

ActionAid briefing on G20

What recovery?

While all the talk in the UK and the USA is of 'green shoots' and the end of recession, many developing countries are far from seeing the bottom of the downturn. Unemployment is still rising in many countries, and for those who are out of work there is no prospect of a return. As families sell their property to survive, and start to take children out of school, poverty becomes deeper and more entrenched. The downturn threatens to become permanent for millions, condemning an entire generation to poverty.

No green shoots for the poorest

Ramesh used to make a good living driving a mini-truck. Much of his income came from contracts with small clothing companies in Chennai, India. As they've closed his livelihood has disappeared. Before the recession he was earning about 8,000 rupees a month which allowed his family to eat three meals a day with meat once a week, for the children to go to a good school and with enough left over to pay off the loan on his mini-truck. Now his earnings have halved, and his family is getting further into debt. He and his wife are desperate to keep their daughter in school, but they are not sure if they will be able to.

Victoria, from the village of Thiruvillar in India's Tamil Nadu, used to earn a living selling flowers, but business has dropped dramatically in the last few months. She says: "There used to be big merchants who bought flowers from me. Now there are fewer people and consequently flower prices have dropped. We could not make ends meet. Now my husband and I are on the government employment programme as labourers getting R60 a day each. We used to have money to buy food. We could eat meat at least once a week. Now we are lucky to have it once a month. My son has finished 10th standard. Now we have no money for him to go on."

Sosten Kamaga left his job in a South African mine in February 2009, when wages become so low that it simply wasn't worth staying, and returned to his family in Malawi. Besides his six children, he also looks after five orphans and his aunt back in his home village. Food is now a problem as without his wages the family cannot afford to buy enough fertiliser to grow the crops they need to survive. He says: "I can't afford to buy fertilizer and therefore have not harvested much. Imagine that I have only harvested seven bags of maize this year and we are remaining with four. Come here and see for yourself the bags we have if you think I am joking. You see? I need two 50kg bags of maize every month for the family. That means in the next three months we won't have maize until next harvest in April 2010. I don't know what to do with the family."

Show us the money

The World Bank has estimated that the poorest developing countries will need more than \$50 billion this year, just to stand still. Up to 100 million people like Ramesh, Victoria and Sosten will be pushed down below the \$1 dollar a day poverty line.

The G20's promise in April to provide \$50 billion dollars to the poorest countries was therefore a hopeful sign. However, ActionAid has found that only half of the \$50 billion promised in April has been delivered, and that only around \$9 billion of this has gone to the very poorest countries, the ones that the World Bank consider need \$50 billion urgently. By contrast, most of the rest of the \$1.1 trillion promised at the G20's London Summit – which is destined for G20 members themselves, has been agreed.

The G20's promises for developing countries

Promised in April	Delivered by September
\$21 billion new money from IMF Special Drawing Rights (SDRs).	\$21 billion (of which \$7billion to low-income countries).
\$6bn loans over 2-3 years, financed by gold sales, new donations and spare cash from the IMF's funds.	\$4bn gold sales, donations etc provide funds to lend out around \$17bn over four years, around \$4bn a year.
\$ 4 doubling concessional lending capacity and access limits.	\$0bn. This was double counting – it's the same money as the \$4bn increase in lending above.
\$6bn Millennium Development Bank financing.	Impossible to tell.
\$12 trade financing over 2 years.	Hard to know where the \$12bn dollar figure came from, or if it has been delivered. G20s claim of \$5.5bn in donations is not earmarked for low-income countries.
\$49 total.	\$24 known to have been delivered in 2009.

The only money that was actually earmarked for poor people (to the World Bank Vulnerability Framework) has attracted the least contributions - precisely none since April. And as feared, the choice of the IMF as the institution to deliver the money destined for the poorest countries has not been without problems. Around \$4 billion dollars will be lent out by the IMF to the poorest countries in 2009 (compared with \$1.2 billion in 2008) - among them Ethiopia, Malawi and Kenya. However, many of them have been required to agree to curbs on spending and borrowing as the price of getting help, the exact opposite of the strategy adopted by richer countries. In addition, this wave of lending is leading to a new build-up of debt in poor countries which may prove to be unsustainable.

The IMF has allocated about \$20 billion in new money for poor countries through the increase in the 'special drawing rights' (SDRs). This is money that countries can claim without conditions, and is exactly the kind of financing they need. But this could have been much more if rich countries handed over their SDRs to poor countries, which so far most have refused to do.

The main ray of light in this rather dim picture for developing countries is the progress on tax havens. In a context of stagnant aid budgets, tax is the key to filling the gap in developing country finances. **If all countries had been able to raise at least 15% of their national income (GDP) for 2007 in tax, an extra \$198 billion (£99 billion) would have been available for poor countries. This could put an end to world hunger six times over, put all children in school twelve times over or stop Aids in the developing world seven times over.**

The G20 has made progress, but no country will see a single extra penny in taxes if they stop here. Now we need delivery - a truly multilateral global agreement on tax information exchange, laying the groundwork to make the exchange automatic. We also need new rules obliging companies to report country-by-country, so that governments and people can see where money is being made and make sure the right amount of tax is paid.

In order to make good the London summit promise to ensure a fair and sustainably recovery for all, the G20 leaders meeting in Pittsburgh will need to:

- Increase their contributions to help poor people cope with the immediate impact of the crisis. If this money cannot be raised from aid budgets, it will need to be found from other sources, such as a Financial Transaction Tax, and transferring the newly issued IMF reserve currency (SDRs) from rich to poor countries.
- Accelerate the reforms of the World Bank and IMF, to allow developing countries to have more say over the terms on which the money they need is lent out.
- Agree a truly multilateral global agreement on automatic exchange of tax information, with a robust review mechanism, and a timetable for country-by-country corporate financial reporting

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