

## Make Poverty History and Micah Challenge Key Asks

Micah Challenge, along with the Make Poverty History campaign, is calling on the Australian Government to keep its commitments to help achieve the Millennium Development Goals and halve global poverty by 2015. The UN Millennium Declaration of September 2000, to which the Australian Government was a signatory, laid out the Millennium Development Goals and stated that

*We will spare no effort to free our fellow men, women and children from the abject and dehumanising conditions of extreme poverty, to which more than a billion of them are currently subjected. (Millennium Declaration, 2000)*

Australia's commitment to the MDGs have been affirmed by the current Australian Government. In May 2008 Prime Minister Rudd committed Australia to the MDG Call to Action, a call for the international community to accelerate action towards the MDGs, and the Parliamentary Secretary for International Development Assistance told parliament that:

*They [the MDGs] are the international standards that the world has set for itself. The goals provide a clear vision for halving extreme poverty by 2015 and represent a unanimous intent by the international community to rid the world of poverty and improve the lives of those most in need... We want to make a new commitment to the achievement of those goals and to contributing what we can as a proud and developed country to assist our neighbours to achieve those goals... [T]hese goals are a unanimous commitment by the world community. (Bob McMullan, Parliamentary Secretary for International Development Assistance, House of Representatives, May 15 2008)*

In agreeing to play our part to achieve these goals, Australia made a number of key commitments:

1. To provide increased aid, focused on poverty reduction.
2. To support the cancellation of debt for countries requiring it to meet their Millennium Development Goal targets.
3. To work towards a fair, predictable and rules-based international trade system.
4. To support good governance in development.
5. To ensure environmental sustainability.

Taken together, these offer a realistic and comprehensive approach to helping end the ongoing tragedy of extreme poverty. Micah Challenge calls on the Australian Government, and political leaders of all parties, to take and support action in these areas.

Key campaign asks are overviewed below.

### **1. Give More and Better Aid**

Achieving the MDGs requires developing countries to implement poverty reducing strategies, such as developing health and education systems that target the poor, constructing and maintaining essential infrastructure such as roads, transport, telecommunications, clean water

and sanitation, and fostering economic growth that is inclusive of the poor. Although the bulk of the funding for such services will normally come from the public (tax) and private revenues of developing countries, in most instances these revenues are insufficient to see the MDGs achieved. Additional resources are required, including aid from 'developed' countries. It has been estimated that to meet the global MDG financing gap, developed countries need to achieve aid budgets of 0.5% of their gross national income (GNI) by 2010 and 0.7% GNI by 2015 and ensure the bulk of these resources are devoted to helping developing countries achieve the MDGs.

The 0.7% GNI figure represents a long standing international aid target first adopted at the UN General Assembly in 1970. This target has been reaffirmed many times since, including the Monterrey International Conference on Financing for Development in 2002, where Australia agreed to make "concrete efforts" to achieve the 0.7% GNI target.

In 2008-9 Australia's aid commitment stands at 0.32% of GNI. The Government has indicated it will increase Australia's aid to 0.37% GNI by the 2010-11 budget and achieve an aid budget of 0.5% GNI by 2015-16. These commitments, though welcome, are well short of the 0.7% GNI international aid target and lower than most other OECD nations. In line with our international commitments Australia should therefore announce a timetable to lift Australia's Official Development Assistance to 0.5% of Gross National Income (GNI) by 2010 and 0.7% GNI by 2015.

Quality of aid is as important as aid volume. Australia must ensure that its aid program:

- *Is focused on helping developing countries achieve the MDGs.*  
In 2008 the Government declared a renewed focus on the MDGs and has taken concrete actions to implement this. It has increased funding to water and sanitation initiatives and foreshadowed an additional \$500 million over four years to be spend on basic education programs. Micah Challenge affirms this focus and believes it should be extended further. In 2008 Micah Challenge and Make Poverty History are asking for substantial increases in aid funding to health care and climate change initiatives.
- *Implements the 'Paris Principles'.*  
These are a set of principles as to how aid can be most effective: (1) ownership – developing countries should develop their own poverty focused development plans; (2) alignment – aid should be aligned with the plans and priorities of developing countries. Wherever possible donors should support the national systems of developing countries, provide longer term aid commitments and make sure that aid flows are predictable; (3) harmonisation – donor countries should work together to minimise duplication of reporting and programs; (4) results – countries should measure their development progress and aid should be measured against its effectiveness on supporting development progress; (5) mutual accountability – recipient to donor and donor to recipient. Micah Challenge encourages the implementation of these principles in the Australian aid program.
- *Contributes Australia's "fair share" to the international aid effort.*  
Australia's economy is approximately 2% the size of the combined economies of the OECD nations. Australia should therefore ensure it commits 2% of the external funding requirements to achieve the MDGs. Micah Challenge is pleased that Australia has committed itself to its "fair share" commitments for water and sanitation. Other areas should also receive a fair share commitment. Australia's fair share for health, for example, is

A\$1180 million by 2011-12, which should be focused on strengthening health systems (\$520 million), community based health education and accountability programs (\$50 m), HIV/AIDS treatment and prevention (\$400 m), health research (\$110m), and other health expenditure (\$100m).

- *Targets the poorest countries in our region*  
Australia should expand assistance to the poorest countries in our region (South and South-East Asia and the Pacific) and allocate at least 0.20% of GNI to Least Developed Countries. In 2005-6 Australia averaged only 0.06% GNI in aid to Least Developed Countries.

## 2. Cancel Debt

During the 1990s many developing countries experienced a “debt crisis”. Increased international borrowings coupled with rising interest rates and stalling economies saw the debt burden of many developing countries become so great they were unable to fund essential social services such as health and education. In many instances developing countries were paying developed countries far more in interest payments than they were receiving in aid.

Two international initiatives sought to reduce this debt burden – the Highly Indebted Poor Country Initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI). Developing countries were eligible for debt forgiveness if their debt was considered financially unsustainable, they met certain criteria around financial management and they planned to use the funds saved for poverty reduction. To date (end June 2008) 41 countries were considered eligible for debt relief and 33 had begun to receive it. It is estimated that these debt relief initiatives, along with other voluntary government to government (or bilateral) debt relief, will reduce the debt stocks of these 33 countries from US\$105 billion to US\$9 billion. Australia has contributed towards funding of these initiatives.

Micah Challenge welcomes these initiatives, for they allowed developing countries to invest in social programs. Uganda was able to abolish fees for primary school, resulting in a doubling of enrolments and seeing boys and girls sharing equally in education – before debt relief there were 20% fewer girls in school than boys. In Malawi funds from debt cancellation were used to train nearly 4,000 new school teachers each year. Bolivia and Mauritania both directed funds from debt cancellation towards improving healthcare. Before debt relief, only around 40% of births in each country were attended by a health professional. Now it is nearly 60% in Mauritania and 70% in Bolivia, which has improved infant and maternal mortality rates.

Micah Challenge notes with concern that significant debt issues remain:

- While many HIPC countries have seen a 90% reduction in their debt stock, many continue to make large payments of arrears (interest payments that accumulated prior to debt reduction) and are in danger of falling back into unmanageable debt;
- A large number of developing countries still spend more on debt servicing than public education or health. In 2006, 10 developing countries were spending more on debt service than public education, and 52 were spending more on debt service than their public health budget. In 2005, for example, the Philippines spent 31.9% of the Government budget on debt serving but only 24.7% on health and education;
- Even though their debt burdens are high and they are off-track to meet the MDGs many countries are not eligible for debt relief under the HIPC and MDRI initiatives. Debt

sustainability under the HIPC process was defined in terms of a country's capacity to earn enough foreign currency to continue repaying its loans.

In view of these things Australia should:

- advocate for debt relief to be extended to all countries requiring it in order to meet their MDG targets;
- advocate for debt relief to ensure that developing country rights to determine their own development pathways are supported and not undermined by unwelcome and unnecessary financial conditions that accompany debt relief;
- advocate for a fair and transparent arbitration process by which debtors and creditors can negotiate debt problems.
- implement a 'debt audit' of Australia's past bilateral lending and accept co-responsibility for any loans that are illegitimate – those having been made without the consent of, and without benefit for, the populace of the debtor country;
- follow through on the pre-2007 election commitment to a 'debt-for-development' swap with Indonesia and explore a similar program with the Philippines.

### 3. Ensure Trade Justice

Trade can increase the income of a developing country, provide opportunities for employment, increase productivity, allow access to new technologies and knowledge, and provide the foreign currency required to pay for imports. At the 53 lowest income countries in the world (all have a per capita income of US\$905 or less) are home to 37% of the world's population yet account for just 2.7% of world exports. If they could increase their share of global trade to 3.7% their income would increase by over US\$120 billion a year. This is three times as much as these countries receive in aid.

The progress developing countries make on trade is strongly influenced by their capacity to trade and the terms and conditions on which other nations agree to trade with them. Capacity to trade is shaped by factors such as the business environment, availability of financial capital, transport systems, and efficiency of customs services. The terms by which other nations will trade with them can be set 'multilaterally' or 'bilaterally'. Multilateral agreements, such as those negotiated in the World Trade Organisation, are those where groups of nations agree on particular terms and conditions under which they will all trade with one another, while 'bilateral' agreements are those between two nations.

With regard to capacity for trade, Micah Challenge believes the Australian Government should support 'aid for trade' initiatives. These are designed to build the capacity of developing nations to trade goods and services with the world.

With regard to the terms and conditions of international trade, Micah Challenge believes there are three key issues Australia should address.

1. Developed countries must eliminate barriers that prevent developing nations from trading fairly.
  - Subsidies paid to farmers in the European Union and the United States are in the amount of \$350 billion each year (US\$363 billion in 2006). These subsidies encourage overproduction by EU and US farmers which (a) drives down the prices developing

- world farmers receive; and (b) reduces incentives for developing countries to invest in improving agricultural productivity;
- Developed countries impose higher taxes on products they import from developing countries than on products they import from other developed countries. This makes it difficult for developing countries to sell goods to developed countries.
  - Strong protection of intellectual property under the 'TRIPS' agreement makes it difficult for developing countries to acquire new knowledge and copy new technologies. The capacity to take up new knowledge and technologies are key factors in the development of an economy and were critical to the growth paths of developed countries. Yet overly strong protection mechanisms now prevent developing countries from doing the same.
2. Developing countries must be free to control the pace of trade liberalisation. Trade liberalisation refers to the removal of taxes on imports and Government subsidies that shield industries from competition. Some argue that liberalisation will force uncompetitive industries out of the market and see investments made in more productive industries, leading to greater economic growth. Micah Challenge believes these arguments fail to take account of conditions in many developing countries:
- developing countries often lack the public revenues to compensate those who lose their jobs as industries shut down;
  - developing countries often lack the financial markets, infrastructure and trade capacity to attract investment in new areas;
  - developing countries often have industries that are not yet ready to compete on an open market, but with development could be very profitable. Trade liberalization can decimate these industries;
  - developing countries often lack effective mechanisms to collect income and consumption taxes. As a result the revenue they lose by reducing tariffs may not be recoverable through other taxes, leaving developing country governments with less to spend on social services.
3. MDG 8 calls for special attention to the needs of "small island states". The small island states of the Pacific region are characterized by small populations and large geographical distance from major trade markets and trade routes. This makes it particularly difficult for them to grow their economies through trade. For many of these economies remittances (income sent to the country by citizens working overseas) are a critical dimension of their development.

On this basis Micah Challenge commends the Australian Government for:

- its efforts to address the problem of agricultural subsidies paid by the EU and the US;
- its intention to trial a short term labour migration scheme for Pacific Island states.

Micah Challenge calls on the Australian Government to:

- lobby for the resumption of the WTO Doha trade talks and work to ensure that an ensuing trade agreement genuinely addresses the human development of poor countries;
- ensure that food security, rural development and the livelihoods of poor and vulnerable people are protected in any liberalisation of agricultural markets;
- oppose the pressuring of developing countries for rapid liberalization of trade in industrial products and services, and ensure that governments retain the right to regulate services in

the public interest, in order to enable equitable access to essential services like health, education, water, sanitation and electricity.

- ensure that trade agreements do not undermine human rights, labour and environmental standards, and that Australian companies are required to adhere to these standards when operating in other countries.
- expand the Pacific Islands short term labour migration scheme as rapidly as possible and work with Pacific Island states to help them develop trade opportunities.

#### 4. Support Good Governance

Governance refers to the effectiveness of governments in delivering services to their citizens. Poor governance can be the result of low skills, inadequate resources, and corruption. All of these are significant problems in many developing countries and Improvements are essential to achieving the MDGs.

Micah Challenge commends the Australian Government for the efforts it has made to improve the governance capacity of partner countries, but believes Australia could do more by:

- increasing aid to the international aid target of 0.7% GNI by 2015 and ensuring as much aid as possible meets the Paris principle of supporting national systems. Bypassing national systems does little to build the longer term capacity of developing country governments;
- addressing the effectiveness of the 'technical assistance' Australia provides to developing countries. Technical assistance refers to the provision of aid in the form of skilled personnel, training and advice rather than dollars. The 2007 Review of Development Effectiveness reported that technical assistance accounts for around 50% of Australia's program aid and that there are strong indications it is not only expensive but may be undermining the development of capacity in partner countries. Australia should implement the recommendations in the Annual Review of Development Effectiveness, especially the recommendations concerning alignment of TA with partner development plans and ensuring that TA is genuinely capacity building and not capacity replacing.
- Increasing efforts to combat corruption by
  - addressing tax competition, tax havens, tax evasion, odious debts, and the promotion of international standards to combat corruption and promote good governance;
  - providing adequate funding to demand-led governance that builds the capacity of civil society to hold governments accountable for provision of services, and the protection and promotion of human rights.

#### 5. Tackle Climate Change

Climate change is one of the most serious threats to sustainable human development and poverty reduction. The Intergovernmental Panel on Climate Change project the following changes due to climate change by the end of this century:

- billion to 3.2 billion people would be experiencing water scarcity,
- 200 million to 600 million would suffer from hunger and
- million to 7 million would experience annual coastal flooding.

Climate change threatens the achievement of the MDGs and its effects will fall disproportionately upon the poor. The Stern Report (2006) stated that: "*The poorest developing*

*countries will be hit earliest and hardest by climate change, even though they have contributed little to causing the problem. Their low incomes make it difficult to finance adaptation. The international community has an obligation to support them in adapting to climate change. Without such support there is a serious risk that development progress will be undermined."*

The effects of climate change are already being felt. The World Health Organisation estimates that climate change may already be adding 150,000 deaths globally per year. Within our region, people living on low lying islands and river deltas are already experiencing negative impacts of rising seas and salt water inundation which contribute to crop losses, destruction of fresh water sources, and flooding as a result of climate change.

The challenge before the international community is to avoid the most dangerous impacts of climate change by stabilising the concentration of greenhouse gases in the atmosphere at no more than 450 parts per million by 2100. Achieving this will require strenuous mitigation efforts (ie actions to reduce the volume of greenhouse gases in the atmosphere). Furthermore, dealing with the effects of climate change will require strenuous adaptation efforts (action to adapt to the effects of climate change). Developing countries will require substantial assistance to engage in effective mitigation and adaptation.

Micah Challenge commends the Australian Government for:

- ratifying the Kyoto Protocol,
- developing partnerships with Indonesia, PNG, and the World Bank to reduce deforestation
- committing A\$150 million over 2008-2010 to help developing countries adapt to climate change.

Micah Challenge calls on the Australian Government to:

- take a leading role in international efforts to reach an agreement to stabilise greenhouse gas concentrations at 450ppm by 2100. This should include:
  - a recognition that while all countries must play a part in mitigation efforts, developed countries have a responsibility to shoulder a significantly larger portion of the burden due to our much greater per capita contribution to climate change (both historically and currently) and our greater capacity to finance mitigation.
  - a willingness to commit to the interim and longer term targets required to achieve this outcome.
  - commit to its fair share of external funding developing countries will require to adapt to climate change. This fair share is at least \$300 million in 2008/9, scaling up to \$1.7 billion per annum by 2015.