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From poverty of ambition to ambition on poverty
What the G8 Finance Ministers must do in Essen to support Africa's
development

EXECUTIVE SUMMARY

On 9 February, the Finance Ministers of the world's most powerful countries will gather round the table in Essen, Germany, for the first official meeting of the 2007 G8 calendar. Germany's first female Chancellor, Angela Merkel, has already made her mark by announcing a G8 agenda for the Heads of State summit that goes beyond the customary focus on economic issues, by announcing Africa as the other priority for the G8. HIV and AIDS, peace and security, governance and growth have all been identified as areas demanding urgent action.

When the G8 Finance Ministers – chaired by Germany's Finance Minister Peer Steinbrueck – meet later this week they will in turn discuss a wide range of issues, from bond markets to renewable energy, which are principally directed towards G8 and emerging market economies. Although they will also discuss matters more directly related to the poorest countries, including reform of the International Monetary Fund (IMF) and good governance, the Finance Ministry appears to have signalled the intention to return the discussion to largely economic matters, moving away from the foreign policy and development focus of recent years.

This raises two serious concerns. First, it risks relegating Africa to the margins of the international community's agenda, at a time when the region needs sustained and consistent support in order to confront major challenges, from the HIV and AIDS pandemic to post-conflict reconstruction. While the Heads of State summit can make high-level political commitments, experience of past G8 summits – on issues from debt cancellation to the 2010 HIV and AIDS universal access target – shows that much of the preparatory 'heavy lifting' has been done by the Finance Ministers, who meet more regularly and are better placed to move the agenda towards implementation.

Second, it raises questions about the coherence and continuity of the German G8 agenda. While Angela Merkel has declared her ambition to tackle poverty, the Finance Ministers have instead demonstrated a poverty of ambition. This could be attributed to differences of emphasis within a coalition government, but it was the previous Chancellor and Social Democrat, Gerhard Schroeder, who made a series of commitments at the 2005 G8, to increase aid and combat HIV and AIDS. These commitments now need to be followed through.

Whether the G8 delivers on past promises, and works with African countries to respond to previously neglected challenges, carries high stakes – both for Africa and for the G8. Some African countries, such as Liberia, have turned a corner in the past year, and signs of economic recovery and political change can be seen across the

region. However, this progress is patchy and fragile, and cannot be sustained without the political engagement and material support of the richest countries. The G8 countries are the main destination for African exports, the major source of aid and foreign investment, and the home of a growing diaspora. They are also the main current and historical source of the carbon emissions that are contributing to increasing climatic and environmental problems in the region. In an increasingly interconnected world, the G8 must take its share of responsibility for the challenges facing Africa. This requires the G8 countries to do more, but also to make a fundamental change in the nature of the relationship, from one that has often been based on unjust exploitation to a genuine partnership.

Whether or not the world's richest countries fulfil this responsibility will test their credibility at a time when, from the United Nations (UN) to the IMF, the urgent need for more representative, accountable and effective global decision-making processes is being voiced. For Germany itself, the success or failure of the G8 on Africa will play a critical role in shaping its international image and influence, at a time when it also holds the European Union (EU) presidency, and has ambitions to play a fuller role in the international community through permanent membership of the UN Security Council.

Less than two years after her historic election as Germany's first female Chancellor, Angela Merkel has declared her intention to grasp this opportunity. But unless the Finance Ministers place equal priority on ending poverty in Africa, this key plank of the G8 agenda seems destined to fail. The Finance Ministers' poverty of ambition stems in part from a reluctance to make new financial pledges, at a time when Germany is failing to implement its EU commitment to increase aid to 0.51% of national income by 2010. Yet with the German economy in rapid recovery, this argument holds less water than ever. Rather than raise concerns about the costs of action, the G8 Finance Ministers should ask themselves what will be the cost of failing to respond to the greatest challenges of our time: the eradication of poverty and the safeguarding of our planet's future.

When they meet in Essen, ActionAid believes the G8 Finance Ministers must seize the opportunity to make progress in six key areas:

- Commit to a clear financing plan to fund the target of universal access to prevention, treatment and care for **HIV and AIDS**, which they agreed in 2005.
- Halt negotiations on the current Doha global **trade** deal and work to put sustainable development at the heart of the World Trade Organization (WTO) mission.

- Enact new domestic laws to ensure that transnational **corporations** are held to account for their actions in poor countries.
- End the double-counting of **aid** and **debt** relief and remove illegitimate economic policy conditions attached to their disbursement.
- Push for root and branch democratic reform of the **IMF and World Bank**.
- Tackle **climate change** by setting annual targets to cut carbon emissions and providing new funds to help poor countries to adapt to it.

INTRODUCTION: THE GERMAN AGENDA

“If you want to go quickly, walk on your own. If you want to go far, walk together.”

African proverb, quoted by Angela Merkel at Davos, 24 January 2007

For the first time since the G8 summit in Cologne in 1999, Germany has a major opportunity to make its mark on international development. With the combined influence of the G8 chair and EU presidency, the German government has the chance to exercise decisive leadership on past promises and push for new commitments on global poverty and injustice.

With the German agenda focused on ‘Growth and Responsibility’ in the global economy, the fact that more than one billion people live on less than one dollar a day demands urgent action. Africa is the epicentre of this challenge. In an age of unprecedented prosperity and economic integration, large parts of the region are being excluded from growth and technological progress. Over 300 million people live in extreme poverty. Disease, illiteracy and conflict continue to thwart the opportunities of a better life for millions of people.

At the same time, change is taking place. In Africa, one million people living with HIV and AIDS now have access to treatment, up from 100,000 in 2003.¹ Economic growth for the region has hit 5% and is predicted to increase in 2007.² Post-conflict reconstruction in Liberia, and the consolidation of democracy in countries like Ghana, points to the potential for wider political and economic progress across Africa. To be sustainable, this change must be driven domestically, by Africans. But it also needs the ongoing and consistent support and engagement of the international community, without which lasting change cannot happen.

As Chancellor Merkel noted in her opening speech at the World Economic Forum in Davos, globalisation “can’t work out if one doesn’t look beyond one’s own plate”. The G8 countries have a special responsibility to promote international development and end poverty, and as the chair, Germany has a leading role in shaping this agenda. As a contender for a permanent seat on the UN Security Council, Germany is under more pressure than ever to display its credentials as a progressive member of the international community.

More importantly, Africa cannot prosper without international support. More and better aid will have a crucial role to play in combating HIV and AIDS, and making progress on other development goals. As the holders of the G8 purse strings, the Finance Ministers have a leading role to play in ensuring that existing aid commitments are implemented. But Angela Merkel is also right to note that “public

aid alone will not lead to sustainable development in Africa”.³ The rich countries must also end policies and practices that undermine Africa’s long-term development prospects, by starting with a ‘do no harm’ approach to the region. This will mean the G8 agreeing to genuinely pro-development trade and investment regimes, as well as agreeing to measures to mitigate climate change and help countries adapt to it.

The Finance Ministers’ meeting in Essen, the first official inter-governmental meeting under Germany’s chair, will mark a decisive moment in demonstrating whether the rich countries will rise to this challenge. If they fail to do so, it will damage the G8’s claim to be a serious political and economic partner to Africa at a time when China’s role in the region is growing rapidly. It will also weaken one of the two main planks of the G8 Heads of State agenda at the outset.

THE NATURE OF THE PROBLEM: POVERTY AS A HUMAN RIGHTS VIOLATION

Poverty is a violation of human rights. Poor people may be, for example, hungry (denied the right to food), illiterate (denied the right to education) and sick (denied the right to healthcare). Governments, North and South, have a responsibility to ensure that poor people can realise their rights by ending actions that sustain poverty and promoting activities that will eliminate it.

Ending poverty requires local, national and international action. Local communities need to be empowered to gain access to the resources and opportunities to overcome barriers to prosperity; national governments must ensure basic services are provided to their citizens and create an economic environment that provides decent jobs; rich countries must provide the resources that spur development and agree fair international rules with developing countries to make it pro-poor and sustainable. Countries are only likely to make serious inroads into poverty when all three dimensions are working in harmony.

The world’s richest countries, led in 2007 by Germany, must focus on putting their own houses in order. An imperfect Africa is not an alibi for inaction.

HIV AND AIDS

Past G8 pledges

- In 2005 the G8 countries pledged to achieve universal access to prevention, treatment and care by 2010.
- They have yet to set a clear funding plan for reaching the target and have yet to bring forward the money to fill the \$8-10 billion annual funding gap.

In 2005 the G8 Finance Ministers agreed to a target of universal treatment for HIV and AIDS by 2010. This was subsequently adopted by the Heads of State meeting in Gleneagles, Scotland. They committed to: “develop and implement a package for HIV prevention, treatment and care, with the aim of as close as possible to universal access to treatment for all those who need it by 2010”. Crucially, they also committed: “to meet the financing needs for HIV and AIDS”.⁴

This commitment has since gained broader political support with endorsement at the UN World Summit in September 2005. In 2006 the UN General Assembly committed all UN member states to set “ambitious national targets, including interim targets for 2008” for access to prevention, treatment and care.⁵

New challenges

If 2005 was about setting a goal for universal access to treatment and a comprehensive response to HIV and AIDS, 2007 is the final opportunity to make it happen. While the German Chancellor has recognised this by putting the strengthening of African health systems and HIV and AIDS firmly on the summit agenda, the Finance Ministers have so far neglected to follow up on one of the most important and ambitious outcomes of the 2005 summit.

Reaching this goal requires action by both poor and rich countries alike, with the G8 giving full backing to national plans. With women making up a disproportionate number of new HIV infections and bearing a disproportionate burden of care, especially in sub-Saharan Africa, focusing on the barriers to women getting evidence-based prevention and treatment is vital (see box). This will require empowering women to claim their rights to a comprehensive and effective AIDS response.

Putting women at the centre of the 2010 treatment target

Women are increasingly at the centre of the HIV and AIDS pandemic: up to 60% of those living with HIV in Africa are female, and young women between the age of 15 and 24 “are up to six times more likely to be HIV-infected than young men in the same age group”.⁶ The causes of this are complex, but as a recent UNFPA/WHO report notes: “violence against a woman can interfere with her ability to access treatment and care, maintain adherence to antiretroviral therapy or feed her infant in the way she would like.”⁷ So it is also vital that efforts to achieve the 2010 treatment target recognise violence against women and girls as both a cause and consequence of HIV and AIDS, and commit to providing services and resources to address it.

Violence against women

As many as 30% of women in some locations report that their first sexual experience was coerced or forced.⁸ The younger the women were at the time of sexual initiation, the higher the chance that it was violent.⁹ Violence against women and girls is also a key factor in the spread of HIV and AIDS in emergency situations and conflicts. In one survey of women who survived the Rwandan genocide, 17% were found to be HIV positive. In another survey carried out by the Rwandan Association for Genocide Widows, 67% of women who survived rape were infected with HIV.¹⁰

UNAIDS has already been working with governments to write national ‘roadmaps’ to universal access. Lesotho, Mozambique, Vietnam and Nepal are among the countries that have drawn up fully-costed national plans; they have calculated how much money is needed to reach the targets and how much foreign aid is needed to plug the gap. If the 2005 aid commitments are met, these plans are affordable: for example, Vietnam requires an additional £77m a year in foreign aid, and Lesotho needs £9m.

Globally, UNAIDS estimates that the gap between what is available and what is needed to combat HIV and AIDS is \$8.1 billion in 2007, rising to \$10 billion per annum thereafter until 2010. A donor funding plan, led by the G8, is essential to mobilise and channel this funding effectively, and to create incentives for developing countries to put in place adequate plans that cover the spectrum of interventions, from treatment to prevention. This will be best achieved by scaling up existing funding mechanisms, such as the Global Fund to fight AIDS, TB and Malaria, rather than by proliferating new, poorly coordinated activities.

The challenge for the German G8:

- To secure international agreement on a funding plan that will deliver sufficient finances to achieve universal access to HIV and AIDS prevention, treatment and care by 2010.

TRADE

Past G8 pledges

- In 2005 the G8 agreed to cut farm subsidies and open their markets to goods from the world's poorest countries.
- But two years on progress has been negligible, while G8 countries have severely undermined the prospect of a new pro-poor global trade deal.

No G8 country has yet been prepared to fight for a truly pro-development outcome to world trade negotiations. But at Gleneagles in 2005 they made a start. Two years ago, G8 countries agreed to:

- Eliminate agricultural export subsidies by a "credible end date".
- "Substantially" cut damaging domestic farm subsidies.
- Completely open their markets to goods from the world's poorest countries.

Yet none of these commitments has been properly implemented. The EU's offer to scrap export subsidies in 2013 is five years later than a "credible end date" – 2008 – and is dependent on the bloc getting what it wants elsewhere in the WTO negotiations. There appears to be little prospect of the US or the EU making real cuts in their combined \$100 billion a year trade-distorting domestic farm subsidies. The US is also in the embarrassing position of having done less to open its markets to the poorest countries than Brazil, which plans to implement a duty-free, quota-free scheme this year.¹¹

New challenges

Germany's development credentials are open to question on trade. While the EU's trade negotiators are trying to push developing countries into damaging global and regional deals, the German government has prioritised the promotion of an US-EU Free Trade Agreement, rather than devote energy to supporting developing countries under pressure from EC trade negotiators.

Trade can help to reduce poverty in developing countries under the right conditions. But all too often trade policy has been badly thought through, with an emphasis on rapid liberalisation imposed by rich countries. The effect has often been to increase inequality and undermine livelihoods.

In South Africa, for example, trade liberalisation in the textiles industry is estimated to have destroyed more than 12,000 jobs, mostly for women. By opening up the industry to foreign competition, on IMF advice, the South African government hoped to attract new foreign investment. But new jobs have not been created for the women

affected by industry closures, and many have been pushed back into traditional roles and have lost their economic power.¹²

The WTO 'Doha Round' deal that is currently taking shape would be seriously damaging for poor countries and exacerbate poverty. For example, the UN's trade body UNCTAD estimates that developing countries could lose \$64 billion in revenues and hundreds of thousands of jobs in the motor, electronic and machinery sectors from dramatic cuts to import tariffs. G8 countries should halt the current negotiations and radically reform the WTO to put sustainable development – rather than trade liberalisation – at the heart of its mission.

At present, rather than reconsider the terms of a global deal, rich countries are instead pursuing the fall-back option of bilateral and regional deals, such as the Economic Partnership Agreement (EPA) negotiations between the EU and the African, Caribbean and Pacific group of countries. A recently leaked European Commission paper states that the EU would refuse to grant African countries improved access to Europe's markets unless they agreed to liberalise services, investment, and government procurement.¹³

With the new EU trade deals due to be agreed by the end of this year, the possibility that proposed EPAs will be sufficiently changed to offer a genuinely pro-development deal for poor countries is receding. But rather than give up, now is the time to start discussions with Africa on alternatives that would have a positive impact on poverty.

The challenge for the German G8:

- To ensure the current Doha Round deal is halted and put sustainable development at the heart of the WTO's mission.
- To push for alternatives to the EU's proposed Economic Partnership Agreements.

CORPORATE ACCOUNTABILITY

Past G8 pledges

- In 2005 the G8 signalled support for growth and responsible investment in Africa.
- But G8 countries have been reluctant to take measures to ensure that transnational corporations are accountable for their impacts on local communities and the environment.

Germany has made 'Growth and Responsibility', both in the world economy and in Africa, the dominant theme of the 2007 G8 Heads of State summit agenda. Meanwhile, Finance Ministers have placed financial markets high on their own list of issues. G8 countries have cited private enterprise as a prime engine of growth and development in Africa and they are not wrong to do so. Local and international firms can create jobs and new opportunities for poor people. But business activities are not automatically beneficial and can result in ecological damage and human rights abuses, as ActionAid and others have documented.¹⁴

For example, ActionAid's investigation into the suppliers of UK-based supermarket Tesco in South Africa found women workers in particular were negatively affected by the company's activities. Women fruit pickers were paid poverty wages, faced hunger and discrimination, were trapped in dismal housing and sometimes exposed to hazardous pesticides. Many women were forced to take part-time and casual work—and lost out on all their health and employment benefits too.¹⁵

In many poor countries there is a 'regulatory gap', where national laws that should govern business activity are either weak, ignored or poorly enforced. The result has sometimes been that foreign companies have been reckless in their approach to the rights of local people, and have behaved in a way that would not be tolerated in their home countries. While improvements in the capacity of domestic regulatory authorities would make a difference, G8 countries have a responsibility to show leadership by regulating the activities of their home transnational corporations effectively.

New challenges

Germany has made a welcome start by using its G8 presidency to seek common international standards for companies involved in energy resources from countries in, or emerging from, conflict. The strengthening of the Extractive Industries Transparency Initiative would begin to make transnational corporations more accountable for their actions overseas but can only be seen as a small first step.

The passage into law of the UK's Companies Act in late 2006 throws down the gauntlet to other countries to follow suit. For the first time British companies will be obliged to report annually on their social and environmental impacts overseas and those of their supply chains. Company directors have a new legal duty to consider the impacts of their business operations on the community and the environment wherever they work. Other rich countries should now follow the UK's lead and urgently adopt similar legal measures to help ensure sustainable growth and responsible foreign investment in Africa.

The challenge for the German G8:

- To initiate new domestic laws to ensure that transnational corporations respect people's rights and are held to account for their actions overseas.

AID AND DEBT

Past G8 pledges

- In 2005 the G8 countries pledged to cancel some debts for 18 poor countries, give \$50 billion a year more in aid by 2010 and reform the aid system.
- But while 20 countries¹⁶ have had their multilateral debts cancelled, most G8 countries are not increasing aid fast enough and are failing to improve the quality of the aid they are giving.

The G8 countries have kept the promises their Finance Ministers made on debt cancellation in 2005 and cancelled 100% of the debts owed to the World Bank, IMF and African Development Fund by 20 poor countries. Over time it is estimated that these actions will release a total of about \$1.5 billion a year between the 20 countries. This has enabled some countries to spend more on meeting the needs of their people, by abolishing user fees for health and education services, which particularly benefits women and girls. For example, a reduction in Zambia's total debt stock from \$7.1 billion a few years ago to \$500m today has enabled the government to announce free basic healthcare in a country where one in ten children dies before their first birthday. The Inter-American Development Bank has also announced that it will cancel debts to five countries: Bolivia, Honduras, Guyana, Nicaragua and Haiti.

In other cases, however, progress on debt has come at a cost to developing countries. For Nigeria, debt 'cancellation' actually led to a transfer of money out of the country. While the G8 agreed to Paris Club terms and cancelled \$18 billion of Nigeria's \$30 billion debt, Nigeria had to pay the remaining \$12 billion in 2006. The result has been that some G8 countries have become net recipients of aid from

Nigeria, rather than net donors. In 2006, the UK alone received \$3 billion from Nigeria – a country with about 90 million people living on less than one dollar a day .

A 'doubling' of aid was also promised in 2005. The Gleneagles commitments included an EU-wide timetable to provide at least 0.56% of their national income by 2010, a doubling of US aid to sub-Saharan Africa, a \$10 billion increase in Japanese aid over five years and a doubling of aid from Canada from 2001. In total this amounted to \$50 billion more a year by 2010 compared to 2004 figures.

Two years on, donors are failing to act on their aid commitments. Germany, Italy, Japan and the US have all failed to put in place plans to meet their promises, and on current trends will miss them by a wide margin. At the same time, the aid that is being provided is all too often double-counted as cancellation of unserviced debts, mainly for Iraq and Nigeria, that masks an underlying stagnation or decline in many donors' aid budgets. For example, official figures from the Organisation for Economic Cooperation and Development (OECD) show that aid to sub-Saharan Africa actually fell by 2.1% in 2005 – the 'year of Africa' – if Nigeria's debt relief is excluded.¹⁷ As G8 chair and EU president, Germany has to lead by example if it is going to maintain its credibility on international development, and work with all G8 countries to ensure that aid pledges are met in full, and in real cash terms.

Germany must also demonstrate an equal level of leadership on improving the quality of aid. In 2005, donors made a series of modest but significant commitments on 'better aid' through the OECD Paris Declaration, which set targets on aid coordination, alignment with developing countries' needs and priorities, national ownership of aid policies and the poverty focus of aid. Yet the initial baseline survey undertaken in 2006 points to slow progress or no progress at all on the part of many donors. Technical assistance, which is heavily tied, poorly coordinated, and accounts for about one quarter of global aid flows, is a case in point. Without improvements to the way in which aid is given, the aid increases pledged in 2005 will have only a limited impact on the ground, and in the long run, will threaten to undermine the political consensus that underpins the case for aid.

New challenges

While important progress has been made on debt, cancellation needs to be rolled out to a larger group of about 40 other low-income countries that are unable to achieve the Millennium Development Goals with their current debt burdens. Some of these are potentially eligible for debt cancellation but would have to implement economic policy conditions to qualify for a write-off; others are unlikely to become eligible unless the system is changed. Finance Ministers should also open a discussion

about how to tackle the problem of illegitimate and ‘odious’ debts, which have resulted from reckless or politically motivated lending to undemocratic regimes. This would require much broader debt cancellation for low- and middle-income countries. Norway has led the way by accepting ‘creditor co-responsibility’ and cancelling some of its illegitimate debts. It is time for the G8 to follow suit.

The challenge for the German G8:

- To end double-counting of aid and debt relief.
- To push the World Bank and IMF to stop attaching illegitimate economic policy conditions to aid, loans and debt relief.

THE IMF AND WORLD BANK

Past G8 pledges

- In 2005 the UK’s Commission for Africa called for a more open, merit-based selection of IMF and World Bank leadership, and for a greater voice for developing countries within these institutions
- Despite some tentative moves to change the voting structure in the IMF, African countries are not seeing any meaningful increase in their influence

The IMF and World Bank have a greater impact in Africa than in any other region, yet the region is grossly under-represented within these Bretton Woods Institutions (BWIs), both in terms of formal voting power and in terms of informal influencing ability. Whereas 46 African countries share just two seats on the boards of the World Bank and IMF, five G8 countries – the US, Japan, Germany, France and the UK – have seats of their own. This is important both as a matter of democratic principle – the IMF and World Bank have a major influence over people’s lives, but little formal accountability – and also because they are unlikely to improve their dismal track-record on poverty reduction unless they are forced to respond more directly to people living in poverty. The appointment of Paul Wolfowitz to head the World Bank in 2005 – based on the traditional horse-trading whereby Europeans appoint the IMF Managing Director and the US appoints the World Bank president – symbolised the failure of the international community to undertake long overdue reform of the BWIs, which are stuck with a governance structure essentially unchanged since 1946.

Recently, there have been some tentative moves to reform the IMF, which were discussed by Finance Ministers at the Annual Meetings in Singapore in September 2006. While these changes included ad hoc increases in the voting power of five middle-income countries, and proposed some modest increase in the share of the

'basic vote' that goes to all IMF members, it will do little to remedy the underlying democratic deficit. Until the quota formula is changed, some low-income countries such as India have seen their voting power eroded still further.

The need for reform goes beyond formal decision-making structures to questions of transparency and accountability. The lack of openness about how agendas are set and decisions are reached, the lack of redress for people negatively affected by the World Bank and IMF's activities, and the absence of proper checks and balances in the day-to-day running of the institutions all demand substantive reform.

New Challenges

When the G8 Finance Ministers meet in Essen, they must use their positions as leading figures on the IMF Board of Governors to agree to pursue a comprehensive reform agenda. This will require their countries to relinquish some formal voting power and an end to the current leadership appointment system. But just as importantly, it will require the World Bank and IMF to become more transparent, by adopting a presumption of disclosure, making decisions on the basis of formal votes, and encouraging greater democratic oversight of lending decisions in-country. Reform will also require a clearer division of labour between the institutions, with the IMF withdrawing from lending activities in low-income countries, and an end by both institutions to attaching economic policy conditions to their loans.

The challenge for the German G8:

- To push for root and branch reform of the IMF and World Bank, including changes to their formal voting structures and moves for greater transparency and democratic accountability in-country.

CLIMATE CHANGE

Past G8 pledges

- In 2005 the G8 countries said they would, "act with resolve and urgency now" to reduce carbon emissions, "in conjunction with our vigorous efforts to reduce poverty".¹⁸
- But emissions have been rising or remained constant in several G8 and EU countries since the 2005 commitment.

Without urgent action by political leaders, climate change threatens to spell the end of development. If global temperatures rise two degrees centigrade above pre-industrial levels, we can expect dangerous and unpredictable weather on an

unprecedented scale. Development efforts risk becoming merely humanitarian interventions that attempt to minimise large-scale human disasters. Floods, droughts and hurricanes will intensify, new environmental refugees will flee their homes, and the struggle for basic resources, such as water, could end in conflict and war.

Those who have done least to contribute to global warming will be affected first and worst – namely people in poor countries. Amongst poor people, women are disproportionately likely to be affected, because of their greater economic insecurity in areas such as land tenure and access to credit and savings. The world's richest countries have industrialised on the basis of dirty development, but the world cannot afford either for them to continue in this way, or for poor countries to follow them. The economies of the future will have to be green in order to survive. As the countries that have created the most carbon emissions, and with the greatest technological capacity, the G8 has a particular responsibility to lead by example, and support developing country efforts to plot a low carbon path to development.

New challenges

Having recognised climate change as a major international problem, the world's richest countries must now take decisive action to halt it. Germany appears to recognise this and has put climate change at the heart of G8 discussions on growth and responsibility in the global economy. Angela Merkel herself has a special interest in taking effective action to tackle climate change: as Environment Minister she led Germany's negotiations of the Kyoto Protocol agreements in 1997.

Worryingly, a number of G8 and EU countries are failing to cut carbon emissions either far or fast enough. In the UK, despite the importance the government has given to the Stern Review, carbon emissions have risen for three years in a row.¹⁹ The US continues to oppose the Kyoto Protocol and its emissions have risen to a staggering 15% above 1990 levels.²⁰ Within the EU, Austria, Belgium, Denmark, Ireland, Italy, Portugal and Spain are all projected to miss their modest Kyoto targets.²¹

A post-Kyoto international framework to cut carbon emissions is an essential element in securing a global solution to a global problem. But the difficulty and time needed to construct a fair and equitable global framework should not preclude national action to cut carbon emissions today. G8 and EU countries should lead by example and set an annual 'carbon budget' similar to an annual financial budget, with year-on-year cuts to carbon emissions. All sectors of society would have to contribute to keeping within this budget, and allocations would therefore probably be made sector by sector. The carbon budget would be given similar political importance to the conventional budget,

with all government departments having a role to play in keeping emissions within the limits set.

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

The challenge for the German G8:

- To cut carbon emissions by setting annual targets and a carbon budget and pushing G8 and EU countries to do likewise.
- To make new money available to help poor countries to adapt to climate change now and in the future.

CONCLUSION

The German government has a unique opportunity to put the G8 at the forefront of the global fight against poverty and the threatened destruction of the planet. With the combined Presidency of the G8 and the EU, Germany has the unparalleled chance to make a positive difference to the international development policies of 31 rich countries. When the Finance Ministers meet next week in Essen, their discussions will set the tone for Germany's leadership role. They must grasp the opportunity by acting decisively on Africa, and building a coherent agenda that crosses over and complements the discussions amongst heads of state in Heiligendamm this June.

German leadership can be decisive in making a difference to the 300 million people in Africa living on less than a dollar a day. Specific measures are needed in six key areas. A clear plan to fund the 2010 universal access goal must be agreed this year if people living with HIV and AIDS are to realise their rights. The quality and quantity of aid from G8 and EU member countries must rise and will do so if Germany reaches agreement to stop double-counting aid and debt relief and removes illegitimate policy conditions attached to them.

But action from rich countries requires much more than money alone. While new funds are needed for poor countries to adapt to climate change, action to curb carbon emissions is an even higher priority. Germany must push for national annual targets for year-on-year cuts if dangerous climate change is to be averted. IMF and World

Bank reform is needed to bring these institutions up to date with modern standards of accountability. Global trade rules need to be changed for the better, not for the worse. It is time for the current Doha deal to be put on ice and for sustainable development to be put at the heart of the WTO's mission. Finally, for truly effective economic growth, new domestic laws are needed to hold transnational corporations to account for their actions in poor countries.

This is an ambitious agenda for change. Yet it is also a realistic one if Germany's high international profile in 2007 is to make a lasting impact.

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¹⁰ WHO, "Violence Against Women and HIV/AIDS: Critical Intersections: Sexual violence in conflict settings and the risk of HIV." Information Bulletin Series, Number 2, November 2004, p. 1.

¹¹ BRIDGES Weekly Trade News Digest Vol. 10, Number 41, 6 December 2006: <http://www.ictsd.org>

¹² Deedat, The socio-economic impact of trade liberalisation and employment loss on women in the South African clothing industry: A Cape Town case study, 2004

¹³ EU tactics over African trade are 'bribery' say aid groups, The Guardian, 8 December 2006.

¹⁴ See for example: ActionAid (2006), Gold rush: the impact of gold mining on poor people in Obuasi in Ghana:

http://www.actionaid.org.uk/doc_lib/gold_rush.pdf

¹⁵ ActionAid (2005), Rotten fruit, Tesco profits as women workers pay a high price:

http://www.actionaid.org.uk/1578/tesco_profits_at_expense_of_poor.html

¹⁶ They are: Burkina Faso, Ethiopia, Ghana, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Tanzania, Uganda, Benin, Bolivia, Cameroon Guyana, Honduras, Mauritania, Nicaragua, Senegal and Zambia:

<http://www.imf.org/external/np/exr/facts/mdri.htm>

¹⁷ http://www.oecd.org/document/54/0,2340,en_2649_33721_37799158_1_1_1_1,00.html

¹⁸ Gleneagles Communiqué – Climate change, energy and sustainable development – paragraph 2.

¹⁹ UK emissions rise for 3rd successive year, 30 March 2006: <http://news.bbc.co.uk/1/hi/sci/tech/4861800.stm>

²⁰ Climate change: the big emitters, 4 July 2005: <http://news.bbc.co.uk/1/hi/sci/tech/3143798.stm>

²¹ European Environment Agency report no.9, Greenhouse gas emissions and trends and projections in Europe 2006:

<http://www.eea.europa.eu/pressroom/newsreleases/qhgtrends2006-en>