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Africa, the G8, and the Blair Initiative

Raymond W. Copson, Foreign Affairs, Defense, and Trade Division

July 20, 2005

Abstract. This report provides background on Africa, the G8, and the Gleneagles meeting. It outlines the British proposals and the U.S. reaction to them to date. In addition, it briefly reviews the problems that have inhibited African development and the response to those problems at previous G8 meetings. For additional information, see CRS Report RL32489, *Africa: Development Issues and Policy Options*, and CRS Issue Brief IB95052, *Africa: U.S. Foreign Assistance Issues*.

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Summary

Prior to the July 2005 G8 summit, Britain's Prime Minister Tony Blair launched a major diplomatic effort to marshal the resources he sees as needed to eradicate extreme poverty in sub-Saharan Africa. As summit chair, he focused the meeting, held at Gleneagles Hotel in Scotland, July 6-8, on this initiative. Blair pushed for a substantial aid increase for Africa beginning in 2006, through an "International Finance Facility" (IFF), and for 100% forgiveness of poor country debt to the international financial institutions. The IFF would have issued bonds to finance an additional \$25 billion in annual aid to Africa for three to five years, followed by another \$25 billion boost if African governments improved their managerial and administrative capabilities. IFF bonds would have been backed by a promise from the G7 leading economic powers to repay them after 2015. Poor country debts to the World Bank and the African Development Bank would have been repaid by the G7, while debts to the International Monetary Fund (IMF) would have been paid by revaluing or selling IMF gold. Finally, Blair sought the removal of barriers to Africa's exports.

Blair has long championed a "Marshall Plan" for Africa as part of a "deal" to help the region achieve the Millennium Development Goals (MDGs), U.N.-endorsed targets for 2015 that include universal primary education and sharp cuts in poverty. In exchange, he expects further governance and free-market economic reforms in Africa. On March 11, 2005 a high-level Commission for Africa appointed by Blair issued a comprehensive report elaborating the initiative, which won support from President Chirac of France and Germany's Chancellor Schroeder.

The Bush Administration reacted coolly to the proposed IFF on grounds that it lacks a means of assuring that new aid funds would be well spent. Officials also argued that the IFF would unconstitutionally bind future Congresses to appropriations. IFF supporters noted that the funds would be passed through existing aid agencies with their own monitoring mechanisms. Some also argued that the United States routinely agrees to repay debt in the future. At Gleneagles, the IFF proposal was dropped, but the participants agreed on a \$25 billion increase in annual aid to Africa by 2010. Moreover, the G8 ratified an agreement on debt forgiveness for 18 of the world's poorest countries, including 14 in Africa. The donors are to compensate the World Bank and the African Development Bank for the lost repayments. The IMF will fund the loss from its own resources, but not sell gold. Participants reiterated that they supported the removal of trade barriers, but no specific actions were taken. Many development experts welcomed the summit's results as an important step forward; but several non-governmental organizations argued that the summit had done too little on trade or to mobilize "new money."

Previous G8 meetings have also focused on Africa. There has been much debate over whether G8 countries have fulfilled past promises — and over whether the African states have met their own promises of reforms. This report will not be updated. For further information see CRS Report RL32489, *Africa: Development Issues and Policy Options*, and CRS Issue Brief IB95052, *Africa: U.S. Foreign Assistance Issues*.

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Africa, the G8, and the Blair Initiative

Leaders of the G8 (see box), meeting at Gleneagles Hotel in Scotland at the beginning of July 2005, made a number of commitments to sub-Saharan Africa.

Summit Results

Major Africa commitments at Gleneagles included the following:

- increasing official development assistance to Africa by \$25 billion per year by 2010, doubling assistance as compared to 2004;
- developing and implementing “a package for HIV prevention, treatment, and care, with the aim as close as possible to universal access to treatment for all those who need it by 2010”;¹
- increasing investment in the development of an HIV/AIDS vaccine, and “taking forward work” on market incentives for the development of vaccines, microbicides, and drugs to combat AIDS, tuberculosis, malaria, as well as other neglected diseases;
- investing in improved health systems and helping Africa train and retain doctors, nurses, and community health workers; and

The G8

The G8 is a consultative grouping of major world powers, not an international organization. The heads of state and government of the six leading industrial democracies — the United States, Britain, France, Germany, Italy, and Japan — first met as a group in 1975 to discuss major domestic and international issues. In 1976, they held a second summit, with Canada participating, to form the G7. The summits have continued annually, and in 1998, Russia joined as a full participant, creating the G8. The term G7 is still used to refer to the leading economic powers, not including Russia. The most recent G8 meeting took place July 6-8, 2005, at the Gleneagles Hotel in Perthshire, Scotland.

¹ G8 Gleneagles 2005, *The Gleneagles Communique*, July 8, 2005. Available at [http://www.g8.gov.uk].

- contributing an additional \$1.5 billion per year to preventing and treating malaria.

In addition, the G8 reaffirmed a number of commitments made prior to the 2005 summit, including a June 2005 recommendation by G8 finance ministers that foreign debt be canceled for fourteen African countries that have reached the “completion point” in the World Bank/International Monetary Fund (IMF) Heavily Indebted Poor Countries initiative (HIPC, see below). Moreover, the G8 welcomed a June 30 agreement by the Paris Club of official bilateral lenders to relieve Nigeria of its \$30 billion foreign debt. Under the agreement, the lending governments would write off \$18 billion in Nigerian debt, while Nigeria would pay back its arrears as well as the remaining \$12 billion in debt. The G8 confirmed a pledge made at the 2004 G8 summit at Sea Island, Georgia, to train and equip 75,000 peace support troops worldwide by 2010, with a sustained focus on Africa.

The summit’s final communique summarized several earlier pledges by G8 members to increase aid to Africa, including a May 2005 promise by the European Union countries to provide .7% of GDP as development aid by 2015, with an interim target of .56% by 2010 (see below). At least 50% of this additional aid would go to Africa. The communique noted that the United States has proposed to double aid to Africa by 2010, as compared to 2004, through such initiatives as the Millennium Challenge Account, the President’s Emergency Plan for AIDS Relief (PEPFAR), and the five-year, \$660 million Global Peace Operations Initiative. U.S. officials are estimating 2004 bilateral and multilateral assistance to Africa at \$4.3 billion.² On June 30, 2005, President Bush had announced that he would seek \$1.2 billion to fight malaria in Africa over five years as well as additional aid for education and combating violence against women.

With respect to trade barriers that inhibit Africa’s exports, the G8 took no specific action but affirmed that “we are committed to substantially reducing trade-distorting domestic support and substantially improving market access.” In addition, the G8 stated that a “credible end date” should be set for ending export subsidies and reiterated their commitment to duty-free and quota-free access for products originating in the least developed countries. According to the G8, the current round of World Trade Organization (WTO) talks on reducing trade barriers should be concluded by the end of 2006, and the WTO ministerial meeting in Hong Kong in December 2005 will be a “critical stepping stone” toward that goal.³ In addition, the G8 promised Africa and other developing countries additional help in building trade capacity and raising agricultural productivity.

The summit communique welcomed efforts by African institutions, particularly the African Union and the New Partnership for Africa’s Development (NEPAD, see below) to strengthen governance, democracy, and human rights. The G8 promised to support to these institutions and other efforts to promote transparency in Africa, while pledging to enforce their own laws against bribing foreign officials.

² White House, “Fact Sheet: United States and G8 Renew Strong Commitment to Africa,” July 8, 2005.

³ G8 Gleneagles 2005, separate statement on trade.

Reactions

Britain's Prime Minister Tony Blair, who chaired the G8 summit, did not win the endorsement he had sought for an International Finance Facility (IFF, see below), which would have channeled \$25 billion in additional annual aid to Africa beginning in 2006. Nor did the G8 agree, as Blair had sought, to specific reductions in trade barriers and or to a date for ending all agricultural export subsidies. Nonetheless, in his closing remarks, Blair cast the summit's results in a positive light, arguing that in politics, "you do not achieve absolutely everything you want to achieve, but nonetheless, I believe we have made very substantial progress indeed."⁴ Blair called the summit a "turning point" in the drive to end poverty in Africa,⁵ noting the promised additional aid for Africa as well as the debt relief agreement. On trade, he acknowledged that "some of us would have liked to have gone further" but praised the G8 for renewing their commitments to reducing trade barriers and agreeing eventually to set a date for ending export subsidies.

Musician and development advocate Bob Geldof, who had organized heavily attended, worldwide "Live8" concerts on July 2, to pressure the G8 to do more to help Africa, had high praise for the summit: "On aid, it is 10 out of 10. On debt it is 8 out of 10."⁶ Geldof and his colleague Bono gave credit to those who had attended the Live8 concerts, participated in demonstrations, or otherwise sought to persuade the G8 to do more to help Africa. According to Bono, "the world spoke out and the politicians listened."⁷

Jeffery Sachs, who heads Columbia University's Earth Institute as well as the United Nations Millennium Project, wrote that Prime Minister Blair had "nudged the world closer" at Gleneagles to the possibility of halving poverty by 2015 — one of the principal Millennium Development Goals (see below).⁸ Sachs argued this was achieved "despite footdragging by the United States" and maintained that more than four-fifths of the aid increase promised at Gleneagles would come from the European Union. In contrast, the White House released a Fact Sheet asserting that the United States had played a lead role at the summit.⁹ According to the Fact Sheet, President Bush "with his G8 partners had launched an historic commitment to assist Africa..." and the G8 had given its support to "initiatives that advance U.S. interests." Moreover, the debt relief promise had been attained "with leadership from President Bush and Prime Minister Blair," while U.S. leadership had also been key in G8 initiatives in other areas, including increased assistance, fighting malaria, and promoting trade and investment.

⁴ Transcript of the Prime Minister's closing remarks, July 8, 2005.

⁵ Statement to Parliament on the G8 Summit, July 11, 2005.

⁶ "Activists Divided Over G8 Plans," *Monitor* (Uganda), July 11, 2005.

⁷ "G8 Summit: Pop Campaign on Africa Fizzles Out," *Inter Press Service*, July 11, 2005.

⁸ Jeffrey Sachs, "Hope and Generosity Can Triumph Over Hate," *Financial Times*, July 11, 2005.

⁹ White House, "Fact Sheet: United States and G8 Renew Strong Commitment to Africa," July 8, 2005.

Despite praise for the summit from many quarters, a range of non-governmental organizations (NGOs) gave mixed reviews or were critical of the summit's results. The Make Poverty History campaign, a British-based alliance of NGOs that played a lead advocacy role before the summit, stated that "the G8 have chosen not to do all that campaigners insist is necessary to free people trapped in the prison of poverty. Important steps were taken — steps that will bring hope to millions. But more action is urgently needed..."¹⁰ Christian Aid, an agency of churches in Britain and Ireland, said that the promised additional aid to Africa was not "new money" but "recycled old announcements."¹¹ A spokesman for ActionAid, another development-advocacy group, said that "What Africa needed from the G8 was a giant leap forward; all it got was tiny steps."¹² Many in the NGO community argued that the debt relief approved at the summit did not go far enough and that a much larger group of countries should have been included.

Background

Prime Minister Tony Blair and his Chancellor of the Exchequer (Treasury), Gordon Brown, prior to the Gleneagles summit, launched a major diplomatic effort aimed at marshaling the resources they see as needed to eradicate extreme poverty in sub-Saharan Africa. Their objective is the realization, in Africa, of the Millennium Development Goals (MDGs). The goals were set at the 2000 U.N. Millennium Summit and consist of a number of development targets to be attained by 2015, including universal primary education, halving the proportion of people living on less than \$1 per day, and halving the proportion of people who suffer from hunger.

Prime Minister Blair assumed the rotating presidency of the G8 group of nations in January 2005, and sought to use the July summit, which he chaired, to push his Africa development initiative.¹³ Specifically, Blair and Brown sought a substantial aid increase for Africa through the IFF, 100% forgiveness of African debt, and the removal of barriers to African exports. The Blair/Brown proposals may also be discussed in September, when the U.N. General Assembly holds a plenary session, attended by heads of state and government, to consider progress toward achieving the MDGs. Climate change was the second focus of the G8 meeting.

The purpose of the remainder of this report is to provide background on Africa, the G8, and the Gleneagles summit. It outlines the British proposals and the U.S. reaction to them before the summit. In addition, it briefly reviews the problems that have inhibited African development and the response to those problems at previous G8 meetings. For additional information, see CRS Report RL32489, *Africa: Development Issues and Policy Options*, and CRS Issue Brief IB95052, *Africa: U.S. Foreign Assistance Issues*.

¹⁰ Make Poverty History, "Response to G8 Communique."

¹¹ Christian Aid, "Christian Aid's Verdict on the G8 Communique," July 7, 2005.

¹² "ActionAid's Response to the G8," July 9, 2005.

¹³ See the conference website at [<http://www.g8.gov.uk>].

Overview

Prime Minister Blair has championed a “Marshall Plan” for sub-Saharan Africa for several years. In October 2001, addressing the challenges of a post 9-11 world, Blair said that “the state of Africa is a scar on the conscience of the world” and called for a new partnership with the region:

On our side: provide more aid, untied to trade; write off debt; help with good governance and infrastructure; training to the soldiers, with UN blessing, in conflict resolution; encouraging investment; and access to our markets so that we practice the free trade we are so fond of preaching.

But it’s a deal: on the African side: true democracy, no more excuses for dictatorship, abuses of human rights; no tolerance of bad governance, from the endemic corruption of some states, to the activities of Mr. Mugabe’s henchmen in Zimbabwe. Proper commercial, legal, and financial systems....¹⁴

In February 2004, Blair appointed a 17-member Commission for Africa and asked it to undertake a comprehensive assessment of Africa’s development problems. Members included Bob Geldof; Prime Minister Meles Zenawi of Ethiopia; President Benjamin Mkapa of Tanzania; former U.S. Senator Nancy Kassebaum Baker; and the British Chancellor of the Exchequer (Treasury), Gordon Brown. On March 11, 2005, the commission issued a 450-page report¹⁵ that helped set the Gleneagles agenda. The report analyzes the reasons for Africa’s poverty; endorses the main elements of the Blair initiative; and makes recommendations on governance, conflict prevention and peacekeeping, education, health, and other issues.

Blair and Brown mounted a public relations campaign aimed at winning support for their initiative. At the January 2005 World Economic Forum in Davos, Switzerland, Blair called for a “quantum leap” in aid and trade to spur African development. German Chancellor Gerhard Schroeder and French President Jacques Chirac endorsed his efforts to help Africa, and Chirac proposed a small international tax on financial transactions or air travel to fund the initiative. Former President Bill Clinton, Bill Gates, and Bono added their voices at Davos in support of new efforts to end poverty in Africa. Italy had earlier endorsed Blair’s plans.

Some argued that the Bush Administration should endorse Blair’s initiative as well, not only to help Africa but also to reciprocate the strong support Blair has given the Administration in its policy toward Iraq and in the war on terrorism.¹⁶ Others argued that the United States has competing priorities and no compelling reason to sign on to the Prime Minister’s initiative. The Administration distanced itself from

¹⁴ Speech to the Labour Party meeting at Brighton, England, October 2, 2001.

¹⁵ *Our Common Interest: Report of the Commission for Africa*, available at [<http://213.225.140.43/english/report/introduction.html>]. (Hereafter cited as *Our Common Interest*.)

¹⁶ “Repaying Tony Blair,” *New York Times* editorial, February 13, 2005. See also, “Thousands Died in Africa Yesterday,” *New York Times* editorial, February 27, 2005.

Blair's proposal for the IFF Africa and put forward a different approach to achieving further debt relief. Both the Bush Administration and the European Union (EU) were already on record in favor of a sharp reduction in trade barriers, as Blair urges, but this proposal faces strong domestic opposition both in Europe and the United States.

British Proposals, U.S. Responses

Chancellor Brown is sometimes portrayed as a political rival of Blair's, but he played a key role in formulating Blair's G8 initiative. In January 2005, Brown made several speeches on African development and undertook a high-profile trip through the sub-Saharan region to highlight the principal British proposals:

International Finance Facility

Blair and Brown initially proposed the creation of an International Finance Facility (IFF) for Africa funded at \$50 billion annually for ten years. This proposal was modified by the Commission for Africa's report, which called for a two-stage approach in view of Africa's limited ability to absorb new aid. The report recommended \$25 billion in additional annual aid over the next three to five years, followed by a review and a move to \$50 billion if there has been sufficient progress in improving the managerial and administrative capabilities of African governments.¹⁷ The IFF would not be a new development bank or aid agency, but a mechanism for raising new resources for development. The IFF would sell bonds and disburse the proceeds to existing bilateral and multilateral aid agencies from 2006 through 2015. Donors would commit themselves to repaying the bonds in the years after 2015. The Commission's report describes this "big push" of predictable aid as a moral duty for the G7 developed countries, and as a step that would serve their economic self-interest by promoting an economic expansion in Africa. The report repeatedly stresses that Africa must continue economic and governance reforms if the new aid is to be used effectively.

One source estimated the near-term cost of U.S. participation in the IFF, based on the Commission's \$25 billion initial target, at \$6 billion or per year.¹⁸ Over the long term, however, Blair regards funding for the IFF as dependent on progress by the G7 in reaching the goal of giving .7% of GDP in development aid. For the United States to reach an interim level of .5% from the 2004 level of .16% would require about \$40 billion in added aid annually. Brown and Blair see their IFF proposal as a way of helping the G7 members "frontload" aid as they gradually move toward the .7% goal — an objective first envisaged in a 1970 U.N. General Assembly resolution and endorsed at a 2002 U.N.-convened summit on financing for development at Monterrey, Mexico. After nearing or attaining the .7% goal, the G7 would be in a position to pay off the IFF bonds after 2015. Some see anything approaching the .7% goal for the United States as highly improbable at a time when

¹⁷ *Our Common Interest*, p. 53.

¹⁸ "Mr. Bush and Africa," *Washington Post*, June 7, 2005; but see Sebastian Mallaby, "Easy Ways to Aid Africa," *Washington Post*, March 31, 2005.

the country faces a budget deficit as well as major commitments in Iraq and elsewhere. Others emphasize that Blair envisaged the United States and others moving only incrementally toward .7%, while deferring repayment of the IFF bonds for a decade. On May 24, 2005, European Union foreign and development ministers pledged that their governments would reach the .7% aid level in 10 years, with an interim target of .56% by 2010, when the Europeans would be providing \$25 billion in added annual aid. Some cautioned, however, that these pledges could be affected by budgetary constraints in some European countries.

U.S. officials reacted coolly to the IFF proposal, and Secretary of State Condoleezza Rice has stated flatly that “We don’t support the international financing facility, because we don’t think it’s a cost-effective way to deliver what is trying to be delivered here.”¹⁹ Rice went on to suggest that the IFF would lack a mechanism to assure that the money was well spent. Supporters of the IFF argued that since it would disburse funds through existing aid agencies, such as the World Bank and bilateral G7 aid organizations, with their own mechanisms for oversight and evaluation, accountability should not be a problem. The Bank and the bilateral agencies have focused for many years on efforts to enhance the effectiveness of development aid by channeling it to “good performers:” countries that are improving governance and implementing free market reforms. Such agencies would be highly attuned, IFF advocates maintained, to assuring that the new funds were spent effectively.

Rice and other officials cite the President’s Emergency Plan for AIDS Relief (PEPFAR) and the Millennium Challenge Account (MCA) as evidence that the United States is already increasing aid, although by smaller amounts than Blair and Brown envisage. PEPFAR aims at disbursing \$15 billion for AIDS treatment, prevention, and care from FY2004 through FY2008. Congress appropriated \$2.92 billion for this program in FY2005, and \$3.16 billion has been requested for FY2006. The MCA was initially intended by President Bush to add \$5 billion annually to U.S. foreign aid by FY2006 for countries that are well-governed, investing in people, and fostering free market economies. However, Congress has appropriated less than requested for this program, and the President has asked for \$3 billion in FY2006 rather than the \$5 billion initially expected. Many are dissatisfied with the MCA because its governing body, the Millennium Challenge Corporation (MCC), has been slow to disburse funds.²⁰ Its first “compact” — for a \$110 million program in Madagascar to promote domestic investment — was announced on March 14, 2005. The MCC has found that eight sub-Saharan countries, including Madagascar, meet the criteria for receiving MCA grants. Another increase in U.S. foreign aid was agreed to in late February 2005, when the United States gave its support to a three-

¹⁹ Testimony on the Fiscal Year 2006 Foreign Operations budget before the House Committee on International Relations, February 17, 2005.

²⁰ CRS Report RL32427, *Millennium Challenge Account: Implementation of a New U.S. Foreign Aid Initiative*, by Larry Nowels.

year 25% boost in the resources of the World Bank's International Development Association (IDA), which assists poor countries.²¹

John Taylor, the U.S. Treasury Under Secretary for International Affairs, told a February 2005 meeting of G7 finance ministers that the United States could not participate in the IFF because guaranteeing bonds to be paid after 2015, as Brown proposed, would unconstitutionally bind future Congresses to making appropriations.²² Some wonder, however, if a means could be found to overcome this difficulty. The United States regularly assumes debt to be paid in the future in the form of bonds. Moreover, the United States regularly agrees to multi-year "replenishments" of the multilateral development banks. Congress makes annual appropriations for these replenishments, and may not appropriate the full amount scheduled for a given year. Nonetheless, U.S. support helps give the Bank the creditworthiness it needs to borrow in the financial markets. Moreover, the United States has assumed "callable capital" obligations to the "hard loan" windows of the World Bank and other international financial institutions. This capital can be "called" if the institutions find themselves in financial difficulties; and some argue that if this should occur, a future Congress would be obliged by past U.S. promises to appropriate the funds.

President Bush reiterated on June 1, 2005, following a meeting with South Africa's President Thabo Mbeki, that the IFF proposal "does not fit our budgetary process," and he maintained this stance in meetings with Prime Minister Blair at the White House the following week. At a June 7 press conference with Blair, however, the President announced an additional \$674.4 million in aid to Africa in FY2005, to be drawn from food and disaster assistance funds, as well as refugee aid, already appropriated by Congress.

100% Debt Relief

Blair's Commission for Africa recommended full forgiveness of public debt owed by poor African countries. Noting that considerable progress has already been made in forgiving bilateral debt, the report called for a focus on multilateral debt, owed principally to the World Bank's International Development Association (IDA) and the African Development Bank's African Development Fund. IDA and the Fund make so-called "soft loans" to poor countries on highly concessional terms with extended repayment periods. In addition, Blair's initiative sought forgiveness of Africa's debt to the International Monetary Fund (IMF). Africa's debts to the multilateral development banks (MDBs) were estimated at \$52 billion in 2002, while debt to the IMF was \$7 billion.²³ The developed countries should implement the proposed debt relief, according to the Blair Commission, by taking over the debt payments of the African countries, which it calculates at about \$2 billion per year.

²¹ World Bank, "Donors Agree to Substantial Increase in New Money for Poorest Countries," press release, February 22, 2005.

²² "UK's Brown Aid Plans on Hold After G7 Meeting," *Dow Jones Newswires*, February 7, 2005.

²³ World Bank, *African Development Indicators 2004*, p. 175.

This sum could be part of the aid package delivered through the IFF. Britain had already agreed to pay 10%, which it regards as its fair share, of the multilateral debt owed by 22 poor countries. Blair and Brown, meanwhile, urged that debt to the IMF be repaid either by “revaluing” or selling gold held by the IMF. The IMF reports that it has 103.4 million ounces of gold officially valued at \$9 billion but worth \$45 billion at current world prices.²⁴

U.S. officials initially endorsed the concept of 100% debt forgiveness, and pointed out that the United States has already forgiven poor country bilateral debts and supported the World Bank/IMF Enhanced Heavily Indebted Poor Countries (HIPC) initiative for multilateral debt relief. However, officials maintained that the issue of revaluing IMF gold needed further consideration,²⁵ and reportedly opposed the idea outright at the Spring 2005 meetings of the IMF and World Bank, held in Washington in April.²⁶ Some experts in the gold market had been concerned that any major IMF gold sale could sharply lower the price of gold, with potentially destabilizing consequences for the gold reserves held by many countries. Others argued that any sales could be small and made over a long period of time to minimize this risk.

With respect to debt owed by poor countries to the World Bank and the African Development Bank, U.S. officials favored a simple cancellation, not funded by any repayments made by the G7 or any new contributions by the G7 to the MDBs.²⁷ After the writeoff, in the U.S. view, the banks would make grants rather than loans to poor countries, so that they do not accumulate new debt.²⁸ Many were concerned that the U.S. approach would deplete the banks’ capital and reduce their capacity for alleviating poverty, since they would no longer be owed debts by poor countries, or receiving repayments from them. Supporters of the U.S. approach argued that it need not threaten the banks, since the G7 could provide new replenishments as required.

U.S.-British differences on debt relief were resolved by an agreement reached at a June 10-11, 2005, meeting in London of G8 finance ministers, which was ratified at the July summit. Under this agreement, \$40 billion in debt owed by 18 countries that have reached the “completion point” in the HIPC process will be written off, and the donors will contribute additional funds to the World Bank and the African Development Bank to make up for the loss. The IMF will absorb the loss from its own resources and will not sell gold. Fourteen of the 18 countries are in sub-Saharan Africa.²⁹ As a result of reaching the HIPC completion point, they had already had

²⁴ “Gold in the IMF: A Factsheet — February 2005.” At [<http://www.imf.org>].

²⁵ U.S. Treasury, Office of Public Affairs, “Statement by John B. Taylor, Under Secretary for International Affairs,” February 5, 2005.

²⁶ “Deal to Ease Poor Nation’s Debt Eludes Rich Nations,” *New York Times*, April 17, 2005.

²⁷ “G-7 Weighs Debt Write-Off for Poor,” *New York Times*, February 7, 2005.

²⁸ *Ibid.* For a review of the issues, see CRS Report RL31136, *World Bank: IDA Loans or IDA Grants?*, by Jonathan Sanford.

²⁹ Benin, Burkina Faso, Ethiopia, Ghana, Madagascar, Mali, Mauritania, Mozambique, (continued...)

their debt repayments reduced to a level regarded by the World Bank and IMF as “sustainable” in return for economic reforms and the adoption of an approved strategy for reducing poverty. Nine more African countries are in the HIPC process and may soon reach the completion point.

The June 2005 agreement covered an estimated \$40 billion in debt, but its overall cost was estimated at \$16.7 billion — the amount expected to be paid to the MDBs and the IMF through 2015. The United States reportedly agreed to pay between \$1.28 billion and \$1.75 billion per year as its share of donor compensation to the World Bank and the IMF. The agreement drew wide praise as a step forward in easing Africa’s debt burden, particularly because the G8 promised that the compensation paid to the MDBs would be in addition to the assistance they were already planning to provide Africa. However, some were concerned that this commitment would be difficult to monitor; and some also argued that an agreement on the IFF at the London meeting would have been of far greater benefit to Africa. The agreement did not cover Nigeria’s vast debt of \$30 billion or more, which is primarily owed to bilateral lenders rather than the MDBs.³⁰ Nigeria is not ranked among the world’s poorest countries due to its oil wealth, but the G8 finance ministers agreed that “Nigeria is key to the prosperity of the whole continent of Africa” and promised to find a “fair and sustainable solution to Nigeria’s debt problems in 2005....”³¹ As noted above, an agreement on debt relief for Nigeria was reached on June 30, 2005.

Removing Trade Barriers

Chancellor Brown advocates ending “the hypocrisy of developed country protectionism” by removing trade-distorting subsidies and other barriers to trade.³² Critics of the G7 are adamant that they have done far too little to open their markets to African exports of cotton, sugar, and other commodities, and they blame the G7 for the failure of the 2003 Cancun World Trade Organization (WTO) summit to agree on the removal of U.S. and European agricultural subsidies. The Blair Commission recommends an immediate end to trade-distorting support programs for cotton and sugar, an end to all trade-distorting agricultural support by 2010, and the progressive reduction of all tariffs to zero by 2015. In July 2004, both the United States and the European countries agreed with other WTO members on a “framework” for discussions on reducing subsidies and other barriers.³³ The framework opened the way to negotiations, now ongoing, on cutting domestic farm support programs in the developed countries, reducing other trade barriers, and

²⁹ (...continued)

Niger, Rwanda, Senegal, Tanzania, Uganda, and Zambia.

³⁰ “Wolfowitz Hopeful on Nigerian Debt Relief,” *Financial Times*, June 14, 2005.

³¹ “G8 Finance Ministers’ Conclusions on Development, London, June 10-11, 2005,” available at [<http://www.treasury.gov>].

³² Speech at the National Gallery of Scotland, January 6, 2005.

³³ CRS Report RL32645, *The Doha Development Agenda: The WTO Framework Agreement*, coordinated by Ian Fergusson.

eliminating export subsidies.³⁴ Meanwhile, President Bush has proposed scaling back farm subsidies in his fiscal 2006 budget proposal. In exchange for reduced subsidies, U.S. negotiators are seeking greater access for U.S. manufactured goods and services in developing countries.

Whether these developments will lead to the reduction in trade barriers that Blair and Brown are seeking remains to be seen, but as noted above, the Gleneagles summit did not take action on specific reductions. Some developing countries may not be willing to make the concessions on market access sought by the United States, leading to a breakdown in the WTO negotiations. Moreover, reductions in subsidies and other barriers will encounter political opposition in both the United States and Europe, where many see them as an important guarantor of jobs and a protection against price and supply fluctuations.

Some credit the United States with moving further than Britain and other countries on removing trade barriers to date through the U.S. African Growth and Opportunity Act (AGOA) program, begun in 2000. AGOA gives duty-free access to the United States for a wide range of products from 37 sub-Saharan countries, including 24 permitted to export textiles and apparel items.³⁵ Moreover, the Bush Administration is negotiating a free trade agreement with the five countries of the Southern African Customs Union, and has expressed an interest in other African free trade agreements as well. At the same time, 78 developing countries in Africa, the Caribbean, and the Pacific (ACP) enjoy preferential access to European markets through the European Union-ACP Partnership, while South Africa has its own trade agreement with the EU. Some analysts are concerned that across the board reductions in developed country trade barriers will strengthen Africa's competitors in China and elsewhere, reducing the value of such special arrangements as AGOA and the ACP Partnership.

Is a Marshall Plan Merited?

Prime Minister Blair's initiatives on Africa reflect widespread concerns over Africa's failure to develop, despite a rich endowment of resources.³⁶ These include extensive deposits of petroleum, diamonds, and metals; wide areas of rich agricultural lands; and the potential for tourism lying in Africa's beaches, game reserves, and ancient cultures. Yet average GDP per capita in the sub-Saharan region stood at \$585 in 2003, according to the World Bank, barely above the 1963 figure of \$509, measured in constant dollars. Over the same period, economies in south and southeast Asia, which started at the African level, achieved extremely rapid growth,

³⁴ CRS Report RS21905, *Agriculture in the WTO Doha Round: The Framework Agreement and Next Steps*, by Charles E. Hanrahan.

³⁵ See CRS Report RL31772, *U.S. Trade and Investment Relationship with Sub-Saharan Africa: the African Growth and Opportunity Act and Beyond*, by Ian Fergusson and Danielle Langton.

³⁶ For further information, see CRS Report RL32489, *Africa: Development Issues and Policy Options*, by Raymond Copson.

with many reaching middle income status. More than 25 million of sub-Saharan Africa's 700 million people are infected with HIV, and life expectancy, which reached a peak of about 50 years in 1992, has since fallen to about 46.³⁷ Child malnutrition, illiteracy, and lack of access to clean water are serious problems throughout the region. A January 2005 report by the United Nations Millennium Project argued that Africa stood no chance of meeting the Millennium Development Goals without a massive infusion of aid: \$48 billion in 2006, rising to \$74 billion in new aid by 2015.³⁸

A vast scholarly literature exists on the reasons for Africa's failure to develop. Many blame factors over which African and Africans have little control, such as a tropical environment that imposes a heavy disease burden and leads to rapid depletion of soils. Africa's population has tended to concentrate inland, where higher altitudes make for a healthier climate, but this means many countries lack large concentrations of people in port cities where export-based industry could readily locate. The long era of the slave trade, ending only in 1870, took away millions in their most productive years, just as the AIDS epidemic does today; while the colonial era left a legacy of authoritarian government and a region divided into 48 countries, many of them small and/or landlocked.

Other scholars tend to blame African governments for the difficulties the continent faces. Corruption, a poor quality of governance, and economic policies that discourage free markets have come in for particular criticism. A wide range of countries have freed up markets in varying degrees and undertaken governance reforms since the late 1980s under pressure from the World Bank, the IMF, and bilateral donors; but corruption remains a problem. Kenya, for example, had been the source of much optimism for Africa's future after free and fair elections were held in December 2002, but recently both the U.S. and British ambassadors have criticized the government of President Mwai Kibaki for failing to tackle corruption. The United States has suspended an anti-corruption assistance program in Kenya in response to the problem.³⁹

Some also feel that African leaders have done too little on a regional basis to deal with the continent's problems. In 2001, African leaders launched the New Partnership for Africa's Development (NEPAD), intended to improve governance, strengthen institutional capacity, and reduce corruption.⁴⁰ NEPAD includes an African Peer Review Mechanism (APRM) designed to assure accountability in governance and economic policy. Skeptics of Africa's efforts often point to the seeming reluctance of neighboring countries to deal with the ongoing human rights and governance problems in Zimbabwe as evidence that NEPAD standards are not being upheld. A March 31, 2005 parliamentary election in Zimbabwe was widely

³⁷ World Bank, *World Development Indicators Online*.

³⁸ U.N. Millennium Project, *Investing in Development: a Practical Plan to Achieve the Millennium Development Goals*, Jeffrey D. Sachs, Director, p. 57.

³⁹ "U.S. Cuts Anti-Corruption Aid," *BBC News*, February 8, 2005.

⁴⁰ CRS Report RS21353, *New Partnership for Africa's Development (NEPAD)*, by Nicolas Cook.

rejected as not free and fair by western critics, but accepted and even praised by official observers from South Africa and the Southern African Development Community.

In short, a number of observers feel that too many African governments are failing to live up to their end of the deal proposed by Prime Minister Blair in October 2001. They point out that Africa has received substantial amounts of assistance over the years, with official development assistance reaching nearly \$24 billion in 2003 (see below). From their perspective, the principal responsibility for Africa's development now lies with Africa's leaders who must assure that their countries enter the ranks of the "good performers. U.N. Millennium Project head Jeffrey Sachs takes a somewhat different view. Though a strong supporter of sound economic policies in Africa, he believes the continent is caught in a "poverty trap" — so poor that few want to invest even in countries where real attempts at reform are being made. The Millennium Project report, which he directed, argues that many countries in Africa are well governed, considering the extent of their poverty, and would benefit from a "big push" in foreign assistance to strengthen education, health care, infrastructure, and other sectors. This "rapid scale-up," in his view, would create viable economies attractive to investors, and help Africa escape the poverty trap.

Proponents of a third view acknowledge that committing large new amounts of aid to Africa is risky, given the continent's many difficulties, but maintain that the risk is worth taking since in their view the amounts of aid being proposed by Blair, Brown, and Sachs could readily be afforded by the G7 countries working together. In return, some argue, the G7 might gain new markets, assure access to Africa's oil and other resources over the long term, and create an environment in which violence and terrorism are less likely to emerge.

Africa at Previous G8 Meetings

G8 meetings in the 1990s often dealt with many of the same themes expected to be raised at Gleneagles. The G8 first emphasized in those years that sub-Saharan Africa faces special development challenges, and summit communiqués acknowledged that "substantial" development assistance was needed to help sub-Saharan Africa grow.⁴¹ Debt relief for the poorest countries was another major theme. The 1994 Naples summit encouraged wider cancellation of bilateral debt, and the 1996 summit at Lyons helped launch the Heavily Indebted Poor Countries Initiative (HIPC) to reduce poor country debt owed to the World Bank and IMF. At Cologne in 1999, the G8 agreed on an expanded HIPC program that would offer "deeper, broader, and faster" debt relief. Toward the end of the 1990s, G8 meetings also began to reflect the view that the least developed countries needed expanded access to developed country markets. Beginning with the 1997 Denver summit, the G8 repeatedly called for expanded efforts to combat HIV/AIDS and other infectious diseases afflicting Africa as well as other impoverished regions. Also at Denver, the G8 expressed their support for "long-term efforts to promote rapidly deployable

⁴¹ Communiqués of the 1997 Denver summit (June 22, 1997) and of the 1998 Birmingham, U.K. summit (May 17, 1998).

African peacekeeping capacities.” While pledging support for Africa in these areas, the G8 have consistently emphasized the other half of the Blair “deal.” For example, at Lyons in 1996, the G8 stated that

the developing countries have a fundamental responsibility for promoting their own development. This means conducting sound and consistent economic and social policies, promoting a political and legal environment conducive to the development of the private sector, and encouraging domestic and foreign investment.⁴²

The Genoa and Kananaskis, Canada meetings in 2001 and 2002 saw an intensification of the focus on Africa. Three sub-Saharan presidents were invited to Genoa to report on new African efforts to promote development, and African leaders have attended each subsequent G8 meeting. Presidents Thabo Mbeki of South Africa, Olusegun Obasanjo of Nigeria, and Abdoulaye Wade (WAHD) of Senegal were present at Kananaskis as the G8 issued its Africa Action Plan promising a new Africa partnership. Under the plan, support was offered in several priority areas: promoting peace and security; strengthening institutions and governance; fostering trade, investment, growth, and sustainable development; implementing debt relief; improving health and confronting HIV/AIDS; increasing agricultural productivity; and improving water resource management. This support was to be closely linked to progress in Africa in implementing NEPAD objectives with respect to improving governance, strengthening institutional capacity, and reducing corruption. Mbeki, Obasanjo, and Wade are regarded as the principal authors of NEPAD.

Prior to the Gleneagles meeting, Kananaskis represented the high water mark of G8 attention to Africa. However, at the 2003 summit in Evian, France, the G8 affirmed their commitment to the HIPC initiative and announced a G8 Action Plan Against Famine, Especially in Africa. In June 2004, the U.S.-hosted summit at Sea Island, Georgia, issued a number of statements related to Africa’s needs, including commitments to stopping polio forever and combating corruption in Nigeria, as well as action plans on science and technology for sustainable development and on ending the cycle of famine in the Horn of Africa. Another action plan, reaffirmed at Gleneagles, called for training and, where appropriate, equipping 75,000 peace support troops worldwide by 2010, with a sustained focus on Africa. Prime Minister Blair reportedly advanced a proposal at Sea Island for 100% debt forgiveness for the world’s poorest countries, but no agreement was reached.

Whether G8 summits have responded adequately to Africa’s needs has been the subject of a lively debate. Many feel that the G8 have not done nearly enough. After the 2003 Evian meeting, for example, Omar Kabbaj, President of the African Development Bank, wrote that there had been some good initiatives with respect to aid, but sub-Saharan Africa required \$50 billion per year to achieve sustainable, broad-based growth.⁴³ Jeffrey Sachs has argued repeatedly for a vastly expanded developed country aid program for Africa, most recently in the Millennium Project report noted above. After the Sea Island summit, the Jubilee USA Network and the

⁴² Economic Communique, June 28, 1996.

⁴³ “Viewpoint — Africa Needs a Level Playing Field, *The Banker*, July 1, 2003.

50 Years is Enough Network, leading advocates of debt relief, expressed their “outrage” that the G8 had not acted on 100% debt cancellation for the poorest countries.⁴⁴ Many have questioned the G8 commitment to peace and security, criticizing as inadequate, for example, the response of the developed countries to the conflict and human rights crisis in Sudan’s Darfur region.

In May 2004, on the eve of the Sea Island summit, the New York-based Council on Foreign Relations issued a report that took something of a middle ground on G8 performance. The report pointed out that the G8 donors had indeed launched or expanded initiatives in key priority areas of the Kananaskis Africa Action Plan.⁴⁵ With respect to strengthening institutions and governance, the report noted that United States has undertaken an Africa Anti-Corruption Initiative to combat both public and private corruption, while Canada is using part of its Fund for Africa to promote public-service reform and decentralization. The Council singled out the U.S. AGOA program as an important effort by a G8 member to boost African trade and investment. Moreover, the report noted that developed country aid to Africa is increasing. According to data released subsequently by the Organization for Economic Cooperation and Development (OECD) Official Development Assistance (ODA) to sub-Saharan Africa is indeed growing, reaching \$23.7 billion in 2003, up from \$18.4 billion in 2002 and \$13.8 billion in 2001. U.S. assistance to the region would reach \$3.9 billion under the FY2006 budget request, not including indirect assistance channeled through the World Bank and U.N. agencies, or disaster assistance likely to be provided as emergencies arise. Aid in FY2002 was \$2.5 billion.⁴⁶

The Council on Foreign Relations praised the HIPC initiative, and noted that peace and security are being promoted through U.S., British, Canadian, and other efforts to support peacekeeping and train peacekeepers. In keeping with the Sea Island decisions, the Bush Administration’s FY2006 budget request seeks funds to begin a new Global Peace Operations Initiative to train foreign peacekeeping troops, with an emphasis on Africa.⁴⁷ At the same time, the Council’s report cited several areas in which it said the G8 needed to do more, including increased support for

⁴⁴ “U.S. Movement for Debt Cancellation Outraged by G-8 Failure on Debt,” press release, June 10, 2004.

⁴⁵ J. Brian Atwood and Robert S. Browne, Co-Chairs; and Princeton N. Lyman, Project Director, *Freedom, Prosperity, and Security: the G8 Partnership with Africa: Sea Island 2004 and Beyond, A Council on Foreign Relations Special Report* (New York: May 2004).

⁴⁶ CRS Issue Brief IB95052, *Africa: U.S. Foreign Assistance Issues*, by Raymond Copson. According to the OECD, the United States was the leading aid donor to sub-Saharan Africa in 2002, the last year for which data are available, providing about 14% of the region’s aid. However, the leading European donors taken together, including the European Union’s development agency, outstripped the U.S. contribution by a wide margin, providing 42% of Africa’s aid, including 12% given by France. Moreover, Africa consumed a larger portion of the aid budgets of the European donors in comparison with the United States. OECD, “Top Ten Donors and Recipients in Africa, 2002,” available at [<http://www.oecd.org>].

⁴⁷ CRS Report RL32773, *The Global Peace Operations Initiative: Background and Issues for Congress*, by Nina Serafino.

NEPAD, a review of proposals for ending agricultural subsidies and quotas, additional assistance for health infrastructure, and further debt relief.