

WORDS INTO ACTIONS IN 2005

Joint DFID/UNDP hosted Seminar

Wednesday 26th January 2005

The meeting was held on Wednesday the 26th of January at Lancaster House in London.

1. **Hilary Benn**, the UK Secretary of State for International Development, opened the meeting by pointing out that the international response to the devastation in Banda Aceh and the South East Asian region displayed our natural human response to help when needed. He reminded the audience of the fundamental truth that “our neighbours are further than our street but also right across the world”. He then stressed that the world was capable of bringing what is needed to address what he termed the ‘silent Tsunami’. In 2004 2.5 million people died in Sub-Saharan Africa from HIV/AIDS and in the space of 7 weeks, the same number of people as died in the Tsunami, would die of Malaria.

2. Benn stressed that everyone had a responsibility to act that that change was possible. To illustrate he pointed out that 15 years ago people were campaigning for debt relief which had already totalled US\$70 billion. He argued that the world should draw comfort and strength from this and determination that change was indeed possible.

3. **Gordon Brown**, the UK Chancellor of the Exchequer, started by outlining some of the key 2005 processes including the Commission for Africa report which would be used to inform the G7 and G8 meetings, and the Make Poverty History Coalition which would be launched by Nelson Mandella. In addition to this, Brown noted that the 27th of January would be the 60th Anniversary of the Holocaust and the development of the UN. He stressed that in 2005, the world had it in its power to develop a new deal for developing countries as bold and generous as the Marshall Plan of the 1940s.

4. Brown stressed however that 2005 was not just important because of the Chairmanships of the G7 and G8 which would lead to the UN summit in September where progress would be discussed, but it was also the 20th anniversary of Live Aid which was the first confrontation with poverty for a lot of people in the UK. He argued that the recent Tsunami illustrated people’s willingness to help this arguing against the suggestion of compassion fatigue. Instead Brown noted that people were beginning to recognise the link from the richest countries and people, to the poorest countries and people, and concurring with Benn, that even strangers were our neighbours. He stressed that it was the world’s duty to act in the face of poverty, deprivation and need.

5. Brown then went on to discuss a speech by Tony Blair given at Davos at which he had outlined a new initiative on education. He stressed that for too many of the world’s children, their hopes would not be achieved not because of lack of talent, ability, determination or ambition, but because of a lack of means, poverty and deprivation. Present statistics confirmed this. Brown indicated that in some regions

of the world, the primary enrolment MDG would not be achieved until 2130, 115 years late. At present rates of progress, several of the other MDGs would also be late by up to 150 years. Brown stressed that Africa has known that it needed to be patient but that 150 years was too long to wait for justice.

6. Brown continued by outlining 5 key steps that the developed world should take in pursuit of a new deal for developing countries

- a) **Debt Relief** Brown stressed that there was a need for full debt relief including a new deal on multilateral debt relief. He used the examples of Mozambique and Tanzania to illustrate what was possible where debt relief was used for developmental purposes. Brown announced that in the pursuit of this, the UK would take on, until 2015, the responsibility for paying 10% of the multilateral debt burden of the world's poorest countries on condition that the funds were used for education and health purposes. He indicated that this was a unilateral decision, but hoped that it would encourage other countries to follow suit.
- b) **Trade Justice** Brown stated that 2005 provided an opportunity to open up markets and remove harmful distortions and subsidies. He also noted the need to support developing countries with the resources for infrastructure development to enable them to exploit trading opportunities.
- c) **International Finance Facility (IFF)** in concert with increased transparency, reduced corruption and improved governance (both in the North and South), Brown argued for the need to substantially increase the quantity and quality of aid. He illustrated that 10 years ago, aid volumes were the equivalent of US\$33 per person per year. Currently they were US\$27 and thus had decreased over time. He also stressed that aid needed to have a longer term outlook and to be more predictable, and that the 0.7% of GNP target should be honoured. He used Sweden as an example of a country that had already reached this and was indeed aiming to reach 1.0% in the coming years. Brown indicated that the IFF would help to achieve the goal of long term, predictable front loaded funding in order to achieve the MDGs.
- d) **New Deal on Education** building on the detail earlier in his speech, Brown reiterated that access to education was an integral part of a new deal to developing countries.
- e) **Detailed implementation plan for the health sector** including malaria and HIV/AIDS and the global advance purchase scheme to pay for immunisation. Brown indicated that the G7 would debate a joint UK-Italian initiative to discuss the infrastructure needed to share research findings on HIV/AIDS. He also indicated that the UK had just announced that it would give US\$1.8 billion to GAVI over 15 years for help fund malaria and immunisation initiatives.

7. **Dr Donald Kaberuka**, the Minister of Finance for Rwanda, began by noting that 10 days ago, he, along with other African finance ministers and Gordon Brown had met in South Africa where they had discussed and commented on the MDGs and the Commission for Africa report. He noted that the recommendations arising from their discussions went beyond the MDGs to what was necessary to transform the continent.

8. Firstly Kaberuka noted that the future of Africa depended on Africans and that Africans needed to own up to and address their own challenges and shortcomings. He stressed that governance reforms needed to be sustained.

9. Secondly he went on to stress that wealth creation and increased trade were an absolute necessity if Africa was not to live on aid forever but pragmatically, it was necessary to recognise that external support was needed to enable countries to grow, trade and eventually graduate from aid, without falling into unsustainable debt. In relation to this, Kaberuka applauded the HIPC initiative which had provided some debt relief, but argued that this was not a lasting solution. He therefore welcomed the UK's proposals on multilateral debt relief and encouraged 2005 to be the year in which debt action was taken.

10. Thirdly, Kaberuka went on to state that debt relief was only a small part of the assistance needed. He concurred of a need for long-term predictable funding of mainly grant finance. He noted that Rwanda had benefited from GAVI support which had enabled it to immunise 85% of the country's children from the 3 major killers but that this funding had to be sustainable. In this vein, he welcomed the IFF as a means of providing this long term, predictable up front funding and welcomed the fact that as proposed, it did not seek to create any new institutions or bureaucracies and could be implemented through existing channels. Kaberuka also suggested that the Tobin Tax (or 'Levy' in order to be less emotive) could also assist in this pursuit.

11. As a fourth point, Kaberuka noted that Rwanda was doing well on its primary enrolment and gender equality in schools goals, although accepted that Rwanda was still far off achieving the maternal mortality goal. He stressed that there was a need to look beyond the television headlines on Africa and that progress was being made on governance and conflict. He used Rwanda as a case in point and indicated the country had made significant progress since the genocide in 1994. Kaberuka emphasised that progress could be made but for it to be sustainable, developing countries needed long-term predictable funding. Kaberuka urged the MDGs to be fast tracked to ensure that all avenues, in pursuit of this, were exploited

12. In concert with this, Kaberuka noted that it would be necessary to consider the fiscal space to ensure resources could be absorbed whilst respecting macroeconomic stability. He supported the IFF as a means of achieving this.

13. On trade, Kaberuka questioned how the MDGs could be achieved without trade reform and the implementation of the Doha Round. As an example, Kaberuka illustrated that Rwanda was forced to export raw products because of trade restrictions and subsidies but needed to move higher up the value chain by exporting processed or semi processed primary commodities such as tea and coffee.

14. In order to achieve the MDGs Kaberuka also noted that the statistical ability to measure progress needed to be scaled up in order to provide evidence that the policies were working.

15. He concluded by stressing that all action to achieve the MDGs should be with a view to buttress ownership and decrease conditionality in the context of mutual accountability.

16. **Par Nuder** the Minister of Finance for Sweden started by stressing that the challenge for achieving poverty reduction was not an impossibility but rather a moral duty. He noted that development co-operation did not exist within a vacuum and that actions by one country affected others.

17. Nuder noted that the developed countries spent more than US\$1 billion a day on agricultural subsidies but only US\$200 million on development (less than a fifth). He stressed that the rich world could not give with one hand and take away with the other. Sweden had made this reality explicit in a new law which stated that all policy areas had to contribute to global development.

18. Nuder continued that while Sweden was not part of the G7 or G8, it was part of an even more exclusive group, the '0.7% Club'. He called for other countries to apply to join especially as Sweden in the coming year was to become part of an even more exclusive club, the '1.0% Club'. Nuder stressed that Sweden was not part of another planet in honouring this commitment. Sweden being a rich country wasn't the reason for honouring these targets but instead this was due to support being a matter of priority and solidarity with other countries. Indeed, he stressed that it was possible for a country to combine fiscal discipline, growth, low inflation and international solidarity.

19. Nuder then went on to insist of the need for better donors and recipients. On the part of developing countries, Nuder argued that they needed to make the welfare of their people the priority, pursue sound economic policies, reduce inequality, reduce corruption and ensure democracy and respect for human rights. Tax payers in developed countries such as Sweden needed to be able to see that aid was efficient in order to ensure aid was sustainable. Nuder also argued that in concert with this, it was also necessary to ensure that debt relief was achieved in the poorest countries.

20. Nuder accepted that there was no universal magic bullet to decrease poverty and agreed that the IFF was the most realistic chance for a rapid increase of aid funds. He announced that Sweden would increase support to GAVI and the Global Fund and that Sweden would take part in the IFF pilot project on immunisation and malaria.

21. **Mark Malloch Brown** the UN Chief of Staff and Administrator of the UNDP then summed up the morning's session. He began by insisting that people needed to encourage their governments to join the 0.7% club and that governments should front load aid. He welcomed that fact that finance ministers were now discussing poverty where 10 years ago the focus of their attention had been on macro-economic stability. He noted this as a revolutionary step and the recognition of poverty reduction as a vitally important issue.

22. He felt that governments and civil society were on the same side with regards to poverty reduction and that the UK's chair of the G8 and presidency of the EU pulled important networks together enabling 2005 to be the year that things changed. He continued that 2005 was the year for security and development reform in the UN and that there was a need for a legitimate policy to address these dual issues.

23. Mark Malloch Brown welcomed the Sachs report for being ambitious especially as the world was emerging from years of thinking small. There was now the financial

support and political will to think big. He argued that trade and growth were an important exit strategy from aid but that at the moment, it was necessary to help poor countries out of their poverty and aid traps through sustainable, predictable funds. He also supported the IFF as a good step towards achieving this especially as it would enable high impact activities to be pursued which were important so that taxpayers could be convinced of the effectiveness of aid.

24. **Evelyn Herfkens** the Executive Coordinator of the Millennium Development Goals Campaign opened the afternoon session by commending the UK for changing the agenda but warned that the UK's message would not have remained credible had it not set a timetable to meet the 0.7% target. She was also delighted to hear that the Shadow Chancellor stated that his party would also meet the 0.7% deadline. Herfkens explained that she was so passionate about the UK meeting the 0.7% target as she believed that it was the only donor country where aid would be used to achieve the MDGs. She argued that the domestic debate on aid had been won in the UK and the UK had now to lead other countries to put aid, and the quality of aid, higher onto their agendas.

25. Herfkens then outlined a set of key points for consideration.

- a) She highlighted the issue of the **leakage** of aid to middle income countries who did not need assistance to reach the MDGs. She suggested that the UK had an important role to play in monitoring the expenditure of aid and ensuring that aid went to countries that needed it and could spend it well.
- b) **Tied Aid** Herfkens illustrated that Canada currently tied half of its aid and that the EU's tying of aid to individual countries was not consistent with country guidelines. There was thus a need to untie aid.
- c) **Harmonisation and alignment** – while donors had recognised this as necessary to reduce transaction costs and improve the efficiency of aid, they had not done this yet.
- d) **Accountability** – countries needed to be accountable to their own people. Donors often however undermined southern government's especially where there were high transactions costs imposed by aid delivery and reporting.
- e) **0.7% target** there was a need for momentum to reach the 0.7% target and for the 0.7% club to be expanded. All countries needed to commit to the 0.7% target otherwise those countries that did would be bailing out their colleagues that hadn't.
- f) **IFF** whilst Herfkens used to be sceptical about the IFF, concerned that it would take away from the political momentum behind the 0.7% target "you can't have political momentum for more things than you can put on a bumper sticker", she agreed that the poor could not wait for the 0.7% target to be reached and that the IFF could be a practical and quick way to increase and front load aid.
- g) **Agriculture** given that 2/3 of the world's poor lived in rural areas and relied on agriculture, the MDGs would not be achieved unless there was a new deal on agriculture.
- h) **Deadlines** – while poor countries had deadlines to achieve 7/8 MDGs, Goal 8 did not have deadlines and there was a need for example for trade deadlines and progress on Cancun.
- i) **The Everything but Arms** initiative needed to be made more genuine

j) **Electoralates** needed to hold their governments to account for their promises
In concluding, Herkens stressed that not all countries in Sub-Saharan Africa were off track as there were clear examples of countries that were on track to achieve the goals. She suggested that there was a clear role for the UK to put pressure on their colleagues to improve development performance.

26. The floor was then handed to Professor **Nicholas Stern**, the Director of Policy and Research for the Commission for Africa. He started by stating that the UK's leadership of the G8 and EU and Live Aid were just small issues and the big story was the progress that Africa had made. To illustrate, over the last 10 years, 17 countries had had GDP growth in excess of 4%. Governance was also improving through initiatives such as the African Union (AU) and the New Partnership for African Development (NEPAD). He noted that where the emphasis of the OAU had been on non-interference, the AU and NEPAD focused on non-indifference. It was because of these changes that 2005 presented an important opportunity to improve development performance in Africa.

27. Stern indicated that the last meeting of the Commissioners for Africa would be on the 24th of February with the publication of the report in mid March. He argued that it was necessary for actions to address the causes of poor development performance in Africa which he summarised as relating to historical geography which affected governance, and physical geography, which for example propagated the spread of malaria. He noted that the legacy of these issues meant that Africa was in a more disadvantaged position when competing in world markets. In this vein, he argued therefore that small steps were not sufficient "business as usual will give outcomes as usual" and there was therefore a need for a big push for Africa. He summarised this to involve action on trade reform, debt relief, increased aid and behavioural change amongst donors and recipients.

28. Stern continued by outlining the structure of the report into 4 main sections, namely Governance, Peace and Security (and supporting the AU on this), Human Development (including health and education where long term predictable aid was necessary) and Growth (emphasising the importance of infrastructure to improve African countries' capacity to trade).

29. Stern stressed that the finance for the big push had to be credible, sustainable and front loaded, and as such, he voiced his support for the IFF. He also considered the argument that Africa did not have the capacity to absorb more aid to not necessarily be correct. He summarised the main theme of the Commission for Africa report as aid, debt relief and trade and enforced that a serious long-term commitment to doubling aid could only happen if development became and remained a political issue in donor countries.

30. A panel discussion was then held on Development Finance and Debt for which **Simon** Pickford, the Director of International Finance HM Treasury, opened. He began by stating the need for donors to provide resources to multilateral organisations in pursuit of debt relief which could also be financed for example through the IMF's gold reserves. He stressed that it was necessary to reduce the debt of poor, non-HIPC countries. He concurred with many other speakers on the need for front loading development finance based on broad international agreement, and that the IFF was a

good way of doing this. Pickford also informed the audience that the HM Treasury had been working with the French and GAVI on how these principles could be applied to immunisation. He also included the need for the UK to use their leadership of the G7,G8 and the EU to encourage others to commit to a 0.7% timetable and to focus on the achievement of the MDGs.

31. **Judith Randel** of Development Initiatives then spoke and began by noting the world's recidivist tendencies and questioned what had been achieved from the past 20 years of campaigning. She stressed that it was necessary to remember that aid was the only resource that was earmarked to poverty. Randel continued by reiterating that governments committed to poverty reduction in Copenhagen. However, since 1970s, where GNP per capita had increased by US\$20,000 per person, aid had only increased by US\$20 per person. Pledges made since the 1970s had still not been met with many stating that promises would be met 'when the time was right'. Randel impressed that 2005 had to be this right time and that there was a need to/for:

- a) Emphasise the point made by Sachs that there was a need for real resources in concert with technical assistance, and infrastructure and capacity development,
- b) Action on governance and conflict focusing on what can be done in the North to achieve this and the timetables necessary,
- c) Remember that aid falls at the last hurdle and not the first and that aid needed to be seen as being as important as other factors of assistance,
- d) Remind the public about the unacceptable neglect of the poor and the realities of poverty.

32. The floor then passed on to **Henry Northover** from CAFOD who outlined what the Make Poverty History coalition wanted to achieve which he summarised as:

- a) The cancellation of un-payable debt, defined as any debt that acted as a hindrance to the achievement of the MDGs,
- b) An end to harmful economic and trade policy conditions and instead the coalition wanted to see conditions in place to enable domestic stakeholders to hold their governments to account. They also wanted debt relief to be transparent and poverty reducing,
- c) Debt relief needed to not be double counted as aid as it could sometimes appear in DAC figures,
- d) Donors should not be allowed to be judge and jury on the eligibility, volumes and conditions of debt relief and instead there was a need for transparent external adjudication.

33. Northover questioned the political will to provide debt relief especially as Iraq was benefiting from accelerated debt relief without democracy or conditions where some poor African countries were having to manoeuvre the 'salami effect of incrementalism'. As such, he indicated that recipient governments were often more accountable to donors than their domestic stakeholders.

34. As part of the discussion that followed **Masood Ahmed** of DfID outlined a useful timeline to use the finite time available in 2005 to the best effect. He suggested that from January to March, efforts could be expended in preparation of the Paris meeting at which aid effectiveness and delivery mechanisms would be addressed. From

March to July a case and momentum could be built on volumes for aid including the identification of what was not being financed because of a lack of resources and how additional resources could be best spent and then from July onwards, time could be spent on how to link development and security issues.

35. **Patrick Masserlin**, the Coordinator of the Millennium Project Task Force 9, opened the panel discussion on trade by reinforcing that urgent action needed to be taken on trade in preparation for the Trade Ministerial in Hong Kong at the end of the year. He explained that a lot still needed to be achieved in the 10 months available. He argued that it was necessary to take action on trade as it was a profoundly domestic policy in which there were many vested interests and that action should be taken in all sectors, not just agriculture. Masserlin argued the need for a package of trading goods which had free reciprocal market access (although not reciprocal for the poorest countries) and that developing countries need to reduce their highest trade tariffs. There was also a need to insist on trade facilitation, extended beyond customs, to other aspects of infrastructure development. Masserlin argued that it was necessary to add these points to the Hong Kong Ministerial and the G8 meeting in June and that a grander vision, beyond Doha, was necessary. It was also important for the emerging trade powers including Brazil, India and China, to contribute to this vision.

36. **Tim Abraham**, the Director of Trade Strategy of the Department for Trade and Industry, then spoke and noted that trade policy changes needed to be embedded in development policy. He argued that the Doha development agenda was the best single way to achieve this and that trade liberalisation was important for developed and developing countries. He argued that trade liberalisation for developing countries needed to be well embedded and sequenced and assisted by developed countries and that the agricultural policies of the developed world needed to be changed to remove the trade distorting effects.

37. **Kevin Watkins** from UNDP began by noting that there was dynamism behind the aid debate but the same could not be said on trade. He pointed out that there had been little achievement on the Doha Round which was supposed to be a development round. He accepted that aid was critical to the achievement of the MDGs but that without progress on trade, efforts would be frustrated as aid would not go far enough unless trade disadvantages were addressed. He also argued that trade tariffs cost poor countries 3 times more than rich countries and that there had been no progress on reform of the Common Agricultural Policy. Given that the aid and trade agendas were closely linked, there was a need to improve the infrastructure for trade and developing countries needed assistance in building capacity to use the structure of the World Trade Organisation, especially as no African country had taken out a dispute at the WTO.

38. The final speaker was **John Hilary** from War on Want who argued that the greatest threat to developing countries, in terms of the trade agenda, was the liberalisation agenda. He summarised the main demand from the Trade Justice Movement as putting a stop to forced liberalisation, trade dumping and a need for corporate accountability. He also impressed the need to remember that GATS and WTO rules were set by rich countries but also that the rich in poor countries were responsible for setting their country's agendas which were not necessarily pro-poor.

Nambusi Kyegombe
January 2005