

# COMMENTARY

## AID, GLENEAGLES AND THE RUN-UP TO THE MILLENNIUM + 5 SUMMIT

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PRINCE MASHELE AND JAKKIE CILLIERS

The Millennium + 5 Summit of the United Nations General Assembly to be held from 14 to 16 September in New York will be a milestone for the UN and will also determine the legacy of Kofi Annan. The reforms approved at that meeting are set to determine the relevance of an organisation that is struggling to define a role for itself in the post-Cold War period and after 11 September. In the developed world, where the United States has led a concerted campaign to tarnish Kofi Annan's reputation, this is also about the history books, and amidst a sea of hostility and hatred directed at him, Kofi Annan is set on leaving a legacy no less than a reformed international system. And key to that vision is helping Africa.

A tremendous number of studies, preparations and paper have been consumed in this process. Critical among these are the report by Jeffrey Sachs that assessed progress towards the attainment of the Millennium Development Goals (MDGs), the Cardozo report, which looked at the role of civil society in the UN system, and the High Level Panel report on threats and challenges, which dealt with new security challenges for the international community. Building on these recommendations the UN Secretary-General submitted a synthesis report earlier this year, 'In larger freedom', which summarised the key recommendations to restore the credibility and relevance of the UN.

Africa, potentially the major beneficiary of these developments, has never seen such momentum towards poverty alleviation and restructuring of the global system to its benefit. The transformation of the African Union (AU), the New Partnership for African Development (NEPAD) and the report of the Commission for Africa leading to the G8 Summit in Gleneagles have all added to the momentum. The impasse in Europe that followed the rejection by French and Dutch voters of the European Union (EU) constitution and the assumption by the United Kingdom of both the presidency of the EU and leadership of the G8 have even placed EU agricultural subsidy reform within the grasp of rational debate. While the willingness by Tony Blair to trade the UK budget rebate for reform of the EU budget may have French farmers up in arms, reform of EU agricultural subsidies are critical for Africa if it is to have any prospect of trading its way out of poverty. Without changes to EU subsidies, changes to US subsidies and those of other countries will not happen.

As is well known, progress towards the achievement of the MDGs in this part of the world has fallen far short of Africa's hopes and of the promises of the Millennium Summit in 2000. The world is talking a lot about ending poverty, but it has taken a tremendous amount of pressure to make key leaders respond to the commitments they made five years earlier. Africans have an unlikely hero to thank in the

process. Pop star Bob Geldof is succinct in his view when he urges politicians that the campaign to “make poverty history rightly focuses on aid, trade and debt relief because these are the things that we can contribute. But without peace and stability, good governance and economic development we are not going to be able to achieve that goal.” For this reason the recent announcement by the G8 that they would cancel the debt of 18 poor countries (14 of which are in Africa) is welcome as a first meaningful and positive step.

Africa has literally fallen off the global economy and needs a serious hand-up through debt relief and development assistance if international trade reform is to succeed. Africa is not looking for handouts - it is looking for help in nurturing the human capital, physical infrastructure and governmental capacity that are indispensable to development. In the process, the battle to keep Africa's leaders to their promises of good governance and peace and stability is going to be a difficult one.

It is particularly true that Africa needs to do more itself. Many African leaders are good at talking the talk, but when it comes to walking the walk there is often little practical commitment to the fine rhetoric used to impress the developed world. Hence Ethiopian president Meles Zenawi, a key member of the Commission for Africa, has yet to undertake the most basic reform to attract foreign direct investment in a country where government policy - such as a ban on foreign private ownership of land and stifling bureaucracy - lie at the heart of much of that country's poverty. There are many other examples of the failure of African leadership beyond the unwillingness to confront the excesses in Zimbabwe.

Some of the statistics make for sobering reading. In Africa, the number of people living on less than US\$1 a day rose from 227 million in 1990 to 313 million in 2001. More than 160 million people on the continent live in slums and have no access to basic services such as healthcare, clean running water, sanitation, electricity and so on. The scourge of HIV/AIDS is hitting this continent hardest. About 25 million Africans were estimated to be living with HIV/AIDS in 2003. Three quarters of the world's AIDS deaths occur in Africa. This adds

to the havoc wrought by other diseases such as malaria and tuberculosis. Against this background Jeffrey Sachs notes that: “We have seen people preserving their spirit, integrity, commitment, and hope for the future even when they have little else.”

While ‘In larger freedom’ captures many of the things that Africa should do for itself, the international aid system is in as much need of reform as anything else. A recent report by ActionAid International focused attention on what many aid recipients know, but dare not speak of too loudly - that the world's richest nations greatly exaggerate the amount they spend on aid to poor countries and that most of it - between 60 per cent and 90 per cent - is lost to waste, internal recycling within donor countries, misdirection, and high fees for consultants.

The ActionAid report ‘Real aid’ calls for going beyond the hype and reforming the official aid system to decrease the proportion of ‘phantom aid’. This can be done, the report says, only if the funds given as ‘aid’ are recognised as obligations to fulfil basic human rights rather than as charity, and if there is real mutual accountability rather than one-sided conditionality. While perhaps itself resorting to hyperbole, the report does demonstrate the extent to which the official aid figures exaggerate rich countries’ generosity. It claims that:

- In 2003, real aid was only \$27 billion, or just 0.1 per cent of the donor countries’ combined national income, as against a UN target of 0.7 per cent of their gross national income for developed countries - the overseas development assistance targets for 2015 recently set again by the Organisation of Economic Cooperation and Development (OECD) and signatories to the Monterrey Consensus.
- Almost 90 per cent of the contributions of the US and France - two of the world's largest aid donors - are what ActionAid calls ‘phantom aid’.
- The G7 countries (excluding Russia whose economy is the size of Switzerland's) are the worst performers when it comes to real aid. On average, the world's seven largest economies give just 0.07 per cent of

national income in real aid. In other words, they would have to increase real aid tenfold to reach the UN target of 0.7 per cent.

The gulf between the Scandinavian countries and the rest is awesome. In real aid terms, for example, the Norwegians are 40 times more generous per person than the Americans and four times more generous than the average Briton.

In preparation for the inevitable hammering that it could expect from concerned civil society, the US administration embarked on a frantic media campaign to highlight its role as 'Africa's greatest friend' in the run-up to the Gleneagles meeting. The purpose of the flood of statements in the days before the meeting in Scotland was to challenge "too much emphasis on the level of spending and too little on the need by Africans to implement democratic and economic reforms", as argued by Secretary of the Treasury John Snow in remarks to the Council on Foreign Relations in New York on 28 June 2005. Snow referred to increased development assistance for Africa as 'vitaly important' and peddled the near tripling of US assistance to sub-Saharan Africa, accounting for nearly a quarter of all official aid for the region.

Hence the importance of the almost simultaneous report released by the Brookings Institution in Washington with the title: 'US foreign assistance to Africa: Claims vs reality'. At most, the report shows, US official assistance increased by 56% from fiscal year (FY) 2000 to FY 2004 – effectively debunking Snow's (and President George Bush's) repeated claims to have 'tripled' aid to sub-Saharan Africa. To his credit, Bush has been more attentive to the problems of Africa than his recent predecessors, but most of his aid increase consists of emergency food aid rather than assistance for sustainable development of the sort Africa needs to achieve lasting poverty reduction. Among the key findings of the Brookings reports are the following:

- In nominal dollars, the total US aid to sub-Saharan Africa increased from \$2.034 billion in FY 2000 to \$3.399 billion in FY 2004.
  - In nominal dollars, of the \$1.365 billion overall increase, \$728.9 million, or 53 per cent, consists of emergency food aid rather than overseas development assistance that contributes to sustainable development. The remainder of the increase consists primarily of funding for President Bush's HIV/AIDS initiative as well as emergency and post-conflict assistance to Liberia and Sudan.
  - Actual development assistance, excluding food aid and security assistance, increased only 33 per cent from FY 2000 to FY 2004 in real dollar terms, or 43 per cent in nominal dollars. In nominal dollars, less than \$450 million of the increased foreign aid to Africa is official development assistance.
  - Official development assistance to Africa (aid programmes directed at sustainable development) increased by 43 per cent from FY 2000 to FY 2004.
  - The only programmes that existed in FY 2000 and had more than doubled by FY 2004 were foreign military financing, which increased by 109 per cent, and emergency food aid, which increased by 159 per cent.
- While particularly low when compared with the levels of assistance that the US directs at countries such as Afghanistan and Iraq, Fortress America is ramping up assistance to Africa, if more modestly than the Bush administration may claim. But America's total worldwide spending on all forms of foreign aid still amounts to a stingy 0.16 per cent of its gross national income, placing it near the bottom for developed countries. The Brookings report found that:
- From FY 2000 to FY 2005 (estimated), US aid to Africa will have increased by 78 per cent in real dollar terms or 93 per cent in nominal dollars: not quite a doubling, much less a tripling of aid. Of this increase, 50 per cent consists of emergency food aid.
  - Actual development assistance, excluding food aid and security assistance, will have increased an estimated 74 per cent from FY 2000 to FY 2005 in real dollar terms, or 89 per cent in nominal dollar terms.

Taken together, the two reports help to separate

myth from reality as the leaders of the rich countries scramble to claim credit for significant, but modest action. As one commentator has argued: "Aid is simply money. Real reform costs votes."

Giving money away intelligently is one of the most difficult things to do and there is every danger that the momentum that is leading to the modest increases in development assistance in 2005 and thereafter will soon be reversed. The challenge will inevitably be that after a relatively short period of modest 'ramping up' of aid levels, Washington and its allies in the World Bank, the IMF and elsewhere will claim, if not next year then the year thereafter, that more aid does not work and what is required is more focus on how it is used, that is, a return to greater conditionality and more modest levels of development assistance.

It is in this broader context of getting off the roundabout that the UN Secretary General's report must be viewed - as part of an effort to take a structural leap off the recurrent cycles of modest debt relief and increases in development assistance on the one hand and Afro-pessimism on the other. The world has been there before, witnessed by the fact that we are, in real terms, roughly back to the levels of development assistance that Africa received in the early eighties. Even after the much talked about increases in development assistance, aid per capita remains below levels seen some decades previously.

In this process, Africa and its development partners (the new term for donors) are in a bind. Aid, like massive streams of income from natural resources, presents a structural problem in countries with poor governance. Free money provides no incentive to build systems of accountability between the governed and those governing - the natural product of tax regimes and local governance elsewhere. Giving aid to governments where democracy and accountability are weak means that government does not implement activities that benefit its people.

Giving aid to civil society organisations means that government is bypassed and similarly this weakens any incentive to hold government accountable. At the same time, Africa has fallen so far behind that there can be no real movement (allowing Africa the ability to trade its way out of its current situation) without substantive external material support - building some level of infrastructure, for instance, to allow Africa to export its agricultural and natural resources and to add value to them without incurring associated additional taxes. The dilemma is perhaps best illustrated in Uganda under President Museveni. Despite its lack of multi-party democracy, Uganda has only been able to register its major achievements in poverty reduction through the direct help of donors. Sixty per cent of Uganda's budget consists of overseas development assistance. At the same time, some would argue that these high levels of aid have allowed the president room to seek a third, unconstitutional term, to undermine democracy and disregard basic human rights.

Using their own calculations, only five countries from the developed world have reached the 0.7 per cent GNP aid target. What Africa needs is not another short spurt and then a slackening off as attention shifts elsewhere. The reform of international development assistance needs to go beyond the UK presidency of the G8 and of the EU. What is needed is to move towards a system where there is a true commitment to assisting the continent over the long term. One measure of that commitment would be a clear resolution at the UN General Assembly meeting that sets timetables for meeting donor commitments in real, not phantom terms. While there are many components to the reform of the international system that will determine the legacy of Kofi Annan, his contribution to changes to the way in which the world views its support to Africa are perhaps as important as the focus on the reform of the UN Security Council that demands so much energy and paper.