

DOUBLE DEVELOPMENT ASSISTANCE FOR AFRICA

WHY IS DEVELOPMENT ASSISTANCE IMPORTANT?

The development assistance increases promised at Gleneagles are a major step forward, not just in volume, but because the commitments were made by G8 heads of government. Five of those leaders are still in power and the three newcomers to the G8 fold since Gleneagles—Chancellor Merkel, Prime Minister Prodi and Prime Minister Harper—have affirmed their commitment to these targets or called for a more aggressive scale-up.

The development assistance promise is essential to help finance all the other commitments of the G8 such as providing universal access to AIDS treatment and putting every child in school. It is important to see the development assistance promise not as a ceiling but as a floor, a level below which G8 development assistance to Africa is never allowed to fall.

WHAT DID THE G8 PROMISE?

INCREASED DEVELOPMENT ASSISTANCE

PARAGRAPH 25. “A substantial increase in official development assistance, in addition to other resources, is required in order to achieve the internationally agreed development goals and objectives, including those contained in the Millennium Declaration (the Millennium Goals) by 2015, as we agreed at Monterrey in 2002. Fulfilling this commitment is needed in order to consolidate and build on recent progress in Africa, to stimulate the growth that will increase other resources and to enable African and other poor countries over time to reduce their aid dependency.”

PARAGRAPH 27. “The commitments of the G8 and other donors will lead to an increase in official development assistance to Africa of \$25 billion a year by 2010, more than doubling aid to Africa compared to 2004.”

INNOVATIVE FINANCE

Annex to Africa Communiqué. “A group of the countries above firmly believe that innovative financing mechanisms can help deliver and bring forward the financing needed to achieve the Millennium Development Goals. They will continue to consider the International Financing Facility (IFF), a pilot IFF for Immunization and a solidarity contribution on plane tickets to finance development projects, in particular in the health sector, and to finance the IFF. A working group will consider the implementation of these mechanisms.”

IMPROVED AID QUALITY

PARAGRAPH 32. “We need to support sound development strategies with better aid, to ensure it is used most effectively. We will implement and be monitored on all commitments we made in the Paris Declaration on aid effectiveness, including enhancing efforts to untie aid; disbursing aid in a timely and predictable fashion, through partner country systems where possible; increasing harmonization and donor co-ordination, including through more program-based approaches.”

In addition to the above collective development assistance volume target of an additional \$25b for Africa, each G8 country specified individual national goals for increasing development assistance. These vary greatly in size. Due to the focus in Gleneagles on Africa, each country specified what proportion or amount of their development assistance increase would go to sub-Saharan Africa. The commitments are detailed below:

FINANCING COMMITMENTS

(AS SUBMITTED BY INDIVIDUAL G8 MEMBERS):

THE EU has pledged to reach 0.7 percent ODA/GNI by 2015 with a new interim collective target of 0.56 percent ODA/GNI by 2010. The EU will nearly double its ODA between 2004 and 2010 from €34.5 billion to €67 billion. At least 50 percent of this increase should go to sub-Saharan Africa.

GERMANY (supported by innovative instruments) has undertaken to reach 0.51 percent ODA/GNI in 2010 and 0.7 percent ODA/GNI in 2015. As per its commitment through the EU, at least 50 percent of this increase should go to sub-Saharan Africa.

ITALY has undertaken to reach 0.51 percent ODA/GNI in 2010 and 0.7 percent ODA/GNI in 2015. As per its commitment through the EU, at least 50 percent of this increase should go to sub-Saharan Africa.

FRANCE has announced a timetable to reach 0.5 percent ODA/GNI in 2007, of which 2/3 is for Africa—representing at least a doubling of ODA since 2000—and 0.7 percent ODA/GNI in 2012.

U.K. has announced a timetable to reach 0.7 percent ODA/GNI by 2013 and will double its bilateral spending in Africa between 2003-04 and 2007-08.

U.S. proposes to double aid to sub-Saharan Africa between 2004 and 2010.

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.

CANADA will double its international assistance from 2001 to 2010, with assistance to Africa also doubling from 2003-4 to 2008-9.

INTERPRETING THE COMMITMENT

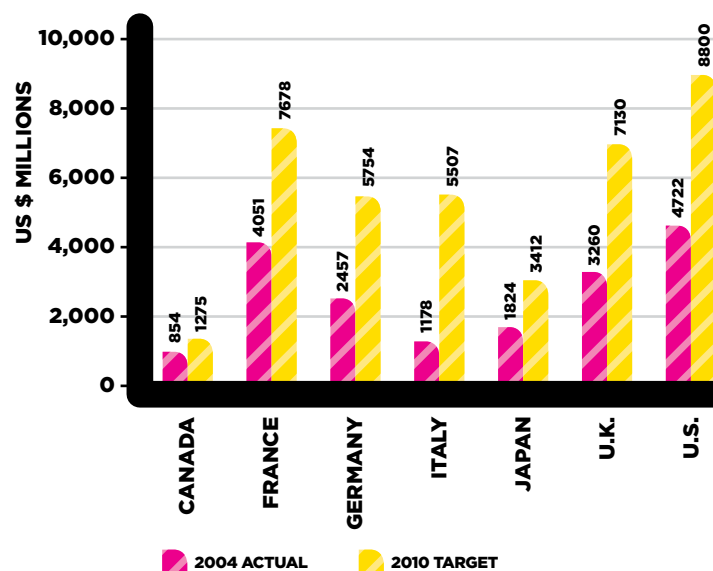
Interpreting the Commitment: Each donor's own commitment, stated in the Africa Communiqué, is the starting point. Progress for 2005 is measured by combining the bilateral ODA reported by the donor with the two-year (2004/2005) average for multilateral ODA to sub-Saharan Africa. All data is given in 2004 prices.

ABOUT THE \$25B COMMITMENT: WHO PROMISED WHAT

When analysing the \$25b pledge by 2010, it is important to note the varying levels of commitment from each member of the G8. Overall, the EU G8 members (U.K., France, Germany and Italy) were much more ambitious than the non-EU members (Japan, U.S. and Canada).

The graph below shows the proposed increase between 2005 and 2010 in sheer dollar volume.

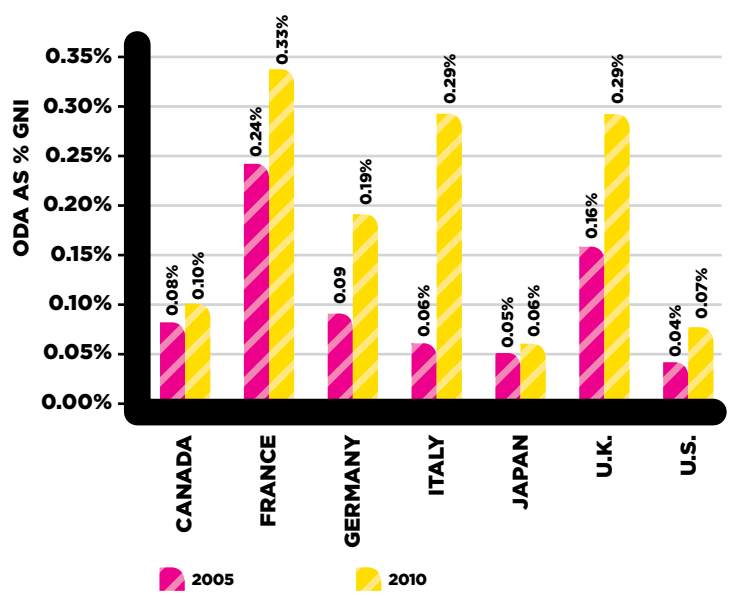
AMBITION OF G8 PROMISES: PROMISES BY \$ VOLUME



“ It is important to see the development assistance promise not as a ceiling but as a floor, a level below which G8 development assistance to Africa is never allowed to fall. ”

The second graph below shows the proposed increase between 2005 and 2010 in ODA to Africa as a share of GNI.¹¹

AMBITION OF G8 PROMISES: PROMISES BY PERCENTAGES OF GNI



These varying levels of ambition mean that as we gauge whether a donor is “on track,” we should note how steep a track they’ve assigned themselves. This pitch is a reflection of both the goal and the starting point. For example, some donors, such as the U.S. and Italy, were providing relatively low levels of ODA in relation to their GNI during the base year 2004; therefore, they share a relatively low starting point. However, from that similarly low starting point, Italy set a very difficult target which will require it to multiply its 2004 development assistance to Africa by more than five times by 2010, whereas the U.S. committed to double its low starting point in volume terms. Other relatively ambitious targets were set by France, the U.K. and Germany. Japan, Canada and the U.S. set relatively unambitious targets, and DATA works with campaigns in all three countries to advocate for larger effective development assistance increases.

	2004 BASELINE	2005 ACTUAL	2010 TARGET	AMOUNT NEEDED BETWEEN 2005- 2010
G8 TOTAL	\$18.3b	\$20.0b	\$39.6b	+\$19.6b
NON G8 DONORS	\$7.8b	\$6.7b	\$12.1b	+\$5.4b
TOTAL	\$26.2b	\$26.6b	\$51.6b	+\$25.0b

It is also important to note that \$5.4b of the \$25b increase promised by 2010 was actually promised by a group of donor nations that are not members of the G8—but are members of the OECD—such as Ireland, Australia, the Netherlands, Spain and New Zealand.

Each G8 donor has their own individual end-target and timeline for achieving their goal. In addition, some donors set interim targets while others only set ultimate increase levels.

SHARE OF GLOBAL ODA PROVIDED BY G8 DONORS (2000 TO 2005)

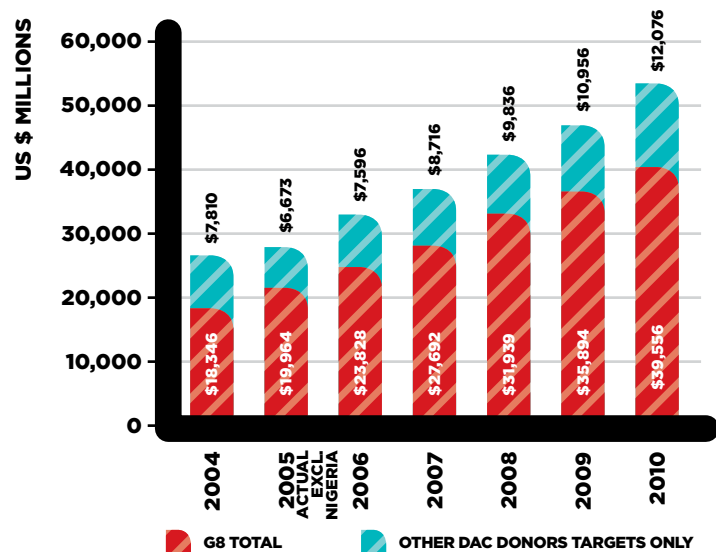


In evaluating these commitments and writing this report, DATA calculated how much the G8 would collectively need to increase development assistance by on an annual basis in order to reach the 2010 goal. Where donors have only set their ultimate target total and no interim targets, DATA has simply estimated a regular increment of growth each year. However, for those donors that have set interim milestones, the line to the target is not necessarily a straight one.¹² Where a donor’s own target is set before 2010 (for example, Canada’s commitment is to scale up by 2009), we have assumed that development assistance will be maintained at that level until

2010.

In the baseline year, 2004, G8 donors allocated \$18.3b to sub-Saharan Africa. Therefore, reaching the target of a \$21.2b increase by 2010 would have required the G8 to scale up collectively by \$3.5b annually for six years.

THE G8 PROMISE ON DEVELOPMENT ASSISTANCE



As the above graph illustrates, G8 donors increased their development assistance to sub-Saharan Africa by only \$1.6b in 2005—from \$18.3b to \$20.0b. (These figures assume a flatlined total for Japan as Japan has not yet reported new figures for 2005).¹³ The non-G8 donors actually decreased their development assistance levels.

The chart to the right shows the increase or decrease each individual G8 nation made in aid to Africa, if we exclude Nigerian debt relief from clouding the picture.

ALL FIGURES IN US\$ MNS	2004	2005	CHANGE
FRANCE	4051	4963	+912
U.S.	4722	5201	+480
U.K.	3260	3471	+211
ITALY	1178	1204	+26
GERMANY	2457	2456	-1
CANADA	854	844	-10
JAPAN	1824	1824	n/a
G8 TOTAL	18346	19964	+1618

DATA estimated that the linear track the G8 needed to be on in 2005 to make steady progress towards their 2010 goal would have resulted in an increase of \$3.5b per year. The \$1.6b increase falls far short.

CAUTIONARY NOTE ABOUT THE 2005 ODA FIGURES

As noted in the Executive Summary, there are limitations to the data used to measure development assistance. In 2005, the most pressing of these limitations have been:

TIME LAGS Figures for 2005 are not, on their own, a good indication of progress towards goals set in 2005. The DAC figures record disbursements. Since it takes time to spend money, these figures are often a reflection of decisions made a year or more prior. However, the 2005 figures are a fair assessment of progress on targets set before the Gleneagles Summit, as part of the build-up to it, and which were rolled into the commitments made there.

CYCLICAL AND LUMPY DEVELOPMENT ASSISTANCE FLOWS

Because multilateral disbursements are irregularly disbursed/ reported and therefore fluctuate in the ODA tracking system, we have calculated a two-year average (2004 and 2005). This means that both the 2004 total figure and the 2005 total figure for each donor includes not that particular year's multilateral figure, but the two-year average.

NO NEW JAPANESE DATA The 2005 figures sadly do not include any new data for 2005 from Japan. Therefore we have assumed that Japan has flatlined development assistance to Africa, until we get complete data-sets.

TRICKY ISSUES ON HOW TO ACCOUNT FOR DEBT RELIEF

OVERALL There is much debate about how best to give credit to donors and creditors for debt cancellation while not clouding the reporting of real development assistance flows. Had we been able to get data-sets that showed how much of the 2005 officially-reported development assistance flows were in fact “debt relief transactions,” then we would have also shown them separately from the underlying development assistance figures. In the future, we hope this information will be made available by donors more readily so that we can factor it into our analysis. For example, it is quite possible that the large increase in French development assistance in 2005 is largely explained by non-Nigerian debt relief in 2005.

TRICKY ISSUES ON HOW TO ACCOUNT FOR NIGERIAN DEBT

RELIEF This is treated in detail below, and while we can break out the figures from our total ODA statistics, there is not yet consensus on how to treat these figures.

The methodology is explained in full in Appendix A.

WHAT MUST THE G8 DO TO GET BACK ON TRACK IN 2006 AND BEYOND?

To make up for the lower than necessary increase in 2005, DATA has recalculated the annual targets and found that the G8 donors must increase development assistance by approximately \$4b per year each year for the next 5 years to make up for the 2005 shortfall and still reach the collective target by 2010.

The first table on the next page shows the actual annual increase numbers for what each G8 donor must individually do get and stay on track between 2006 and 2010.

TOTAL ODA NEEDED TO REACH ADDITIONAL \$25B BY 2010 (2005 NET OF DEBT RELIEF TO NIGERIA AS THE BASE YEAR)

	2004	2005	2006	2007	2008	2009	2010
CANADA	854	844	988	1131	1275	1275	1275
FRANCE	4051	4963	5232	5500	6226	6952	7678
GERMANY	2457	2456	3116	3775	4435	5094	5754
ITALY	1178	1204	2065	2925	3786	4646	5507
JAPAN	1824	1824	2258	2692	3051	3412	3412
UNITED KINGDOM	3260	3471	4249	5027	5805	6434	7130
UNITED STATES	4722	5201	5921	6641	7361	8080	8800
G8 TOTAL	18346	19964	23828	27692	31939	35894	39556
OTHER DAC DONORS TARGETS	7810	6673	7596	8716	9836	10956	12076
TOTAL ALL DAC	26156	26637	31424	36408	41775	46850	51632

US \$ MILLIONS

NOTES: THE HIGHLIGHTED CELLS ARE THE YEARS WHEN G8 DONORS HAVE SET TARGETS

Excluding Nigeria debt relief, the amounts that each donor would have to increase development assistance to Africa by each year are as follows:

HOW MUCH DOES EACH DONOR HAVE TO FIND EACH YEAR TO BE ON TARGET? (SCENARIO ONE - EXCL. NIGERIA DEBT IN 2005)

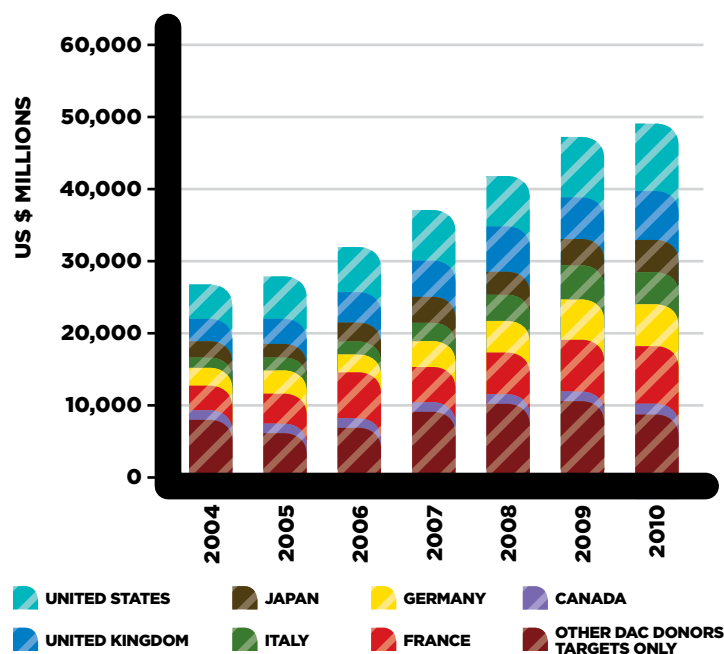
	2006	2007	2008	2009	2010
CANADA	144	144	144	0	0
FRANCE	269	269	726	726	726
GERMANY	660	660	660	660	660
ITALY	861	861	861	861	861
JAPAN	434	434	360	361	0
UNITED KINGDOM	778	778	778	629	696
UNITED STATES	720	720	720	720	720
G8 TOTAL	3864	3864	4247	3955	3662
OTHER DAC DONORS	923	1120	1120	1120	1120

US \$ MILLIONS

“
**To date,
 16 of the
 22 OECD
 countries
 are
 committed
 to 0.7%
 of GNI by
 or before
 2015.**
 ”

The graph below illustrates how these increases add up to the promised \$25b extra by 2010.

ANNUAL ODA INCREASES NEEDED TO AFRICA TO REACH \$25 BILLION ADDITIONAL IN 2010



WHY DOES DATA NOT INCLUDE NIGERIAN DEBT RELIEF IN THE DEVELOPMENT ASSISTANCE STATISTICS FOR 2005?

NIGERIAN DEBT RELIEF AS ODA

G8 donors that were creditors to Nigeria will argue that Nigerian debt relief should be included because they did not agree that debt relief should be additional to ODA – despite the fact that the Monterrey final statement in 2002 encouraged them to do so. Because the goal of this report is to measure progress and the G8’s likelihood of ultimately delivering on goals such as \$25b additional by 2010, DATA has decided to exclude Nigerian debt relief from this analysis primarily because it clouds our ability to gauge real progress towards those 2010 goals.

We believe this provides a clearer picture of aid increases in real terms. Including Nigerian debt relief figures

as ODA in 2005 and 2006 would temporarily boost those creditors’ ODA figures for those years but will not ultimately put them on the trajectory to be delivering their portion of the \$25b increase by 2010. This is because by 2010, there will be no more Nigerian debt relief boosting ODA figures; indeed even in 2007 they will feel the effect of the accounting decision as ODA totals will plummet and they are left with an unbridgeable leap between 2007 and 2010. Therefore, if the goal is to measure progress against the 2010 target, DATA feels that extracting Nigerian debt relief provides a clearer picture of the true trajectory.

Other factors that led DATA to exclude Nigerian debt relief from this analysis include:

- The whole face value of the debt that can appear as ODA bears almost no relation to the real cost to the donor: Over 2005-2006 donors will count \$14b as ODA but donors will only have foregone \$1b annually in debt service.
- The official approach bears no relation to the actual sums that will be freed up for Nigerians to fight poverty. Nigeria will save approximately \$1b according to the Nigerian Finance Ministry. In addition, if we were to look at Nigeria’s side of the accounts, they paid \$11b over a twelve month period to the donors which also could have been used to fight poverty.
- The origins of Nigeria’s debts are at least in part illegitimate. Some of this debt was incurred by corrupt dictators not elected by the Nigerian people, and lent by companies and countries to these dictators irresponsibly.

DATA fully supports the bold initiative by donors and the Nigerian Government to address Nigeria’s debt burden but the Nigeria debt deal highlights the need to devise a reporting system that allows for distinctions in types of flows and their impact on the recipients for which they’re intended – not just items that appear in donor accounts, but real flows of money into developing countries. Public debate on this topic is necessary and alternative accounting systems—perhaps similar to scenario three proposed below—should be explored.

The chart below illustrates three different ways in which one might count Nigerian debt relief and the impact such decisions have on the assessment as to whether development assistance levels increased or decreased in 2005. Scenario 1 excludes Nigerian debt relief; Scenario 2 includes it in full in the way that the OECD officially currently counts it; and Scenario 3 proposes an alternative which would be to take the actual annual savings to Nigeria and credit donors with a proportionate share of those savings, so that the amount attributed as ODA would actually represent the amount of resources available to the country to fight poverty. These scenarios are laid out in full in Appendix B and require full debate. The below serves to show what a large impact Nigerian debt relief accounting has on the statistics and how misleading including the figures would be.

THREE WAYS OF MEASURING HOW DEVELOPMENT ASSISTANCE TO AFRICA CHANGED BETWEEN 2004-2005 (US\$ MILLIONS)						
	SCENARIO 1: EXCLUDING NIGERIAN DEBT RELIEF		SCENARIO 2: INCLUDING NIGERIAN DEBT RELIEF		SCENARIO 3: INCLUDING A SHARE OF THE DEBT SERVICE SAVINGS TO NIGERIA	
FRANCE	Up by	\$911	Up by	\$2,138	Up by	\$1159
U.S.	Up by	\$479	Up by	\$479	Up by	\$479
U.K.	Up by	\$211	Up by	\$2,283	Up by	\$629
CANADA	Down by	\$10	Down by	\$10	Down by	\$10
GERMANY	Down by	\$1	Up by	\$1,141	Up by	\$229
ITALY	Up by	\$26	Up by	\$543	Up by	\$130
JAPAN	n/a	n/a	n/a	n/a	n/a	n/a
TOTAL G8 DONORS (EXCLUDING JAPAN)	Up by	\$1616	Up by	\$6574	Up by	\$2618

WHAT IS THE TARGET FOR NON-G8 DONORS?

In 2005, development assistance from non-G8 donors (such as Ireland, Australia and New Zealand) to sub-Saharan Africa is estimated to have stayed more or less at its 2004 level, excluding debt relief. Within this headline figure, most non-G8 donors increased their development assistance modestly, but Portugal's development assistance fell by over \$600m because of an exceptionally high 2004 figure boosted by debt relief for Angola. Several non-G8 donors are members of the 1% club—countries like Sweden, Luxembourg and Norway that have a goal of reaching or maintaining 1% of GNI in development assistance—and others, like the Netherlands, who are governed by legislation that ensures that 0.8% of GNI is spent on development assistance. Many of the rest are committed to 0.7%, but Australia, New Zealand and Austria are among those not yet committed to the 0.7% goal. To date, 16 of the 22 OECD countries are committed to 0.7% of GNI by or before 2015.

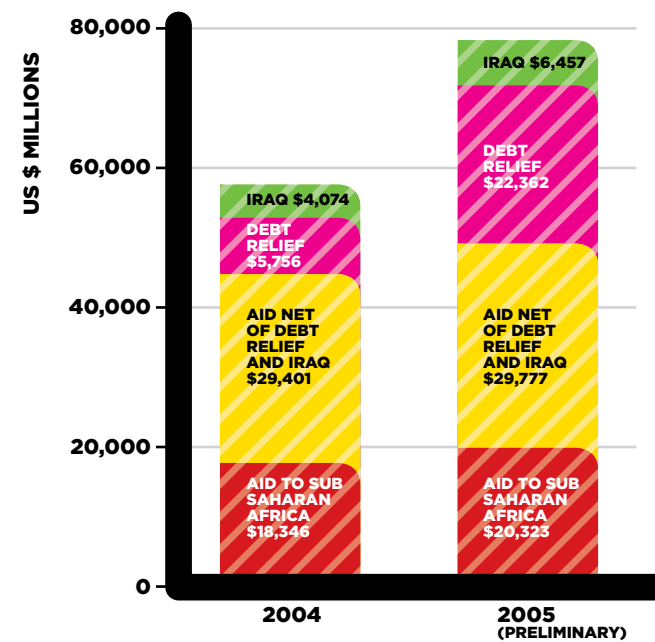
DEVELOPMENT ASSISTANCE COMMITMENTS TO AFRICA IN THE CONTEXT OF TOTAL ODA

The development assistance commitments to Africa were made in the context of other commitments to ODA as a whole, especially a series of commitments from EU G8 nations to increase development assistance to 0.7% of GNI by no later than 2015 and to 0.51% of GNI for development assistance by 2010. Within this, France promised to reach 0.7% by 2012, the U.K. by 2013 and Germany and Italy by 2015.

Though this report does not track the overall ODA increases, it is important to note that the commitments to Africa were made within the context of overall ODA increases: only half of the total was specified for Africa. Ensuring that resources are not simply shifted from other poor regions to Africa is key. In 2005, official development assistance figures show a 37% increase in ODA in real terms. However, if you exclude the resources going to Iraq and debt relief for Nigeria, the overall ODA increase would only be 5% in real terms.

The graph to the right tracks total ODA—not just to Africa but to all regions—and shows the portion of development assistance to Iraq, to total debt relief, development assistance to Africa and development assistance to other regions.

TOTAL ODA COMPOSITION 2004-2005



INNOVATIVE FINANCING

In order to reach their development assistance commitments, some G8 donors pledged to develop new innovative sources of funding to achieve their goals. Innovative mechanisms will be particularly important tools for reaching development assistance targets for those European countries that have made very large development assistance commitments, but face tough budget constraints.

Progress has been made on several fronts since the Gleneagles summit:

- The French government has led development of an air ticket levy to raise resources which will be used to buy AIDS, TB and malaria medicines. The U.K. is supporting this initiative as are a number of other non-G8 countries, including major developing countries such as Brazil.
- The U.K. has proposed an International Finance Facility (IFF) to frontload resources for development by issuing government bonds on financial markets. A pilot IFF for immunisation (IFFIm) was launched in September 2005, issuing limited amounts of bonds to raise money for mass

immunisation programs administered through the Global Alliance for Vaccines and Immunization. The U.K., France, Italy, Spain and Sweden are all backing the scheme, which will provide an additional \$4b over ten years and could save 10 million lives.

QUALITY OF DEVELOPMENT ASSISTANCE

WHERE ARE WE NOW AND HOW DO WE GET TO WHAT WAS PROMISED?

The value of development assistance does not just depend on its volume, but also its quality. Predictable, long-term development assistance that supports African governments' own national programs is particularly valuable. Tied aid, which means development assistance that is given on the condition that it is used to purchase goods and services either from the donor or from a group of countries specified by the donor, reduces the value of the development assistance dollar. It has been estimated that the efficiency of aid that is tied in this way is reduced by around 30%.¹⁴

Donors agreed to begin untying aid for Least Developed Countries (LDCs) in 2001 but, as shown in the chart below, a number of G8 donors continue to tie substantial proportions of their development assistance to LDCs.

SHARE OF THE AID THAT IS UNTIED

	SHARE OF BILATERAL AID TO LEAST DEVELOPED COUNTRIES THAT IS COMPLETELY UNTIED - 2003 DATA (2002 IN BRACKETS)	PROGRESS ON UNTYING TO LEAST DEVELOPED COUNTRIES?
CANADA	81% (63%)	REDUCED TIED AID
FRANCE	89% (60%)	REDUCED TIED AID
GERMANY	76% (57%)	REDUCED TIED AID
ITALY	78% (n/a)	n/a
JAPAN	65% (70%)	INCREASED THE SHARE OF TIED AID
RUSSIA	n/a	n/a
U.K.	100% (100%)	FULLY UNTIED
U.S.	29% (4%)	REDUCED TIED AID

Donors collectively signed the Paris Declaration in 2005, which focused not on the quantitative targets of development assistance increase but on qualitative steps donors could take to make those dollars go further and better achieve their intended results. These are qualitative goals and difficult to measure, but indicators have been set and DATA will follow and report on progress.

However, one issue which has been on the donors' agenda for decades, and for which there are no numerical targets under the Paris Declaration, is tied aid. While other measurable indicators have been agreed—for example, halving the proportion of development assistance that is not disbursed in the fiscal year in which it was scheduled, or a commitment to 90% of donors sharing procurement systems—on tied aid the G8 promise is “continued progress over time.” DATA will therefore be monitoring tied aid in its annual reports and urging consensus on a stronger measurable time-bound goal.

In March 2006, the DAC took a small but significant step to reduce the bad practice of aid-tying by removing some of the exemption clauses on the agreement to untie development assistance to LDCs. They estimate that this will result in another \$440m of untied aid.

The data on tied aid excludes the two categories that are prone to be tied to purchases from the donor country—food aid and technical cooperation. If developing countries had the cash value of ODA for food, they could buy 30% more on the open market and, if they used that cash to buy from local markets, the total transaction costs would be roughly one-half the cost of tied food aid.¹⁵

Only one member of the G8 has fully untied their aid: the U.K.. Five members have reduced the amount of tying in their aid program, but in Japan, tied aid has increased. Two others—Italy and the U.S.—do not report on their tied aid share to the DAC, except for development assistance provided to Least Developed Countries (LDCs). As most LDCs are African countries, this figure has been used as a proxy for the proportion of development assistance to Africa that is tied.

In 2002, DAC members passed a resolution on untying aid to LDCs and the share of untied aid has increased for all G8 donors since then. However, the most recent data still shows that very substantial volumes of development assistance to Least Developed Countries remain tied. G8 countries will need to demonstrate that the endorsement of the need to untie aid made at Gleneagles last year is resulting in rapid change, well in advance of the 2009 review of procedures to be conducted by the DAC.

There are many ways to improve the quality of development assistance:

- We must develop clearer targets and indicators to measure progress against the Paris Declaration and towards bottom-up conditionality, reflecting the Gleneagles commitment to allow countries “to decide, plan and sequence their economic policies to fit with their own development strategies, for which they should be accountable to all their people.”
- We believe that countries and civil society should be invited to develop a common definition of what such “bottom-up conditionality” means and urge the IFIs to adopt it.
- We would like donors to develop measures that track how much of their development assistance increases go to countries that are poor but which are working hard to increase democracy, accountability and transparency. As agreed in Monterrey, a greater portion of the scale up should go toward countries that are responsive to their

citizens and prioritise the fight against poverty through a democratic process. Therefore, it is important to be able to measure which nations are more democratic and accountable, and which put fighting poverty as a higher priority.

Another way to measure aid quality is to undertake more impact evaluations on a more regular and systematic basis, so the development community can learn from its successes and failures. To this end, an international council to catalyze independent impact evaluations of social sector interventions, as suggested by the Center for Global Development,¹⁶ would be extremely helpful.