

Merkel's moment

The G8's credibility test
on Africa



EXECUTIVE SUMMARY

The G8 stands at a crossroads: if it pursues a course of ‘business as usual’ at its June summit in Heiligendamm, Germany, its credibility as a serious partner for Africa and other developing countries will be in jeopardy. With the commitments made at the 2005 summit in Gleneagles significantly off-track, and progress towards the UN millennium development goals in Africa stalled or in reverse, G8 leaders meeting in Heiligendamm are confronted by a stark choice.

The G8, chaired by Chancellor Angela Merkel, could use the summit to make a token nod in the direction of the Africa agenda, while glossing over their failure to deliver so far on aid, HIV and AIDS, sustainable investment and climate change. Alternatively, the leaders of the world’s eight richest countries can choose to put their promises back on track, begin to restore public trust in politicians and start to close the yawning gap that exists between rich and poor.

To seize this opportunity, the G8 leaders must agree the following when they meet in Germany:

- A long-term funding plan to reverse the HIV and AIDS pandemic, and close the estimated HIV and AIDS financing gap of \$8-10 billion per year.
- A change to priorities to recognise violence against women and girls as a key cause and consequence of the spread of HIV.
- Annual targets to deliver on the 2005 promise of an extra \$50 billion in aid per year by 2010.
- 100% debt cancellation for a further 45 poor countries.
- Action on sustainable investment to ensure that G8-based companies are held accountable for their activities overseas.
- A science-driven approach to tackle climate change, with year-on-year cuts to G8 carbon emissions, and a start to negotiations on a post-2012 international agreement to ensure poor countries get the technology and resources they need to adapt.

INTRODUCTION

‘We have made clear there will be continuity. We are going to take things up where Gleneagles ended.’

Chancellor Angela Merkel, 24 April 2007¹

For the first time since the G8 summit in Cologne in 1999, Germany has a major opportunity to make its mark on international development. If 1999’s legacy was the beginning of debt cancellation, then 2007’s could be the decision to fully fund the fight against HIV and AIDS. With the global media spotlight on Germany’s Chancellor, Angela Merkel, there is a genuine opportunity to meet past promises to some of the world’s poorest people, and to push for new commitments to combat poverty and injustice, and advance women’s rights.

When leaders from the world’s most powerful economies sit round the table in the coastal resort of Heiligendamm on 6 June, they will discuss the global economy and Africa under the slogan ‘Growth and responsibility’. Africa’s resources are of huge economic and strategic interest to the G8, and to the corporations that exploit them. Yet unless the G8 also works with African countries to address the region’s long-term development needs – combating HIV and AIDS, tackling climate change, and providing the aid and debt relief needed to invest for the future – then the growth and investment agenda risks becoming a modern-day ‘scramble for Africa’.

Rather than evade their responsibility towards Africa, the G8 must use the summit to get back on track with their commitments, at a moment of opportunity and change in the region. The challenges remain enormous: in an age of unprecedented global prosperity and economic integration, it is unacceptable that hundreds of millions of people in Africa are still being excluded from growth and technological progress, often as a direct result of G8 policies. More than 300 million people, two-thirds of them women, live in extreme poverty. Disease, illiteracy and conflict continue to thwart opportunities of a better life.

Yet change is taking place, and the G8 must respond. Across the region, 1.3 million people living with HIV and AIDS now have access to treatment – up from 100,000 in 2003.² Post-conflict reconstruction in Liberia, and the consolidation of democracy in countries such as Ghana, point to

the potential for wider political and economic progress across Africa. To be equitable, development efforts must aim to promote and protect the rights of all people, especially women. To be sustainable, development must be driven domestically, by Africans. But it also needs the ongoing, consistent support and engagement of the international community.

The G8 countries, as the world’s richest (see map 1), have a particular responsibility to promote international development and end poverty. As the chair, Germany has a leading role in shaping this agenda. As a contender for a permanent seat on the UN Security Council, Germany must earn its credentials as a progressive member of the international community.

More importantly, the international community and the G8 in particular must keep their word by providing the international support that Africa needs to overcome poverty. More and better aid is

The public and overseas aid: the view from Germany and the UK

Germany

- 82% say that poverty in developing countries is an important, or very important, issue.
- 72% say it is important, or very important, that the German government keeps its promise to increase aid.

UK

- 74% say that it is important, or very important, for the UK government to increase aid, even if it cannot guarantee that every single penny will be accounted for.
- 57% of those who opposed the UK government’s plans to increase aid would support them if the aid provided by the UK could be fully accounted for and guaranteed to help the poorest.

Sources: Oxfam Germany: http://www.oxfam.de/download/OxfamUmfrage_Entwicklungspolitik2007.pdf; ICM poll for ActionAid: http://www.actionaid.org.uk/doc_lib/poll_summary.pdf

critical to stopping HIV and AIDS, and achieving the other development goals. But aid by itself is not enough. Angela Merkel is right to note that “public aid alone will not lead to sustainable development in Africa”,³ but this does not mean that foreign investment is a magic bullet, either. Both aid and investment have to be accompanied by changes to rich countries’ own policies and practices, including genuinely pro-development trade and investment regimes, the provision of aid and debt relief without harmful strings, and agreement on measures to mitigate climate change and help countries adapt to it.

The G8 summit will be a critical test of whether rich-world leaders will rise to this challenge. If they fail to do so, it will damage the G8’s claim to be a serious political and economic partner to Africa, at a time when the role and influence of China and other non-G8 countries in the region are growing rapidly. After millions of citizens, north and south, campaigned for action on Africa in 2005, a failure to act also risks contributing to growing cynicism about the willingness of politicians to respond to the public’s priorities.

Poverty is a human rights violation

Poverty is a violation of human rights. Poor women and men may be, for example, hungry (denied the right to food), illiterate (denied the right to education) and sick (denied the right to healthcare). The systematic denial of women’s rights around the world, which cross-cuts all other rights violations, means that women are particularly likely to be poor and excluded. Governments, north and south, have a responsibility to ensure that poor women and men can realise their rights by ending actions that sustain poverty, and promoting activities that will eliminate it.

Ending poverty requires local, national and international action:

- Local communities need to be empowered to gain access to the resources and opportunities necessary to overcome barriers to prosperity.

- National governments must ensure basic services are provided to their citizens, create an economic environment that provides decent jobs, and protect their citizens, especially women and girls, from violence.
- Rich countries must provide the resources that spur development and push for fair international rules with developing countries to make it pro-poor and sustainable.

Countries are only likely to make a significant impact on poverty when all three dimensions are working in harmony.

Map 1: The richest (fattest) countries of the world and the poorest (thinnest)⁴



HIV AND AIDS

What the G8 promised in 2005

- To ensure that everyone in the world who is HIV positive gets the treatment they need by 2010.
- To aim for an AIDS-free generation in Africa through a comprehensive package of measures including prevention, treatment and care.

What we want now

- A long-term funding plan to reverse the pandemic and close the estimated HIV and AIDS financing gap of \$8-10 billion per year.
- Changes to donor and national priorities to ensure women's needs are addressed across all policies and programmes.

In July 2005 the G8 agreed to a target of universal access to treatment for HIV and AIDS by 2010. Crucially they also committed "to meet the financing needs for HIV and AIDS".⁸

In September 2005 at the UN World Summit, all UN members signed up to the G8's commitment.⁹ In 2006 the UN General Assembly expanded the 2010 target to include universal access to comprehensive prevention services and care, as well as effective treatment. It also committed all UN member states to set ambitious interim targets for 2008. All G8 members signed up to this.

If 2005 was about setting a goal for universal access to treatment and a comprehensive response to HIV and AIDS, 2007 is the final opportunity for action if the 2010 target is to be met. The German government has recognised this by putting the strengthening of African health systems and HIV and AIDS firmly on the summit agenda. But unless the G8 countries are willing to commit new financial resources to treating people living with HIV and AIDS then the summit means nothing to the 40 million people with the virus.

Reaching the 2010 goal requires action by both rich and poor countries, with the G8 giving full backing to developing countries' plans. With women and girls making up 59% of people living with HIV and bearing a disproportionate burden of care in sub-Saharan Africa, focusing on the barriers to women getting the services and support they need to both prevent the spread of HIV and AIDS and access treatment is vital. These barriers include weak sexual and reproductive health and legal services, poor sex education, a lack of safe and consent-based testing, and poor access to affordable female-controlled prevention methods.

Measures to combat HIV and AIDS must respond more effectively to the needs of women and girls, in particular by recognising that violence against women and girls is a key cause of the feminisation of the HIV pandemic and its spread. Violence against women is also a consequence of HIV infection, because HIV-positive women face stigma and discrimination from their families and communities. Addressing this vicious and deadly cycle will require donors and governments to work together to change policies, and ensure adequate resources for programmes that address these issues.

5.2 million

5.2 million people worldwide currently need treatment for HIV and AIDS but aren't receiving it.⁶

59%

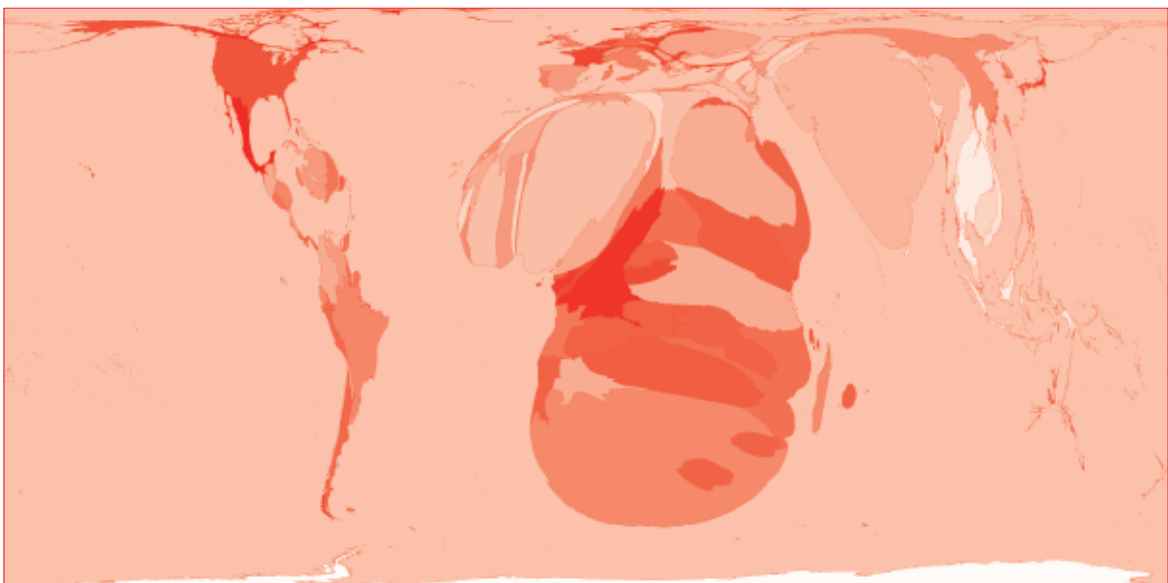
59% of people living with HIV and AIDS in sub-Saharan Africa are women and girls.⁷

Map 2: Countries who spend the most on health (fattest are countries with highest absolute levels of public health spending; thinnest are countries with lowest levels)



Public health spending (per capita), 2004: www.worldmapper.org/display.php?selected=213

Map 3: Countries worst affected by HIV and AIDS (fattest are countries with the largest number of HIV-positive people; thinnest are countries with the smallest number of HIV-positive people)⁵



30%

As many as 30% of women in a ten-country study said that their first sexual experience was coerced.¹⁰

HIV and AIDS in Kenya

In Kenya, the number of people affected by HIV and AIDS remains high. An estimated 1.3 million people are HIV positive, more than half are women, and in some cities the HIV prevalence among drug users exceeds 50%. However, signs exist that suggest Kenya's response to its HIV and AIDS epidemic is effective. For example, more people are using condoms and almost 20% of the population in need of ART are receiving it.

In 2005, the Kenyan government agreed the National HIV/AIDS Strategic Plan (KNASP) 2005/6 – 2009/10, and in 2006 revised its targets. In this plan, the government sets out its ambitions for, among other things, 90% of HIV-positive pregnant women to receive ART, and for 75% of people living with HIV to receive nutritional care packages by 2010.

To meet these targets the Kenyan government plans to increase its own spending on HIV and AIDS. However, to a large extent its hands are tied by the burden of the conditions attached to debt relief, and harmful economic reforms requested by the IMF. For example, Kenya has a total external debt burden of \$6.8 billion, £20 million of which is owed to the UK. It gives \$364 million each year in debt payments to the rich world yet spends on little more than that on healthcare – \$430 million per year on average. Despite the clear urgency of increasing investment in basic social services and infrastructure, the Kenyan government agreed with the IMF to a low overall deficit (1.5% of GDP) which will limit health spending, and has agreed to a freeze on employing new teachers, even though 340,000 children could not be admitted to secondary school in 2005 because of a shortage of places.

‘[We] commit ourselves to setting, in 2006, through inclusive, transparent processes, ambitious national targets, including interim targets for 2008... that reflect... the urgent need to scale-up significantly towards the goal of universal access to comprehensive prevention programmes, treatment, care and support by 2010.’

UN General Assembly Political Declaration on HIV and AIDS, 2006¹¹

Developing-country governments are already working with UNAIDS to draw up national ‘road maps’ to universal access. As of March 2007, more than 30 countries have developed such plans and 16 of these are fully costed, including those from Kenya, Zambia, Burundi, Chad, Ghana, Sierra Leone and Mali. These 16 countries have calculated how much money is needed to reach the targets and how far they fall short of the necessary funds. They need at least \$1.5 billion from international donors immediately.

Globally UNAIDS estimates that the gap between what is currently available and what is needed to combat HIV and AIDS is \$8.1 billion in 2007, rising to \$10 billion per annum thereafter until 2010. A donor funding plan, led by the G8, is essential to fill this funding gap effectively. It would also create incentives for developing countries to put in place adequate plans that cover the spectrum of interventions from prevention to treatment. A funding plan will be most effective if it scales-up existing funding mechanisms, such as the Global

70%

The G8 must finance 70% of the global resource needs for HIV and AIDS.

Fund to fight AIDS, TB and Malaria, rather than by proliferating new, poorly coordinated activities.

The HIV and AIDS pandemic was declared a threat to human security by the UN Security Council in July 2000 but the world hasn't done enough in the war against AIDS.¹² The amount needed to fight HIV and AIDS might look huge, but compared to other threats to security, an extra \$10 billion a year

is a small price to pay for longer and healthier lives for millions of people. The costs of not investing in the future of Africa are far higher: declining economic growth and food stocks, weaker public services as key workers such as teachers and doctors die, and population flight to already overcrowded countries as citizens flee failing states and markets.

What the G8 summit communiqué must say

- We will draw up a funding plan, reflecting our fair share – 70% of the global finance needs for HIV and AIDS – to fund a comprehensive and predictable response to the AIDS pandemic, in line with the globally-agreed targets of universal access to HIV prevention, treatment, care and support programmes by 2010.
- We will ensure that the external funding gap for the 16 countries that already have UNAIDS-supported comprehensive national plans is plugged, and commit ourselves to meeting countries' external finance needs as they develop national HIV and AIDS plans, including fully funding the Global Fund to fight AIDS, TB and Malaria.
- We recognise that violence against women and girls is a key cause and consequence of the feminisation of HIV, and we are committed to providing resources to address the links between these twin pandemics through our policies and programmes.

AID AND DEBT

“Unless we step up our efforts... we will not make the [Gleneagles summit] target.”

Kofi Annan, former UN Secretary-General, 24 April 2007¹³

What the G8 promised in 2005

- \$50 billion extra a year in aid by 2010 – \$36 billion of this from G8 countries themselves.
- That poor countries would be able to choose their own development policies.
- 100% cancellation of the debts owed by 22 of the poorest countries to the International Monetary Fund, World Bank and African Development Fund.

What we want now

- The \$8 billion that the G8 owes poor countries from 2006 alone, and annual aid targets to ensure that the rest of the money arrives on time.
- 100% debt cancellation extended to a further 45 poor countries.
- An end to the practice of G8 countries attaching economic policy conditions to aid and debt relief.

In 2005, G8 leaders promised that aid would increase by \$50 billion per year by 2010. Of this, the G8 themselves would increase aid by some \$36 billion, while other donors would provide the remaining \$14 billion.

While these headline figures may sound generous, the devil is in the detail. Under current rules, donors are allowed to include debt cancellation as part of their aid contribution. But this exaggerates donor generosity, particularly as debt stock cancellation does not generally result in a dollar-for-dollar transfer of resources to poor countries. It also means that it is effectively other poor countries – not donors – who pay the cost of debt cancellation in the form of reduced aid. NGOs are therefore calling on G8 donors to meet the \$50 billion target without including debt relief as part of their aid.

Both increased aid volumes and substantial debt cancellation are required to meet the millennium

development goals. In Monterrey in 2002 donors recognised the importance of ensuring “that resources provided for debt relief do not detract from ODA resources intended to be available for developing countries”.¹⁴

This means that aid (excluding debt relief) from G8 countries will have to rise to \$40 billion a year by 2010, or rise by an average of approximately 10% per year.

The 2005 G8 communiqué also agreed that poor countries should take the lead on development, and in particular that they should “decide, plan and sequence their economic policies to fit with their own development strategies”. If implemented, this requires radical changes to the current use of conditionality by the G8 and the donor agencies they fund, such as the World Bank.

\$8 billion

The 'aid gap' between what the G8 should have provided and what they actually gave in 2006 alone.

Where the extra \$50 billion will come from

“On the basis of donor commitments and other relevant factors, the OECD estimates that official development assistance from the G8 and other donors to all developing countries will now increase by around \$50 billion a year by 2010, compared to 2004.”

Gleneagles communiqué – Africa, paragraph 28.

- “The EU has pledged to give 0.7% of its national income in aid by 2015, with an interim collective target of 0.56% by 2010. The EU will nearly double its aid between 2004 and 2010 from €34.5 billion to €67 billion. At least 50% of this increase should go to sub-Saharan Africa.”
- “Germany has undertaken to give 0.51% of its national income as aid by 2010, and 0.7% in 2015.”
- “Italy has undertaken to give 0.51% of its national income as aid by 2010 and 0.7% in 2015.”
- “France has announced a timetable to reach a 0.5% aid/national income target in 2007, of which two-thirds is for Africa, representing at least a doubling of ODA since 2000. France has committed to giving 0.7% of national income as aid by 2012.”
- “The UK has announced a timetable to give 0.7% of its national income in aid by 2013. It has committed to double its bilateral spending in Africa between 2003/04 and 2007/08.”
- “The US proposes to double aid to Sub-Saharan Africa between 2004 and 2010. It has launched the Millennium Challenge Account, with the aim of providing up to \$5 billion a year, the \$15 billion Emergency Plan for AIDS Relief, an initiative to address Humanitarian Emergencies in Africa of more than \$2 billion in 2005, and a new \$1.2 billion malaria initiative. The US will continue to work to prevent and mitigate conflict, including through the 5-year, \$660 million Global Peace Operations Initiative.”
- “Japan intends to increase its ODA volume by \$10 billion in aggregate over the next five years. Japan has committed to double its ODA to Africa over the next three years and launched the \$5 billion Health and Development Initiative over the next five years. For the Enhanced Private Sector Assistance (EPSA) for Africa facility, Japan will provide more than \$1 billion over 5 years in partnership with the African Development Bank.”
- “Canada will double its international assistance from 2001 to 2010, with assistance to Africa doubling from 2003/4 to 2008/9. As well, the 2005 Budget provided an additional C\$342 million to fight diseases that mainly afflict Africa. The C\$200 million Canada Investment Fund for Africa, will provide public-private risk capital for private investments and Canada will provide C\$190 million to support the AU’s efforts in Darfur, as well as C\$90 million for humanitarian needs.”

Gleneagles Communiqué – Africa, Annex II

What the G8 laggards owe poor countries in unpaid aid for 2006 alone:

France
\$1.9 billion

Italy
\$1.8 billion

Aid from G8 donors will need to increase steadily to meet the 2010 targets. To do this, donors would need to have provided \$64.4 billion in aid in 2006 (at 2004 US\$ value) not including debt relief. **But in reality, once debt relief is stripped out, G8 donors provided only \$56.5 billion in 2006, leaving and 'aid gap' of nearly \$8 billion between what donors should have provided and what they actually gave.**

As the table below shows, France, Germany and Italy account for most of this 'aid gap', collectively falling short by some \$5.4 billion dollars. Italy actually saw reductions in aid between 2004 and 2006 once debt relief is stripped out, while French

and German aid was stagnant. Japan and the US also have relatively stagnant aid levels; these countries only remain closer to the target levels by starting with less ambitious pledges for 2010. Canada has seen some aid increases and is on track for 2010, but again, this is largely because of its unambitious aid targets. The UK is the only G8 country to perform well, with aid increases since 2004 of more than 20%, even excluding debt relief. However, even the UK needs to step up its efforts if it is to meet the 2010 targets without inflating its aid.

G8 performance in meeting commitments

G8 country	2008 aid required to meet Gleneagles G8 commitments (2004 US\$ rate) – excluding debt relief	Actual 2006 delivery (2004 US\$ rate) – excluding debt relief	Aid 'gap'
Canada	\$2.9bn	\$2.9bn	\$0bn
France	\$8.6bn	\$6.6bn	\$1.9bn
Germany	\$9.1bn	\$7.4bn	\$1.7bn
Italy	\$3.7bn	\$1.9bn	\$1.8bn
Japan	\$9.6bn	\$8.9bn	\$0.7bn
UK	\$9bn	\$8.7bn	\$0.3bn
US	\$20.7bn	\$20bn	\$0.7bn
Total G7	\$64.4bn	\$56.5bn	\$7.8bn

Note: Russia is not a member of the OECD Development Assistance Committee – it does not provide Official Development Assistance.

The G8's performance on conditionality has been similarly woeful. Again, with the notable exception of the UK, no G8 country has pushed for changes in donor practice to ensure that countries have more space to define their own development paths.

The World Bank's Good Practice Principles on conditionality are a small step in the right direction, but the principles needed to be substantially strengthened, and more done to ensure they are implemented.

Germany

\$1.7 billion

Paying the price for the aid gap: people living with HIV and AIDS in Sierra Leone

The aid gap has immense implications for countries beset by development problems, particularly those faced with such damaging epidemics as HIV and AIDS.

Sierra Leone is the second poorest country in the world and is recovering from a brutal civil war.¹⁵ It also has 48,000 people living with HIV and AIDS. With very high levels of sexual violence it is perhaps not surprising that 26,000 (54%) of those infected are women.¹⁶ Provision for treatment is extremely low with just 2% of HIV-positive adults having access to anti-retroviral therapy.

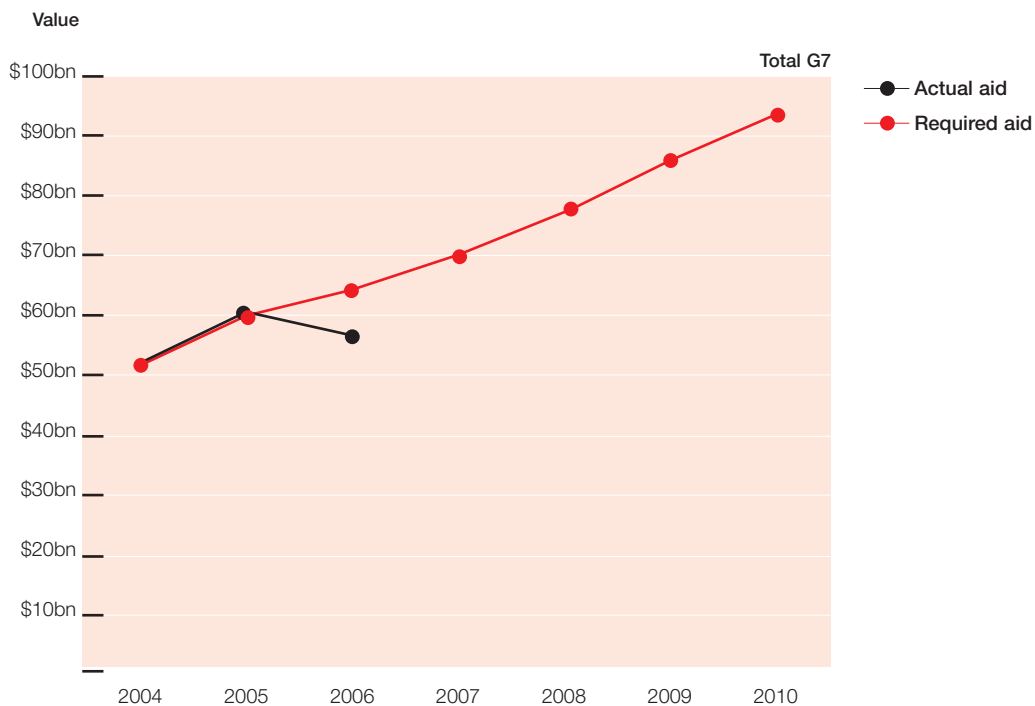
Sierra Leone has a comprehensive national plan to tackle its HIV and AIDS problem, and in 2006, the Sierra Leonean government set out a range of targets to curb the epidemic. These include 80% of people in need of anti-retroviral therapy receiving it, and at least 40% of people reporting using condoms. Working with local women's groups, the government has also launched a campaign to combat violence against women, highlighting the links between such violence and the HIV pandemic.¹⁷

To reach these targets, the Sierra Leonean government aims to spend 15% of its national budget on health by 2010, as agreed to in the Abuja declaration by African heads of state.¹⁸ Yet despite these efforts, there is currently a funding gap of approximately \$45 million for HIV and AIDS, which the donor community needs to fill. Despite this urgent need, Sierra Leone has continued to service substantial international debts, taking money away from basic health and education services. And where donor governments have given aid to Sierra Leone, much of it has been of poor quality: short-term fixes and ineffective and unfair conditions have reduced its impact on the lives of poor women and men.

Cancellation of some of Sierra Leone's debts was finally agreed just a few months ago in December 2006, but even after this, its government is still left with total debts of over \$100 million.

Sierra Leone is a prime candidate for more, real aid from the G8. Long-term, predictable aid, and complete debt cancellation would give its government the resources it needs to make a real difference to people's lives, particularly those living with HIV and AIDS.

Aid pledges: where the G8 is heading



What the G8 summit communiqué must say

- We have reconfirmed that a substantial increase in official development assistance is required in order to achieve the internationally agreed development goals and objectives. We note with concern that aid levels from some G8 countries have fallen over the past two years. We have therefore each agreed to publish annual targets for official development assistance (ODA) as we increase aid in order to meet our 2005 target of an extra \$50 billion a year by 2010, compared to 2004 figures.
- We are determined to ensure that increases in ODA result in real cash spending on development in the poorest countries. We have therefore agreed that debt cancellation will no longer be counted as part of ODA and will not contribute towards our progress towards the 2010 aid targets.
- We recognise that further debt cancellation is required. The G8 has agreed a proposal to cancel 100% of outstanding debts of all International Development Association-only countries without economic policy conditions attached. We also agree to be subject to an audit of all unpayable and illegitimate debts prior to agreeing their cancellation.

SUSTAINABLE INVESTMENT

What the G8 promised in 2005

- To encourage best practice in responsible investment in Africa.²²

What we want now

- Action to hold G8-based companies accountable for their investment and supply-chain activities overseas.

Germany has made sustainable investment a key theme for the G8 summit's global economy discussions and its Africa agenda, with G8 countries citing private enterprise as a prime engine of growth and development in the region. The Extractive Industries Transparency Initiative (see box), and the 'social dimensions of globalisation' are two areas where the G8 will focus their attention.

At one level, this discussion could be a positive opportunity for Africa. The region suffers from under-investment, and both local and international companies can spur growth, create new livelihoods for poor women and men and generate taxes for the state to provide public goods. But the region's experience of investment attests to the fact

that the gains are not automatic. Most foreign investment in Africa has been highly concentrated in a few sectors and countries, has had limited backward linkages to the domestic economy and weak revenue effects, and has often carried an extremely high social and environmental cost.

Too often, corporate activity in Africa has been anti-development and has excluded poor people from viable economic opportunities. One key factor is that across much of Africa there is a 'regulatory gap', where national laws that should protect people from irresponsible business behaviour are either weak, ignored or poorly enforced. At the same time, governments under pressure to attract

Using the Extractive Industries Transparency Initiative (EITI) to strengthen corporate accountability in Africa

The German government has placed the Extractive Industries Transparency Initiative at the top of its discussion on corporate accountability, and is pressing for other countries – especially China, with its growing investment in resource extraction in Africa – to sign up. At present, the EITI is too limited in reach and has too few regulatory teeth to be truly effective in combating corporate corruption and negative social and environmental impacts. But there is the potential at Heiligendamm for the G8 to make it a far more effective mechanism. Four key changes are needed:

- Extend the EITI to all companies and all relevant countries.
- Independent monitoring bodies need to be properly constituted and audited.
- Payments and revenues should be subject to independent audit, and all payments by companies to governments regularly published.
- Civil society should be actively involved in monitoring and evaluation, with a focus on the gender-related impact of companies operating in the extractives sector.

The G8 should commit funding to these elements of the initiative, and identify options for rolling it out to other sectors such as agribusiness.

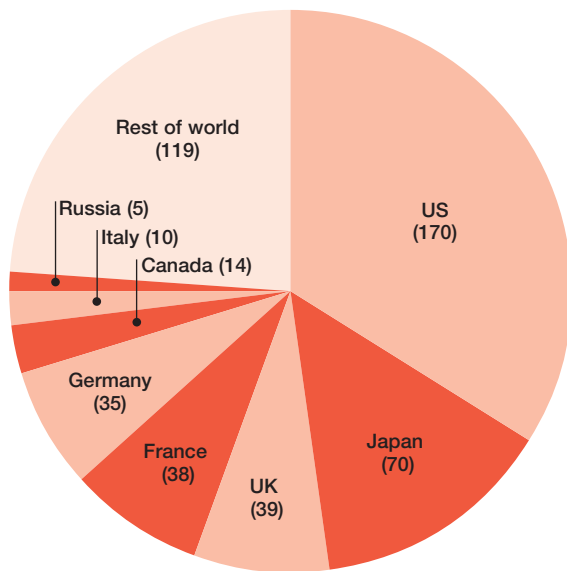
381

The G8 countries are home to 381 of the 500 biggest companies in the world (76%).¹⁹

0

The number of the 500 biggest companies in the world with their headquarters in Africa.²⁰

The home of big business (out of 500)



foreign investors have often been prepared either to ignore or weaken the protection of the environment, or people's economic and social rights, in order to appear business-friendly.

The upshot has been a catalogue of corporate abuse involving foreign companies, many of them domiciled in the G8, that have engaged in activities that would not be tolerated in their home countries. For example, ActionAid's investigation into the suppliers of UK-based supermarket Tesco in South Africa found women fruit pickers were paid poverty wages, faced hunger and discrimination, were trapped in dismal housing and were sometimes exposed to hazardous pesticides. Many women were forced to take part-time and casual work and were denied all their health and employment benefits.²³ Whether they know it or not, the giant profits of UK supermarkets are based on the exploitation of women workers. Similarly, ActionAid has documented serious pollution problems and instances of human rights abuses in southern Ghana, linked to the gold mining operations of AngloGold-Ashanti, which UK-registered company Anglo American partly owns (see box on corporate wrongs).²⁴

While G8 countries can and must work to support more effective, transparent and predictable regulation by African governments, they also have a responsibility to show leadership by regulating

Corporate wrongs in Ghana – the case of AngloGold Ashanti

As the price of gold dips from near-record levels on world markets, ActionAid research shows that poor women and men in Obuasi in Ghana are suffering huge social and environmental costs, and alleged human rights abuses. These have resulted from the gold-mining practices of a subsidiary of UK-listed mining giant Anglo American.

Investigations highlight how rivers and streams have been polluted with arsenic, iron, manganese and heavy metals from past gold-mining activities by Anglo American's subsidiary, AngloGold Ashanti, and its predecessor, Ashanti Goldfields Corporation.

Previously used by thousands of villagers for drinking water, fishing and irrigation, dozens of rivers are now unusable. "All the fish are dead," said local resident Dwawe Hapah, pointing out toxic sludge floating in the stream that flows through his village and was once its main source of drinking water.

Local residents claim that new cases of serious water pollution and flooding are still occurring, and that alternative sources of water provided by AngloGold Ashanti, such as public standpipes, are dangerously contaminated, broken or obsolete.

Large areas of land in Obuasi previously used for cultivation are believed to have been contaminated through toxic water pollution. Many smallholder farmers say their livelihoods have been destroyed.

7 out of 500

There are only 7 women CEOs in the top 500 global companies (1.4%).²¹

60 – 90%

Women make up 60% to 90% of the clothing and fresh produce workforce in developing countries.

the activities of their multinational companies more effectively. Germany has made a welcome start by using its G8 presidency to seek common international standards for companies involved in extracting energy resources from countries in – or emerging from – conflict. The strengthening of mechanisms such as the OECD Guidelines and the Extractive Industries Transparency Initiative would also help to make multinational companies more accountable for their actions overseas.

But by themselves, these measures would still form no more than a patchwork response to ensuring corporate accountability. There is no substitute for binding standards at the national and international levels to ensure G8 companies investing in Africa and elsewhere respect human rights and environmental standards. One encouraging development is the passage into law of the UK's Companies act in late 2006. For the first time, listed British companies will, under the act, be required to report annually on their social and environmental impacts overseas, and those of their supply chains. Company directors have a new legal duty to consider the impacts of their business operations on the community and the environment wherever they work. Other rich countries should

draw on this precedent and commit at the G8 to adopting similar legal measures to help ensure sustainable growth and responsible foreign investment in Africa.

Finally, G8 countries must recognise the urgent need for clearly defined international human rights standards for companies. A recent report by the UN Special Representative on Business and Human Rights, Professor John Ruggie, states that a “fundamental institutional misalignment” exists between the scope and impact of economic actors on the one hand, and the capacity of states to manage their adverse consequences on the other. This asymmetry “creates the permissive environment within which blameworthy acts by corporations may occur without adequate sanctioning or reparation”.²⁵ G8 countries should use their discussions in Heiligendamm to commit to filling these accountability gaps, and commit to continue working within the UN process to ensure that it results in a regulatory framework that supports sustainable investment. As a first step, the G8 should commit themselves in the communiqué to the Optional Protocol of the International Covenant on Economic, Social and Cultural rights.

What the G8 summit communiqué must say

- We have agreed that efforts to increase the quantity of private investment going into Africa through initiatives such as the Investment Climate Facility are matched by equivalent efforts to increase the quality of that investment. In order to improve business transparency we have agreed to introduce measures that will require companies headquartered in G8 countries to report annually on the impacts of their activities on workers, suppliers, communities and the environment overseas.
- We have also agreed to introduce measures that will ensure that company directors are legally accountable for their companies' impact. We agree to strengthen the OECD guidelines for multinational companies, including adequately resourcing national contact points to enable them to act swiftly against companies found to be in breach.
- We recognise that further action in this area requires wider international agreement, so we have agreed to support the Optional Protocol of the International Covenant on Economic, Social and Cultural Rights. This will be the first step towards the creation of an international mechanism to ensure that all companies comply with internationally agreed human rights standards.

CLIMATE CHANGE

What the G8 promised in 2005

- Urgent action to prevent dangerous climate change.

What we want now

- Year-on-year cuts to G8 carbon emissions.
- G8 backing for a new global agreement to prevent dangerous climate change.
- Technology and resources to help developing countries adapt to the impacts of climate change.

Without urgent action by political leaders, climate change threatens to roll-back the development gains of recent decades, and thwart future efforts. If global temperatures rise 2°C above pre-industrial levels, we can expect dangerous and unpredictable weather on an unprecedented scale. Development efforts risk becoming increasingly humanitarian interventions that attempt to minimise large-scale human disasters. Floods, droughts and hurricanes will intensify, new environmental refugees will flee their homes, and the struggle for basic resources, such as water, could end in conflict and war.

Climate change is a present as well as a future challenge. Already, its effects are being felt by some of the world's poorest and most vulnerable people, through desertification, drought, erratic rainfall and flooding. The price is paid in hunger, water scarcity and forced migration. The bitter irony is that those who have done least to contribute to global warming – poor women and men – will be affected first and worst. Among poor people, women are disproportionately likely to be affected, because of their greater economic insecurity in areas such as land tenure and access to credit and savings.

The world's richest countries have industrialised on the basis of dirty development, but the world cannot afford either for them to continue in this way, or for poor countries to follow the same path. The economies of the future will have to be greener in order to survive. As a group of countries responsible for the most carbon emissions, and with the greatest technological capacity, the G8 has a particular responsibility to lead by example, and support developing-country efforts to plot a

low-carbon path to development.

Having recognised climate change as a major international problem, the world's richest countries must now take decisive action to halt it, and not attempt to pass the buck to India and China. Germany appears to recognise this and has put climate change at the heart of G8 discussions on growth and responsibility in the global economy. Chancellor Angela Merkel herself has a special interest in taking effective action to tackle climate change – as environment minister she led Germany's negotiations at the Kyoto Protocol agreements in 1997.

Worryingly, a number of G8 and EU countries are failing to cut carbon emissions either far or fast enough. In the UK, despite the importance the government has given to the *Stern Review on the Economics of Climate Change*, carbon emissions have risen for three years in a row.²⁶ The US continues to oppose the Kyoto Protocol and its emissions have risen to a staggering 15% above 1990 levels.²⁷ Within the EU, Austria, Belgium, Denmark, Ireland, Italy, Portugal and Spain are all projected to miss their modest Kyoto targets.²⁸

A post-2012 international framework to cut carbon emissions is an essential element in securing a global solution to a global problem, and the work must begin at the UN climate change talks in Bali later this year. Politicians must be driven by the latest science – global warming must be kept at less than 2°C above pre-industrial levels. Cuts to carbon emissions must reflect this and reduce global emissions by at least 80% from 1990 levels by 2050.

\$41 billion a year

World Bank upper estimate for the costs for developing countries to adapt to climate change.³⁰

A changing climate in Malawi

Malawi is an extremely poor country facing and AIDS epidemic, chronic malnutrition, declining soil fertility, shortages of land and inadequate agricultural policies. About 6.3 million Malawians live below the poverty line, the majority in rural areas, with more than 90% relying on rain-fed subsistence farming to survive. Evidence strongly suggests that increased droughts and floods may be exacerbating poverty levels,

leaving many rural farmers trapped in a cycle of poverty and vulnerability.

The situation in Malawi illustrates the drastic increases in hunger and food insecurity being caused by global warming worldwide. UN scientists warned in 2005 that one in six countries is facing food shortages because of severe droughts that could become semi-permanent.

Map 4: Countries with the largest carbon emissions (fattest are countries with the most carbon emissions; thinnest are countries with the least)²⁹



The difficulty and time needed to construct a fair and equitable global framework should not preclude national action to cut carbon emissions today. G8 countries should lead by example and set an annual 'carbon budget' similar to an annual financial budget, with year-on-year cuts to carbon emissions. All sectors of society would have to contribute to keeping within this budget, and allocations would therefore probably be made sector by sector. The carbon budget would be given similar political importance to the financial budget, with all government departments having a role to play in keeping emissions within the limits set.

Action at home must be matched by commitments abroad. G8 countries continue to underfund initiatives to help poor countries to adapt to the level of climate change that has already happened and cannot be reversed. Governments have failed to take disaster risk into account when drawing up their development policies and programmes. The result has been high costs in human and economic terms when disaster strikes.

What the G8 summit communiqué must say

- We recognise the urgent need for a new global agreement on climate change that will keep global warming at less than 2°C above pre-industrial levels, while safeguarding sustainable development in poor countries.
- We call for the launch of a negotiating mandate on a post-2012 agreement at the UN Framework Convention on Change Conference COP/MOP in Bali in December 2007. This new agreement must significantly reduce the risk of global warming exceeding 2°C and must respect the right of countries that are not yet industrialised to develop. The new agreement must be concluded by 2008 so that it can come into force in time to ensure that there is no gap after the current Kyoto Protocol commitment period ends in 2012.
- Poor women and men will suffer most from climate change while they have contributed least to the problem. We acknowledge that G8 countries have the greatest responsibility in acting to avert dangerous climate change. We recognise the need to reduce our collective emissions by at least 80% from 1990 levels by 2050.
- We commit to ensuring that sufficient resources are made available to help developing countries to develop sustainable, low-carbon economies and to adapt to the impacts of climate change, in addition to our existing commitments to increase aid.

CONCLUSION

The G8 summit discussion in Heiligendamm on growth and responsibility comes at a critical point. Action now can get the G8 back on track with its existing promises, and take forward the agenda in previously neglected areas. Failure to do this will make reaching the millennium development goals an uphill struggle for much of sub-Saharan Africa.

German leadership can be decisive in making a difference to the 300 million people in Africa living on less than a dollar a day. Specific measures are needed in four key areas.

- The G8 must put money behind its fine words about HIV and AIDS. The G8 must agree a long-term funding plan to reverse the pandemic and close the estimated HIV and AIDS financing gap of \$8-10 billion per year. The G8 must also recognise violence against women and girls as a key cause and consequence of the spread of HIV, and reflect this in all its policies and programmes.
- The G8 must implement its 2005 promises to increase aid by \$50 billion a year by 2010. The data shows that the G8 as a whole was \$8 billion short of meeting its 2006 commitments. If it is to get back on track, every G8 member must now set annual aid targets on the road to 2010, cancel the debts of a further 45 poor countries, agree to end the practice of counting debt relief as aid and stop attaching economic policy conditions to its disbursement.
- For truly responsible economic growth, the G8 must take action to hold G8-based companies accountable for their activities overseas. Companies must be required to report annually on the impact of their businesses on workers, suppliers, communities and the environment. Company directors must be held legally accountable for their companies' impact overseas. The G8 must take the first step towards the creation of an international mechanism to ensure that all companies comply with internationally agreed human rights standards.
- World leaders must take the urgent action that their impassioned rhetoric on climate change demands. They must agree to start negotiations on a post-2012 agreement at the UN climate change talks in Bali later this year. They must ensure that their policies are driven by the latest science and agree to keep global warming at less than 2°C above pre-industrial levels. They must begin to cut carbon emissions year-on-year in order to reduce them by 80% from 1990 levels by 2050. And they must also ensure that poor countries get the technology and resources they need to develop low-carbon economies and to adapt to the impacts of climate change. These must be in addition to existing commitments to increase aid.

This is what a true agenda for growth and responsibility looks like.

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