LIVE8 CONCERTS & G8 MEETING

So what?

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JP Landman

BoE PRIVATE CLIENTS

What is the bottom line for us here in SA amidst all the concert noise and hype? Leaving climate change aside, there are three issues on the table: debt relief, more aid and reforming trade rules to dismantle protectionism. One can also use pop star Bono's formulation: DATA = Debt, Aid and Trade for Africa.

Debt relief

The news here is already out and known. $40 billion of debt held by 18 countries, 14 in Africa and 4 in Latin America, will be written off. A further 9 African countries can qualify for more debt relief over the next year or so if they meet conditions under the HIPC programme (Heavily Indebted Poor Countries). These conditions relate to governance, sound economic policies and the like. Thus a total of 23 countries could potentially benefit. They constitute 44% of Africa's population but produce only 14% of its GDP.

In a separate but little noticed development, Nigeria got $18 billion of its debt written off last Thursday (30 June) by the Paris Club of Creditor nations. Given than Nigeria is oil-rich and coining it at current oil prices, the agreement to write off some of its debt indicates that the idea of debt write off has now acquired quite wide currency.

"So what" does this mean? The Nigerians reckon they will save about $1 billion a year in debt servicing and that they can create 3.5 million "school places" with it. For the other 18 countries the write off will save $1.5 billion dollars in debt servicing. Some countries spend as much as 37% of their budgets on debt servicing. Poor countries will now have more money to spend on more constructive items.

Whether they will spend it more constructively will increasingly be under the spotlight. Again, Bono talks about DATA = democracy, accountability and transparency in Africa. The more the one is achieved, the more the focus will shift to the other side. This fits in with the Nepad vision of self-responsibility.

More Aid

Tony Blair is pushing the G8 for a doubling of aid to Africa from $25 billion p.a. to $50 billion p.a. It is unlikely that he will hit that target, but aid is going to increase.

The EU decided in May already that they will increase developmental aid over 5 years by GBP14 billion – most, but not all, to Africa. That will effectively double the EU's aid budget. Of course, the EU has its own budget problems, but aid from the EU will increase in real terms.

Japan announced in June that it would spend $5 billion over the next five years on aid to Africa, which, compared to the $10 billion it has spent since 1993, is more than double. Also in June, President Bush announced that the US would spend and additional $1.65 billion on 3 programs in Africa over the next 3 to 5 years: to combat malaria, to prevent sexual abuse of women and to promote education.

BoE Clocktower, Clocktower Precinct, V & A Waterfront, Cape Town. P.O. Box 86, Cape Town 8000.
Tel 021 416 6000 **Fax** 021 416 9917 **Web** www.boeprivateclients.co.za

Add all these together and the "so what?" is quite clear. Africa will receive substantially more aid money over the next five years. If it is halfway spent wisely and effectively, it will have an impact on the ground.

(Due to a lack of space I am not commenting on the UK proposal for an International Finance Facility to mobilise money, or the French proposal to tax airline tickets to pay for more aid - these are specific tactics in the broader strategy of raising more aid money. But expect the G8 to have a bun fight about these!)

Will Africa be able to spend all this money? Only if civil society and the private sector are involved. If it is left to governments alone to spend all, there will be delivery failure.

Reforming trade rules

This appears to be the toughest nut. Some developments have taken place, but they are not related to the G8 process. While the build-up to the G8 took place, Brazil won two cases it launched two years ago at the WTO against the US (on cotton) and against the EU (on sugar).

The EU are now proposing changes in the sugar regime which will take the price consumers have to pay for sugar from 3 times (some say 4 times) the world price to about 1.8 times. Naturally, the sugar industry finds the proposals quite bitter. Regarding cotton, the US announced on the 1st July that it would comply with WTO rules. These are significant victories for the developing world.

So slowly the tide is turning. But make no mistake, it is slow. Will the G8 hurry this process along? We will have to wait and see but I must admit I am sceptical. This is the most important part of the package and progress here is critical.

Summary

The broad trends are quite clear: debt write offs, more aid and a gigantic struggle for fair trade rules. The first two will release more resources for Africa. The issue then will become one of efficient implementation. The spotlight is going to shift from compassion to performance.

In the process, a divide will open up between those African countries that can and want to be efficient (SA, Botswana, Senegal, Mozambique and others) and those that cannot (Zimbabwe, Swaziland and others). The old thinking in some circles that all African countries act the same and should be treated the same (one finds it on the far right and far left) will become increasingly obsolete.

Add to this external injection some Nepad driven self-help (like President Mbeki's proposal that African pension funds should invest more of their savings in African development) and progress becomes more and more possible.

But open trade...that is the big battle still to be won and will require intense international diplomacy - i.e. much more flying around by Mr Mbeki and his colleagues.