

# MAKE HISTORY

A CHALLENGE TO  
THE BRITISH PRIME MINISTER  
IN 2005

**MAKE POVERTY HISTORY**

TRADE JUSTICE. DROP THE DEBT. MORE & BETTER AID.



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**MAKEPOVERTYHISTORY** is a unique UK alliance of charities, trade unions, celebrities, campaigning groups and faith communities who are mobilising around key opportunities in 2005 to drive forward the struggle against poverty and injustice.

**MAKEPOVERTYHISTORY** is the UK mobilisation of the Global Call to Action Against Poverty. 2005 will see a truly worldwide effort where groups from countries on every continent will come together at key times to take action to end poverty. The Global Call to Action Against Poverty will draw this activity together in a movement that world leaders can not ignore.

**[www.MAKEPOVERTYHISTORY.org](http://www.MAKEPOVERTYHISTORY.org)**

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is a unique alliance of charities, trade unions, campaigning groups, faith communities and high-profile individuals who are mobilising in 2005 to drive forward the struggle against poverty and injustice.

2005 offers an exceptional series of opportunities for the UK to lead the global fight against poverty.

This year, the UK is host to the annual G8 gathering of the world's most powerful political leaders and holds the Presidency of the European Union.



Kim Naylor/Comic Relief

# MAKE POVERTY HISTORY

urges the UK government and international decision makers to rise to the challenge of 2005. We are calling for urgent and meaningful policy change on three critical and inextricably linked areas:

**TRADE JUSTICE**

DROP THE **DEBT**

**MORE AND BETTER AID**

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Make Poverty History is the UK mobilisation of the Global Call to Action Against Poverty. Campaigners on every continent will come together at key times to take action to end poverty in a movement that world leaders cannot ignore.



and have raised expectations by setting up the Africa Commission. You committed yourself to the Millennium Development Goals, and have made promise after promise on issues like conflict and education. But now is not the time for warm words and small steps. Now is the time for a great leap.

In 2005, there can be no excuse. Change must happen now.

You must persuade other G8 and European leaders that:

- **It's time for trade justice.** The UK must fight to ensure that governments, particularly in poor countries, can choose the best solutions to end poverty and protect the environment; end export dumping that damages the livelihoods of poor communities around the world; and make laws that stop big business profiting at the expense of people and the planet.
- **It's time to drop the debt.** The unpayable debts of the world's poorest countries should be cancelled in full, by fair and transparent means.
- **It's time for more and better aid.** Donors must now deliver at least \$50 billion more in aid per year and set a binding timetable for spending 0.7% of national income on aid. Aid must also be made to work more effectively for poor people.

We see trade, debt and aid as inseparable parts of the whole. A breakthrough on one or even two of the areas will not be enough to consign poverty to the history books. So we won't allow issues to be picked off. Only progress on all three will deliver for the world's poorest people.

Changing the minds of some other leaders will not be easy. But neither will it be easy to face millions of concerned citizens if you fail to do so. History has given you a unique chance to change the world for the better. We are here to make sure you live up to it.

Throughout 2005, we will be keeping up the pressure on you to take advantage of every single opportunity. As you head to Gleneagles, we will be watching to see that you don't falter. When you take over the Presidency of the European Union, we will be there to hold you to account for Europe's role.

Over the following pages we will set out the areas where we demand change. We will show you, with examples and case studies, the ways in which the UK Government is implicated in global poverty. We will show you what has happened on your watch, as well as pointing to issues where the UK Government deserves credit. We will also remind you of the many areas where the UK Government could use its influence to persuade others to deliver for the world's poorest people.

We believe you know that world poverty is sustained not by chance or nature, but by human decisions. Decisions made by leaders like you.

In this time, and in this generation, we must put an end to poverty forever. We will play our part and you must play yours. Prime Minister: **Make History. Make Poverty History.**

*the members of Make Poverty History*



## TRADE JUSTICE

**Prime Minister, it's time for Trade Justice –  
not free trade**

“Trade Justice for the developing world and  
for this generation is a truly significant way  
for the developed countries to show commitment  
to bringing about an end to global poverty”

**Nelson Mandela<sup>6</sup>**

**The UK government should:**

- **Fight to ensure that governments, particularly in poor countries, can choose the best solutions to end poverty and protect the environment**
- **End export dumping that damages the livelihoods of poor rural communities around the world**
- **Make laws that stop big business profiting at the expense of people and the environment**

The UK government is committed to free market responses to global poverty. The relentless pursuit of trade liberalisation, privatisation and deregulation has continued in the face of mounting evidence that they entrench and do not overcome poverty. The impact on poor people and our collective environment has been disastrous.

- **Fight to ensure that governments, particularly in poor countries, can choose the best solutions to end poverty and protect the environment**

African, Caribbean and Pacific (ACP) countries are being threatened by Economic Partnership Agreements (EPAs) under negotiation with the European Union. EPAs require poor countries to open their markets to virtually all European goods within 10 years. This would force ACP countries into unfair competition with rich European corporations. Tariff cuts under EPAs would cut ACP government revenues. EPAs introduce new issues - competition, public procurement and investment - that ACP countries have already resisted at world trade talks. An EPA investment agreement would restrict the ability of ACP governments to regulate multinational corporations. Under the UK's EU presidency, Tony Blair could use his influence to change the terms of the negotiations and offer an alternative to EPAs.

**“I was wrong: Free Market trade policies hurt the poor...the rules of international trade are rigged against the poorest countries”**

**Stephen Byers**

(former Trade and Industry secretary<sup>7</sup>)



As a key player in Europe, the UK government will also have continued and increasing influence in the World Bank and International Monetary Fund (IMF). It could use this to stop international financial institutions imposing unfair trade conditions on poor countries. By making debt relief and aid conditional on economic and trade reforms, rich governments take the sovereignty of poor countries out of their hands.

### **Ghana: Forced Liberalisation**

In 2003 the Ghanaian government was forced into a dramatic u-turn within days of announcing its decision to protect its local poultry and rice farmers from subsidised imports. The pressure placed on Ghana by the IMF made the government reverse its decision and remove barriers that would have allowed local farmers to compete fairly. Ghana enjoys less than half a vote in IMF decision-making structures, yet found its internal economic policy dictated by the body.<sup>8</sup>

The World Bank and IMF have made lending to Ghana conditional on opening up agricultural markets, including the rice market. Ghana's domestic rice production has now collapsed and the US provides 40% of Ghanaian rice imports.<sup>9</sup>



Kim Naylor/Comic Relief

Many countries have been forced to cut public spending, privatise public services, open their markets and withdraw state support from local businesses. If countries fail to comply with conditions, the IMF can withdraw 'favour' from them, making it difficult for them to attract bilateral aid. Despite claiming to back 'country-owned' development plans, the UK government has done little to stop the imposition of unfair and undemocratic policies on poor countries.

## **Water: Profits before People**

The General Agreement on Trade in Services (GATS) is an international agreement negotiated in the World Trade Organisation (WTO). Its rules cover services such as health care, retail, sanitation, telecommunications, transport and tourism and aim to enhance the opportunities for foreign companies in these areas. For example, certain GATS rules state that governments must offer the same perks, i.e. subsidies, to large foreign corporations that they would to a small, local firm. GATS rules put the international market before the needs of people and the environment. Once governments sign-up, they are locked-in to applying these rules, irrespective of the social and economic consequences.

The European Union, backed by the UK, is now pushing for water supply to be included in the GATS. Even without the GATS, the experience of turning responsibility for water-supply over to the global private sector is not good. For example, in the Tucuman province of Argentina, when the government handed the water system over to the large French company, Vivendi, the water turned inexplicably brown and the rates more than doubled. Many people could no longer afford to pay their bills and mounted a non-payment campaign. The system was returned back to public ownership. If Argentina's water sector had been covered by GATS, as the EU is demanding, it would have been GATS-illegal for the Argentinean government to act on the wishes of its people and reconsider the situation.<sup>10</sup>

In addition, poor countries are being stripped of their right to regulate investment. GATS and other agreements backed by the UK government take investment control out of the hands of elected governments. Developing countries must be free to control, for example, the amount of profit which companies are allowed take out of the country and to set minimum limits for the employment of local staff and technology transfer. They must also be entitled, if they choose, to follow the same model of development used by Britain in the building up of her economy. Successive UK governments adopted policies to protect services and industries and developed nations have no right to force others to adopt a different model of development.

## Cashew Farming

“Everything I have comes from the cashew. Cashews bought these clothes, they paid for oil to light the house, and they enabled my children to go to school.”

### Cashew farmer in Mozambique

In the mid 1990s, the World Bank and IMF forced the government of Mozambique to liberalise its cashew market and phase out a tax which disincentivised the export of unprocessed cashews. As a result, more than half of Mozambique’s cashews were sent to India for processing and a total of 40,000 workers lost their jobs.<sup>11</sup>

The UK government must withdraw support for enforced liberalisation. It must ensure that European and other multilateral negotiations are not used to hold poor countries to ransom and must set trade rules that are compatible with the national sovereignty of developing countries.

- **The UK government should end export dumping that damages the livelihoods of poor communities around the world**

The European Union (EU) subsidises its domestic agricultural production aggressively. Around half the EU’s annual budget is spent on the Common Agricultural Policy (CAP)<sup>12</sup>. Every year, €3 billion are spent on direct export subsidies, allowing the EU to dispose of its surplus in developing country markets.

Despite recent reforms, current EU policies fail to deliver an environmentally and socially sustainable agricultural sector in Europe. The majority share of benefits continues to go to large-scale farmers and processing companies, and subsidies tend to encourage industrial farming methods, with negative impacts on the environment and development. The dumping of EU agricultural exports, such as sugar, at prices below the cost of production drives down world prices, costing vulnerable households income and poor countries foreign exchange. In some cases, subsidised EU exports also push farmers in developing countries out of local markets.

2005 provides a unique opportunity for the UK government to progress further reforms of the CAP with the UK Presidency of the EU and negotiations on reform of the sugar regime to be completed during this period. The outcomes of the current World Trade Organisation (WTO) disputes on sugar and cotton are also likely to be resolved early in 2005 – and likely to go against the EU and the US. The WTO Ministerial in Hong Kong in December 2005 should also agree an early date to the end of subsidised exports from developed countries.

Development-friendly outcomes of these negotiations and disputes would mean a radical overhaul of the current CAP. These external pressures will provide the UK with extra leverage to demand urgent and prompt action in Brussels. The current CAP package, agreed in 2003, is not due to expire until 2013. Major reforms cannot be left until this date. Further, negotiations around the CAP Budget for the period 2007-2013 should also be finalised during the UK Presidency and the government must ensure that the CAP budget is linked to environmental and social goals and not used to facilitate dumping.

The destruction of domestic agricultural production in poor counties has devastating consequences. Local farming is critical in ensuring food security in areas of scarcity, livelihood security in areas of poverty and sustainable rural development in areas of mass urbanisation. More than 70% of the world's poor depend on agriculture for all or part of their income.<sup>14</sup>



Kim Naylor/Comic Relief

## **Kenyan Sugar**

After Kenya opened its sugar cane market, growers experienced a drop in income of up to 37%. Communities were already reeling from the impact of HIV. The collapse of the sugar market has made them even more susceptible to the disease.

“I sold all my livestock... to pay for my husband when he was sick. I can't afford to buy antiretrovirals... for me. There is much, much more HIV than five years ago because many parents are dead and since they were the breadwinners, the families left behind are in absolute poverty. So this makes the youth get involved in sexual practices in a bid to support their siblings”

**Benta, sugar cane worker, Nyando, Kenya**

In 2005, the UK government must use its EU Presidency to bring forward reform of the CAP so that it ends the dumping of agricultural goods on international markets and only supports environmentally and socially sustainable agriculture.

Specifically, by the end of 2005 the UK must:

- Publish a new UK policy consistent with this demand
- Use its EU Presidency to bring forward reform of the Common Agriculture Policy from 2013 and ensure:
  - An early end date for direct export subsidies;
  - That domestic support is not linked – either directly or indirectly – to production or historic subsidy levels (i.e. support should be genuinely decoupled);
  - That the EU support system is re-oriented to deliver sustainable farming, environmental protection, job creation, rural development, support to small-scale farmers, the development of local food economies, enhancing public health etc;
  - These measures must be carefully targeted so as not to harm the interests of the world's poorer people.

- **The UK government must make laws that stop big business profiting at the expense of people and the environment**

Companies trade, not governments. So it is impossible to talk about trade justice without considering the impact of business on people and the planet. If trade is to be a driver of poverty reduction, then companies must be accountable and responsible for their impact on society and the environment, and communities must have access to justice when that impact is negative.

Everyone accepts that companies' activities should not undermine social and environmental standards, should contribute to economic welfare and that they should operate within the law. But too often multinational corporations, because of their size and power, are able to cause harm to communities, damage the environment, violate workers' rights and avoid taxation with impunity. They have effectively outgrown existing forms of legislation and local regulation.

While efforts to encourage the positive impact of companies should continue, new laws are now needed to hold increasingly powerful corporations to account for their negative impact.

At the World Summit on Sustainable Development in Johannesburg, 2002, the UK government committed itself to '... actively promote corporate responsibility and accountability ...'. But it is currently relying on a variety of international initiatives to fulfil this commitment which are entirely voluntary in nature and not legally binding on companies. Indeed, in 'Making Globalisation a Force For Good,' the recent white paper on trade, the UK government said it will '... encourage and enhance ...' best practice but dismisses any action on binding international standards for business.

Yet a plethora of studies and cases where companies involved in such 'best practice' initiatives still cause harm to workers, communities and the environment indicate that voluntary measures are not sufficient and must be made binding or be replaced by others with legal teeth. At worst, some multinationals are using voluntary initiatives as fig leaves behind which they can hide bad practice or in order to argue for fewer laws and less regulation.

The UK government must follow the Corporate Responsibility (CORE) principles for business and:

- make reporting of the global social, human rights and environmental impact of UK companies mandatory
- change the law in order to make directors of UK companies, who do not take all the necessary steps possible to limit the negative social and environmental impact of their businesses, liable for the damage they cause
- allow communities to bring cases against UK companies in the UK if justice fails them in the country in which an abuse took place<sup>16</sup>

**The UK government must enact its own legislation and support international initiatives to ensure that companies are held accountable for their social, environmental and economic impacts at home and abroad.**

- **Social and environmental standards should not be undermined by a rush for free trade**

Global institutions are not currently equipped to guarantee good practice in environmental and working standards. The World Trade Organisation (WTO) is granted precedence over other international institutions. The International Labour Organisation (ILO) is not granted full observer status at the WTO and core labour standards are continually undermined by global trade practice.

Free trade can be in direct conflict with maintaining labour and environmental standards, as countries can feel under pressure to waive these standards in order to gain investment and increase trade.

The UK government says that it supports international regulations on labour and environmental safeguards. This support must be turned into action.

**The UK government must press the EU to ensure that global trade policies and practices do not undercut internationally agreed social and environmental standards, in particular core labour standards, and as a first step ensure that the ILO is granted full observer status at the WTO.**

Annie Bungeoth/Oxfam



# Conclusion:

## It's time for Trade Justice – not free trade

The rules of international trade are stacked in favour of the most powerful countries and their businesses. On the one hand these rules allow rich countries to pay their farmers and companies subsidies to export food – destroying the livelihoods of poor farmers. On the other, poverty eradication, human rights and environmental protection come a poor second to the goal of 'eliminating trade barriers'.

The international community must commit itself to trade justice not free trade. The EU must abolish its agricultural export subsidies immediately. Poor countries must be free to protect the staple crops that their communities rely on for food and livelihoods.

In December of this year, the UK will be party to the WTO's Hong Kong Ministerial meeting, at which these and other issues will be debated. This meeting and the negotiations leading up to it are a key chance for the UK to make progress on trade justice.

The UK government must withdraw its support for the inclusion of water in GATS and concentrate instead on the implementation of new and existing standards on community rights and environmental protection.

It must also use its influence within the World Bank and International Monetary Fund to stop international financial institutions forcing poor countries to open their markets, and within the EU to negotiate an end to EPAs.

### Trade Justice Works!

- The government of Mozambique has set a minimum price for imported sugar, allowing domestic production to compete fairly. This has ensured employment for 25,000 people in factories and plantations and allowed workers to educate and feed their families<sup>17</sup>
- The United Nations has estimated that unfair trade rules rob poor countries of \$700 billion every year. With just 0.01% of this returned to them, blindness could be prevented for 30 million people<sup>18</sup>





## DROP THE **DEBT**

The unpayable debts of the world's poorest countries should be cancelled in full, by fair and transparent means.

Debt cancellation is the unfinished business of the 20th century. At the Birmingham G8 in 1998, 70,000 campaigners surrounded the summit demanding an end to the debt crisis. Unprecedented numbers of protestors said they would no longer tolerate a situation whereby for every £1 given in aid, £3 was siphoned off in debt repayments.<sup>19</sup>

This demonstration of public support led the UK government to cancel 100% of the debt owed directly to it by many of the world's poorest countries, and to put in funding to allow multilateral creditors to cancel some of their poor country debt. The UK has now gone even further and agreed to cover its share of the debt service paid to the World Bank and African Development Bank by some countries.

Despite these initiatives, in country after country governments are spending more on repaying debts than they are on health or education. Rich countries continue to pursue unjust claims on the budgets of poor nations, with devastating effects for the world's poor. In Malawi, for example, more is spent on servicing the country's debt than on health, despite nearly one in five Malawians being HIV positive.<sup>20</sup> In Zambia, debt repayments to the IMF alone cost \$25 million, more than the budget for education despite 40% of rural women being unable to read and write.<sup>21</sup>

Nine years ago poor countries were made a promise. The Heavily Indebted Poor Countries (HIPC) Initiative was supposed to free the poorest countries from their crippling debt burdens, and ensure that no poor country was burdened with an unpayable debt. The reality has been very different:

- **Each year, Africa faces demands for over \$10 billion in debt repayments<sup>22</sup>**
- **Little more than 10% of the total debt owed by the world's poorest countries has been cancelled<sup>23</sup>**

Although the HIPC Initiative was welcomed by debt campaigners, its scope is too narrow, its progress too slow and its priorities too dependent on the will of creditor nations. Calculations are made on the basis of what a country is considered able to pay, and not on what they need to combat poverty.

The United Kingdom has shown welcome political leadership in unilaterally cancelling 100% of the debt owed directly to it by many of the world's poorest countries, and agreeing to cover its share of the debts they owe to the World Bank and African Development Bank. It must now push other countries to follow its lead, and use its influence to ensure that the debts of the poorest countries are cancelled in full.

Only 10% of the total debt owed by low-income countries has been cancelled. All unpayable debts must be cancelled if the benefits already felt by some countries are to be shared by all.

“In 2001, Tanzania was granted significant debt relief. As promised, this was directed to the priority sectors of education, health, water, rural roads and HIV/AIDS

Now the primary school population has increased by 66%; we have built 45,000 classrooms and 1,925 new primary schools; we have recruited 37,261 new teachers between 2000 and 2004, and retrained another 14,852. At this rate, we believe that the goal of universal basic education can be attained in Tanzania in 2006, 9 years ahead of the 2015 target!!!

... Tanzania has shown dramatic improvements after getting partial debt relief. Clearly, much more can be done with total debt cancellation”

**Benjamin William Mkapa**

(President of the United Republic of Tanzania<sup>24</sup>)

- **Debt relief should not come with economic policy conditions attached**

The list of countries eligible for HIPC debt relief was drawn up by the International Monetary Fund (IMF) and World Bank, and omits many of the countries whose debt service payments prohibit them from reaching the Millennium Development Goals. Those countries lucky enough to qualify for HIPC have found themselves subjected to stringent directives from creditors. Such conditions, which include instructions to privatise and liberalise, are a fundamental infringement of the right of elected governments to decide domestic policies. Countries that receive debt cancellation are unable to determine their own anti-poverty priorities. Indeed, countries often find that the conditions attached to their debt cancellation entrench, rather than reduce, poverty in their communities.

“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<sup>25</sup>)

Conditions have also been applied inconsistently and unpredictably. Countries become eligible for relief once they comply with all the conditions imposed, and at this stage they are said to have reached ‘completion point’. Some creditor countries lodge objections when poor countries are granted completion point status and are, therefore, able to slow down or limit the impact of HIPC relief. The US, Germany and Japan, for example, were able to hold up debt relief to Niger and Ethiopia in this way.

**Zambia: The Cost of Debt**

Zambia, formerly one of sub-Saharan Africa’s wealthiest countries, is now one of its poorest and least developed. The living standards of Zambians are in free-fall and Zambia is now lower placed on the human development index (HDI) than in 1975.<sup>26</sup>

With a life expectancy of just 33 years, Zambians die earlier than people anywhere else in the world.<sup>27</sup> The Zambian Ministry of Health has said that it expects that half the population will die of AIDS, and roughly half the teachers trained every year die of the disease.<sup>28</sup> The Zambian government is crippled by the massive debt recalled by international financial institutions. Debt repayments are making it impossible to respond to the health, educational and economic challenges facing Zambians.

In 2004, Zambia used 7.35% of its Gross Domestic Product (GDP) (\$377 million) repaying its debt. It spends twice as much repaying its debt as it does on education. Zambian students struggle to learn in classes containing 70 pupils on average.<sup>29</sup>

Zambia has endeavoured to meet the stringent conditions imposed by HIPC. At the behest of foreign governments it has privatised public utilities, removed subsidies, deregulated its markets and opened its doors to foreign imports. In spite of these efforts, by 2003 Zambia’s debt had been reduced by only 5% of the levels promised under the HIPC initiative.<sup>30</sup>

The failure to cancel Zambia’s debt in full is having catastrophic consequences for poor Zambians. Current trends suggest not only that Zambia will be unable to meet most of the Millennium Development Goals (MDGs), but also that it gets further from them as time goes on.

*Gordon Brown is chair of the influential IMF International Monetary and Financial Committee and Hilary Benn sits on the Board of the World Bank. The UK government has considerable influence in these international financial institutions and must use it to push for debt relief without harmful economic policy conditions.*

- **All funding for debt relief should be additional to existing (and proposed increased) aid budgets**

Most of the funding for the debt relief delivered to date has come directly from donor country aid budgets, rather than providing genuinely new money. This means that money has been taken away from less heavily indebted countries and given to those deemed eligible for HIPC debt relief. This is unacceptable, for three reasons. Firstly, it is unfair on those countries that have not become so heavily indebted in the past, but now see their aid cut to fund debt relief for other countries. Secondly, it means that, in aggregate, debt relief has not provided any new money with which to build schools and hospitals. Finally, it shows that creditors are still not prepared to take their share of responsibility for the debt crisis and to put their hands in their own pockets. Funding for debt relief must be additional to, not taken from, existing aid budgets.

*The UK should free up new resources to fund debt cancellation and must persuade other G8 countries to fund cancellation without raiding existing aid budgets.*

- **Cancellation should not be controlled by creditor nations**

The level, extent and nature of debt cancellation remain under the control of international institutions like the World Bank and IMF. These bodies are not democratic and are controlled by rich countries. As creditors, these countries have an economic incentive to be tough and inflexible in the application of conditions and the collection of repayments.

Control of the debt relief process should be taken out of the hands of the IMF and World Bank, and placed under the auspices of a fair and transparent international process. Its mandate should be to prioritising the meeting of the development objectives, starting with the MDGs, and to place greater emphasis on human need than is possible under the current regime.

*Previous G8 meetings have been used to set up new international mechanisms, such as the Global Fund to Fight AIDS, TB and Malaria. The UK should push for the creation of a fair, transparent and comprehensive process to manage debt relief.*

# Conclusion:

## It's Time to Drop the Debt

Despite grand statements from world leaders, the debt crisis is far from over. Creditors have still not delivered on the promises they made seven years ago to cancel unpayable poor country debts. As a result, many countries still have to spend more on debt repayments than on meeting the needs of their people.

Rich countries and the institutions they control must act to cancel all the unpayable debt of the poorest countries. They should not do this by depriving poor countries of new aid, but by digging into their own pockets and providing new money.

The task of calculating how much debt should be cancelled must no longer be left to creditors concerned mainly with minimising their own costs. Instead, we need a fair and transparent international process to make sure that human need takes priority over debt repayments.

International institutions like the IMF and World Bank must stop asking poor countries to jump through hoops in order to qualify for debt relief. Poor countries should no longer have to privatise basic services or liberalise their economies as a condition for getting the debt relief they so desperately need.

### **Debt Relief Works!**

- In Benin, 54% of the money saved through debt relief has been spent on health including rural primary health care and HIV programmes<sup>31</sup>
- In Tanzania, debt relief enabled the government to abolish primary school fees, leading to a 66% increase in attendance<sup>32</sup>
- After Mozambique was granted debt relief, it was able to offer all children free immunisation<sup>33</sup>
- In Uganda, debt relief led to 2.2 million people gaining access to clean water<sup>34</sup>



## **MORE AND BETTER AID**

**Donors must now deliver at least \$50 billion more each year in aid and set a binding timetable for spending 0.7% of national income on aid. Aid must also be made to work more effectively for poor people.**

An immediate annual injection of at least \$50 billion is needed per year to allow countries to make progress towards the MDGs. As much as \$94 billion extra may be required if countries are to meet the targets in full. Without proper funding, 30,000 children will continue to die needlessly every day from causes associated with extreme poverty:

- **8 million lives could be saved every year if minimal healthcare was available in developing countries**<sup>35</sup>
- **One woman dies every minute as a result of problems in pregnancy or childbirth. Of these, 99% are in developing countries**<sup>36</sup>
- **A child dies every 15 seconds from water-related diseases**<sup>37</sup>

The developed world has a responsibility to fund international development programmes. The UK previously committed itself to the 0.7% target (that 0.7% of its gross national income (GNI) would be spent on international development). The promise was made in 1970.<sup>38</sup> Some 35 years later, we are still waiting for the promise to be kept.

In the 2004 Comprehensive Spending Review, the Chancellor committed to raising aid spending to 0.47% of GNI by 2007/08. That will mean a jump in aid of £1.5 billion by 2008. If growth continued at that rate the UK should finally reach its promised 0.7% target by 2013.

This new commitment is significant and welcome. Yet, by 2013, some 45 million people will be newly infected with HIV.<sup>39</sup> Only half of Africa's children will complete primary school and one in six will die before their fifth birthday.<sup>40</sup> With every month that passes without faster increases in aid, we drift further and further from achieving the MDGs.

Although UK aid is growing in volume, in historical terms it is not keeping pace with the leaps in British wealth. Britain gives a smaller proportion of its national wealth than it did in 1979, when 0.51% of British gross national income went on development assistance.<sup>41</sup>

The UK can afford to reach 0.7% much sooner and in doing so would catch up with Denmark, Norway, Sweden, the Netherlands and Luxembourg, all countries with economies significantly smaller than our own.<sup>42</sup>

The UK is currently seeking support for a proposed 'International Finance Facility' (IFF). Gordon Brown has said that the facility could 'double the amount of development aid from \$50-100 billion per year... double development aid to help us halve poverty'.<sup>43</sup> The government's proposal for an IFF shows that it recognises that the MDGs are currently out of reach. This admission must lead to an immediate and major increase in the volume and efficacy of international aid, with or without international agreement on the IFF.

The UK has already shown significant leadership on aid volume. It must make a firm commitment to reach the 0.7% target and to do so before 2013. It should also provide its fair share of the additional money needed now to meet the MDGs, estimated to be at least \$50 billion each year. Doing these two things would put it in a prime position to persuade other countries to contribute more to international aid.



## **HIV/AIDS: The difference aid can make**

Of the 38 million people living with HIV and AIDS, 95% live in the developing world.<sup>44</sup> The virus has already claimed the lives of 20 million people, and left 15 million children orphaned.<sup>45</sup> A World Bank study concludes that, without further action, current rates of HIV in South Africa will result in 'complete economic collapse within three generations'. It is estimated that countries with HIV prevalence rates of 20% experience drops in GDP of around 2.6% per year.<sup>46</sup>

The epidemic, therefore, is not only halting but also reversing development progress. Despite this, aid to the 28 countries with the highest adult HIV prevalence rate has declined by a third from \$12.8 billion in 1995 to \$8.4 billion in 2000.<sup>47</sup>

UNAIDS estimates that by 2007, at least \$20 billion will be needed annually to mount an effective response to the epidemic.<sup>48</sup> This estimate does not include funding for critical work such as building health infrastructures, impact mitigation efforts and the development of prevention tools like vaccines. Without this sustained and predictable financing, communities will be plunged ever deeper in to poverty.

A previous G8 meeting, in Genoa in 2001, provided finance for the setting up of the Global Fund to Fight AIDS, TB and Malaria. The Fund is facing a serious financial shortfall and may be unable to finance another round of proposals. This is despite widespread agreement on the successes of the first round, including:

- **Anti-AIDS drugs being made available to 1.6 million people**
- **52 million people accessing voluntary treatment and counselling services**
- **Support being provided for more than one million orphans<sup>49</sup>**

While rich countries have provided the bulk of the funding, recipient countries have identified their own spending priorities. For example:

- **Haiti has used Global Fund money to re-open a public clinic and operating theatre, stock up on essential medicines for five clinics and provide lab services for four health centres. Anti-AIDS drugs have been provided for 600 people and TB has been identified in 300 individuals.**
- **In Ghana the Fund is being used to treat 600 women so they don't pass HIV on to their unborn babies. 2,000 other Ghanaians have started anti-AIDS treatment and 20,000 people living with TB are accessing treatment.<sup>50</sup>**

- **Aid should be given without economic policy conditions**

Many donors, including the UK, critically undermine the effectiveness of their aid by attaching economic policy conditions. These conditions include the privatisation of basic services and trade liberalisation. Such conditions are undemocratic and unfair, and often work to entrench rather than overcome poverty.

Donors should immediately cease forcing developing countries to privatise their services and deregulate and open their markets. Instead, aid should be provided in ways that allow poor countries and communities to determine their own paths out of poverty.

### **Maura's Story**

Maura Hassan lives in Tabata, a poor area of Dar es Salaam in Tanzania. Although she has water pipes connected to her home, she is unable to get any water through them. Since the water supply to the area has been privatised, she has been receiving bills for water she hasn't used. Her last bill was for \$400.

Maura is forced to buy water from a well dug by a private individual. Although this is much more expensive than piped water and she has no guarantee that it is safe to drink, she has no choice since the water connection to her house doesn't work.

Other local families can't afford to buy any kind of water, and are forced to use the local shallow wells. People who bathe in them start to itch and those who drink from them need expensive medicines to treat their subsequent illnesses.

### **How does aid fit in?**

Aid flows to Tanzania were made conditional on the government privatising the water system in Dar es Salaam. The move has increased water prices and made poor populations more vulnerable to water borne diseases like cholera.

The British government is heavily implicated in the deal. The water supply has been handed over to Biwater, the UK water multinational. The British taxpayer, through the Department for International Development, funded the pro-privatisation advertising campaign. A hostile Tanzanian public was subjected to a media campaign promoting the sell off, at a cost of £430,000.<sup>51,52</sup>

Of particular concern to development campaigners have been those conditions that set ceilings on the money that can be spent on health and education. Stringent conditions attached to public sector wage bills have prevented developing countries from investing properly in recruitment and retention in their public services.

### **Honduras: Conditions hurting the poor**

Honduras managed to piece together an impressive 'Education for All strategic plan', winning praise and backing from international donors and qualifying it for the Education for All Fast Track Initiative, a special funding stream dedicated to universal education. Although the plan requires \$80 million for its full implementation, only half of the money has been forthcoming.

In part, this is because the IMF has withdrawn its seal of approval from Honduras by suspending its lending programme with the Honduran government. The IMF's decision to suspend came because Honduras refused to implement conditions attached to teachers' salaries. By refusing to slash public sector wages and risk losing the very teachers needed to deliver education for all, the Honduran government set itself on a collision course with the IMF.

This withdrawal of favour deters donors from spending in a country and automatically triggers the withdrawal of HIPC benefits. As a result, the IMF's decision to stop lending to the government has cost Honduras \$400 million in debt relief and budget support, a figure that could have funded the entire Honduran education initiative until 2015.<sup>53</sup>

*Donor governments and institutions, including the UK, are dictating policy priorities in poor countries. By making aid flows conditional on developing countries organising their domestic economies in certain ways, donors are robbing developing nations of their sovereignty. Recipient countries must either go without or accept foreign interference in their domestic politics. Policies imposed by donors have often hurt, rather than helped, people living in poverty. The UK must use its influence to put an end to economic policy conditionality, and ensure aid works effectively for poor people.*

- **Aid must be made to work more effectively for people in poverty**

While increasing aid and reducing conditionality are both vital in the fight against poverty, they are not enough. Aid must also be given in ways that help poor people, not donor country firms and citizens. At the moment, too much aid goes to politically important middle-income countries, rather than the poorest. While the UK's track record in this area is not bad, some of the multilateral donors, through which it channels nearly half its aid budget, are much worse: in 2002, only 42% of EU aid, for example, was spent in low-income countries.<sup>54</sup>

Donors are also bad at providing all the aid promised on time, and on making commitments to provide aid for more than the next year. This makes it very difficult for poor countries to budget properly – countries can't employ teachers if they don't know that they'll have the funding to pay them in two years time. Donors often fail to co-ordinate their activities, meaning that civil servants must spend precious time dealing with donors, rather than providing services. All these things mean that aid is far less useful than it could be when it comes to reducing poverty.

The UK must also make sure that the World Bank and the IMF are truly democratised. These institutions have huge power over poor countries, because of the amount of aid they give and the conditions they attach to their aid. But poor countries have almost no say in how they are run. The UK is a major shareholder in both institutions, and so must take responsibility for making sure that this changes, now.

*The UK must lead other donors in making sure that at least 70% of all aid is channelled to the poorest countries, and that it is made more reliable and predictable. The UK and others must also co-ordinate their aid better and make sure that all aid goes to meet country, rather than donor, needs and priorities. The UK must also use 2005 to push hard for greater democratisation of the World Bank and IMF.*

# Conclusion:

## It's Time for More and Better aid

Poverty will not be eradicated without an immediate and major increase in international aid. Rich countries have promised to provide the extra money needed to meet the internationally agreed poverty reduction targets. This amounts to at least \$50 billion per year and must be delivered now. Rich countries have also promised to provide 0.7% of their national income in aid and they must now make good on their commitment by setting a binding timetable to reach this target.

However, without far-reaching changes in how aid is delivered, it won't achieve maximum benefits. Aid needs to focus better on poor people's needs. This means more aid being spent on areas such as basic health care and education. It should no longer be conditional on recipients promising economic change like privatising or deregulating their services, cutting health and education spending, or opening up their markets. Aid should support poor countries' and communities' own plans and paths out of poverty.

### **Aid Works!**

- If the UK met the 0.7% target by 2008, an extra 1.5 million people could be lifted out of poverty that year<sup>55</sup>
- Providing universal primary education would cost just \$10 billion a year<sup>56</sup>
- Young people who have completed primary education are less than half as likely to contract HIV as those missing an education. Universal primary education would prevent 700,000 cases of HIV each year, almost 30% of all new infections in this age group<sup>57</sup>

## Prime Minister, it's over to you.

For many years now, you've been talking the talk on development. In 2004 you made some good inroads. But this is not a year for more of the same.

**30,000 children dying needlessly every day doesn't allow for that.**

**600 million children living in absolute poverty doesn't allow for that.**

**Millions of concerned citizens around the world in 2005 won't allow for that.**

The gap between the world's rich and poor has never been wider. Enough is enough. You have often stressed your personal commitment to development. But you have never had such a chance to demonstrate your determination and your ambition. You have never before pledged to make poverty history.

Here is your chance.

**I, Tony Blair, fully support the Make Poverty History manifesto and believe that:**

- **It's time for trade justice.** The UK must fight to ensure that governments, particularly in poor countries, can choose the best solutions to end poverty and protect the environment, end export dumping that damages the livelihoods of poor communities around the world, and make laws that stop big business profiting at the expense of people and the planet.
- **It's time to drop the debt.** The unpayable debts of the world's poorest countries should be cancelled in full, by fair and transparent means.
- **It's time for more and better aid.** Donors must now deliver at least \$50 billion more in aid and set a binding timetable for spending 0.7% of national income on aid. Aid must also be made to work more effectively for poor people.

I am determined to make 2005 the year when we end a global injustice and change the relationship between rich and poor countries forever. The year we accept that poverty and powerlessness are sustained not by chance or nature, but by human decisions. The year we insist that through human decisions, we will tear down the walls of poverty for good. The year we

# MAKE POVERTY HISTORY

Signature .....

The Right Honourable Tony Blair MP

## **GLOSSARY**

### **Commission for Africa**

The Commission for Africa was launched by Prime Minister Tony Blair. Its remit is to propose policies for 'a strong and prosperous Africa' and to produce a report for consideration by the G8 meeting in Gleneagles in July 2005.

### **EPAs- Economic Partnership Agreements**

Proposals currently under negotiation that will define trade arrangements between the European Union and the African, Caribbean, Pacific (ACP) Group of countries.

### **HIPC Initiative- Heavily Indebted Poor Countries Initiative**

An initiative launched by the IMF and World Bank (see below) in 1996 to offer conditional debt relief to the world's most heavily indebted poor countries.

### **IFF- International Finance Facility**

A British government proposal for a financing vehicle intended to frontload aid and help countries meet the MDGs (see below). The facility would issue bonds (based on legally-binding long-term donor commitments) on the international capital markets and use future donor streams to repay bondholders.

### **IMF- International Monetary Fund**

The International Monetary Fund governs the international monetary system and monitors both the global economy and that of IMF members (184 in all). It provides financing for members who are experiencing problems with their balance of payments.

### **MDGs- Millennium Development Goals**

The anti-poverty targets adopted by every member of the United Nations. Each country has until 2015 to meet them. They are targets for each country to

- eradicate extreme poverty and hunger
- achieve universal primary education
- promote gender equality and empower women
- reduce child mortality
- improve maternal health
- combat HIV/AIDS, malaria and other diseases
- ensure environmental stability
- develop a global partnership for development

To see these goals in full please visit: <http://www.un.org/millenniumgoals/>

### **World Bank**

The World Bank provides loans and technical assistance to developing countries. Along with the IMF (see above) it steers the global economy and devises domestic economic policies for low and middle-income countries.

### **WTO-World Trade Organisation**

The World Trade Organisation governs international trade and implements 'the WTO Agreements' - the rules of global trade.

## ENDNOTES

- <sup>1</sup> Statement from the Chancellor of the Exchequer on 'Action Against Hunger and Poverty'. 20th of September 2004, New York
- <sup>2</sup> A full list of the organisations which are part of Make Poverty History can be found at [www.makepovertyhistory.org](http://www.makepovertyhistory.org)
- <sup>3</sup> <http://www.dfid.gov.uk/aboutdfid/>- Accessed November 2004
- <sup>4</sup> '80 million lives: Meeting the Millennium Development Goals in child and maternal survival'. Grow up Free from Poverty Coalition, 2003
- <sup>5</sup> 'AIDS Epidemic Update 2004'. UNAIDS/World Health Organisation 2004
- <sup>6</sup> For further information please see <http://www.greenbelt.org.uk/news/page.php?id=72>
- <sup>7</sup> Stephen Byers, writing in *the Guardian*, 19 May 2003
- <sup>8</sup> For more information please see [http://www.christianaid.org.uk/campaign/letters/0403\\_treasury\\_intro.htm](http://www.christianaid.org.uk/campaign/letters/0403_treasury_intro.htm)
- <sup>9</sup> Ibid
- <sup>10</sup> 'Pull the Plug on it! Keep Water out of GATS' World Development Movement (2004)
- <sup>11</sup> 'Freedom to grow: Bringing down the barriers to Southern Africa's trade with Europe'. ACTSA, 2004. For further information please see [http://news.bbc.co.uk/1/hi/programmes/crossing\\_continents/879838.stm](http://news.bbc.co.uk/1/hi/programmes/crossing_continents/879838.stm)
- <sup>12</sup> Ibid
- <sup>13</sup> Trade Justice Movement Policy Briefing. TJM, September 2004
- <sup>14</sup> Ibid
- <sup>15</sup> 'Downward Spiral: The absence of HIV from economic policy-making'. Christian Aid, 2004
- <sup>16</sup> Corporate Responsibility Coalition <http://www.corporate-responsibility.org/>
- <sup>17</sup> 'Taking Liberties: Poor People, Free Trade and Trade Justice'. Christian Aid, 2004
- <sup>18</sup> For more information please see [www.christianaid.org.uk/campaign/trade/basics#topten](http://www.christianaid.org.uk/campaign/trade/basics#topten)
- <sup>19</sup> 'Conditions for Concern'. Tearfund Global Action, Spring 2004
- <sup>20</sup> 'Notes on the Impact of the HIPC Initiative on Education and Health Expenditures in African Countries.' Hinchliffe K
- <sup>21</sup> For more information please see [www.oxfam.org.uk/what\\_we\\_do/issues/education/gce\\_zambia\\_imf.htm](http://www.oxfam.org.uk/what_we_do/issues/education/gce_zambia_imf.htm)
- <sup>22</sup> 'Drop It!' Issue 2. Jubilee Debt Campaign, Winter 2004
- <sup>23</sup> Ibid
- <sup>24</sup> Ibid
- <sup>25</sup> For further information please see [http://www.oxfam.org.uk/what\\_we\\_do/issues/debt\\_aid/case\\_ethiopia.htm](http://www.oxfam.org.uk/what_we_do/issues/debt_aid/case_ethiopia.htm)
- <sup>26</sup> 'Leaning on Economic Winds: Zambia's Problems with HIPC'. Jubilee Zambia, 2004
- <sup>27</sup> 'State of the World Population'. UNFPA, 2003
- <sup>28</sup> 'Education and HIV/AIDS: A Window of Hope'. World Bank, 2002
- <sup>29</sup> 'Undervaluing teachers: IMF policies squeeze Zambia's education system'. Global Campaign for Education, 2004
- <sup>30</sup> 'Zambia: Condemned to Debt'. World Development Movement, 2004
- <sup>31</sup> 'Fool's Gold: The Case for 100% Multilateral Debt Cancellation for the Poorest Countries'. ActionAid International, Cafod and Oxfam International, September 2002
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- <sup>33</sup> Ibid
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[http://www.wateraid.org.uk/what\\_we\\_do/the\\_need/244.asp](http://www.wateraid.org.uk/what_we_do/the_need/244.asp)
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- <sup>39</sup> 'Progress Report on the Global Response to the HIV/AIDS Epidemic'. UNAIDS, 2003
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<http://siteresources.worldbank.org/NEWS/Resources/jdwsp-092303.pdf>
- <sup>41</sup> '0.7% Parliamentary Brief'. Bond, 2004
- <sup>42</sup> Ibid
- <sup>43</sup> Speech by the Chancellor of the Exchequer, Gordon Brown, to the Trade Justice Movement, 26 September 2004
- <sup>44</sup> 'ACT Now: Access to Care and Treatment: Meeting the AIDS Challenge'. Stop AIDS Campaign, 2004
- <sup>45</sup> Ibid
- <sup>46</sup> 'Fact Sheet: The Impact of HIV/AIDS'. UNAIDS, 2002
- <sup>47</sup> Op cit
- <sup>48</sup> UNAIDS press release, August 2004
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- <sup>50</sup> Ibid
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- <sup>54</sup> House of Commons International Development Committee: International Development Departmental Report 2004
- <sup>55</sup> For further information please see  
[www.savethechildren.org.uk/temp/scuk/cache/cmsattach/1295\\_07actionbriefing.pdf](http://www.savethechildren.org.uk/temp/scuk/cache/cmsattach/1295_07actionbriefing.pdf)
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[www.actionaid.org.uk/index.asp?section\\_id=11](http://www.actionaid.org.uk/index.asp?section_id=11)
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[www.oxfam.org/eng/pr040423\\_gcereport\\_hiv aids.htm](http://www.oxfam.org/eng/pr040423_gcereport_hiv aids.htm)

“...Listen, this is a real moment coming up, this could be real history, this could be something that your children, your children’s children, that our whole generation, will be remembered for at the beginning of the 21st century.

We are the first generation that can look extreme and stupid poverty in the eye, look across the water to Africa and elsewhere and say this and mean it: we have the cash, we have the drugs, we have the science -- but do we have the will? Do we have the will to make poverty history? Some say we can't afford to. I say we can't afford not to.”

**Bono, Brighton**  
29 September 2004

**MAKE POVERTY HISTORY**