surveillance and resource mobilization and deployment efforts should be enhanced by the creation of a Contact Group including individuals such as the new U.S. AIDS Ambassador, an EU equivalent, a NEPAD equivalent, the head of UNAIDS, the head of the WHO and the head of the Global Fund to Fight AIDS, TB, and Malaria.

- **DONORS SHOULD WORK CLOSELY WITH AND PRESS THE PRIVATE SECTOR TO UNDERTAKE SPECIFIC ACTIONS INCLUDING:**

  o Continued efforts to lower the cost of life-saving medica tions;

  o Collaboration between donors, the private sector and host country governments to increase access to affordable medicines via tiered pricing or other mechanisms including technical assistance and capacity building to increase intra-Africa pharmaceutical manufacturing;

  o Efforts to establish workplace programs and expand existing programs to include voluntary counseling and testing and treatment programs;

  o Support for the Global Fund to Fight AIDS, TB and Malaria and other financing mechanisms; and

  o Collaboration on research into new drugs to treat diseases of poverty such as HIV/AIDS, tuberculosis and malaria and specific investment in vaccine research.

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33 *SWAps or 'Sector Wide Approaches' are funding strategies used in the health sector whereby all or several donors agree to a sector-wide support plan for a given country.*

3

TRADE

THE TRADE CRISIS

FACT:

Africa has 12% of the World's population, but it has only 2% share of World Trade.

In 1950, Africa had a 3% share of world trade. In 2000 this had dropped to 1.4% (excluding South Africa), despite the fact that Africa has 12 % of the world's population. If Africa had managed to maintain its share of world trade the region would today earn $70 billion more in annual exports. In comparison, Sub-Saharan Africa receives approximately $13 billion in development assistance each year.[34]

Africa needs to increase its share of international trade in order to earn more resources to finance development. However, this is almost impossible so long as the rules of international trade remain stacked against the region. The agricultural and export subsidies that support rich country farmers have had the effect of encouraging overproduction, which is then "dumped" on world markets at prices with which African farmers have no hope of competing — sometimes driving them out of business even in their home countries. Farm subsidies alone come to approximately $300 billion annually — more than six times the total amount of foreign assistance that rich countries give to the poor. In addition, tariffs are unevenly applied making it twice as expensive for African farmers to export processed goods (from which they could derive greater profits) than their unprocessed crops.[35] All the while, IFI policy requirements demand the rapid liberalization of African markets even while developed country markets remain less open. Africans' inability to compete fairly in the world market provides a disincentive to investment, undermines food security, and thwarts efforts that would otherwise be undertaken to dramatically expand export-oriented agricultural processing. Furthermore this combination of inequitable policies hits Africa's rural poor — the most marginalized segment of the population — the hardest.

34 *The World Bank. "Global Development Finance 2002: Financing the Poorest Countries" April 2002.www.worldbank.org/prospects/gdf2002/*

35 *Oxfam "Eight Broken Promises: Why the WTO isn't working for the world's poor" October 2001 www.oxfam.org.uk/policy/papers/8broken.html*

REAL WORLD EXAMPLES...

- A World Bank study has revealed that EU dumping of sugar has caused world market prices to drop by 17%, hurting natural producers of sugar like Mozambique whose largest employer is the sugar sector.

- The US and the EU account for half of all wheat exports and their prices are 46% and 34% below the costs of production respectively.

Trade policies are exacerbating Africa's public health emergency. The WTO's Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement, provides that patents — such as those on life-saving medicines — can be overridden in accordance with a country's needs to protect its own public health. As currently drafted, the TRIPS agreement facilitates the ability of rich countries to take advantage of TRIPS by producing their own generic drugs, but because the rules currently only allow for these generics to be produced for domestic consumption, poor countries that have no such pharmaceutical manufacturing capacity are left unable to utilize the TRIPS agreement to protect their own public health.

In order to help Africa get to a point where it can take care of its own people, invest in its own roads and education systems, and grow sufficiently to reduce its dependence on development assistance and debt relief, trade opportunities must increase. An expanded and fairer trade system would allow African countries to earn the resources they need and not only achieve the Millennium Development Goals but reach perhaps a more important goal for Africa — self-sufficiency. Thus far, the global trade dialogue between developed and developing countries, and particularly that involving Africa, has yielded few compromises. The current Doha round, dubbed the 'development round', has come to an impasse. On agriculture, rich countries are at odds regarding the extent to which they will improve market access, reduce trade distorting domestic support and reduce export subsidies. TRIPS negotiations have stalled over how to revise the agreement to provide benefits to developing countries, and specifically over which countries should benefit and what is included in the definition of "public health."

THE CRISES – AND THE SOLUTIONS THE TRADE CRISIS (continued)

Momentum has instead shifted towards the implementation of bilateral trade agreements and regional trade benefit packages. These agreements — such as the U.S. African Growth and Opportunity Act (AGOA) and Europe's Everything but Arms (EBA)—affect selected countries and can offer significant preferential market access for Africa by providing duty and quota free access for certain types of African goods. Bilateral and regional trade agreements can build upon measures taken for all developing countries through WTO negotiations with special considerations and differential treatment for Sub-Saharan Africa. Both global and bilateral adjustments in trade policies are important and should be considered as partners in addressing Africa's needs and fostering the levels of trade expansion that are necessary.

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RECOMMENDATIONS

- **TAKE MEASURES TO STOP DUMPING**—Developed countries should take measures to ensure that domestic agricultural policies do not result in the dumping of cheap goods in developing countries. Export subsidies as well as those domestic subsidies that distort international trade (such as those in the Common Agricultural Program) - should be removed/restructured so that they do not foster overproduction of these artificially priced goods and undermine the livelihoods of African farmers.

- **BUILD ON THE SUCCESS OF NEW BILATERAL AND REGIONAL TRADE AGREEMENTS**—Without undermining progress on WTO-level negotiations, agreements such as AGOA and EBA should be expanded to provide enhanced preferential market access for Africa. Revisions should be focused on expanding opportunities for African agricultural producers and efforts should be made to increase trade capacity and provide additional trade-related technical assistance to low income African countries.

  o African Growth and Opportunity Act—AGOA will prove a more reliable tool for both governments and investors if it is extended into law through 2013 and if eligibility is reviewed every 5 years, rather than annually. Even greater impact can be achieved if AGOA is expanded to grant unconditional free entry to all imports from Sub-Saharan Africa for a fixed period.

  o Everything but Arms—EBA should be expanded to include non-LDC African countries. Non-tariff barriers such as rules of origin complexities that may be addressed through the EBA to enhance trade opportunities should be reviewed, and the removal of trade barriers on key agricultural products should be accelerated.[36]

- **NEGOTIATE NEW TERMS FOR TRIPS**—Developed countries should work to accommodate developing country interests and ensure that all countries have the capacity to take advantage of the TRIPS agreement and ensure access to life-saving medicines in times of need.

- **G7 MEMBERS SHOULD GIVE PROMINENT CONSIDERATION TO INCREASING AND IMPROVING FOREIGN DIRECT INVESTMENT:** Wealthy nations should give particular consideration to ways in which responsible foreign direct investment can enhance growth and poverty reduction by building upon recommendations from, among others, the Commission on Capital Flows to Africa.

- **MAKE DOHA A TRUE DEVELOPMENT ROUND:** Through cessation of dumping, an agreement on TRIPs and a range of measures to offer the poorest countries Special and Differential Treatment, the G7 must lead the WTO to fulfill the promise of a rules-based international trade system that works for the world's poor.

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36 *For more information about AGOA, see the Center for Global Development at www.cgdev.org. For more information about EBA, see Oxfam at www.oxfam.org.uk.*

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DEMOCRACY
ACCOUNTABILITY
TRANSPARENCY

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Particularly during the Cold War, aid to Africa was too often allocated on the basis of political allegiance rather than performance. This, in turn, led to the abuse and in some cases outright theft of international assistance by corrupt government officials. While this problem is less acute today, a significant portion of foreign assistance is still provided on the basis of donor countries' political objectives and tied to services/products provided from companies in donor countries. By instead emphasizing democracy, accountability and transparency, donors will improve the legitimacy and quality of development assistance.

The international institutions that work with Africa also need to achieve greater accountability and transparency themselves. In brief, they should be held to the same standards applied to African governments. This means making the IMF, World Bank and bilateral aid agencies more accountable to the people they aim to assist by, for example, revisiting the allocation of votes and seats on governing bodies. More than 40 sub-Saharan African countries are collectively represented by just two Executive Directors, while five G7 countries, which no longer borrow from the Fund or Bank, are each represented by one Executive Director. Overall, the under-representation of citizens of developing countries means their concerns or priorities are not reflected when the policies of the International Financial Institutions are being shaped.

Multinational corporations must play fair in Africa, neither fostering corruption by offering huge and unpublished signing bonuses to individual government officials nor circumventing local laws and regulations. Extractive industries have a particularly poor record when dealing with African countries. Developed country governments should ensure that the assistance provided to Africa actually serves the purpose intended - benefiting African citizens - and is not tied to the provision of services from their own companies or consultants when these are not the most cost-effective.

RECOMMENDATIONS

- **DEVELOPMENT ASSISTANCE SHOULD BE "UNTIED":** It is estimated, for example, that at least 75% of U.S. assistance is "tied", requiring that associated purchasing needed to implement the assistance be provided by U.S. businesses.[37] Experts have calculated that aid effectiveness is reduced by 25% when assistance is tied.[38] Further, the principle of free competition can only be consistently applied if donors award contracts based on merit, as opposed to other considerations. DFID has untied British bilateral assistance and while early indications that the U.S. will untie assistance provided by the Millennium Challenge Account are welcome, all existing and future development assistance to Africa should be consistently untied.

- **ENSURE COMPANIES PUBLISH WHAT THEY PAY AND AFRICAN GOVERNMENTS PUBLISH WHAT THEY RECEIVE:** Ensure mandatory publication of all payments by relevant multinational companies to governments in developing countries; ensure African governments publish all such payments made to them.

- **DONORS SHOULD SUPPORT AFRICAN GOVERNMENT EFFORTS TO INCREASE TRANSPARENCY BY:**
  a) assisting in the establishment of independent anti-corruption units, increasing audit capacity and providing public expenditure management training assistance;
  b) encouraging the involvement of credible representatives of civil society in the formulation of national poverty reduction strategies and ensure all relevant policies are scrutinized by this process including trade liberalization;
  c) encouraging that national and municipal budgets be made publicly available in the same manner as are the budgets of donor countries.

- **THE QUANTITY OF ASSISTANCE AND MEANS OF DELIVERY SHOULD REFLECT THE QUALITY OF GOVERNANCE IN RECIPIENT COUNTRIES:** There is a growing consensus that countries with good governance can better absorb and manage donor assistance. Recent initiatives aimed at investing in these countries and thus offering an incentive to others to improve are likely to yield positive development gains. It is critical, however, that this new emphasis not come at the expense of assistance for other countries that are striving towards but have not yet achieved good governance:
  o Assistance for good governance—In countries that have effective and transparent accounting systems in place, and ensure the rule of law and the freedom of their citizenry, donors should provide direct budgetary support so that recipient countries can invest in developmental objectives of their own design and prioritization.
  o Assistance for countries in transition and for targeted programs—In countries that are less well governed, donors should provide assistance through NGOs, community organizations, international agencies and, where possible, capable government ministries. Post-conflict countries, for example,

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37 *OECD. "Policy Brief: Untying Aid to the Least Developed Countries" July 2001. www.oecd.org/pdf/M00006000/M00006938.pdf*