

March 1st 2005

ActionAid response to the Commission for Africa report

2005 has been heralded as the year when Africa's development prospects will be turned round by a new partnership between Africans and rich countries. Tony Blair's Commission for Africa (CfA) was established nine months ago, in response a proposal from Bob Geldof, to identify the necessary actions to make this partnership a reality.

ActionAid finds much in the report that we support. It is one of the most extensive analyses of African development in the past twenty years. More importantly, it makes some bold recommendations on what rich countries must do to support Africa, and on what Africans must do themselves. Most of the recommendations go far beyond what's currently being done by rich countries, and many are debt, aid and trade policy changes for which we are campaigning through MAKE POVERTY HISTORY.

However, for ActionAid the real test of the Commission's worth will be the extent to which these recommendations are followed, not whether it says the right things. The last two decades are littered with grand initiatives and plans for the region that have been long on analysis and short on implementation. This year must be different. In particular, we will urge the G8 to act on the following Commission recommendations:

Trade

- **End forced liberalisation:** The CfA calls for an end to aid conditions that force poor countries to liberalise markets and proposes more 'policy space' for countries to pursue their own reform agenda. The report recommends that demands for reciprocal trade liberalisation should be reduced to a minimum.
- **Eliminate trade-distorting subsidies:** The report recommends an end to all trade-distorting subsidies in rich countries – including export subsidies – and to make a commitment by 2010. Rich countries must agree to immediately eliminate trade-distorting support to cotton and sugar.
- **Simplify rules of origin:** The CfA calls for simplified rules-of-origin. ActionAid supports this call but urges that the design of new rules supports and benefits small- and medium-scale producers and the poor rather than bring benefits to transnational companies.
- **Everything But Arms:** The report calls for Developed countries to extend quota and duty-free access to all low-income sub-Saharan countries, and to remove all other barriers to their exports.
- **WTO rules reform – Special & Differential Treatment:** The CfA calls upon the Developed countries to support a review of Article XXIV of the General Agreements on Tariffs and Trade in order to reduce the requirements for reciprocity and increase focus on development priorities. Article XXIV covers regional trade agreements and the current negotiations around Economic Partnership Agreements falls under this Article.

HIV & AIDS

- **Aid:** The CfA calls for rich countries to mobilise an additional \$10bn annually within 5 years to fight HIV and AIDS, including \$3.2bn to meet the shortfall in funding for the Global Fund to fight AIDS, TB and Malaria. It calls for this aid effort to be harmonised, and put in support of comprehensive national strategies.

- **Access to treatment:** The report recognises the right to universal treatment, and calls for donors to support WHO efforts to integrate treatment for HIV and TB; and support the abolition of user fees for basic healthcare.
- **Health Systems:** The CfA calls for an increase in the donor funding to health systems that are needed to combat AIDS. It also calls for support for strategies to support orphans and other vulnerable people in HIV-affected households.

Aid

- **Double Aid:** The CfA calls for an extra \$25bn a year - more than a doubling of assistance - to be spent in the region. It proposes reaching this target at some point in the next 3 to 5 years. The report estimates that donors have 'under-aided' Africa by more than 40%, and argues that absorptive capacity can be improved partly by changes in donor practice. It claims that the one third of the development financing gap can be met through domestic resources and two-thirds through external finance. It is sceptical about the scope for domestic savings, remittances, increased tax effort or private investment to significantly contribute to this gap over the short to medium term.
- **Sources of finance:** The report calls for rapid progress to be made towards the UN aid target of 0.7% of rich country income, while strongly recommending the proposal for an International Finance Facility to front load aid spending to reach the Millennium Development Goals. It also calls for further analysis to be done on the different proposals set out in the Landau report on innovative sources of development finance.
- **Aid Conditions:** The report calls for a marked reduction in policy conditions, making them more focused, while not appearing to go as far as the UK government in its recently published position on the issue. It argues that conditionality has distorted domestic policy, and in the long run hasn't worked. At the same time, it does argue that aid has led to positive policy change in many countries, and that Public Expenditure Management in poor countries is improving.
- **Aid modalities:** The CfA calls for donors to provide grant aid wherever possible, and to graduate from giving project and programme support to Direct Budget Support. It argues for much more even allocation of aid across countries and sectors, without any clear proposals for how this should happen. It also argues that aid should be untied, coordinated, harmonised, and aligned with country budgets and systems. Again, it's unclear how these changes should be achieved.
- **International Institutions:** the CfA calls for far-reaching governance reforms of the IMF and World Bank, including a greater share of votes for African countries, an open recruitment process for the IMF and World Bank heads; parliamentary oversight of development plans; and more 'fiscal space' in IMF programmes. It also calls for a doubling of the aid going through the World Bank's soft loan arm, IDA, and a move to 100% World Bank grants for the very poorest countries. Finally, it recommends regular OECD-African Finance Ministers meetings to address aid effectiveness issues.

Debt

- **Debt cancellation:** The CfA calls for 100% cancellation of multilateral debt in Africa, on the basis that the Heavily Indebted Poor Country Initiative has failed to deliver a durable exit from unsustainable debt. This would cost \$2bn p/a. It also calls for a new and as yet uncostered 'compact' to provide debt stock write-off, including

for countries outside the Heavily Indebted Poor Country initiative, and further legal assistance to African countries to deal with lawsuits from non-participating creditors.

Education

- **Aid:** The CfA calls for an annual increase of \$7-8bn in education funding, to be channelled mainly through national sector plans and given as long-term predictable commitments. It proposes that \$500m p/a should be spent over the coming decade to revitalise university education, and that \$3bn should be spent over the same period on building centres of excellence in science and technology.
- **Access:** The report recognises education as a human right, and calls for abolition of fees at the basic level, to be funded through aid until African countries are able to finance this themselves. It also proposes a focus on gender equity in national plans, backed by more aid, to achieve the 2005 Millennium Development Goal.
- **Quality:** The CfA calls for maximum class sizes of 40 at the primary level, investment in more relevant and culturally appropriate schooling, and effective teacher training

Governance and corruption

- The CfA recognises the critical role of good governance in Africa's development prospects, and the urgent need for more effective states. This is a welcome admission that the 'small state is best' ideology, promoted by the World Bank and IMF, has undermined state capacity in Africa. The CfA calls for investment in capacity building; parliamentary oversight of development policy; a strong independent media; corporate transparency; Export Credit reform; repatriation of ill-gotten wealth from G8 banks and ratification of UN Convention against corruption.

The report also recommends broadly positive action on conflict and UN system reform that emphasises giving African institutions and governments a greater role. The CfA is clear that its recommendations are not à la carte, and calls for immediate and decisive action. In ActionAid's view, if these recommendations were acted upon by the G8 countries and by African governments, this would constitute a major step forward for Africa. In some areas, multilateral agreement is necessary for progress, but in many others – especially on aid, debt and corruption - the UK government is in a position to act alone, and must do so if it's going to demonstrate serious leadership during 2005.

Notwithstanding the many positive aspects of the report, we believe that it should have gone further in addressing the root causes of African poverty and economic marginalisation, and challenging the existing development orthodoxy. In particular:

- The report fails to question the prevailing free market model that is promoted by the World Bank, IMF and WTO, despite the evidence from countries such as Ghana that it has failed to deliver on its own terms where its policy prescriptions have been followed.
- The report inadequately addresses the commodity crisis. The report talks mainly in terms of addressing price volatility through, for example risk management or diversification. However it is falling commodity prices that are the primary reason behind African countries' declining terms of trade. ActionAid supports diversification as a long-term objective, but more short and medium term solutions also need to be found to long term price decline. This is largely ignored by the report. Action from the G8 should be considerably more proactive in this

area – for example the development of appropriate mechanisms to regulate commodity markets and establish fairer prices.

- The report fails to make strong recommendations on corporate regulation. In many cases, transnational companies' activities in Africa have either directly or indirectly benefited from the violation of peoples' basic rights; including expulsion from tribal lands, militarization, violence, harassment, forced labour and economic dispossession. At the same time, multinational agribusiness firms are undermining the fight against poverty by using their considerable power within domestic markets to force down prices of agricultural commodities, upon which millions of Africans depend for their livelihoods. The solutions proposed by the report on TNCs are entirely voluntary. The report fails to demand support for the UN Human Rights Norms for Business and make company directors legally accountable for the social and environmental impacts of their company's activities overseas.
- The report fails to call for full funding of the WHO's target of extending access to anti-retroviral treatment to 3 million people by the end of 2005.
- The report does not grapple fully with the weaknesses in the aid architecture, and especially with the coordination problems being generated by proliferating official donors and the politicisation of aid through the 'war on terror'. It also neglects to press for a target date for donor countries to reach the aid commitment of 0.7%, and is qualified in its criticism of policy conditions.

ActionAid will continue to campaign for a more fundamental reappraisal of the development model in Africa, that is premised on justice for Africa, and puts poor people's rights front and centre of development efforts. Our recent report, 'The African Commission for Britain', starts from the principle that rich countries must first do no harm in Africa, and identifies concrete actions that should be taken by the UK to support Africa's development prospects. We will continue to campaign on these trade, aid and debt issues during 2005.

To conclude, despite some weak spots in the report, we believe that the CFA recommendations are an agenda that is worth implementing as a decisive first step to Make Poverty History. The real test of whether the time and money expended on the Commission is justified will be the extent to which it is agreed and implemented at the Gleneagles summit in July.

Pluses and minuses – the Africa Commission report in summary

TRADE	
+	-
Calls for an end to forced trade liberalisation through aid conditions, and more policy space for poor countries	Doesn't test the assumption that a liberal trade system is best for Africa; only argues for more careful sequencing and mitigating measures
Calls for an end to all trade distorting subsidies by 2010, and immediate action on sugar and cotton	
Calls for an end to rich country demands for fully reciprocal trade liberalisation	Leaves the door open by talking of 'minimal reciprocity'
Calls for more effective provision of Special and Differential Treatment under WTO – particularly a review of Article XXIV of GATT covering regional trade agreements	
Calls for Everything But Arms access for all low-income sub-Saharan countries to be supported	
Calls for simplification of Rules of Origin	Risk that the main beneficiaries will be transnational corporations, rather than small and medium scale African producers
Proposes a \$3bn facility to deal with economic shocks from commodity price volatility	Doesn't specify actions to tackle long term declining prices underlying the commodity crisis
	Doesn't specify actions to tackle abusive trading practices or the abuse of market power by transnational companies
The report (but not the recommendations) calls for a stop to the dumping of surpluses on world markets	The recommendations fail to call for a complete end to the dumping of goods, particularly agricultural products, from G8 countries.
	Fails to call for dropping of Singapore Issues from Economic Partnership Agreements
HIV-AIDS	
+	-
Recommends that rich countries meet the funding shortfall of \$3.2bn for the Global Fund for AIDS, TB and Malaria, and provide \$10bn in extra financing annually by 2010	Neglects to call for full funding of the WHO '3by5' initiative, which is designed to put 3 million people on anti-retrovirals by the end of 2005.
Calls for rich countries to support the WHO's strategy to integrate TB and HIV care	
Calls for coherent strategies to build health systems, and remove fees for basic healthcare	Doesn't specify how to make this happen, given sometimes contradictory approaches to tackling HIV & AIDS
AID	
+	-
Calls for progress towards reaching the aid target of 0.7% of national income	Doesn't specify a target date
Calls for an immediate extra \$25bn in aid to Africa, and a further \$25bn after 5 years, mostly in grant form	
Calls for reducing policy conditions in aid programmes	Doesn't call for an end to policy conditions
Calls for reform of the World Bank and IMF voting structure	Doesn't call for fully democratic reform of the International Financial Institutions

Calls for mutual donor-recipient accountability, including independent monitoring mechanisms	
Calls for aid to be untied, predictable, harmonised and aligned with country systems	Doesn't specify how to make this happen
DEBT	
+	-
Calls for up to 100% multilateral debt cancellation	Doesn't specify which criteria should qualify a country for debt relief, or who should enforce them
Proposes a new debt compact for stock and service reduction in all African LICs, including non-HIPCs	Fails to cost this compact
EDUCATION	
+	-
Calls for an annual increase of \$7-8bn in education funding; including \$500m p/a for ten years to build up tertiary education	
Calls for abolition of fees at the basic level; smaller class sizes and a focus on gender equity	
GOVERNANCE AND CORRUPTION	
+	-
Calls for investment in state administrative capacity building	Fails to call for reform of donor technical assistance, which has failed to build sustainable capacity
Calls for parliamentary oversight of development policy and a strong independent media	
Calls for greater Corporate transparency Export Credit reform	Report is vague about how this should be achieved; eschews strong regulation around UN business norms
Calls for repatriation of ill-gotten wealth from G8 banks	Fails to call for effective regulation of money laundering, tax avoidance and evasion through G8 and offshore banks
Calls for ratification of UN Convention against corruption	

For more information:

On **general analysis, aid, debt and education**, contact patrick.watt@actionaid.org or romilly.greenhill@actionaid.org

On **trade and investment**, contact tim.rice@actionaid.org or tom.sharman@actionaid.org

On **HIV & AIDS** contact felicity.daly@actionaid.org

For ActionAid's African Commission for Britain report, visit http://www.actionaid.org.uk/index.asp?page_id=1537