

THE 2007 G8 SUMMIT: DELIVERING PROMISES, SECURING AFRICA'S FUTURE

Thanks to German leadership, and support from the G8, Africa will once again be center-stage at the G8 Summit in Germany this June. The G8's focus on Africa's future for the second time in three years is a reflection of the remarkable advances underway in African development and the urgent need to follow through on existing promises made by donors to the continent.

The challenges faced by Africa today remain stunning, but progress in recent years proves that the combination of African commitment and effective donor engagement can yield real gains measured in lives saved. The Finance Ministers meeting this weekend in Essen, Germany is critical to making donors and African leaders accountable for these gains. Finance Ministers can lay the groundwork for the 2007 Summit by ensuring the systems are in place for G8 leaders to deliver on their overall commitments to Africa, while holding Africa responsible for continued improvements in governance and growth.

A focus on "African financial governance" is an appropriate entry point for the Finance Ministers' meeting, but it must be balanced by an assurance that G8 financial governance will make sufficient provisions to deliver on G8 aid promises. A meaningful 2007 G8 Summit that focuses on effectively delivering existing commitments is essential to refreshing public confidence in G8 political leadership.

This document focuses primarily on donor accountability for the G8 members, but the role of African countries is equally if not more important for achieving shared goals. Similarly, the growing role of emerging donors cannot be ignored.

For the G8, donor accountability at the 2007 G8 summit should be measured by each donor's progress in meeting its individual financial commitments and in terms of how those commitments are translating into results on the ground. In order to meet their financial commitments by 2010, the G7 donors will have to provide an additional \$21 billion in aid to Africa by 2010 over their 2004 levels (more than 80% of the total \$25 billion in additional African aid commitments from the G8 and other EU members) but thus far the G8 are off track.¹ DATA supports the exclusion of Nigerian debt cancellation from the measurement of African aid, since it obscures the real trends in 2005 and 2006 (see inset).

The 2007 Summit offers an opportunity to develop a plan to get back on track. Initiating an annual exercise of accountability whereby donors assess progress made against these targets would be an excellent first step. In addition, donors should consider fulfilling their promises by investing in the following proven mechanisms that not only save lives and sustain livelihoods but also foster growth and accountability in Africa:

1. Fighting HIV/AIDS by strengthening Africa's health systems;
2. Removing barriers to primary education, especially for girls;
3. Creating opportunities through economic development; and
4. Strengthening governance and fighting corruption to promote growth

Nigerian Debt Cancellation

In 2005, Nigeria's \$30 billion debt was cancelled through a combination of Nigerian payments, creditor cancellation and Nigerian buy-back. The benefit of the debt deal to Nigeria is on the order of approximately \$1 billion per year for 15 years in debt service savings. These savings are already making a real difference: Nigeria saved \$750 million in debt service this year and is using it to train and recruit new teachers. The real cost to donors is much less than this and is spread out over many years. Despite this, the Nigerian debt deal is currently being counted in official aid statistics as a giant 2-year ODA spike of \$5 billion in 2005 and \$11 billion in 2006. The current system masks the real trends in aid available on the ground in Africa and inflates the ODA figures used to measure whether donors are on track to deliver their ultimate financing commitments to the continent.

¹ The DATA Report 2006. Available online: www.thedatareport.org

1. Fighting HIV/AIDS by Strengthening African Health Systems

Weak and failing health systems represent a critical obstacle to achieving universal access to HIV/AIDS prevention, care and treatment by 2010, especially in Africa where already weak health systems have been further strained by donor responses to single disease epidemics. Besides a scarcity of doctors and nurses, African health systems are also challenged by weak sector management and strategies, unpredictable financing, inadequate technology and infrastructure, shortages of basic supplies and weak monitoring and logistical support.

The G8 have the opportunity to lead a strategy to fight HIV/AIDS by strengthening Africa's health systems instead of adding to their strain. This new approach will build on existing momentum in the fight against HIV/AIDS while enhancing well-governed African countries' ability to sustain these efforts:

- **Fully fund the Global Fund to Fight AIDS, TB and Malaria:** In 2007, the Global Fund needs a total of \$2.4 billion. The U.S. Congress recently made a powerful challenge to the rest of the G8 by appropriating \$724 million for the Fund. In FY2007, G8 leaders should (a) fill the remaining gap by committing to provide no less than \$1.5 billion in order to fully leverage the U.S. appropriation and (b) guarantee full financing for an expanded Fund at the replenishment conference in Berlin in September.
- **Guarantee resources to fully implement “universal access” plans:** Resources required to support national plans for universal access will be significant. At the Summit, donors should call for expedited completion of all plans by World AIDS Day 2007 (December 1, 2007) and should guarantee resources to fund these plans, including through the expanded use of innovative financing mechanisms.
- **Establish a global health systems coordinating mechanism:** No nation seriously committed to strengthening its health sector should fail in the achievement of this goal for a lack of financial or technical resources. African health ministers have already committed themselves to improving broader health equity and outcomes by agreeing to the 2001 target of spending 15% of their budgets on health and the Maputo Plan of Action to provide universal access to reproductive health services. Summit leaders should ensure these efforts have adequate resources to deliver by launching a global health systems coordinating mechanism that would:
 - Commit \$60m in technical assistance to help countries devise technically sound investment strategies that reflect both disease-specific and sector wide objectives;
 - Facilitate donor coordination that aligns with these country-owned strategies, and
 - Help mobilize the financing required to implement these plans by pledging to fill the external financing gap in all African countries that have a strong record of good governance and have demonstrated substantial progress towards meeting their Abuja health spending commitments. The total financing needs will be defined by country plans, but early research indicates that if all African countries prepare such plans and meet these criteria, the annual cost may reach approximately \$15 billion annually.²

A global monitoring mechanism would also provide much needed monitoring and accountability support so that donors and recipients can measure disease-specific goals, as well as their impact on broader health systems outcomes.

2. Removing Barriers to Primary Education

Education has a strong return on investment, especially for girls, both as a way of securing Africa's economic and political future and as an effective tool in fighting HIV/AIDS:

- A 2004 study concluded that universal primary education could prevent 700,000 HIV cases per year
- In low-income countries, a young woman's average earnings can increase by as much as 20% with each additional year of education

² The WHO Commission on Macroeconomics and Health has estimated that most African countries will require an average of \$19 per capita annually from donors to effectively meet their basic health systems needs (the global cost would be approximately \$27 billion but the African portion may reach \$15.2 billion).

- Each additional year that a girl attends school leads to healthier and better-educated families and increased political participation

Fully fund technically sound and fully costed plans for universal education: As of January 2007, 22 African countries had prepared costed plans for achieving universal primary education either as part of the World Bank’s Education for All Fast Track Initiative (FTI) or as part of the Financing the MDGs Summit (Abuja 2006). FTI is the principle mechanism through which donors can channel bilateral education funding to recipient countries whose plans have been technically vetted and endorsed. So far, FTI has endorsed 28 countries (16 of them in Africa) and an additional 18 countries (5 of them in Africa) are expected to be endorsed by the end of 2007. At a minimum, G8 leaders should fill the end-2007 financing gap for these FTI countries of \$1.6 billion with a focus on those countries that have strong governments and budgetary systems in place to manage the inflow of resources. For countries that do not have these systems in place, donors should award technical assistance grants as “bridge” financing so these countries can eventually receive full support.

Over the medium-term, as the remaining African countries complete donor-endorsed plans, total financing needs for education will increase. UNESCO and DFID have estimated that a total of \$10 billion will be needed annually by 2010 to achieve universal primary education worldwide. If all African countries were to begin immediate scale-up toward universal primary education, the cost for Africa in 2010 would reach approximately \$5 billion. The G8’s equitable share of this amount would be \$2.1 billion in 2007 and \$2.6 billion in 2008.³

3. Creating Opportunities for Economic Growth

Without economic opportunities, even Africans who are healthy and educated are not empowered to lead in Africa’s development. The 2007 Summit provides an opportunity to promote broad-based sustainable economic growth and opportunities for Africa through investment and trade. Countries with strong economic growth have a greater ability to build strong democratic institutions and can demonstrate higher levels of stability.

- **Microfinance:** When administered through best-practice organizations with third-party reporting systems, microfinance helps stem government corruption, increases transparency and accountability, and ensures that more funds go directly to those in need.⁴ Support for increased capacity within the microfinance sector including IT training, legal training, and product innovation builds institutional capacity. If the G8 were to provide \$150 million in technical assistance funding, African microfinance institutions could leverage capital market financing and guarantees, which could generate \$1.5 billion in micro loans. These loans would enable microfinance providers to reach an additional 7.5 million poor borrowers, growing the sector by 27% in Africa.
- **Investment:** A business climate that encourages and promotes investment will provide greater opportunities for these enterprises as they grow and integrate into the economy. G8 donors have an opportunity at the 2007 Summit to highlight and commit additional resources to the Investment Climate Facility for Africa (ICF), which has been endorsed by NEPAD. This type of high-level attention will help to attract private sector donors and promote Africa as an investment destination. In addition to encouraging investment, strategies for discouraging capital flight from African economies must also be funded and implemented.
- **Build Africa’s Capacity to Trade:** African countries need assistance addressing “supply-side constraints” that limit their capacity to earn a living through trade. The term “aid for trade” is broadly defined and could include infrastructure costs, support for African regional integration, funding of adjustment costs, assistance in streamlining customs and other regulatory procedures, developing the African private sector, and strengthening the telecommunications and financial services sectors. Donors should commit to fund a

³ See “DATA Report 2006: Education” for a full explanation of G8 equitable shares for achieving universal primary education in Africa. Available online: www.thedatareport.org/pdf/educationReport.pdf

⁴ Democracy and the Market Economy, Transparency, Accountability and Participation Are Key to Fairness, By Juliana Ribeiro, UN Chronicle Issue 2, 2005. Available online: www.un.org/Pubs/chronicle/2005/issue2/0205p30.html

comprehensive assessment of Africa's specific country and regional aid for trade priorities and provide financing for implementation. African countries also need to link trade and poverty reduction in their economic growth planning.

- **Make Trade Work for Africa:** The 2005 G8 pledge to “make trade work for Africa” must be kept either through a reinvigorated Doha round or through a dedicated African trade initiative. In addition to an aid for trade package identified above, this would include leadership in the reduction or elimination of agricultural subsidies (or finding ways to mitigate their impact should multilateral negotiations fail), increasing access to G8 markets, and sufficient flexibility for African countries to coordinate and sequence trade and poverty reduction strategies.

4. Strengthening Governance and Fighting Corruption

Good governance is central to achieving Africa's development goals. The above aid investments are intended to enhance Africa's good governance efforts by (a) ensuring that only the most technically sound plans agreed upon by all country stakeholders are funded, (b) promoting system-wide investments that build Africa's own capacity, and (c) promoting a higher degree of donor responsibility and harmonization. In delivering on the theme of accountability, donors should complement their responsible investments by taking additional measures aimed directly at improving both the governance of aid and the governance in recipient countries.⁵

Strengthening Aid Governance

- Incentivize good governance by scaling up aid to those governments that perform well against an objective set of indicators. In those countries with poorer governments, aid should be allocated to trusted civil society groups.
- Reconfigure membership of the IMF and World Bank, so developing countries have a larger role in decision making.
- Implement a process of arbitrating “odious debts” (See erlassjahr.de) and work to establish creditor co-responsibility in light of recent debt reaccumulation by HIPCs. Donors should commit to ensuring immediate debt cancellation for Liberia, a HIPC-eligible country with odious debts.
- Create a new independent entity to scale-up impact evaluations across development sectors.
- Reach out to emerging donors to ensure they work consistently with the good governance and aid efficacy goals agreed to in the OECD Paris Declaration.

Fight Corruption and Promote Transparency

- **Enforce global anti-corruption standards:** Each G8 should publicize and enforce its criminal laws against bribery under the OECD Convention on Combating the Bribery of Foreign Officials and adopt and enforce global anti-corruption standards such as those in the UN Convention Against Corruption. G8 leaders should strengthen and expand the Extractive Industries Transparency Initiative (EITI) and fill the financing gaps of the EITI Trust Fund. At the EITI meeting in Berlin this spring, donors should institute an EITI index that would operate much like Transparency International's Corruption index and establish EITI as an independent third party to which governments and businesses would address their revenue-related reporting.
- **Support African efforts to strengthen governance and fight corruption:** The Africa Peer Review Mechanism (APRM) is one of the most important African-led efforts to strengthen governance and fight corruption. Donors should provide political and financial support to the APRM, which already has six peer-reviewed countries, but lacks the finances and capacity to further scale. Donors should also aggressively support other efforts within Africa to strengthen budgetary transparency like the Collaborative African Budget Reform Initiative, led by governments, and the African Monitor, led by civil society.

⁵ For a full explanation of policies aimed at improving aid efficacy, see DATA's paper on “SMART Aid.” Available online: <http://www.data.org/archives/000814.php>