

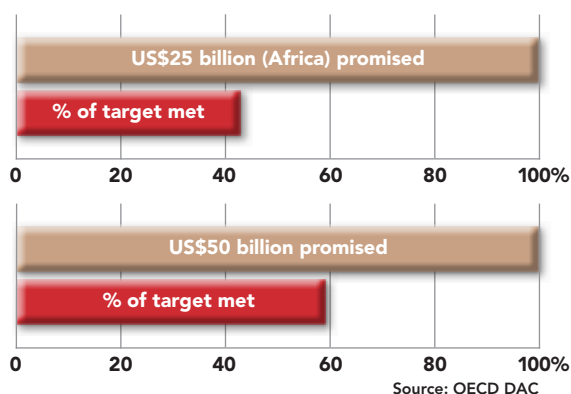


Holding G8 Accountability to Account



The G8 keeps failing the tests it sets itself. In 2005, at the G8 Summit in Gleneagles, Scotland, the G8 and major aid donors pledged to increase both the quality and quantity of their aid. Targets, first articulated in UN declarations in the 1970s, were agreed to 2010 and 2015. In the aggregate, these would equate to an additional US\$50 billion per year by 2010 compared to 2004 levels. US\$25 billion would be destined for Africa. Yet as the medium-term deadlines near, it is clear that most of the G8 are not on course to meet the promises they made in 2005.

To check their progress, the G8 did agree to establish an internal “accountability mechanism”, publishing its first detailed report on June 20, 2010. Unfortunately, this accountability exercise was seriously flawed, as the G8 decided to measure progress in current dollars as opposed to inflation and exchange rate adjusted ones (constant dollars). By not holding for the impact of increasing prices on the real value of every dollar spent, the G8 inflated the aid that has been committed so far: while it estimates a US\$10 billion funding gap to meet the US\$50 billion 2010 target, a more methodologically sound estimate suggests the actual number is approximately twice this amount – **around a US\$20 billion shortfall**. Furthermore, despite Canadian Prime Minister Stephen Harper’s wish for an “accountability summit” when the G8 met at Muskoka in Canada, on June 25-27, 2010, the G8 took no concrete policy actions or corrective measures to address the aid financing shortfalls that were identified - whether as measured by themselves or otherwise.



While the G8 cannot mask the fact that a shortfall exists – even when using its own methodology – it can, indeed does, underestimate the extent to which its promises are not going to be fulfilled.

Individual country examples are illustrative. While it appears as though the US committed the most in absolute terms, as of 2008 (which is the latest OECD data available) it was still around US\$2 billion short of its bilateral 2010 target to Africa. It is only committing 0.2% of its Gross National Income. While Canada had a nominal target, holding for inflation shows it has committed around half of what it claims over 2004-9. None of the continental European countries are on target to meet 0.7% of GNI. The UK is perhaps the only country where ambitious 2010 targets have a realistic chance of being met: when political will is present, much can be achieved, even in the face of unexpected and more difficult economic circumstances.

The G8 had a chance to get this right itself. As real accountability was not forthcoming from within, it is now time to have this done properly and seriously from without. In this vein, we propose establishing, formally over the coming months, an external independent accountability mechanism, driven by a coalition of technical experts, to provide real and rigorous oversight of the G8 and G20’s future financing commitments for sustainable development.

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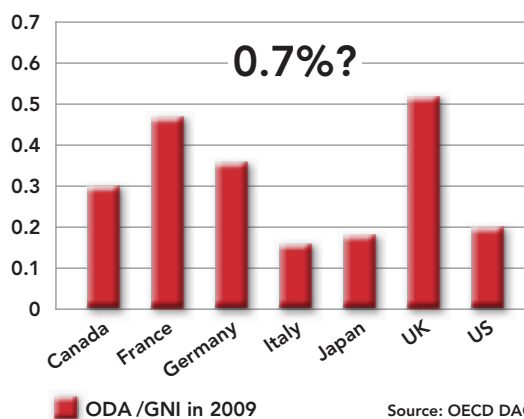
Introduction

At the 2005 G8 Summit at Gleneagles, the G8 and major aid donors committed to increase both the quantity and quality of their Overseas Development Assistance (ODA)ⁱ. The OECD estimated that this commitment equated to an increase in ODA of around US\$50 billion per year by 2010 compared to 2004, with US\$25 billion destined for Africaⁱⁱ. Furthermore, an ODA target of 0.7 per cent of gross national product, first pledged in the 1970 UN General Assemblyⁱⁱⁱ, was rearticulated in 2002 at the Financing for Development Conference in Monterrey, Mexico^{iv} and at Gleneagles in 2005.

At the L'Aquila Summit in 2009, the G8 agreed that there was a need to strengthen its accountability with respect to both individual and collective commitments, especially relating to development and development related goals^v. In this regard, the G8 agreed to task "...a senior level working group to devise, in co-operation with relevant international organizations, a broader, comprehensive and consistent methodology for reporting with a focus on our activities in development and development related areas and with attention to results"^{vi}. The outcome of this taskforce was the **G8's Accountability Report**, published on June 20 in advance of the Muskoka Summit, Canada on June 25-27, 2010.

Now while the G8 estimates a US\$10 billion funding gap, a more rigorous assessment suggests the actual number is twice this amount – a US\$20 BILLION SHORTFALL. Therefore, the purpose of this report is to explain this discrepancy, by holding the G8's accountability exercise to account.

1. Measuring progress against Monterrey



Paragraph 42 of the 2002 Monterrey Consensus stated that "...we urge developed countries that have not done so to make concrete efforts towards the target of 0.7 per cent of gross national product (GNP) as ODA to developing countries..."

2. Measuring progress against Gleneagles

Let's begin measuring progress on the G8's Gleneagles commitments by assessing their performance on ODA as described in the G8's recent Accountability Report. With no normative component to this appraisal, for example, regarding how ambitious the original ODA targets were in the first instance and whether more could or should have been pledged, the column "G8's analysis" in the table below presents a very simple evaluation of whether the G8 have met their individual and collective ODA commitments, as they have both defined and assessed them.

According to the G8's methodology, Canada, the UK and the US have fully met their targets or are on course to do so. While Japan has partially complied with its pledges, Continental Europe, namely, France, Germany and Italy are still lagging somewhat behind theirs.

Therefore, it is possible to observe that even on the basis of the G8's own analysis and methodology, a large number of shortfalls exist relating to the ODA pledges that were made in 2005. Yet despite this forthrightness, there are still many reasons to be skeptical about the G8's Accountability Exercise: while it does not, indeed cannot, mask the fact that many of the G8 countries have not fulfilled their medium term commitments and are not on course to achieve their 2015 ones; it can – and indeed does – underestimate the extent to which these promises have not been fulfilled^{vii}.



Measuring performance against commitments^{viii}

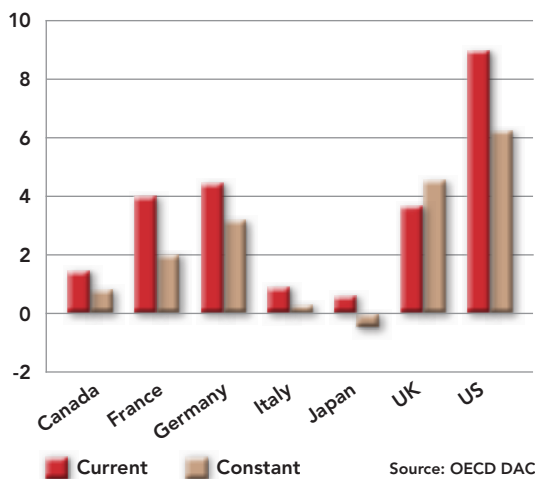
THE MEDIUM TERM

Country	Commitment	Progress	
		G8's Analysis (current prices)	Our Analysis (constant prices)
Canada	Double international assistance from 2001 to 2010 in nominal terms.	On target. ODA estimated to reach CND \$5 billion in 2010/11.	Canada's commitment was in nominal terms: ODA at US\$1.5 billion in 2001 is set to reach US\$4 billion in 2009 (preliminary estimate). 2010 OECD DAC data is unavailable.
France	0.5% ODA/GNI in 2007 and 0.7% in 2012.	0.38% in 2007. Preliminary estimate for 2009 is 0.46%.	0.38% in 2007. Preliminary estimate for 2009 is 0.46%
Germany	0.51% ODA/GNI in 2010.	0.35% in 2009. Estimated to reach 0.4% in 2010.	0.35% in 2009. Estimated to reach 0.4% in 2010.
Italy	0.51% ODA/GNI in 2010.	0.16% in 2009.	0.16% in 2009.
Japan	Proposed to increase its ODA volume by US\$10 billion over 2005-10.	US\$3.6 billion shortfall.	Since 2005, the absolute volume committed has been falling every year except 2007-8. 2010 data unavailable from OECD DAC.
UK	0.7% ODA/GNI by 2013.	0.52% by 2009 and 0.60% by 2010.	0.52% in 2009.
US	Double aid to Sub-Saharan Africa by 2010 ^x .	ODA doubled from US\$4.35 billion to US\$8.67 billion ^x .	ODA to Africa was US\$7.2 billion in 2008. 2009 and 2010 bilateral data unavailable from OECD DAC.
The collective targets from all OECD DAC bilateral donors	US\$50 billion per year by 2010 compared to 2004.	4/5 of way to target, with an estimated US\$10 billion shortfall.	3/5 of way to target, with an estimated US\$21 billion shortfall. According to the OECD DAC, only US\$4 billion of this shortfall can be attributed to the economic crisis ^{xi} .

AFRICA^{xii}

Country	Commitment	Progress	
		G8's Analysis (current prices)	Our Analysis (constant prices)
Canada	Double assistance to Africa from 2003/4 to 2008/9 in nominal terms.	Met.	Canada's commitment was in nominal terms: Bilateral ODA to Africa was US\$0.5 billion in 2003, reaching US\$1.3 billion in 2008 ^{xiii} .
Japan	Proposed to double its ODA to Africa over 2004-7.	Doubled from 2004 baseline of approximately US\$0.83 billion to US\$1.7 billion in 2007.	Bilateral ODA to Africa doubled from 2004 baseline of approximately \$0.83 billion to US\$1.9 billion in 2007. But bilateral ODA to Africa fell to US\$1.57 billion in 2008.
UK	Double bilateral ODA to Africa between 2003/04 and 2007/08.	Met: ODA to Africa was US\$1.02 billion in 2003/4 and US\$2.5 billion in 2007/8.	Bilateral ODA to Africa was US\$1.88 billion in 2003 and \$2.29 billion in 2007 ^{xiv} .
US	Proposed to double aid to Sub-Saharan Africa by 2010 ^{xv} .	ODA doubled from US\$4.35 billion to US\$8.67 billion ^{xvi} .	2004 ODA to Africa was US\$4.69 billion, reaching US\$7.2 billion in 2008. 2009 and 2010 bilateral ODA data are unavailable from the OECD DAC.
The collective targets from all OECD DAC bilateral donors	US\$50 billion per year by 2010 compared to 2004, with US\$25 billion destined for Africa.	US\$10 billion shortfall ^{xvii} .	US\$13 billion shortfall ^{xviii} .

ODA commitments 2004-9, US\$ billions



The most serious methodological shortcoming of the G8's Accountability Report is the measurement of the Gleneagles commitments in current dollars as opposed to inflation and exchange rate adjusted ones.

But OECD DAC ODA data in inflation and exchange rate adjusted dollars is readily available from the OECD. As the graph above demonstrates, by not holding for the impact of increasing prices on the real value of every dollar committed, and exchange rate conversions from local currency to US dollars, **the G8 inflates what has been achieved to date over 2004-9.**

While the G8's Accountability Report argues that the OECD "...estimates for the G8 and other donors highlighted in the Gleneagles Summit do not specify whether the US\$50 billion a year by 2010 increment was to be in current or constant dollars^{xxiv} in its day-to-day analytical work, the OECD is benchmarking the DAC's (and therefore G8's) progress on aid commitments in constant dollars^{xx}. Furthermore, a statement from the Chair of the DAC and the Secretary-General of the OECD noted that its estimates were to be explicitly understood in constant prices, and this was reconfirmed in April 2008^{xxi}. Finally, no rationale or justification is provided in the G8's Accountability Report to support the adoption of current prices, even though there are clear and obvious problems involved in doing so.

3. Conclusion

Disappointingly, the G8's overall accountability exercise, which certainly had potential, falls well short of the language adopted by the G8 at the L'Aquila Summit. Firstly, as discussed, there are serious methodological weaknesses which undermine the analysis and credibility of the G8's work. Secondly, the exercise falls well short of the G8's own aspirations, where, in addition to an Accountability Report, G8 leaders called for a "full and comprehensive accountability mechanism by 2010 to monitor progress and strengthen the effectiveness of our actions^{xxii}." The G8 provides no clear direction of how to address this shortfall with respect to its own aspirations, simply stating that "more work is required" in the future^{xxiii}. Furthermore, the G8 states that the report was not meant to be a review of the full range of G8 commitments or an assessment of progress towards meeting international development goals: rather its primary objective was to focus on the creation of a common methodology^{xxiv}. Yet one of the objectives of the Accountability Working Group that produced the report, as stipulated by its terms of reference, was to "...provide Leaders with the necessary information to make mid-course corrections as they deem appropriate"^{xxv}. However, the analysis thrown up by this accountability exercise was not used to catalyze policy corrections: at the Muskoka Summit that took place in Canada on June 25-27, no concrete actions were taken to address the ODA funding shortfalls that were identified, whether as measured by the G8 or otherwise.

4. The way forward: External accountability

This report has demonstrated that real and honest accountability was not forthcoming from within the G8: for this to be done properly it is clear that it has to come from without. As a result, the Earth Institute, led by Jeffrey Sachs and the Institute for Economics and Peace, led by Steve Killelea, are reaching out to partners in civil society with a track record of undertaking external accountability of G8 commitments. This dialogue is taking place with a view to forming an "external accountability panel", allowing for deeper, more meaningful institutionalized co-ordination and strategizing across partners in civil society. Further details of this new network will be released shortly. Its objective, simply put, will be to ensure comprehensive, real and rigorous oversight of the G8 and G20's on-going and future financing commitments for sustainable development.



- ⁱ For the purposes of this report, the formal definition of what constitutes ODA is provided by the Organization for Economic Co-operation and Development (OECD's) Development Assistance Committee (DAC). ODA is understood as grants or loans to countries which are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms (if a loan, this means having a grant element of at least 25 per cent) (OECD DAC). 22 countries constitute the DAC. Excluding the G7, the remaining 15 countries are: Australia, Austria, Belgium, Denmark, Finland, Greece, Ireland, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden and Switzerland.
- ⁱⁱ G8 Gleneagles Summit Africa Communiqué, paragraphs 27 and 28
- ⁱⁱⁱ "In recognition of the special importance of the role that can be fulfilled only by official development assistance, a major part of financial resource transfers to the developing countries should be provided in the form of official development assistance. Each economically advanced country will progressively increase its official development assistance to the developing countries and will exert its best efforts to reach a minimum net amount of 0.7 percent of its gross national product at market prices by the middle of the decade."
- ^{iv} Monterrey Consensus, paragraph 42
- ^v L'Aquila Summit Communiqué, paragraph 98
- ^{vi} L'Aquila Summit Communiqué, paragraph 98
- ^{vii} G8 Accountability Report, pp 3
- ^{viii} As detailed in the G8's Accountability Report, pp15; all data is originally sourced from the OECD DAC. Russia has been excluded from the assessment as it is not an OECD DAC member and therefore uses national data
- ^{ix} No baseline year was specified, so the assumption is that it is 2004
- ^x Note: the OECD DAC reports that the US 2004 baseline (in current prices) for bilateral ODA to Africa was equal to \$4.18 billion: http://stats.oecd.org/Index.aspx?DatasetCode=ODA_RECIP
- ^{xi} See: http://www.oecd.org/document/20/0,3343,en_2649_34447_44617556_1_1_1_37413,00.html
- ^{xii} Some countries did not have an explicit target for Africa
- ^{xiii} Note, the Canadian target was set in fiscal years (2003/4-2008/9) but the OECD DAC reports in calendar ones.
- ^{xiv} Although the UK target was set in fiscal years (2003/4-2007/8), the OECD DAC reports in calendar ones making the assessment more complicated
- ^{xv} No baseline year was specified, so the assumption is that it is 2004
- ^{xvi} Note: the OECD DAC reports that the US 2004 baseline (in current prices) for bilateral ODA to Africa was equal to \$4.18 billion: http://stats.oecd.org/Index.aspx?DatasetCode=ODA_RECIP
- ^{xvii} G8 Accountability Report, pp17
- ^{xviii} See: http://www.oecd.org/document/20/0,3343,en_2649_34447_44617556_1_1_1_37413,00.html
- ^{xix} G8 Accountability Report, pp 14
- ^{xx} For example, see chapter 8 of the OECD DAC's most recent Development Co-operation Report (2010)
- ^{xxi} See: www.oecd.org/document/7/0,3343,en_2649_201185_40385351_1_1_1_1,00.html and www.oecd.org/document/37/0,3343,en_2649_33721_40385189_1_1_1_1,00.html
- ^{xxii} L'Aquila Summit Communiqué, paragraph 3
- ^{xxiii} G8 Accountability Report, pp 75
- ^{xxiv} G8 Accountability Report, pp 10
- ^{xxv} G8 Accountability Report, pp 76



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