

How the G8 lied to the world on aid

The truth about Gleneagles puts a cloud over the New York summit Mark Curtis Tuesday August 23 2005 The Guardian

World leaders are now preparing for the millennium summit to be held in New York next month, described by the UN as a "once-in-a-generation opportunity to take bold decisions". Yet the current draft outcome simply repeats what was agreed on aid and debt last month in Gleneagles.

The reality of that G8 deal has recently emerged - and is likely to condemn the New York summit to be an expensive failure.

The G8 agreed to increase aid from rich countries by \$48bn a year by 2010. When Tony Blair announced this to parliament, he said that "in addition ... we agreed to cancel 100% of the multilateral debts" of the most indebted countries. He also stated that aid would come with no conditions attached. These were big claims, all of which can now be shown to be false.

First, in recent evidence to the Treasury committee, Gordon Brown made the astonishing admission that the aid increase includes money put aside for debt relief. So the funds rich countries devote to writing off poor countries' debts will be counted as aid. Russia's increase in "aid" will consist entirely of write-offs. A third of France's aid budget consists of money for debt relief; much of this will be simply a book-keeping exercise worth nothing on the ground since many debts are not being serviced. The debt deal is not "in addition" to the aid increase, as Blair claimed, but part of it.

Far from representing a "100%" debt write-off, the deal applies initially to only 18 countries, which will save just \$1bn a year in debt-service payments. The 62 countries that need full debt cancellation to reach UN poverty targets are paying 10 times more in debt service.

And recently leaked World Bank documents show that the G8 agreed only three years' worth of debt relief for these 18 countries. They state that "countries will have no benefit from the initiative" unless there is "full donor financing".

The deal also involves debts only to the International Monetary Fund, the World Bank and the African Development Bank, whereas many countries have debts to other organisations. It is a kick in the teeth for the African Union, whose recent summit called for "full debt cancellation for all African nations".

The government's claim that debt relief will free up resources for health and education is also a deception. The deal explicitly says that those countries receiving debt relief will have their aid cut by the same amount. If, say, Senegal is forgiven \$100m a year in debt service, World Bank lending will be slashed by the same amount. That sum will be retained in the World Bank pot for lending across all poor countries, but only when they sign up to World Bank/IMF economic policy conditions.

And this leads to the third false claim.

Blair's assertion that aid will come with no conditions is contradicted by Hilary Benn, his development secretary, who told a parliamentary committee on July 19 that "around half" of World Bank aid programmes have privatisation conditions. Recent research by the NGO network Eurodad shows that conditions attached to World Bank aid are rising. Benin, for example, now has to meet 130 conditions to qualify for aid, compared with 58 in the previous agreement. Eleven of 13 countries analysed have to promote privatisation to receive World Bank loans, the two exceptions having already undergone extensive privatisation programmes. Yet in the G8 press conference Blair refuted the suggestion that privatisation would be a condition for aid.

According to recently leaked documents, four rich-country representatives to the IMF board want to add yet more conditions to debt relief. This will be a key topic for discussion at the IMF's annual meeting the week after the millennium summit. The British government opposes new conditions but continues to support overall conditionality.

This makes a mockery of Brown and Blair's claim that poor countries are now free to decide their own policies. It is true that the G8 communiqué stated that "developing countries ... need to decide, plan and sequence their economic policies to fit with their own development strategies".

Yet it also stated that "African countries need to build a much stronger investment climate" and increase "integration into the global economy" - code for promoting free trade - and that aid resources would be focused on countries meeting these objectives.

Poor countries are free to do what rich countries tell them. The cost is huge. Christian Aid estimates that Africa has lost \$272bn in the past 20 years from being forced to promote trade liberalisation as the price for receiving World Bank loans and debt relief. The draft outcome of the millennium summit says nothing about abolishing these conditions and contains little to address Africa's poverty. With only a few weeks to go, massive pressure needs to be brought to bear.

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