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Gleneagles G8 commitments on debt relief and aid – two years on

At the Gleneagles G8 Summit in July 2005, G8 leaders made commitments to increase foreign aid and provide debt relief, recognising that without such commitments the Millennium Development Goals, aimed at reducing poverty and improving lives throughout the developing world, would not be achieved.

This paper provides some background and a description of the financing commitments made at the Gleneagles G8 Summit. It then looks at the extent to which G8 members are meeting their commitments to increase aid and provide debt relief. The UK's progress in meeting its own commitments is then examined. The paper also includes a brief assessment of the aid activities of non-G8 countries, and concludes with a look ahead to the G8 Summit in Germany in June 2007.

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Summary of main points

The Millennium Development Goals (MDGs), agreed to at the UN Millennium Summit in 2000, established a series of targets aimed at reducing poverty and improving lives throughout the developing world. There was a broad recognition in subsequent years that, without debt relief and increases in Official Development Assistance (ODA), the MDGs would not be achieved. The Gleneagles G8 Summit convened in July 2005 amidst high expectations that commitments should be made to assist developing countries and in particular, to address poverty in Africa. Debt relief and ODA were prominent Gleneagles Summit issues, and along with G8 commitments on other issues, the Gleneagles communiqué yielded a number of specific financing commitments.

In the Gleneagles communiqué, the G8 agreed to increase aid to Africa by \$25 billion per year by 2010, increase aid to all developing countries by \$50 billion per year by 2010, and cancel 100% of debts for eligible Heavily Indebted Poor Countries (HIPCs) to the International Monetary Fund (IMF), the World Bank and the African Development Fund (ADF). In addition, each G8 country made specific aid commitments. The UK, for example, committed to increase ODA to 0.7% of gross national income (GNI) by 2013 and double bilateral spending in Africa between 2003/04 and 2007/08.

There has been good progress toward meeting the debt relief commitments of the Gleneagles G8 Summit. The Multilateral Debt Relief Initiative (MDRI) has led to the cancellation of all eligible debts for 22 countries to date (18 in Africa). Another eight HIPCs have received debt relief in the form of reductions to debt service payments, and an additional 10 countries are considered eligible for debt relief. The IMF extended debt relief beyond the HIPC programme for countries with low per capita annual income (less than \$380) and outstanding debt to the IMF. As of March 2007, the IMF had delivered debt relief to 24 countries, while an additional 19 countries remain eligible. The ADF has also been providing debt relief, and the Inter-American Development Bank, although not originally included in the Gleneagles commitments, decided in early 2007 to provide debt relief to the five HIPCs in the western hemisphere.

The progress on ODA has been mixed. While international aid levels are higher than they were prior to the 2005 G8 Summit, aid increases do not appear to be enough to meet the Gleneagles commitments for 2010, putting the ability to reach the Millennium Development Goals into question. Total ODA from the G7 countries increased from \$58 billion in 2004 to \$80 billion in 2005, but declined to \$75 billion in 2006. The goal of increasing annual ODA by \$50 million by 2010 will require a much larger increase in aid expenditure than has been delivered to date. Similarly, overseas aid to Africa from the G8 must increase substantially in order to meet the commitment of increasing annual aid to the continent by \$25 billion per year by 2010.

In addition, the OECD reports that much of the increase in ODA in 2005 was attributable to debt relief. The practice of counting debt relief as aid expenditure is controversial. Critics of the practice believe that while debt relief is important, it must not be provided at the expense of overseas aid. If debt relief is excluded from the OECD aid figures, ODA from the OECD's Development Assistance Committee (DAC) members decreased by 1.8% in 2006.

The European participants in the G8 Summit each made commitments regarding the portion of GNI that would be given to overseas aid. Each committed to achieving ODA levels of 0.7% of GNI by as early as 2012 (France) or as late as 2015 (the EU as a whole, Italy and Germany). The UK and France are reasonably on-target to meet their commitments. Germany and Italy, on the other hand, have much further to go.

The UK has made good progress in meeting the Gleneagles commitments. The UK has exceeded its debt relief commitment by cancelling 100% of all bilateral debts for HIPCs that qualified for debt relief under the MDRI, in addition to the debt relief provided by the IMF, World Bank and ADF. The UK also extended debt relief to low-income countries and qualifying lower-middle income countries.

Similarly, the UK has increased absolute amounts of aid as well as aid contributions relative to GNI. In 2006, the UK's ODA was £6.85 billion, or 0.52% of GNI. While the 2006 aid figure reflects a short-term increase attributed to debt relief for Nigeria, if ODA levels continue to increase despite the expected decrease in debt relief, the UK should be on track to meet the 0.7% target by 2013. The *International Development (Reporting and Transparency) Act 2006* requires the Government to report on progress towards meeting this target.

The UK also committed to double bilateral spending in Africa between 2003/04 and 2007/08. Between 2004 and 2005, UK ODA to Africa increased from £1.3 billion to £2.1 billion (an increase of almost 60%). Assuming aid expenditure continues to increase at this rate, the UK is on track to meeting its Africa commitment. However, when debt relief is excluded from these figures, the amount of aid to Africa actually decreased slightly from 2004 to 2005. The UK increased bilateral aid to South of Sahara Africa from £2.1 billion in 2005 to £2.9 billion in 2006, an increase of 41%. When debt relief is excluded from these figures, the UK increased ODA to south of Sahara Africa by 29% from 2005 to 2006.

Beyond the G8, many countries have contributed to debt relief and aid efforts. While the G8 countries (excluding Russia) have granted the largest amount of debt relief, other DAC members provided more than $3 billion in debt relief in both 2005 and 2006. In addition, numerous countries have exceeded the G8 in ODA. In 2006, five countries exceeded the target ODA level of 0.7% of GNI – Sweden (1.0% of GNI), Luxembourg and Norway (both at 0.9%), and the Netherlands and Denmark (both at 0.8%). While the US and the UK were the two largest single contributors of overseas aid in 2006, on average the aid contribution from G7 countries decreased by almost 9% between 2005 and 2006, while non-G7 contributions increased by 6%.

The next G8 meeting will take place from 6-8 June 2007 in Germany, and among other issues, African poverty reduction will be on the agenda. In light of the recent OECD projections, as well as the Oxfam, DATA and Concord reports that call into question whether ODA targets will be met, the G8 are under pressure to confirm and renew their Gleneagles G8 commitments.

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I Introduction – the G8 Summit

The Millennium Declaration, agreed at the UN Millennium Summit in September 2000, included targets aimed at reducing world poverty and improving lives globally by 2015. These aims were subsequently translated into a set of eight goals (the Millennium Development Goals or MDGs[1]). It was estimated that $50 billion per year in additional assistance would be needed to meet the MDGs.[2] The Commission for Africa recommended in March 2005 that aid to Africa be doubled to $50 billion per year by 2010 and that donors increase the portion of national income dedicated to aid to 0.7%.[3] It was in the context of working toward these goals that the Gleneagles G8 commitments on debt relief and aid were made in 2005.

The Gleneagles G8 Summit took place from 6-8 July 2005 amidst high expectations for commitments to be made to address poverty in Africa. The event drew advance attention from non-governmental organisations (NGOs) such as Make Poverty History, business leaders,[4] and high-profile celebrities and the general public (in particular, through the Live 8 concerts).[5] The summit was preceded by a June 2005 meeting between G7 finance ministers that led to an agreement to eliminate World Bank, International Monetary Fund (IMF) and African Development Fund (ADF) debts for 28 countries. There was talk before the Summit of a "Marshall Plan for Africa".[6] The G8 Summit was seen as an opportunity to act on the debt-elimination agreement and respond to public pressure by increasing aid to the developing world, and in particular, to Africa:

> The leaders of the rich world have the potential to improve vastly the quality of life of millions of Africans. Eradicating the suffocating debts of the world's poorest nations is the least that can be expected. African governments are weighed down by £170bn of debt, most incurred under previous, corrupt regimes. A debt relief deal has been agreed upon already by the G8 finance ministers. But there is scope to go further this week. The G8 leaders should commit themselves to a much more comprehensive write- off.[7]

At the same time, there was some scepticism about the G8 and whether it would yield progress. G8 governments felt the need to demonstrate progress on the issue in the context of growing scrutiny from NGOs, the media and public demonstrations. Critics

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1 The Millennium Development Goals, developed through the 2000 UN Millennium Summit, are quantified, time-bound development targets. Broadly speaking, these goals are: (1) reducing poverty and hunger; (2) educating all children; (3) empowering women; (4) saving children; (5) caring for mothers; (6) combating disease; (7) using resources wisely; and (8) working together. For each goal, there are specific targets to be met (for example, "reduce by two-thirds, between 1990 and 2015, the under-five mortality rate") and indicators for monitoring progress (in this example, the infant mortality rate, the under-five mortality rate, and the proportion of one-year-old children immunised against measles). The World Bank's *World Development Indicators* compiles statistics to show progress in meeting these goals.

2 The figure came from the UN *Report of the High-Level Panel on Financing for Development* (the Zedillo Report), 2001

3 Commission for Africa, *Our Common Interest – Report of the Commission for Africa*, March 2005, p16

4 Moules, Jonathan, "Business leaders add their voices on Africa", *Financial Times*, 5 July 2005

5 "Africa's challenge: The G8 alone cannot make poverty history in Africa", *Financial Times*, 2 July 2005; "Converting people power into political action", *The Independent*, 4 July 2005

6 "G8 summit: Something to celebrate", *The Guardian*, 9 July 2005

7 "Converting people power into political action", *The Independent*, 4 July 2005

suggested that governments had become susceptible to what was referred to as "initiativitis" – "one-off announcements aimed more at creating news than making genuine advances".[8] Immediately prior to the Summit, Oxfam criticised both the EU and the US for the "reannouncement of aid … that partially underlies the UK government's claim to have achieved a doubling of aid to Africa."[9]

The Gleneagles Summit culminated in the signing of the Gleneagles Communiqué,[10] which included commitments relating to climate change, energy and sustainable development, and Africa. The African commitments addressed peace and stability, governance, investing in people, promoting economic growth, financing for development, and partnerships with organisations such as the Africa Partnership Forum. This paper focuses primarily on the commitments on financing for development, described in greater detail below.

II Gleneagles G8 African debt and aid commitments

A. Communiqué commitments

In recognition that the MDGs could not be achieved without a large increase in official development assistance (ODA) and debt relief, the main Gleneagles financing and development commitments were as follows:

- increase ODA to Africa by $25 billion per year by 2010;
- increase ODA to all developing countries by $50 billion per year by 2010; and
- cancel 100% of outstanding debts for eligible Heavily Indebted Poor Countries (HIPCs) to the IMF, the World Bank's International Development Association (IDA), and the ADF.

Specific commitments made in 2005 were as follows:

- UK: increase ODA to 0.7% of gross national income (GNI) by 2013 and double bilateral spending in Africa between 2003/04 and 2007/08;
- EU: increase ODA to 0.56% of GNI by 2010 and 0.7% of GNI by 2015, and increase ODA between 2004 and 2010 from €34.5 billion to €67 billion, with half or more going to Africa;
- Italy and Germany: increase ODA to 0.51% of GNI by 2010 and 0.7% by 2015;
- France: increase ODA to 0.5% of GNI by 2007 (with two thirds going to Africa) and 0.7% of GNI by 2012;
- US: double aid to sub-Saharan Africa between 2004 and 2010, provide $5 million annually through the Millennium Challenge Account, $15 million for the Emergency Plan for AIDS Relief, $2 billion to address Humanitarian Emergencies in Africa in 2005, and $1.2 billion to deal with malaria;

8 Beattie, Alan, "NGOs grow weary of world leaders' 'empty' initiatives: Intense media focus makes many heads of state desperate to create the appearance of progress and change. But campaigners seem increasingly willing to call their bluff", *Financial Times*, 5 July 2005

9 Beattie, Alan, "NGOs grow weary of world leaders' 'empty' initiatives", *Financial Times*, 5 July 2005

10 G8, "The Gleneagles Communiqué", 2005

- Canada: double ODA from 2001 to 2010, double ODA to Africa from 2003/04 to 2008/09, provide C$342 million in 2005 to fight diseases that mainly affect Africa, C$200 million for the Canada Investment Fund for Africa, C$190 million for supporting African Union efforts in Darfur, and C$90 for humanitarian needs;
- Japan: double ODA to Africa over the next three years, increase ODA by $10 billion over the next 10 years, provide $5 billion for the five-year Health and Development Initiative, provide $1 billion over five years for the Enhanced Private Sector Assistance for Africa project; and
- Russia: cancel $11.3 billion worth of debts owed by African countries, including $2.2 billion to the HIPC initiative, and consider cancelling $750 million of HIPC countries' debts on non-ODA loans.

Total debt relief was estimated to yield combined savings of $1.5 billion annually for eligible countries.[11] Of the 38 countries classified as HIPCs, 18 were immediately eligible for debt relief under the agreement, having reached the "completion point" in the HIPC process.[12]

Shortly after the G8 Summit, G8 finance ministers affirmed their debt relief commitments and provided details of their specific financing commitments in a letter to the President of the World Bank. The letter laid out how the G8 would offset the foregone principal and interest repayments of the debts cancelled to ensure that the financing capacity of the World Bank was not compromised, and reported on progress to date at securing the necessary budgetary and parliamentary approvals.[13]

B. Reaction to the Gleneagles financing commitments

The overall reaction to the Gleneagles communiqué was positive, particularly with regard to the development financing commitments. Some argued that while aid was not being doubled as claimed, the results were nonetheless "spectacular". Furthermore:

> More important is what happens to that aid - and this could be Gleneagles' finest achievement, one that may be recalled when Thursday has become a distant memory. The very substantial communiqué declares that developing countries must "decide, plan and sequence their economic policies to fit with their own development strategies, for which they should be accountable to all their people". These words are pregnant with implications for a more humane strategy of development. Now they must really be put into practice.[14]

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[11] Simensen, Ivar, "Dollars 40bn debt relief will have little impact", *Financial Times*, 8 July 2005

[12] For full debt cancellation, eligible countries must meet the HIPC initiative's "completion point", which is described by the World Bank as follows: "To reach the completion point, a country must maintain macroeconomic stability under an International Monetary Fund (IMF) Poverty Reduction Growth Facility-supported program; satisfactorily carry out the key structural and social reforms in its poverty reduction strategy, which were agreed upon at the decision point, for one year; and maintain macroeconomic stability." From the World Bank FAQs on Debt Relief, available at: http://go.worldbank.org/2YHKG4QYS0 as at 26 April 2007.

[13] Letter to the President of the World Bank from the G8 Finance Ministers on the G8 Debt Proposal, Washington, 23 September 2005

[14] "G8 summit: Something to celebrate", *The Guardian*, 9 July 2005

Sir Bob Geldof, organiser of the Live 8 concerts, remarked that the aid commitments would save millions of lives in Africa, and said that Gleneagles had achieved "ten out of ten on aid and eight out of ten on debt relief".[15] The President of Nigeria, Olusegun Obasanjo, who chaired the African Union at the time of the Summit, reportedly described the meeting between G8 and African leaders as a great success, and said that Africa's problems were being addressed reasonably by the deal.[16]

Oxfam reported that the Gleneagles commitment to increase aid by $50 billion annually by 2010, while representing only half of what the UN estimates is necessary to meet the MDGs, has the potential to reduce poverty. However, in order to be effective, aid would have to "involve flexible, long-term commitments of genuine financing, without harmful strings attached, and it must go directly to the countries that need it".[17]

There were some expressions of disappointment with the aid commitments made. The Make Poverty History campaign reportedly observed that of the $50 billion increase (to $129 billion), no more than $20 billion consisted of new money – the rest represented existing pledges. Moreover, meeting the UN ODA target of 0.7% of GNI would mean that aid would have to increase to $250 billion, whereas only $129 billion had been committed.[18]

Kenyan finance minister, David Mwiraria, expressed some scepticism when he reportedly observed: "Intentions and actualisation are not the same thing. We would like to see a situation where there is money now."[19] Similarly, some critics observed that the language used regarding many of the commitments left flexibility for the G8 in delivering them: "almost all consisted of very general statements without specific timetables or commitments".[20] Canada and Japan failed to commit to a timetable for reaching the 0.7% target, and the US backed away from any previous commitments to the 0.7% target, instead:

> […] the US cobbled together some small programmes backed by big spin. The new US effort against malaria is welcome, but $1.2bn over five years is paltry when $3bn each year is needed to fight the disease in Africa. The US five-year effort is less than one day of Pentagon spending, and two cents of every $1,000 of US national income.[21]

The debt package, announced earlier at the meeting of finance ministers, was met with enthusiasm. The World Bank stated that the debt relief package agreed to at the Gleneagles G8 Summit would considerably reduce the debt burden of eligible countries, and estimated that debt loads for qualifying countries would decrease from 55% of GDP to 13%.[22]

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15 Beattie, Alan, "Campaigners divided on aid promises for Africa", *Financial Times*, 9 July 2005
16 *ibid.*
17 Oxfam, International, *The view from the summit – Gleneagles G8 one year on*, 9 June 2006, p4
18 Beattie, Alan, "Campaigners divided on aid promises for Africa", *Financial Times*, 9 July 2005
19 *ibid.*
20 AllAfrica, "G8 Reaction, Perspectives", 14 July 2005
21 Sachs, Jeffrey, "Hope and generosity can triumph over hate", *Financial Times*, 11 July 2005.
22 World Bank, *Global Development Finance 2006*, volume I, p80

There were, nonetheless, some doubts expressed about the impact of debt relief on the long-term prosperity of African countries. Standard & Poor's research[23] suggested that the debt relief commitment would have little impact on the long-term prosperity of the countries benefiting unless they had undertaken and maintained structural reforms and used the debt relief to accelerate poverty reduction and development programmes. Standard & Poor's noted that while some countries, such as Benin and Burkina Faso, had made such reforms, many of the countries that qualified for debt relief would not meet these conditions. Debt relief might help these countries in the short term, but their long-term prospects were unlikely to change:

> "Debt relief is not a panacea for these governments," said Konrad Reuss, S&P credit analyst. "Even if all debt were forgiven, most of these governments would still require significant levels of external donor assistance in the medium term," he said.[24]

The other main criticism of the debt relief package was that, although three large multilateral institutions were included in the debt relief deal, another 19 were not. This oversight would leave many countries still indebted. One example cited was the five debtor countries in Latin America, who would still be required to repay $3.3 billion to the Inter-American Development Bank (IADB) over 10 years[25] (although the IADB later decided to cancel the debts to these five countries). The debt initiative also excluded debts held by bilateral and commercial creditors.[26] Moreover, the debt relief commitments covered only some developing countries. The European Network on Debt and Development estimated that 62 countries paying a total of $10 billion per year in debt service were in need of full debt relief to meet the MDGs.[27]

C. Updated statement on Africa – G8 Summit July 2006

At the July 2006 G8 Summit in St. Petersburg, participants issued an "Update on Africa", which included a progress report on the development financing commitments. The G8 reported that:

> The OECD estimates that ODA from Development Assistance Committee members rose 31% to US$107 billion in 2005, 75% of which was from G8 members. Recognising that private resources dwarf public flows and can have a considerable positive impact on development, we are taking steps to help African countries to mobilize the full range of development finance, as agreed in the Monterrey Consensus.[28]

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23 Marchand, Luc and Konrad Reuss, *Debt pledge by G8 Ministers offers a limited respite for beleaguered African states*, Standard & Poor's, 7 July 2005

24 Simensen, Ivar, "Dollars 40bn debt relief will have little impact", *Financial Times*, 8 July 2005

25 Bush, Janet, "They just couldn't walk the talk: goodnight, G8, you left the poor to help themselves", *The Independent*, 10 July 2005

26 World Bank, "IDA's Implementation of the MDRI", 14 March 2006

27 European Network on Debt and Development (Eurodad), *Devilish details: implications of the G7 debt deal Eurodad NGO briefing*, 14 June 2005, p4

28 G8, "Update on Africa", 16 July 2006

Regarding debt relief, the G8 reported:

> We have made good progress in lifting the debt burden from the poorest countries. The IMF and IDA have implemented the G8 proposal to cancel 100% of the debts owed by eligible Heavily Indebted Poor Countries and the African Development Fund is expected to implement it soon. 15 African countries have already benefited from debt stock cancellation at the IMF and IDA. Up to 24 more countries will also qualify for MDRI when they complete the HIPC process. A deal resolving 100% of Nigeria's $30 billion in debts to Paris Club creditors has also been agreed and delivered.[29]

Summit participants recognised that they had continuing work, and committed to fulfil the Gleneagles aid promises and "track progress through the APF in particular". They also re-committed to full implementation and financing of the Multilateral Debt Relief Initiative (MDRI).[30] Individual G8 members itemised specific commitments to reduce poverty and support development in Africa in an *Annex to the Update on Africa*, available on the G8 Summit 2006 website.

III G8 performance

A. Debt relief

By April 2007, the Department for International Development (DFID) reported that 22 countries (18 in Africa) had reached the HIPC "completion point"[31] and had debts worth $36 billion cancelled.[32] Debt AIDS Trade Africa (DATA) estimates that once all 42 HIPCs have reached the completion point, the resulting debt cancellation will represent as much as $60 billion over the course of the loans, or an average of $1.5 billion per year in savings.[33]

The following sections 1-3 describe the debt relief efforts undertaken by the multilateral organisations committed to debt relief at the Gleneagles Summit, each of which has held substantial amounts of developing country debt. Section 4 provides comments on their efforts.

1. World Bank

In December 2005, the World Bank and IMF staff jointly certified 19 countries as eligible for MDRI debt relief; one additional country was required to take remedial action before debt relief could be committed.[34]

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29 G8, "Update on Africa", 16 July 2006

30 Multilateral Debt Relief Initiative – the initiative proposed at the June 2005 meeting of G8 finance ministers whereby HIPCs that have reached the completion point under the enhanced HIPC initiative have 100% of their IMF, IDA and ADF debts cancelled.

31 The 22 countries are: Benin, Bolivia, Burkina Faso, Cameroon, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, São Tomé Príncipe, Senegal, Sierra Leone, Tanzania, Uganda and Zambia.

32 DFID, "DFID and the G8 – Debt relief", 24 April 2007

33 DATA, *The Data Report 2006*, p15

34 World Bank, "IDA's Implementation of the MDRI", 14 March 2006, section III, para 25

In order to implement the MDRI, the World Bank developed a compensation schedule and sought Executive Director approval for the proposed modalities for debt cancellation on 14 March 2006.[35] HIPCs that had already reached the completion point in the process were to benefit from debt relief once their eligibility was confirmed[36], but each would still have to undergo a one-time assessment to demonstrate "reasonable governance standards".[37] HIPCs at earlier stages of the HIPC process would benefit from full debt relief once they reached the completion point. Eight additional countries might qualify for the HIPC initiative,[38] and might therefore be eligible for debt relief should they reach the completion point.[39] Only debts incurred and credit disbursed prior to 31 December 2003 would be eligible for cancellation.[40]

As of January 2007, the World Bank reported that 22 countries had reached the completion point and benefited from full debt relief. In addition, because debt relief starts immediately once a country has reached the HIPC "decision point"[41] stage, another eight countries are presently receiving interim debt relief.[42] The World Bank estimates that debt relief to these 30 countries represents $25 billion (net present value). An additional 10 countries[43] are considered eligible for debt relief, and if they qualify, total World Bank debt relief would be $30 billion (net present value).

2. IMF

On the basis of the MDRI eligibility exercise undertaken with the World Bank, in January 2006 the IMF cancelled debt for 17 HIPCs[44] that had reached the completion point. The IMF took a different approach from the World Bank in that it expanded MDRI eligibility to include countries with low per capita annual income (less than $380) and outstanding debt to the IMF as of the end of 2004.[45] As a result, two more countries, Cambodia and Tajikistan, also qualified for IMF debt relief.[46] Another HIPC, Mauritania, met the MDRI eligibility criteria in June 2006 and received debt relief. Four additional HIPCs (Cameroon, Malawi, Sierra Leone and São Tomé & Príncipe) subsequently reached the completion point of the HIPC process and received MDRI relief from the IMF.

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35 World Bank, "IDA's Implementation of the MDRI", 14 March 2006, section I, para 4
36 *ibid.*, section III, para 12
37 *ibid.*, section II, para 23
38 These countries are: Eritrea, Haiti, Kyrgyz Republic and Nepal (may qualify as HIPCs and therefore for the MDRI); Bangladesh, Bhutan, Sri Lanka and Tonga (for which there is uncertainty, due to lack of data, as to whether they will qualify as HIPCs).
39 World Bank, "IDA's Implementation of the MDRI", 14 March 2006, section II, para 7
40 World Bank, "IDA's Implementation of the MDRI", 14 March 2006, section III, para 11
41 Countries that have reached the HIPC "decision point" have developed a Poverty Reduction Strategy Paper and established a track record of sound economic management. At this stage, debt service payments are much reduced.
42 World Bank FAQs on Debt Relief, March 2007
43 Central African Republic, Comoros, Côte d'Ivoire, Eritrea, Kyrgyz Republic, Liberia, Nepal, Somalia, Sudan, Togo.
44 Benin, Bolivia, Burkina Faso, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Mali, Mozambique, Nicaragua, Niger, Rwanda, Senegal, Tanzania, Uganda, Zambia.
45 World Bank, *Global Development Finance 2006*, volume I, p91
46 IMF Factsheet, "The Multilateral Debt Relief Initiative (MDRI)", April 2007

As of March 2007, the IMF reported that debt relief equivalent to $3.9 billion had been delivered to a total of 24 countries. IMF debt relief delivered to date is summarised in Table 1, below:

Table 1: IMF debt relief to qualifying countries under the MDRI

$ million (end 2005 net present value terms)

	Debt relief as of March 2007
HIPC Completion Point Countries	**3,721**
Benin	52
Bolivia	233
Burkina Faso	90
Cameroon	255
Ethiopia	162
Ghana	383
Guyana	65
Honduras	155
Madagascar	198
Malawi	56
Mali	108
Mauritania	48
Mozambique	154
Nicaragua	203
Niger	112
Rwanda	76
São Tomé and Príncipe	2
Senegal	145
Sierra Leone	176
Tanzania	338
Uganda	127
Zambia	582
Non-HIPCs	**182**
Cambodia	82
Tajikistan	100
Total	**3,903**

Note: For HIPCs, the amount of relief includes undisbursed HIPC assistance from the Fund, previously expected to be delivered over time, and MDRI assistance.

Source: IMF Factsheet, "The Multilateral Debt Relief Initiative (MDRI)", April 2007

The IMF has identified an additional 19 countries that may be eligible for debt relief under the MDRI.[47]

[47] Burundi, Chad, Democratic Republic of the Congo, The Gambia, Guinea-Bissau, Guinea, Haiti, Republic of Congo, Central African Republic, Eritrea, Liberia, Nepal, Togo, Comoros, Côte d'Ivoire, Kyrgyz Republic, Sudan, Somalia and Afghanistan. For further information, see IMF Factsheet, "The Multilateral Debt Relief Initiative (MDRI)", April 2007.

3. African Development Fund and other organisations

In April 2006, the ADB approved a total of $8.5 billion in debt relief for 33 African countries.[48] As at February 2007, the ADF had cancelled $6.6 billion in debts owed by 17 completion-point HIPCs in Africa.[49]

While not originally part of the Gleneagles G8 commitment, the IADB decided in early 2007 to provide debt relief to the five HIPCs in the western hemisphere.[50]

4. Commentary on the MDRI

Oxfam published a report in June 2006, *The view from the summit – Gleneagles G8 one year on*, which explored progress made on meeting the Gleneagles G8 commitments. Oxfam reported on the benefits of IMF debt cancellation up to June 2006:

> This will change the lives of millions of people. In Ghana the money saved is being used for basic infrastructure, including rural feeder roads, as well as increased expenditure on education and health care. In Tanzania, the government is using the money saved to import vital food supplies for those affected by drought. Across Africa, lifting the burden of debt is allowing millions of dollars to be directed to fighting poverty instead of repaying rich countries.[51]

Oxfam heralded the IMF debt cancellation as "a serious step forward in ending the debt burden of the poorest countries" and a recognition that "many poor countries will need 100% of their debt cancelled if they are to win the fight against poverty".[52]

Oxfam also reported on how Zambia had benefited from debt cancellation, stating that the country's debt had been reduced from $7 billion to $500 million, and that Zambia's state budget for 2006 reflected the fact that resources released by debt relief were being translated into more funding for health and education:

> It has also removed fees for basic health care. Extra spending on education will include funds to recruit more than 4,500 teachers, and for the construction and rehabilitation of schools in rural and urban areas. Additional funds are going to HIV/AIDS control and mitigation programmes, primary and community health care, recruitment of medical personnel, and the purchasing of medical equipment and medicines.[53]

However, Oxfam expressed concern that while the original debt relief deal included all debts owed up to the end of 2004, the World Bank had decided that only those debts up

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[48] ADB, "The African Development Fund approves US$8.5 billion for multilateral debt relief initiative", 19 April 2006. According to http://www.thedatareport.org/pdf/debt.pdf, the 33 countries consist of 32 HIPCs and Eritrea, which is eligible for debt relief under the sunset clause.

[49] DATA, "100% Multilateral Debt Cancellation Deal: Status of Implementing the G8 Promise", February 2007. These countries were: Benin, Burkina Faso, Cameroon, Ethiopia, Ghana, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, Tanzania, Uganda, and Zambia.

[50] IMF Factsheet, "The Multilateral Debt Relief Initiative (MDRI)", April 2007

[51] Oxfam Briefing Note, "The view from the summit – Gleneagles G8 one year on", 9 June 2006, p3

[52] *ibid*., p3

[53] *ibid*., p3

to the end of 2003 would be covered by the initiative – a change costing eligible countries $5 billion in debts that G8 countries had originally committed to cancel.[54] The World Bank reportedly made this change amid concerns that reduced funding would limit the Bank's ability to continue lending to poor countries.[55]

In addition, Oxfam noted that many other countries (notably, Bangladesh and Kenya) remained heavily indebted and that the debt cancellation scheme would only benefit 40 countries, whereas the Jubilee Debt Campaign estimates that more than 60 countries will not achieve the MDGs without full debt cancellation. Furthermore, DATA states that there are poor countries, such as Lesotho and Kenya, which in the past have dedicated much of their domestic funds to debt-servicing and as a result, were excluded from debt relief because their debt ratios were below the threshold for the MDRI: "the eligibility requirements ended up excluding such countries from the benefits of debt cancellation because they did a relatively good job of managing their debts."[56]

Oxfam also expressed concern over countries that are indebted to regional lenders, such as the IADB, which were not included in the Gleneagles debt cancellation arrangement (although the IADB later decided to cancel the debts of the five western hemisphere countries that were indebted to it).[57] There remains much debt held by private interests and other institutions that are not included in the MDRI.[58]

The Africa Progress Panel (APP), led by former UN Secretary General Kofi Annan, was launched on 24 April 2007 to lobby decision-makers to fulfil their commitments to Africa. The APP issued a communiqué that drew attention to the fact that sub-Saharan Africa is the only region that, at current rates, will fail to meet all of the Millennium Development Goal targets by 2015. The APP communiqué looked at the commitments to Africa made at the G8 Summit and other venues and assessed the extent to which these commitments were being met. The APP reported that to date, $560 million of funds have been freed up through the MDRI and redirected into social spending and investment.[59]

Some non-G8 European countries criticised the Gleneagles debt relief plan, claiming that the absence of good governance in some countries might mean that funds released by debt relief would not be used to relieve poverty. Netherlands, Switzerland, Norway and other Nordic countries believed that the IMF should require certain conditions be met for debt relief, and that debt relief should be phased in over time.[60] These views were reportedly strongly opposed by IMF directors representing sub-Saharan Africa, and

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54 *ibid.*, p4
55 Bretton Woods project, "World Bank approves $37 billion in debt relief", 8 April 2006
56 DATA, *100% Debt Cancellation Deal: Status of Implementing the G8 Promise*, February 2007
57 *ibid.*, p4
58 A recently publicised example of the pitfalls of privately-held debt involved Zambian sovereign debt transferred to Donegal International, a "vulture fund" that bought a Zambian debt (originally an export credit loan from Romania) for $4 million in 1999 and then sued for more than $55 million (£27.5 billion) when Zambia ceased payments under the settlement agreement. The High Court in London awarded £7.8 million ($15.5 million) to Donegal in April 2007. As discussed in Ashley Seager's article, "Court cuts vulture fund's claim: Zambia's debt repayment reduced by $40m: Judge says much of firm's evidence was dishonest", *The Guardian*, 25 April 2007
59 APP, *Africa Progress Panel Communiqué*, 24 April 2007
60 Beattie, Alan, "EU bloc call to toughen G8 debt relief terms", *Financial Times*, 15 July 2005

some NGOs.[61] However, an NGO, Centre for Accountability and Debt Relief, expressed strong support for the notion of conditionality applied to debt relief, stating: "Most observers of Africa realise that if foreign aid and/or debt forgiveness were not monitored, Africa's ruling elites would opt for luxuries for themselves, rather than for boreholes in desperately water-deprived areas or schools or dispensaries."[62]

DATA has expressed some concerns about how debt relief is being delivered. It is the World Bank's policy to reduce concessional financing available to debt relief recipients each year by the annual amount of debt relief provided. This approach is used to address "moral hazard and equity concerns associated with debt cancellation";[63] for example, preventing the re-accumulation of unsustainable debt levels. DATA states that, while new financing can be gained by MDRI recipient countries based on their policy performance, in fact most of these countries lost some of their World Bank financing through the application of this policy.[64]

DATA has also expressed concerns about new debt, reasoning that countries attempting to achieve the MDGs, particularly in an environment of unpredictable and insufficient aid, will seek access to new grants and low-interest loans. When countries fail to obtain them, they turn to more expensive loans from countries such as China:

> A new policy by the World Bank threatens to exacerbate the problem by curtailing the Bank's low interest financing to any country that borrows at non-concessional terms. Countries therefore face a catch-22: Give up hope for achieving the MDGs or reaccumulate debt by borrowing more on unfavorable terms. To avoid this situation, donors need to increase the volume and predictability of their aid and the World Bank should make more concessional financing available to countries striving to achieve the MDGs.[65]

The World Bank's view is that, despite efforts at debt relief, there is a high risk of "debt distress" due to low-income countries' economic fragility, limited capacity for debt management, and newly-found access to potentially unsustainable commercial borrowing.[66] The concern is that MDRI beneficiaries could re-accumulate unsustainable debt levels, and that the borrowing space created by debt relief could facilitate non-concessional borrowing, either domestically or commercially.[67] In response to these concerns, the World Bank implemented a system for monitoring performance in governance, transparency and management of public expenditure to ensure that savings from debt relief are used for development. A suitable public expenditure management system is one of the requirements for debt relief from each of the three institutions

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61 *ibid.*
62 Ziegler, Karl A., [letter to editor] "Aid to the unaccountable makes no sense", *Financial Times*, 30 July 2005
63 World Bank, "IDA's Implementation of the MDRI", 14 March 2006, section II, para 9
64 DATA, *100% Debt Cancellation Deal: Status of Implementing the G8 Promise*, February 2007
65 *ibid.*
66 World Bank, *Capacity Building for Debt Management in Low-Income Countries*, 24 April 2007
67 World Bank, "IDA's Implementation of the MDRI", 14 March 2006, section III, para 39 to 40

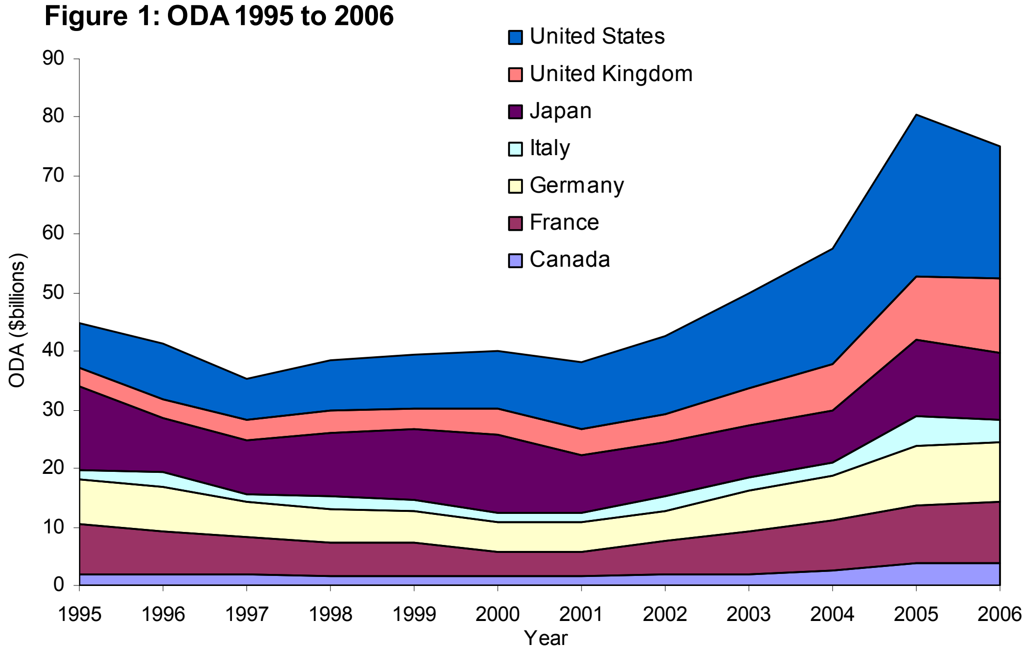
delivering the MDRI.[68] In addition, the World Bank published guidelines for public debt management.[69]

B. Official development assistance

1. Increase in amount of ODA

The OECD publishes annual aid statistics for members of the Development Assistance Committee (DAC)[70], which includes all of the G8 countries except Russia.[71] The latest, for 2006, were published in April 2007. Figure 1 shows that while overseas aid from the G7 countries has increased over the past 10 years, it has decreased since 2005. Total ODA from the G7 countries increased from $58 billion in 2004 to $80 billion in 2005, but declined to $75 billion in 2006.

Figure 1: ODA 1995 to 2006



Source: OECD Reference DAC Statistical Tables (http://www.oecd.org/document/11/0,2340,en_2649_34447_1894347_1_1_1_1,00.html)

Limited information is available on G7 aid expenditure in 2006; however, details on overall aid from DAC members give an indication of the level of aid provided in 2006. Most of the 32% increase in DAC ODA in 2005 is attributable to debt relief, rather than

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68 *ibid.*, section III, para 24, 27 to 30

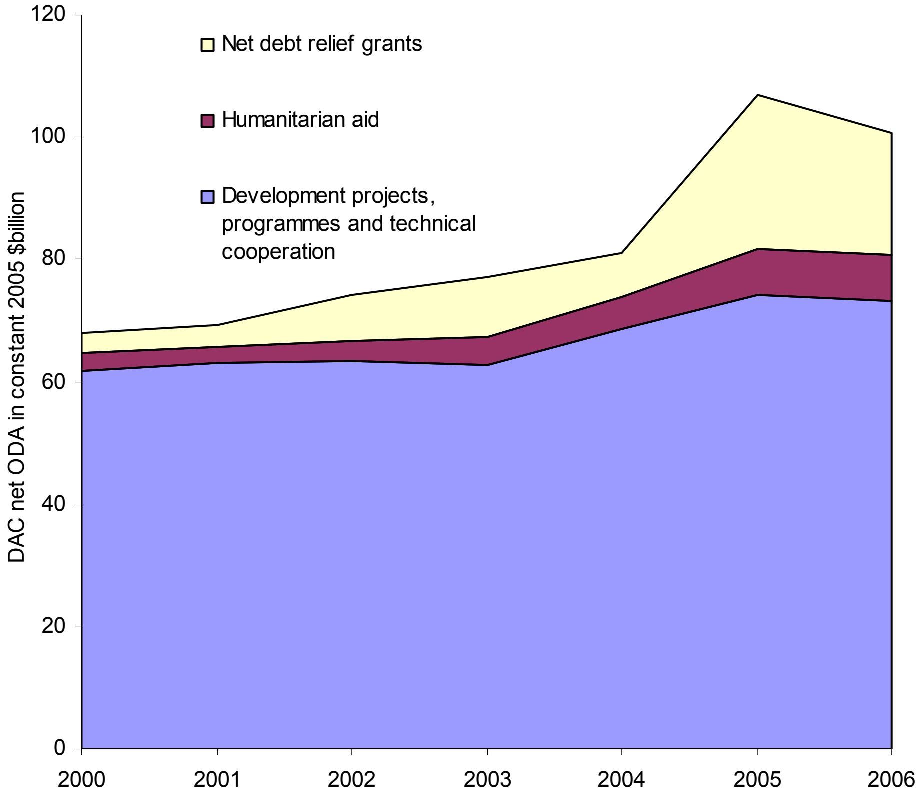
69 World Bank, *Guidelines for Public Debt Management*, 9 December 2003

70 The DAC is comprised of 22 members: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United State, and the Commission of the European Communities.

71 ODA disbursements for the Russian Federation are not readily available. In the G8 *Update on Africa*, Russia listed commitments including: increasing to $40 million its pledge to the Global Fund; reimbursing $270 million to the Global Fund (over the course of the next several years), which would then be distributed to Russian Federation projects; committing $18 million to the Global Polio Eradication initiative; and pledging $45 million to fight avian influenza.

humanitarian aid, which increased by 16% that year.[72] Of the total ODA from DAC members in 2005 ($107 billion), $19 billion was provided for debt relief operations for Nigeria and Iraq, and $2 billion was contributed for tsunami aid. The OECD's 2006 aid expenditure figures show that excluding debt relief, ODA from DAC members to all developing countries decreased by 1.8% in 2006.[73] Figure 2 shows that recent increases in ODA are primarily due to debt relief, with some of the increase attributable to humanitarian aid following the Indian Ocean tsunami in December 2004.

Figure 2: Components of DAC member ODA, 2000/2006



Note: the 2006 debt figures are reported current figures for DAC countries, from http://www.oecd.org/dataoecd/12/8/38346276.xls, adjusted to constant 2005 US dollars using the ratio of current to constant prices for aid for 2006. 2006 figures are preliminary.

Source: OECD, DAC, see also http://www.oecd.org/dataoecd/29/3/38435815.pdf

There is little data available with which to assess progress toward the Gleneagles commitment to increase annual ODA to Africa by $25 billion per year by 2010. Data for the G7 countries show that total net ODA to Africa increased by $5 billion between 2004 and 2005 to a total of $19 billion.[74]

[72] OECD, "Final ODA data for 2005", as at 19 April 2007
[73] OECD Press Release, "Development aid from OECD countries fell 5.1% in 2006", 3 April 2007
[74] OECD, DAC online, as at 15 May 2007

Bilateral aid to sub-Saharan Africa from all DAC members increased by 32% in 2005, although if debt is excluded, net aid to the region actually decreased by 1%. Preliminary data for all DAC members for 2006 shows that bilateral ODA to sub-Saharan Africa increased by 23% in real terms to $28 billion; most of this increase was due to debt relief for Nigeria. Excluding debt relief, DAC members increased ODA to sub-Saharan Africa by only 2% in 2006.[75] Oxfam estimates that given current levels of aid disbursement, aid to Africa will have to increase by 19% annually in order meet the African aid commitment from Gleneagles.[76]

The APP communiqué[77] expressed concern about the extent to which aid commitments are being met. Press reports following the release of the APP communiqué suggested that Italy and Germany had made the least progress toward their Gleneagles aid commitments, whereas the UK and the US were on target.[78] Overall, while the APP reported that ODA had increased since the 2005 commitments were made, at current rates of funding, governments would fail meet to their 2010 target of increasing ODA to Africa by $25 billion. The APP stated that the G8 were only 10% of the way to their target of providing $50 billion in ODA by 2010.[79] The G8 governments would have to provide more than $5 billion every year in order to meet their 2010 commitment.

The APP cited the OECD's 15 April 2007 report to the Development Committee, which commented on decreased aid from DAC members:

> This result is a matter of some concern in the light of the 2005 G-8 and Millennium+5 Summit commitments, recently reconfirmed by G-8 development ministers, to increase aid by $50 billion in real terms between 2004 and 2010, and to double aid to Africa over the same period. As debt relief is expected to continue to decline over the next couple of years, ***other forms of aid will now have to increase very substantially in 2007 and 2008*** if there is to be a realistic prospect of meeting the 2010 targets through planned and manageable increases.[80]

The OECD further reported that in order for 2010 targets in ODA to be met, the "present rate of increase in core development programmes will have to triple over the next four years"[81] to 12%.[82]

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75 OECD Press Release, "Development aid from OECD countries fell 5.1% in 2006", 3 April 2007

76 Oxfam Briefing Paper 103, "The World is Still Waiting – Broken G8 promises", May 2007

77 APP, *Africa Progress Panel Communiqué*, 24 April 2007

78 Elliott, Larry and Kate Connolly, "In 2005, G8 pledged $50bn for Africa. Now the reality", *The Guardian*, 25 April 2007; Boyes, Roger, "Campaigners step up pressure on Germany to meet Africa aid pledge", *The Times*, 25 April 2007

79 Elliott, Larry and Kate Connolly, "In 2005, G8 pledged $50bn for Africa. Now the reality", *The Guardian*, 25 April 2007

80 OECD, Development Committee Meeting, "Statement by Mr. Angel Gurría, OECD Secretary-General, and Mr. Richard Manning, Chairman, OECD Development Assistance Committee (DAC)", Washington, 15 April 2007

81 OECD, Development Committee Meeting, "Statement by Mr. Angel Gurría, OECD Secretary-General, and Mr. Richard Manning, Chairman, OECD Development Assistance Committee (DAC)", Washington, 15 April 2007

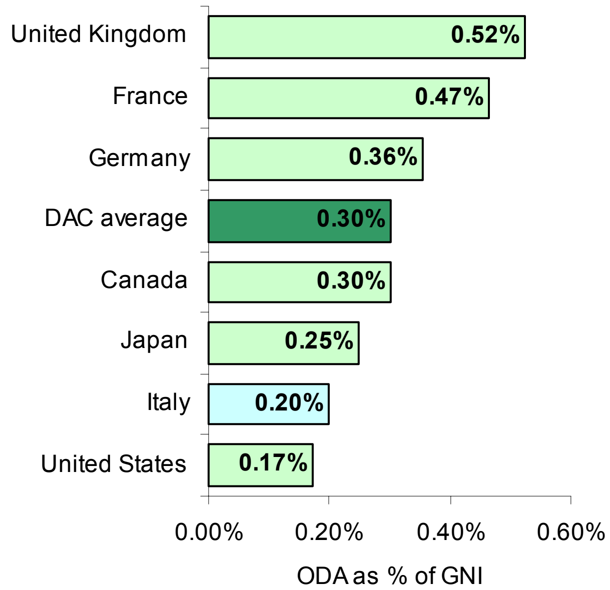
82 Recent comments by a Russian official at preparatory meetings for the June 2007 G8 meetings cast doubt on G8 members' level of commitment to the aid targets from the Gleneagles summit, stating: "We only made those promises because we felt sorry for Tony Blair after the terrorist attacks on 7/7", from:

2. Amount of ODA given relative to GNI

Only the EU members of the G8 made commitments at Gleneagles regarding the portion of GNI that would be given to overseas aid.[83] Each committed to achieving ODA levels of 0.7% of GNI by as early as 2012 (France) or as late as 2015 (the EU as a whole, Italy and Germany – see section IIA -Communiqué commitments for details). The UK committed to meeting this target by 2013. Four members of the G8 made no such commitment at Gleneagles. Because this measure of aid expenditure is indicative of the relative level of commitment to development assistance from a donor country, Figure 3 below shows the levels of ODA as a percentage of GNI for all of the G7 countries (Russia did not make any overseas aid commitments at the Gleneagles Summit[84]).

Figure 3 shows that Germany and Italy in particular have much further to go to meet their commitments. The US, while being the single largest donor of ODA (see above), dedicates the lowest proportion of GNI to overseas aid of the G7 countries. Japan and Canada are also well below the average for DAC members. Additional information on G8 aid expenditure in 2005 and 2006 can be found below in Table 6.

Figure 3: Net ODA as % of GNI, G7 countries 2006



Source: OECD DAC Online
(http://www.oecd.org/document/33/0,2340,en_2649_34447_36661793_1_1_1_1,00.html)

Elliott, Larry, "Bono warns G8 backsliders: Reneging on aid: Only Britain and Japan are living up to the promises of the Gleneagles agreement", *The Guardian*, 16 May 2007

83 The 0.7% target did not originate at Gleneagles, but had a relatively long history, including a 1970 UN General Assembly resolution that each developed country would make "best efforts" to provide 0.7% of gross national product in ODA. In 2005, the US Ambassador to the UN stated that the US had not committed to the target. More information on the history of the 0.7% target can be found in Library Research Paper 06/01, *The International Development (Transparency and Reporting) Bill*, 11 January 2006, available at: http://hcl1.hclibrary.parliament.uk/rp2006/rp06-001.pdf.

84 The DATA Report summarises Russia's commitments and performance in other commitment areas, including debt relief, p136-7.

The UN Economic and Social Council in its March 2007 report[85] noted that while overseas aid had increased to 0.33% of GNI of developed countries in 2005, much of this increase was due to tsunami aid and debt relief to a few countries. Citing the G8 aid commitment, the UN observed that the current and projected levels of ODA fall short of targets for 2006 to 2010. Preliminary aid expenditure data for 2006 shows that debt relief comprised a large portion of aid expenditure for some of the G7 countries; ODA from Italy and France had the highest portion of debt relief (44% and 34% of ODA, respectively), while 28% of the UK's aid expenditure was comprised of debt relief grants. Canada and the US had the smallest proportion of debt relief, at 7% of ODA for both.[86]

OECD projections suggest that ODA will decrease from 0.33% of GNI in 2005 to 0.29% in 2006/07, after which it will gradually reach 0.36% by 2010. At this rate of increase, the OECD estimates that the UN target of 0.7% will not be met until 2030 (15 years after the MDGs are meant to be met).[87] The World Bank is careful to note that the quality of aid may be more important than quantity in terms of meeting the MDGs.[88] For example, special purpose grants might target purposes that will not help meet the MDGs, whereas direct budgetary support granted on a multi-year basis may help developing countries fund medium-term programmes needed to meet the MDGs.

3. The contribution of debt relief toward ODA

In a report published a year after the Gleneagles Summit, Oxfam criticised the extent to which aid commitments had been met.[89] Examining the 2005 OECD aid figures for the G8 countries, Oxfam observed that 80% of the increase in aid over 2004 was comprised of debt-cancellation for Nigeria and Iraq. The practice of counting debt relief as aid expenditure is controversial. Critics of the practice believe that while debt relief is important, it must not be provided at the expense of overseas aid. Oxfam asserted that this is "double counting" debt cancellation as aid, a practice that is contrary to the Monterrey Consensus,[90] which states:

> We encourage donor countries to take steps to ensure that resources provided for debt relief do not detract from ODA resources intended to be available for developing countries.[91]

Although it is OECD practice to count relief of defaulted commercial debt as aid, this practice was reportedly questioned by Richard Carey, deputy director of the OECD's DAC:

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85 UN ECOSOC, *Coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus*, 20 March 2007

86 OECD Press Release, "Development aid from OECD countries fell 5.1% in 2006", 3 April 2007, Table 2

87 World Bank, *Global Development Finance 2006*, volume I, p84-5

88 *ibid.*, volume I, p81

89 Oxfam published a more recent report on the Gleneagles commitments (Briefing Paper 103, "The World is Still Waiting – Broken G8 promises", May 2007), discussed in ODA from non-G8 DAC members, below. Based on trends in actual aid levels, this report estimates that the G8 target of achieving $50 billion in ODA by 2010 will be missed by $30 billion.

90 The Monterrey Consensus was adopted at the UN-sponsored International Conference on Financing for Development in 2002. The Consensus included agreements on aid, debt relief, corruption and policy cooperation.

91 UN, *Monterrey Consensus on Financing for Development Building on Monterrey*, 2003, paragraph 51

> "(A) collective decision in the Paris Club to cancel all or part of the debt is a decision not to pursue these claims, not a transfer of financial resources," he wrote in an in-house OECD publication. But according to rules set in the Organisation for Economic Co-operation and Development, the intergovernmental agency, writing off commercial debt owed by poor countries to rich nations - usually to official export credit agencies - can count as aid. "It is arguable therefore whether or not counting the face value of unrecoverable export credit claims should qualify as ODA."[92]

Similarly, the World Bank acknowledges the commitment made at the Monterrey Conference, but points out that is difficult to tell whether donors have honoured that commitment, since it is unknown how much overseas aid donors would have provided in the absence of debt relief. Nonetheless:

> The share of debt relief in ODA has risen from an average of 3.7% in the 1990s to 6.6% in 2002-4, followed by a sharp increase to 22% in 2005. ODA, net of debt relief, has risen relative to GNI in donor countries, but at a more modest pace than overall ODA […]. Thus, some, but not all, of the scaling-up in aid can be attributed to debt relief.[93]

Additionally, special-purpose grants[94] and debt relief represented 75% of bilateral ODA in 2005, compared to 53% in the 1990s. Even excluding the $19 billion in debt relief to Iraq and Nigeria, special-purpose grants represented two-thirds of bilateral ODA in 2005. Much of the increase in special-purpose grants reflects an increase in emergency and distress relief grants. These increased by $5 billion in 2005 (including $2.8 billion for tsunami response).[95] Furthermore, while ODA net of special-purpose grants has increased since 2001, ODA net of special-purpose grants relative to GNI has actually decreased since the 0.23% level of the early 1990s to only 0.14% of GNI.[96]

4. Aid effectiveness

In addition to the aforementioned concerns about the extent to which aid commitments are being met, some suggest that aid in itself may not be beneficial. Fredrik Erixon, of the International Policy Network, argues that aid over the past 50 years has mainly been counterproductive, having "crowded out private sector investments, undermined democracy, and enabled despots to continue with oppressive policies, perpetuating poverty".[97] He states that aid is often spent on projects that benefit the political leaders, not the citizens, undermines economic development by limiting private sector investment, and supports corrupt regimes that would not otherwise survive. Erixon

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[92] Beattie, Alan and David Ibison, "Japan accused of breaking aid pledge made at G8 summit", *Financial Times*, 17 August 2005

[93] World Bank, *Global Development Finance 2006*, volume I, p80-81

[94] Special purpose grants are those provided for technical cooperation, administrative costs, and emergency and disaster relief.

[95] Note that the remaining $2.8 billion (of the total $5 billion increase) is attributed to a change in the definition to include reconstruction grants. From World Bank, *Global Development Finance 2006*, volume I, p80-81.

[96] World Bank, *Global Development Finance 2006*, volume I, p81

[97] Erixon, Fredrik, *Aid and Development - Will it work this time?*, June 2005, p3

states that there has been an inverse relationship between the amount of aid Africa has received between 1970 and 2000 and economic growth. He recommends that aid should only be provided to governments that are reforming, by which he appears to mean liberalising trade and financial sectors, privatising state-owned enterprises, deregulating, opening up to foreign investment, and restoring the macroeconomic balance[98]. Aid should only be available to these "reformed" governments for a strictly limited amount of time to avoid dependency.

The World Bank raises its own concerns about aid. If aid increases are realised, the resulting surge in aid flows could cause an appreciation of the exchange rate, which could in turn affect competitiveness and decrease exports, thereby jeopardising growth. The World Bank cautions:

> Donors and recipient countries need to pay careful attention to the macroeconomic consequences of higher aid flows for inflation, domestic interest rates, and fiscal balances, taking into account the high degree of uncertainty surrounding the effects on competitiveness and productivity.[99]

Similarly, an article in The Economist raises some concerns about aid delivery. Because the aid received may come sporadically, or may be less than anticipated, it is very difficult for governments to make full use of overseas aid: "They could hire legions of extra teachers, clinicians and civil servants, but only if they are prepared to fire them when the aid spigot is closed. They could put AIDS-sufferers on anti-retroviral therapies, but only if they are willing to discontinue treatment once the money stops. Not surprisingly, some governments choose to hoard aid rather than spend it."[100] Effective coordination by aid agencies is also a concern.

IV The UK's progress toward the Gleneagles commitment

A. Debt relief

The UK's efforts at providing debt relief to eligible low-income countries preceded the Gleneagles G8 Summit. In September 2004, the UK announced that it would pay its share of debt service (estimated at around 10%) of multilateral debt owed to the World Bank and Africa Development Bank for all eligible countries.[101]

While the G8 communiqué did not include any UK-specific commitments on debt relief at the Gleneagles G8 Summit, the overall G8 commitment was to cancel 100% of outstanding debts for eligible HIPCs to the IMF, the IDA, and the ADF. DFID reported in March 2007 that the UK exceeds its debt relief commitment by cancelling 100% of all bilateral debts for HIPCs once they have reached the completion point, in addition to the

98 *ibid.*, p18
99 World Bank, *Global Development Finance 2006*, volume I, p86
100 *The Economist*, "The non-aligned movement – The quality of aid matters as much as the quantity", 4 April 2007
101 DFID Press Release, *UK to provide deeper debt relief*, 26 September 2004

debt relief provided by the IMF, IDA and ADF.[102] The UK has also extended debt relief to low-income countries (except Burma and Zimbabwe, which have not been making debt payments) and qualifying lower-middle income countries.[103]

As at 19 February 2007, the UK had cancelled all of its outstanding sovereign claims for Cameroon, Ethiopia, Ghana, Madagascar, Malawi, Niger, Senegal, Sierra Leone and Zambia. The Democratic Republic of Congo is receiving full debt flow relief, and will benefit from full stock cancellation along with the Republic of Congo and Cote d'Ivoire once each reaches the HIPC completion point.[104]

Most of the debt relief provided by the UK pertains to debts owed to the Export Credits Guarantee Department (ECGD) by low and lower-middle income countries under Paris Club[105] debt rescheduling agreements. Table 2 lists the debt relief granted by the UK since 2004 on debts owed to the ECGD (current to 31 January 2007), amounting to more than £4 billion over this period:[106]

Table 2: UK debt relief on debts owed to ECGD since 2004
£ million

Category		Flow and/or stock cancellation 2004/05	2005/06	2006/07	Total debt relief including flow
Low Income	Cote d'Ivoire	1.0			1.0
	D R Congo	2.5	0.4		2.4
	Ethiopia	10.6			10.6
	Ghana	66.1	10.7	5.9	82.7
	Madagascar	24.1			24.1
	Malawi	0.1	0.8	0.2	1.1
	Niger	5.0			5.0
	Nigeria		1,142.4	1,657.6	2,800.0
	Senegal	0.1	0.9		1.0
	Sierra Leone	0.1	0.1	2.5	2.7
	Zambia	162.4		129.5	291.9
Lower-middle income	Iraq	336.0	336.0		672.0
	Cameroon	5.8	0.3	52.5	58.5
	Serbia and Montenegro		42.7	26.7	69.4
	Republic of Congo	74.0			74.0
Total		**687.6**	**1,534.2**	**1,874.9**	**4,096.2**

Source: HC Deb 19 February 2007 c475-6WA

In addition to debt relief on debts owed to the ECGD, the UK also provides debt relief for other UK government-held debts. Appendix 1 includes a table showing debts owed by low income and lower-middle income countries to the UK. Of all low-income countries,

102 DFID, *Debt relief – latest developments*, 20 March 2007
103 HC Deb 25 April 2007: c1166-1167WA
104 HC Deb 19 February 2007: c475-6WA
105 Most agreements for government-to-government debts are reached through the Paris Club, an informal group of governments who reach agreements on how to address bilateral debts.
106 HC Deb 19 February 2007: c475-6WA

only Cote D'Ivoire and Zimbabwe still owe bilateral debt to DFID, although DFID remains a creditor through World Bank loans to numerous other low-income countries, many of which will eventually obtain debt relief through the MDRI once they have reached the HIPC completion point. The table also shows the debts held by CDC Group plc, a UK-government owned fund that lends to some quasi-governmental organisations whose debts are guaranteed by their governments.[107] Combined debts held by DFID and CDC total £33 million for low-income countries and £55 million for lower-middle income countries.

The Appendix 1 table also shows the debt relief and stock cancellation for DFID-held debts since 2004 for these countries, as well as for debts held by CDC. DFID has provided approximately £3 million in debt flow relief to low-income countries between 2003/04 and 2005/06 and cancelled more than £9 million debt stock over that same period. CDC provided £10 million in flow relief and £32 million in stock cancellation to low-income countries from 2003/05 and 2005/06. Lower-middle income countries also received some debt flow relief (£2.5 million from CDC) and a larger amount of stock cancellation (£21 million from CDC and £32 million from DFID between 2003/04 and 2005/06).

Table 3 summarises the breakdown of DFID and UK debt relief since 2003/04:

Table 3: Total DFID and UK debt relief
£ million

	2003/04	2004/05	2005/06
DFID debt relief	16	15	40
Bilateral HIPC	18	13	1
Multilateral HIPC Trust Fund	20	42	11
MDRI debt relief to IMF			14
Total DFID debt relief	**54**	**70**	**65**
CDC debt	12	35	18
ECGD debt	163	583	1,570
Total CDC & ECGD debt	**176**	**618**	**1,588**
Total UK debt relief	**229**	**688**	**1,653**

Source: DFID, Statistics on International Development 2001/02 - 2005/06, October 2006

The Secretary of State for International Development, Hilary Benn, made a statement in December 2006 on the effectiveness of debt cancellation:

> Recent reports from the World Bank and IMF have shown that countries that have qualified for debt relief have increased their spending on poverty from US$6 billion in 2000 to nearly US$15 billion in 2005. This is projected to increase further following the implementation of Multilateral Debt Relief Initiative in 2006, which is freeing up an additional US$38 billion. I have seen for myself the impact of some of this relief, such as schools in Ghana. Zambia is using savings

[107] HC Deb 15 January 2007: c743-8WA

> (US$2.8 million) in 2006 to increase spending on agricultural projects on smallholder irrigation and livestock disease control, as well as eliminate user fees for healthcare in rural areas.
>
> Analysis also shows that the performance of HIPCs has improved, as measured by the World Bank's Country Policy and Institutional Assessment. This looks at 16 different aspects of policy, within the categories of economic management, structural and social/poverty policies, and public sector management. And economic growth rates in sub-Saharan Africa are increasing. This cannot be attributed only to the HIPC process; however the top performers in 2005 amongst non-oil producing countries are HIPCs that have already benefited from debt relief.[108]

DFID has also contributed to efforts to reduce or eliminate commercial debt. In particular, the World Bank's Debt Reduction Facility has been used to eliminate approximately $8 billion of low-income country debt by providing grants that enable those countries to buy back commercial debts at a 90% discount (on average).[109] This programme helps protect low-income countries from "vulture fund" litigation, whereby their commercial debt is bought up at a discount and then enforced through the courts.

B. ODA

At the Gleneagles G8 Summit, the UK committed to increase aid expenditure to 0.7% of GNI by 2013 and double bilateral spending in Africa between 2003/04 and 2007/08. According to OECD aid expenditure figures, the UK ranked 7th amongst DAC members in terms of ODA as a percentage of GNI in 2006.[110]

DFID produces monthly updates of the G8 Gleneagles Implementation Plan for Africa. The most recent update shows that in 2006, the UK's ODA was £6.85 billion, or 0.52% of GNI.[111] This is an increase from aid levels for 2005, which at £5.92 billion represented 0.47% of GNI.[112] The 2006 aid amount reflects both an increase in non-debt relief ODA as well as a short-term increase attributed to debt relief for Nigeria (of which the UK portion in 2006 was £1.65 billion[113]). Debt relief represented 33% of total ODA from the UK in 2005 and 28% in 2006. Assuming that aid expenditures continue to increase despite the expected decrease in debt relief, the UK should be on track to meet the 2013 target. Table 4 shows the breakdown of the UK's 2005 and 2006 aid expenditure.

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108 HC Deb 11 December 2006: c745-6WA
109 HC Deb 19 April 2007: c778-9WA
110 OECD Press Release, "Development aid from OECD countries fell 5.1% in 2006", 3 April 2007
111 DFID, *DFID and the G8*, "More and better aid", 24 April 2007
112 DFID Press Release, "UK aid is increasing and we are delivering says Benn", 2 April 2007
113 DFID Statistical Release, "Provisional UK Official Development Assistance as a proportion of Gross National Income, 2006", 2 April 2007

Table 4: UK overseas development assistance, 2005 and 2006
£ million

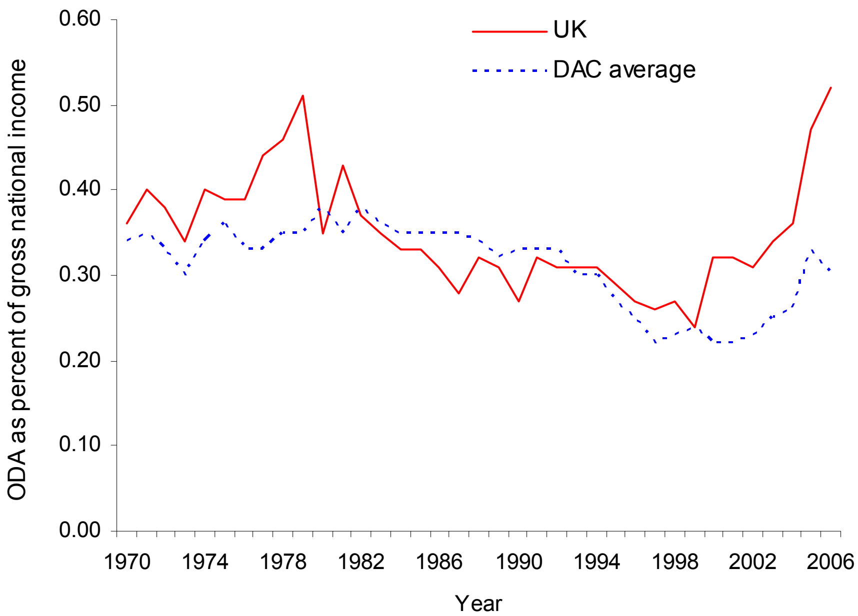
	2005 ODA	2006 ODA	Change	Percentage change
Total ODA	**5,923**	**6,851**	**928**	**16%**
of which bilateral	4,491	4,695	204	5%
of which bilateral South of Sahara Africa	2,071	2,912	841	41%
of which contributions to multilateral institutions	1,432	2,155	723	51%
ODA as proportion of GNI	0.47%	0.52%		
Debt Relief	1,944	1,892	-52	-3%
of which debt relief to South of Sahara Africa	1,190	1,775	586	49%
ODA excluding Debt Relief	3,979	4,958	979	25%
of which bilateral	2,547	2,803	256	10%
of which bilateral South of Sahara Africa	881	1,137	268	29%
of which contributions to multilateral institutions	1,432	2,155	723	51%
ODA, excluding debt relief, as proportion of GNI	0.32%	0.38%		

Note: The figures cover expenditure in developing countries from all UK official sources, including investment by CDC Group PLC (a government-owned company which invests in emerging markets), debt relief from Export Credits Guarantee Department (ECGD) and promissory notes deposited in respect of United Nation, the World Bank and regional development banks and funds

Source: DFID Statistical Release, "Provisional UK Official Development Assistance as a proportion of Gross National Income, 2006", 2 April 2007

Figure 4, below, shows the portion of aid relative to GNI for the UK from 1970 to 2005, as well as the DAC average:

Figure 4: ODA from the UK and DAC countries, 1970 to 2006



Regarding the UK's commitment to double bilateral spending in Africa between 2003/04 and 2007/08, DFID reports that bilateral assistance to South of Sahara Africa (SSA) increased by 33% between 2004/05 and 2005/06.[114] Provisional figures show that the UK increased bilateral ODA to SSA from £2.1 billion in 2005 to £2.9 billion in 2006 (an increase of 41%). Excluding debt relief, bilateral ODA to SSA increased from £881 million to £1.1 billion in 2006 (an increase of 29%). The statistics for Africa as a whole show an even bigger increase between 2004 and 2005, from £1.3 billion to £2.1 billion (an increase of almost 60%). However, it is important to note that when debt relief is excluded from these aid figures, the amount of aid to Africa actually decreased slightly from 2004 to 2005.[115] Based on these figures, and assuming the same rate of increase continues, the UK is on track to meeting the commitment to double African aid by 2007/08.

In a May 2006 peer review conducted by the DAC as part of the OECD's 2006 Development Co-operation Report, the UK was commended for its approach to development cooperation and its achievements in increasing overseas aid. At the same time, the DAC noted that the UK would have to exert special effort to meet its commitments to double aid expenditure over seven years and improve its delivery whilst reducing staff and costs of support as planned.[116] The report also made several recommendations to the UK to improve delivery of increased amounts of aid over time and allocations of aid.[117]

On 25 July 2006, the *International Development (Reporting and Transparency) Bill* received royal assent, requiring the Government to report on progress towards meeting the 0.7% target by 2013. The Act also sets out a framework for delivering aid to help meet the Millennium Development Goals. Under this legislation, the UK government must report in detail each year to Parliament on development policy and how aid is being used.[118]

On 9 May 2007, Hilary Benn announced that an independent committee would be established to monitor how the UK's overseas aid is spent. Specifically, the Independent Advisory Committee on Development Impact (IACDI) will identify which UK aid programmes to evaluate, determine gaps in the evaluation programme, assess whether international standards such as those for the DAC committee are being met, and comment on the overall quality of the evaluation programme.[119] Hilary Benn stated that the UK seeks to ensure the UK's aid expenditure represents "value for money", and acknowledged that with increases in aid, "we must be rigorous in assessing the impact of that aid in helping to reduce poverty and change the lives of poor people for the better."[120] A representative for the NGO Save the Children applauded the decision, pointing out that "Save the Children's research showed that from 2002 to 2004, almost 20% of UK aid was not delivered on time, if at all".[121]

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114 DFID, *Statistics on International Development 2001/02-2005/06*, 2006, p1
115 *ibid*., table 4.1
116 OECD, *2006 Development Co-operation Report*, Volume 8, No. 1, Chapter 4, p96
117 Specifically, allocations both between delivery channels (bilateral versus multilateral) and between target countries and sectors.
118 DFID Press Release, "New Act to hold Government to account on international aid", 25 July 2006
119 DFID Press Release, "Benn announces new independent committee to advise on evaluation of UK aid", 9 May 2007
120 *ibid.*
121 Elliott, Larry, "New watchdog will monitor Britain's aid spending", *The Guardian*, 10 May 2007

V Beyond the G8

A. Debt relief

Many countries outside the G8 have provided debt relief grants. Table 5, below, shows total debt relief grants provided by DAC members in 2005 and 2006. Although the G7 countries have provided the largest amount of debt relief through grants in 2005 and 2006, other DAC members provided more than $3 billion during that period.

Table 5: Debt relief grants, 2005 & 2006
$million

	2005	2006
Australia	20	363
Austria	911	757
Belgium	477	414
Canada	455	245
Denmark	20	146
Finland	150	..
France	3,498	3,792
Germany	3,905	3,015
Greece	..	..
Ireland	0	1
Italy	1,670	1,604
Japan	4,776	3,693
Luxembourg	..	..
Netherlands	330	294
New Zealand	0	..
Norway	2	23
Portugal	3	0
Spain	903	595
Sweden	53	302
Switzerland	224	98
United Kingdom	3,534	3,482
United States	4,196	1,695
TOTAL DAC	**25,128**	**20,518**
G7 countries	22,033	17,225
Non-G7 countries	3,095	3,293

Source: OECD, 23 April 2007

B. ODA from non-G8 DAC members

Although the overseas aid commitments of the Gleneagles Summit apply only to G8 members, many other donor countries have committed to large aid increases. The EU has committed to seeing member countries' ODA increase from 0.35% of GNI in 2004 to 0.56% by 2010 and 0.7% by 2015. Some EU members have committed to reaching the

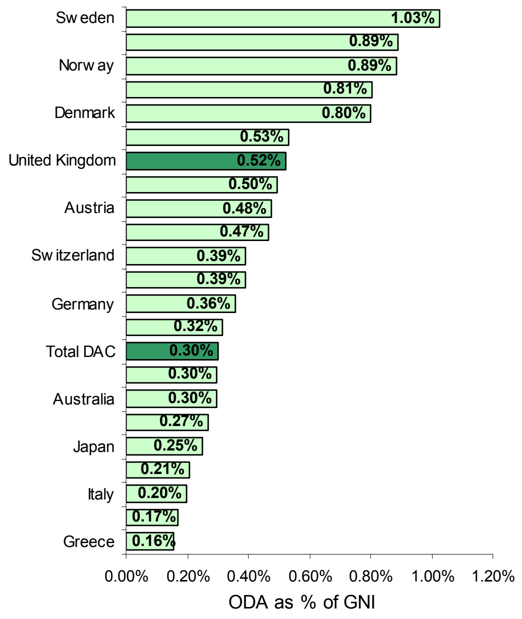
0.7% target prior to 2015 (the UK by 2013, Spain and Ireland by 2012 and Belgium and Finland by 2010).[122]

In April 2007, the OECD published 2006 aid figures for members of the DAC, which showed that aid decreased by 5% from $107 billion in 2005 to $104 billion in 2006. Much of the decline was attributed to reduced levels of debt relief in 2006 (with high levels in 2005 for Iraq and Nigeria); nonetheless, aid excluding debt relief still decreased by 2% in 2006.[123] The OECD further projected that aid levels would continue to drop in 2007 as debt relief decreases, but that "programme and project aid should then increase as donors fulfil more recent pledges".[124] Only 16 of the 22 DAC members met their aid targets set at the Monterrey Conference.

However, these OECD figures exclude multilateral aid flows to Africa (funds distributed through the EU, African Development Bank, the UN Development Programme and other such institutions). DATA estimates that including such multilateral flows, there was an overall increase in aid to Africa (excluding debt relief) of "about 9%" in 2006, while "[for] all OECD nations, aid to sub-Saharan Africa including multilateral aid went up by about 5%".[125]

Figure 5, below, shows DAC members' ODA contributions in terms of GNI. It shows that while there are some DAC members well above the 0.7% target – most notably, Sweden, Luxembourg, Norway, Netherlands, and Denmark each exceed it – the average for all DAC members is a relatively low 0.3% of GNI, and numerous DAC members fall well below that level.

Figure 5: Net ODA as % of GNI, DAC countries 2006



Source: OECD DAC Online (http://www.oecd.org/document/33/0,2340,en_2649_34447_36661793_1_1_1_1,00.html)

[122] World Bank, *Global Development Finance 2006*, p81

[123] OECD, DAC News, "New figures released today show that aid dropped in 2006 for the first time since 1997", April 2007.

[124] *ibid.*

[125] Drummond, Jamie, *The Guardian*, "The aid picture for Africa is not so bleak", 13 April 2007

Table 6 shows net aid contributions by DAC member countries in 2005 and 2006. While the G7 countries are among the largest contributors of overseas aid, on average, the overseas aid contribution from G7 countries decreased by almost 9% between 2005 and 2006, while non-G7 contributions increased by 6%.

Table 6: Net ODA contributed by DAC members, 2005-06

	$million (current prices)		% change 2005-06(a)	ODA as % of GNI		Rank in DAC	
	2005	2006		2005	2006	2005	2006
Australia	1,680	2,128	22.8%	0.25%	0.30%	20	17
Austria	1,573	1,513	-6.0%	0.52%	0.48%	7	9
Belgium	1,963	1,968	-2.7%	0.53%	0.50%	6	8
Canada	3,756	3,713	-9.2%	0.34%	0.30%	14	16
Denmark	2,109	2,234	2.9%	0.81%	0.80%	5	5
Finland	902	826	-9.9%	0.46%	0.39%	10	12
France	10,026	10,448	1.4%	0.47%	0.47%	8	10
Germany	10,082	10,351	0.9%	0.36%	0.36%	13	13
Greece	384	384	-4.1%	0.17%	0.16%	23	23
Ireland	719	997	33.7%	0.42%	0.53%	12	6
Italy	5,091	3,672	-30.0%	0.29%	0.20%	16	21
Japan	13,147	11,608	-9.6%	0.28%	0.25%	17	19
Luxembourg	256	291	4.9%	0.86%	0.89%	3	2
Netherlands	5,115	5,452	4.2%	0.82%	0.81%	4	4
New Zealand	274	257	0.0%	0.27%	0.27%	19	18
Norway	2,786	2,946	-2.2%	0.94%	0.89%	2	3
Portugal	377	391	0.6%	0.21%	0.21%	22	20
Spain	3,018	3,801	20.3%	0.27%	0.32%	18	14
Sweden	3,362	3,967	15.0%	0.94%	1.03%	1	1
Switzerland	1,767	1,647	-7.0%	0.44%	0.39%	11	11
UK	10,767	12,607	13.1%	0.47%	0.52%	9	7
US	27,622	22,739	-20.0%	0.22%	0.17%	21	22
Total DAC	**106,777**	**103,940**	**-5.1%**	**0.33%**	**0.30%**	**15**	**15**
EU15 countries	55,745	58,902	2.7%	0.44%	0.43%		
G7 countries	80,492	75,138	-8.7%	0.30%	0.26%		
Non-G7	26,285	28,802	6.1%	0.50%	0.51%		

Note: (a) % change 2005 to 2006 at 2005 prices and exchange rates

Source: OECD DAC Online (http://www.oecd.org/document/33/0,2340,en_2649_34447_36661793_1_1_1_1,00.html)

VI Next steps

The OECD has produced aid forecasts on the basis of pledges made by DAC members. By 2010, overall ODA is projected to increase by $50 billion to over $130 billion, with a doubling of aid to Africa to around $50 billion. As a proportion of GNI, ODA is expected to increase from 0.30% in 2006 to 0.36% by 2010. The OECD notes that the ODA level in 2010 (0.36% of GNI) remains lower than the amount achieved in the years immediately following the DAC's formation in 1960 (0.50% of GNI). In addition, the

OECD cautions that many donor countries have public budget pressures that may make it difficult to deliver increased amounts of aid.[126]

Oxfam produced a report in advance of the June 2007 G8 Summit that examines the extent to which each of the Gleneagles commitments have been met.[127] Regarding debt relief, while applauding the progress achieved in debt relief to date, Oxfam urges the G8 to extend debt relief beyond the 41 countries currently considered eligible. Oxfam is much more critical of progress on overseas aid, and produces projections of ODA from a different viewpoint from those of the OECD. Based on the trend of actual aid levels (as opposed to countries' commitments), Oxfam predicts that the G8 countries' target of achieving $50 billion in ODA by 2010 will be missed by $30 billion.[128] Germany, the host country for the upcoming G8, was singled out for its failure to meet aid commitments; Oxfam observed that aid levels would have to increase by 20% annually in order to meet the 2010 target.[129]

DATA also released an assessment of the G8's progress in meeting its Africa commitments, including those relating to aid and debt relief. The report identifies some areas of good progress, including debt cancellation and targeted aid leading to an additional 20 million children being schooled and increasing the number of Africans receiving antiretroviral treatment for HIV/AIDS from 50,000 to 1.34 million between 2002 and 2006. More effective aid to Mozambique and Tanzania corresponded with increased economic growth, reduced under-five mortality rates and increased primary school enrolment in Tanzania. However, DATA states that the G8 are not on track with their aid commitments, having increased ODA to sub-Saharan Africa by only $2.3 billion since 2004. To be on track, they would have had to provide $5.4 billion over that period. DATA concludes that of the G8, only Japan and the UK are on track with their commitments, while France and Germany failed to increase aid, and Italy reduced ODA.[130] Furthermore, the anticipated aid increases in 2007 are unlikely to fill this gap. The DATA report called for an emergency session at the upcoming G8 Summit to agree on a schedule to meet the commitments made at the Gleneagles G8 Summit.

Concord, a confederation of European NGOs, has also released a study critical of the EU members' aid efforts. Concord asserts that almost one-third of European aid is not "genuine aid", consisting of debt relief (totalling €11 billion, mostly to Iraq and Nigeria), spending on foreign students' education within Europe (€1.7 billion), and spending within Europe on refugees (€1 billion).[131] While the report acknowledges the high levels of aid contributed by some European countries (notably, Sweden, Luxembourg, the Netherlands, Denmark, Ireland, Spain and the UK), each is criticised for "inflating" aid figures by including what Concord considers "non-aid" spending. The quality of aid is also criticised. The report's recommendations include committing to a binding timetable

126 OECD, DAC Members' net ODA 1990-2005 and DAC Secretariat simulation of net ODA in 2005 and 2010
127 Oxfam Briefing Paper 103, "The World is Still Waiting – Broken G8 promises", May 2007
128 It is important to note that the ODA estimates supporting this prediction exclude debt relief.
129 *ibid*, p24
130 DATA, *The DATA Report*, 2007, p4-5
131 Concord, *Hold the Applause! EU governments risk breaking aid promises*, April 2007

for delivery of aid targets, providing "genuine aid" as well as accurate reporting of aid, and improving aid effectiveness.[132]

The timing and messages of the Oxfam, DATA and Concord reports, and the recent APP launch and press conference, are all clearly aimed at taking the G8 leaders to task at the G8 Summit in Germany from 6-8 June 2007. At time of publication, African poverty reduction has been placed on the agenda,[133] but it remains to be seen whether the issue will be given the same prominence and political support it had at the 2005 Summit.

VII Select bibliography

The Zedillo Report (*Report of the High-Level Panel on Financing for Development*) set the stage for the financial commitments made at the Gleneagles Summit. The report recommendations can be found at:
http://www.un.org/reports/financing/recommendations.htm

More information on the MDGs can be found at: http://www.un.org/millenniumgoals/.

The World Bank maintains a website to address general questions about debt relief, available at: http://go.worldbank.org/2YHKG4QYS0. The World Bank also maintains a website for the HIPC initiative, which included regular updates as well as specific country information, available at: http://go.worldbank.org/85B908KVE0.

The Gleneagles G8 Summit communiqué is available online at:
http://www.fco.gov.uk/Files/kfile/PostG8_Gleneagles_Communique,0.pdf

The G8 published a one-year update on progress towards meeting the Gleneagles Africa commitments, available at http://en.g8russia.ru/docs/13.html.

The OECD's report on the most recent development aid figures is available at:
http://www.oecd.org/document/17/0,2340,en_2649_33721_38341265_1_1_1_1,00.html.

Details on the UK overseas aid budget, trends in the level of expenditure, and where UK aid goes can be found in DFID's *Statistics on International Development 2001/02-2005/06*, published in 2006.

DFID regularly updates on progress toward the Gleneagles communiqué commitments, most recently in "G8 – two years on", available at: http://www.dfid.gov.uk/g8/default.asp.

Another DFID update, focused on debt relief, can be found at:
http://www.dfid.gov.uk/mdg/debtrelief-latdevs.asp.

DFID's most recent release of ODA as a proportion of GNI is available at:
http://www.dfid.gov.uk/news/files/pressreleases/stats-release-oda-gni2006.asp.

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132 *ibid*., p3-4

133 Following the APP launch, Tony Blair stated that he succeeded in convincing German Chancellor Angela Merkel to "put Africa back at the top of the G8 agenda in Heilgendamm", as reported by Larry Elliott and Kate Connolly in *The Guardian*, "In 2005, G8 pledged $50 bn for Africa. Now the reality", 25 April 2007.

The document *Gleneagles Implementation Plan for Africa - March 2007* update provides full details of progress towards the Africa-focused commitments made at Gleneagles: http://www.fco.gov.uk/Files/kfile/marchimplementg8.pdf.

The IMF has produced a fact sheet on the MDRI, "The Multilateral Debt Relief Initiative (MDRI)" at http://www.imf.org/external/np/exr/facts/mdri.htm.

The APP's website can be found at: http://www.africaprogresspanel.org/index.php, and includes the APP communiqué.

A critical perspective on the implementation of the debt relief commitments was recently provided by DATA: "100% Multilateral Debt Cancellation Deal: Status of Implementing the G8 Promise".

Oxfam produced a progress report one year after the Gleneagles Summit, available at: *http://www.oxfam.org.uk/what_we_do/issues/debt_aid/downloads/g8_gleneagles_oneyear.pdf*. More recently, Oxfam provides a comprehensive critique of the G8's performance in delivering each of the Gleneagles commitments (not just aid and debt relief): "The World is Still Waiting – Broken G8 promises", available at: http://www.oxfam.org.uk/what_we_do/issues/debt_aid/downloads/bp103_g8.pdf.

The 2007 DATA report, examining the G8's progress in meeting its Africa commitments is available at: http://www.thedatareport.org/pdf/DATAREPORT2007.pdf.

Appendix 1

UK debts owed and debt relief given to low income and lower middle income countries

£thousands

	Debt owed			Debt relief					
	CDC	DFID[3]	World Bank Loans with DFID as a creditor	Flow relief 2003-04 to 2005-06		Stock cancellation 2003-04 to 2005-06		Reimbursements since 2004 on World Bank loans with DFID as a creditor	Stock cancellation since 2004 on World Bank loans with DFID as a creditor
				CDC	DFID[3]	CDC	DFID[3]		
Low Income Countries									
Bangladesh			4,701						
Benin[1]								64	304
Burkina Faso[1]								168	813
Burundi[2]			121						
Cameroon[1]				2,574					
Central Africa N. Rep.[2]			49						
Comoros[2]			71						
Congo, Dem. Rep.[2]			1,568						
Congo, Rep.[2]			489						
Cote D'Ivoire[2]	12,976	567[1]					663		
Ethiopia[1]								204	1,062
Gambia[2]			167						
Ghana[1]				4,506	1,632	9,050	1,104	121	630
Guinea[2]			381						
Guinea-Bissau[2]			96						
Haiti[2]			592						
India			4,913						
Kenya	292		1,450						
Laos			274						
Lesotho			217						
Liberia[2]			134						
Madagascar[1]								203	1,057
Malawi[1]				2,886					754
Mali[1]								211	1,019
Mauritania[1]									152
Mozambique[1]							68		
Myanmar			1,062						
Nepal[2]			1,105						
Nicaragua[1]							3		
Niger[1]								38	205
Nigeria							5,000		
Pakistan			5,672			23,139			
Rwanda[1]								34	175
Senegal[1]							49	87	413
Sierra Leone[2]			293						
Somalia[2]			151						
Sudan[2]			1,093						
Tanzania[1]								524	2,302
Togo[2]			665						
Uganda[1]								455	2,017
Yemen			1,102						
Zambia[1]					1,154		2,154	99	526
Zimbabwe	10,144	8,544							
Total for low income countries	**23,412**	**9,111**	**26,276**	**9,966**	**2,786**	**32,189**	**9,041**	**2,208**	**11,429**
Lower middle income countries									
Colombia		6							
Ecuador		8,067							
Egypt		112[3]	3,542				1,218		
Guyana[1]							12,106	59	306
Honduras[1]				2,519	186	15,371	93		
Indonesia	16,622		553						
Jamaica	5,906	13,472[3]				5,864	9,257		
Jordon		7,072[3]					5,716		
Peru		2,958[3]					1,550		
Philippines		483							
Samoa			29						
Solomon Islands							734		
Sri Lanka			873						
Total for lower middle income countries	**22,528**	**32,170**	**4,997**	**2,519**	**186**	**21,235**	**30,674**	**59**	**306**

[1] Low-income countries are countries that completed the HIPC Initiative and received full debt cancellation from the UK.

[2] Countries that have passed the HIPC Decision Point and receive 100% flow relief (they make no debt service payments). These will receive full debt cancellation upon reaching the HIPC Completion Point.

[3] Debt relief has been given on these debts under Retrospective Term Adjustment (RTA) and the Commonwealth Development Initiative (GDI)-payments are cancelled each year as they become due and the countries are not billed.

Source: HC Deb 15 January 2007: c743-8WA

Glossary of acronyms

APP	Africa Progress Panel
ADF	African Development Fund
DAC	Development Assistance Committee
DATA	Debt AIDS Trade Africa
DFID	Department for International Development
ECGD	Export Credits Guarantee Department
G7	G8 minus Russia
G8	Canada, France, Germany, Italy, Japan, Russia, United Kingdom and United States
GNI	gross national income
HIPCs	Heavily Indebted Poor Countries
IADB	Inter-American Development Bank
IDA	International Development Association
IMF	International Monetary Fund
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
NGOs	Non-governmental organisations
ODA	Official Development Assistance
SSA	South of Sahara Africa