

CRS Report for Congress

Received through the CRS Web

Africa, the G8, and the Blair Initiative

Updated March 17, 2005

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Summary

Britain's Prime Minister Tony Blair has launched a major diplomatic effort to marshal the resources he sees as needed to eradicate extreme poverty in sub-Saharan Africa. He intends to focus the July 2005 G8 summit at Gleneagles in Scotland, which he will chair, on this initiative. Blair is pushing for a substantial aid increase for Africa through an "International Finance Facility" (IFF) and 100% forgiveness of poor country debt to the international financial institutions. The IFF would issue 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 improve their managerial and administrative capabilities. IFF bonds would be 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 also be paid by the G7, while debts to the International Monetary Fund (IMF) would be funded by revaluing or selling IMF gold. Finally, Blair seeks 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 on African development, with recommendations paralleling those of the Prime Minister. President Chirac of France and Germany's Chancellor Schroeder have endorsed the Blair initiative.

The Bush Administration is reacting coolly to the IFF proposal partly on grounds that it lacks a means of assuring new aid funds would be well spent, although IFF supporters note that the funds would be passed through existing aid agencies. The IFF could ultimately prove costly, since Blair sees it as "frontloading" aid as the G7 move toward a U.N. goal of giving .7% of GDP in development aid. For the United States to reach an interim level of .5% would require about \$40 billion in added aid annually. Some argue, nonetheless, that the G7, working together, could afford the IFF. U.S. officials maintain that a pledge to repay IFF bonds after 2015 would unconstitutionally bind future Congresses, although others point out that the United States routinely agrees to multiyear funding for the multilateral development banks (MDBs). The Administration supports a simple cancellation of MDB debt rather than repayment by the G7, and argues that future MDB aid should be in the form of grants. Some worry that this approach would reduce MDB resources for financing development. U.S. officials seek further study of issues related to IMF gold. Moves to reduce trade barriers face opposition in both Europe and the United States.

Previous G8 meetings have focused on Africa to varying degrees. There has been much debate over whether G8 countries have fulfilled their promises, and whether the African states have met their own promises of reforms. Emerging differences between Britain and the United States on Blair's proposals could intensify this debate. This report will be updated as events warrant. 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

Prime Minister Tony Blair and his Chancellor of the Exchequer (Treasury), Gordon Brown, have 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 of Millennium Development Goals (MDGs) in Africa. 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 and halving the proportion of people living on less than \$1 per day.

Prime Minister Blair assumed the rotating presidency of the G8 group of nations (see text box) in January 2005, and he intends to use the July 2005 G8 summit, which he will chair, to push his Africa development initiative.¹ Specifically, Blair and Brown are pushing for a substantial aid increase for Africa through an “International Finance Facility,” 100% forgiveness of African and other poor country debt to the multilateral development banks (MDBs), and the removal of barriers that distort trade and make it difficult for Africa to export its products to developed country markets. 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.

Unexpected international events requiring the G8’s attention at the “Gleneagles summit,” named for the hotel where the meeting will be held, could thwart the Prime Minister’s plans to focus on Africa. Moreover, a British parliamentary election is expected in May. Should Blair’s Labour Party be defeated, there would be a new Prime Minister who might have different plans for the summit. The purpose of this report is to provide background on Africa, the G8, and the Gleneagles meeting on the assumption that the summit will go forward as planned. The report 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

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 next G8 meeting is slated to take place July 6-8, 2005, at the Gleneagles Hotel in Perthshire, Scotland.

¹ See the conference website at [<http://www.g8.gov.uk>]. Blair intends to make climate change another main focus at the summit.

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*. This report will be updated as events warrant.

Background

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....²

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 include Bob Geldof, the Irish musician and development advocate; 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 report³ that will help 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.

The Prime Minister and Chancellor Brown have mounted a public relations campaign aimed at winning support for their G8 initiative. At the World Economic Forum in Davos, Switzerland, held at the end of January 2005, 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 new initiatives. (This proposal drew a skeptical response from many.) 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. In an essay published in a Canadian newspaper on February 26, Blair wrote

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

³ *Our Common Interest: Report of the Commission for Africa*, available at [<http://213.225.140.43/english/report/introduction.html>].

that “Co-ordinated action by the world’s richest nations is essential if Africa is to be given a fair chance.”⁴

Some have 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.⁵ Others argue that the United States has competing priorities and no compelling reason to sign on to the Prime Minister’s initiative. To date, the Administration has distanced itself from Blair’s proposal for new aid increases for Africa and put forward a different approach to achieving further debt relief. Both the Bush Administration and the European Union (EU) are 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 has 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 have called for the creation of an International Finance Facility (IFF) funded at \$50 billion annually for ten years. Press reports typically state that the IFF would double the funds available for development aid worldwide; but aid has increased since Brown first proposed the IFF, so that the \$50 billion would instead constitute about a 72% boost.⁶ The IFF would not be a new development bank or aid agency, but a mechanism for raising new resources for development. Under Brown’s proposal, the IFF would sell bonds and disburse the proceeds to existing bilateral and multilateral aid agencies from 2006 through 2015. The G7 leading economic powers (the G8 not including Russia) would agree in advance on the principles the development agencies would apply in using the new resources. Donors would also commit themselves to repaying the bonds in the years after 2015. According to a British Treasury document, “the IFF would deliver a critical mass of predictable aid, principally in the form of grants and debt relief,” and would include \$10 billion annually for fighting HIV/AIDS as well as up to \$25 billion to combat maternal and child mortality.⁷

⁴ “We All Walk with Africa: an Impoverished Continent Needs Allies in its March Toward Hope, Says Blair,” *Globe and Mail* (Toronto), February 26, 2005.

⁵ “Repaying Tony Blair,” *New York Times* editorial, February 13, 2005. See also, “Thousands Died in Africa Yesterday,” *New York Times* editorial, February 27, 2005.

⁶ Based on 2003 data compiled by the Organization for Economic Cooperation and Development.

⁷ HM Treasury, *International Financial Facility Proposal*, September 2004. Available at [<http://www.hm-treasury.gov.uk>].

The IFF proposal has been modified to some degree by the Commission for Africa's report, which calls for a two-stage approach in view of Africa's limited ability to absorb new aid. The report recommends \$25 billion in additional annual aid for Africa over the next three to five years. According to the report,

Progress should then be reviewed. Subject to improvements in African governments' managerial and administrative capacity, and improvements in the way aid is delivered, we would recommend a further increase in aid of \$25 billion a year.⁸

Although this two-stage process may reduce the initial cost of the proposal, the IFF could prove costly over the long term. Brown and Blair see their bond proposal as a way of helping the G7 members "frontload" aid as they gradually move toward the goal of providing .7% of GDP in foreign assistance — 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. According to the Organization for Economic Cooperation and Development (OECD), the U.S. ratio stood at .15% in 2003. For the United States to move to a .5% level as an interim stage, as some urge, would require adding nearly \$40 billion to the \$16.3 billion provided for development aid worldwide in 2003. Some see this level of foreign assistance as highly improbable at a time when the United States faces a budget deficit as well as major commitments in Iraq and elsewhere. Others emphasize that Blair envisages the United States and others moving only incrementally toward the .7% goal while deferring repayment of the IFF bonds for a decade.

U.S. officials have 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."⁹ Rice went on to suggest that the IFF would lack a mechanism to assure that the money was well spent. Supporters of the IFF argue that since it would disburse funds through existing aid agencies, Rice's concern should not be a problem. The World Bank and the bilateral G7 aid 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 maintain, 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.

⁸ *Our Common Interest*, p. 53.

⁹ Testimony on the Fiscal Year 2006 Foreign Operations budget before the House Committee on International Relations, February 17, 2005.

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.¹⁰ 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, as the United States gave its support to a three-year 25% boost in the resources of the World Bank’s International Development Association (IDA), which assists poor countries.¹¹

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 proposes, would unconstitutionally bind future Congresses to making appropriations.¹² Some wonder, however, if a means could be found to overcome this difficulty, noting that the United States, as in 2005, regularly agrees to regular multi-year “replenishments” of the World Bank’s “soft loan” development agency, the International Development Association (IDA), which lends to poor countries. 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.

100% Debt Relief

Blair and Brown support full forgiveness of the estimated \$80 billion in debt owed by poor countries to three multilateral development banks (MDBs): the World Bank, the International Monetary Fund (IMF), and the African Development Bank. Debt to the IMF would 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 \$8.5 billion but worth \$42.2 billion at current world prices.¹³ Debts to the World Bank and the African Development Bank would be repaid by the donor nations.

¹⁰ CRS Report RL32427, *Millennium Challenge Account: Implementation of a New U.S. Foreign Aid Initiative*, by Larry Nowels.

¹¹ World Bank, “Donors Agree to Substantial Increase in New Money for Poorest Countries,” press release, February 22, 2005.

¹² “UK’s Brown Aid Plans on Hold After G7 Meeting,” *Dow Jones Newswires*, February 7, 2005.

¹³ “Gold in the IMF: A Factsheet — September 2004.” At [<http://www.imf.org>].

Brown has already signed agreements to repay 10% of the World Bank debts of Tanzania and Mozambique, and challenged other donors to reach similar accords.

U.S. officials have endorsed the concept of 100% multilateral debt forgiveness. They point 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. However, officials maintain that the issue of revaluing IMF gold needs further consideration.¹⁴ Some experts in the gold market are 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 argue 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, U.S. officials favor a simple cancellation, not funded by any new contributions by the G7 to the MDBs.¹⁵ After the writeoff, in the U.S. view, the Bank should make grants rather than loans to poor countries, so that they do not accumulate new debt.¹⁶ Many are concerned that the U.S. approach could deplete the Bank's capital, since the Bank would no longer be owed debts by poor countries, or receiving repayments from them. Under the British approach, by contrast, the Bank would receive repayment of poor country loans from the G7 and continue to make new loans, for which it would expect to be repaid. Supporters of the U.S. approach argue that it need not threaten the Bank's capital, since the G7 could provide new replenishments as required. (Poor countries are eligible for loans only from the World Bank's International Development Association (IDA). These concessional loans are interest free, with a .75% service charge, and have very long repayment periods. Hence, they have been considered a form of aid.) Under the existing HIPC program, the World Bank and IMF have agreed to debt reduction packages with 23 sub-Saharan countries, expected to result in an anticipated reduction in debt stock of more than \$26 billion.¹⁷

Removing Trade Barriers

Chancellor Brown advocates ending "the hypocrisy of developed country protectionism" by removing trade-distorting subsidies and other barriers to trade.¹⁸ 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. However, some

¹⁴ U.S. Treasury, Office of Public Affairs, "Statement by John B. Taylor, Under Secretary for International Affairs," February 5, 2005.

¹⁵ "G-7 Weighs Debt Write-Off for Poor," *New York Times*, February 7, 2005.

¹⁶ *Ibid.* For a review of the issues, see CRS Report RL31136, *World Bank: IDA Loans or IDA Grants?* by Jonathan Sanford.

¹⁷ International Monetary Fund and International Development Association, *Heavily Indebted Poor Countries (HIPC) Initiative: Status of Implementation*, August 20, 2004, p.7.

¹⁸ Speech at the National Gallery of Scotland, January 6, 2005.

believe that progress on this issue is possible, either at the G8 July meeting or at the next WTO summit to be held in Hong Kong in December. 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.¹⁹ The framework opened the way to negotiations, now ongoing, on cutting domestic farm support programs in the developed countries, reducing other trade barriers, and eliminating export subsidies.²⁰ 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. 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.²¹ 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 trade barriers will strengthen Africa’s competitors in China and elsewhere, reducing the value of such special arrangements as AGOA and the ACP Partnership.

¹⁹ CRS Report RL32645, *The Doha Development Agenda: The WTO Framework Agreement*, coordinated by Ian Fergusson.

²⁰ CRS Report RS21905, *The Agriculture Framework Agreement in the WTO Doha Round*, by Charles E. Hanrahan.

²¹ 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.

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.²² 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, 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 46.²³ 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 2015.²⁴

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.²⁵

²² For further information, see CRS Report RL32489, *Africa: Development Issues and Policy Options*, by Raymond Copson.

²³ World Bank, *World Development Indicators Online*.

²⁴ U.N. Millennium Project, *Investing in Development: a Practical Plan to Achieve the Millennium Development Goals*, Jeffrey D. Sachs, Director, p. 57.

²⁵ "U.S. Cuts Anti-Corruption Aid," *BBC News*, February 8, 2005.

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.²⁶ 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. (However, the sanctions imposed by the Economic Community of West African States (ECOWAS) on Togo in February 2005 are winning praise. When the son of the deceased president of Togo sought to seize power by unconstitutional means, ECOWAS pressure for a return to legality and free elections forced him to step down.)

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. Economist Jeffrey Sachs, head of the U.N. Millennium project, 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.

²⁶ CRS Report RS21353, *New Partnership for Africa's Development (NEPAD)*, by Nicolas Cook.

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.²⁷ 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 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.²⁸

The Genoa and Kananaskis 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.

Kananaskis represents the high water mark to date 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

²⁷ Communiqués of the 1997 Denver summit (June 22, 1997) and of the 1998 Birmingham, U.K. summit (May 17, 1998).

²⁸ Economic Communiqué, June 28, 1996.

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 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, most of which are in Africa, 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.²⁹ 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 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.³⁰ 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.³¹ 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

²⁹ "Viewpoint — Africa Needs a Level Playing Field," *The Banker*, July 1, 2003.

³⁰ "U.S. Movement for Debt Cancellation Outraged by G-8 Failure on Debt," press release, June 10, 2004.

³¹ 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).

assistance likely to be provided as emergencies arise. Aid in FY2002 was \$2.5 billion.³²

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.³³ 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 NEPAD, a review of proposals for ending agricultural subsidies and quotas, additional assistance for health infrastructure, and further debt relief.

The debate over the G8 response to Africa's needs, and over Africa's fulfillment of its promises to reform, is likely to be revived as the Gleneagles meeting nears. The differences that have emerged between the United States and Britain over the IFF proposal and debt forgiveness could well sharpen that debate.

³² 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>].

³³ CRS Report RL32773, *The Global Peace Operations Initiative: Background and Issues for Congress*, by Nina Serafino.