

BLOG POST

Have We Made Poverty History?

By **admin**

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It is nearly a year since the leaders of the world's most powerful nations met in Gleneagles in Scotland against the background of a popular campaign for the rich nations to do more to reduce global poverty. So it seems a good time to take stock of whether the commitments made at Gleneagles are being met. Several new reports do just that:

- [Oxfam](#) (9 June 2006)
- [ActionAid](#) (25 June 2006)
- [The BBC](#) (26 June 2006)

In addition, DATA, the research group that supports Bono and Bob Geldof, will publish a comprehensive report later this week. (Update 29 June: [here it is](#).)

The UK Government has also published its own, more upbeat [summary of what has been achieved](#) since Gleneagles, and in [a wide-ranging speech](#), Prime Minister Tony Blair yesterday accented that not all the promises had been

kept, and announced the formation of a new panel of world leaders to monitor progress.

So what should the busy reader conclude from all these papers?

The [Make Poverty History](#) and [One](#) campaigns made three demands: trade justice, drop the debt, and more and better aid, so that provides a useful framework. The summary scorecard is this:

- On **trade** – progress has been disappointing. The Doha Round of trade liberalization talks are mired and even if an agreement is reached there is little prospect that they will include substantial liberalization. The EU is the prime culprit, seeking to exempt a substantial part of its highly protected agricultural production from tariff reductions.
- On **debt** – promises have been kept and debt relief is making a difference, though this is of little importance overall. The multilateral debt relief initiative will cancel debts of forty of the poorest countries owed to the IMF, World Bank and African Development Bank. Nigeria has had the largest debt relief deal in history. But debt relief is relatively small beer in financial terms – this whole initiative works out about the same as a 1 percent increase in total aid spending.
- On the **quality of aid** – no additional commitments were made at Gleneagles. Donors had earlier committed themselves in the 2005 [Paris Declaration on Aid Effectiveness](#) to make reforms such as untying aid, reducing duplication and transactions costs, greater transparency, streamlining conditionality and making aid more predictable – all of which they had previously signed up to in 2002 in [Monterey](#). Little progress has been made on any of these, except perhaps by the UK Government which has announced that it will [greatly reduce policy conditionality](#) and that it will increase predictability of aid.
- Last, and arguably of least importance, on the **quantity of aid** – little was promised at Gleneagles, less has been delivered. The dramatic-sounding increases announced in 2005 were almost entirely increases already planned by most G8 nations, and even these double-counted the costs of debt relief. The rich nations are not on target to meet the commitments they have given. The increase in US aid proposed by the administration was seriously scaled back by Congress, and Germany and Italy are well behind on their progress towards EU targets for aid. Even including debt relief, total aid in 2005 following [Live8](#) was a smaller share of national income than 20 years ago following Live Aid.

We have not made poverty history in 2005; but we were never going to. In Europe – though not in the US – a popular movement has been energized to press for more action to reduce poverty, calling not only for more aid but also for significant policy changes – most notably trade reform – that could over

Looking forward

There is much that poor countries can and should do to help themselves, but this does not entitle rich countries to stand on the sidelines jeering at a lack of good governance or slow progress on reducing corruption. It befits the richest nations to get their own house in order: for there is much that they can and should do to create an environment in which the world's poor can lift themselves out of poverty.

The priorities for the rich countries to make poverty history include:

- Most pressing, **a successful trade deal**. As Greg Mankiw observed [in his blog yesterday](#), the benefits to the poorest countries of a successful Doha round – estimated at about \$54 billion a year – would give the world more benefit *every year* than what Warren Buffett can give *once* after a lifetime of being the world's most successful investor.

To achieve a successful trade deal, the rich countries will have to forgo trying to extract trade concessions from poor countries in return for the reductions in tariffs and subsidies which they should make anyway. The EU will have to give more ground on agricultural tariffs, and the US a little more on reducing farming subsidies.

- Second, greater investment in **global public goods**, particularly scientific R&D. There are massive potential returns in increased investment to develop new vaccines and drugs for the world's killer diseases, new plant varieties to enable Africa to enjoy a Green Revolution comparable to the miracle in Asia, and cheaper and more effective ways to purify water, harness solar energy or prevent soil erosion. As well as R&D, the rich countries should invest more in protecting the earth from climate change and the reduction of biodiversity, reducing regional conflict and promoting financial stability. Even aid skeptics, who worry that foreign assistance is wasted by corrupt governments, should favor increased spending on these high-return investments.

For example, the G8 should follow through its pledge in 2005 to implement a pilot [Advance Market Commitment](#), to create strong commercial incentives for the development of new vaccines that would protect against diseases in developing countries.

- Third – a major effort to fight HIV. The rich countries failed to live up to their commitment to get anti-retroviral treatments to 3 million people by 2005; they have now committed themselves to increasing access to medicines by 2010, which will require significant new funding for the Global Fund. Significant extra funding will be needed at the replenishment meeting on 4-5 July 2006

- Fourth – **reform of international institutions** especially measures to to reduce conflict and increase global security, and to increase the representation of poor countries. The UN Secretary General’s reform program provides a roadmap.
- Fourth – **better aid**. The agenda for improving aid set out in the Paris Declaration may seem dull but it is very important. Developing countries could make significantly better use of aid if it were more predictable, transparent, long-term and untied; if transactions costs were reduced; if technical assistance were delivered better; if evaluation were improved and aid were linked to evidence and results. Donors have committed themselves to these changes, but progress is painfully slow.
- Fifth – **more aid**. Aid is not the most important determinant of whether poor countries will grow and reduce poverty, but additional funding could be used well both to promote economic growth and to improve the living conditions for the citizens of those countries. Rich countries should live up to the pledges that they made in the lead-up to Monterey and Gleneagles; and as the quality of aid increases and developing countries are able to use aid better, aid volumes should increase further.
- Finally, rich countries should subject all their policies to scrutiny to understand the (often unintended) consequences for developing countries. Modest changes in policy would have relatively little consequence for the rich countries but could have a significant impact in the developing world. Possible measures include limiting corruption by businesses based in the developed world, better control of small arms, reducing the costs of remittance payments, a more nuanced approach to intellectual property and knowledge sharing, and more open migration policies.

The 2005 campaign created enormous awareness and interest about measures that the developed world should take to fight poverty. The main challenge is not an increase in aid – though that might help. It is more important that rich countries should take relatively modest, but important, steps across a range of policies to create an environment in which poor countries can lift themselves out of poverty. Progress is achingly slow.

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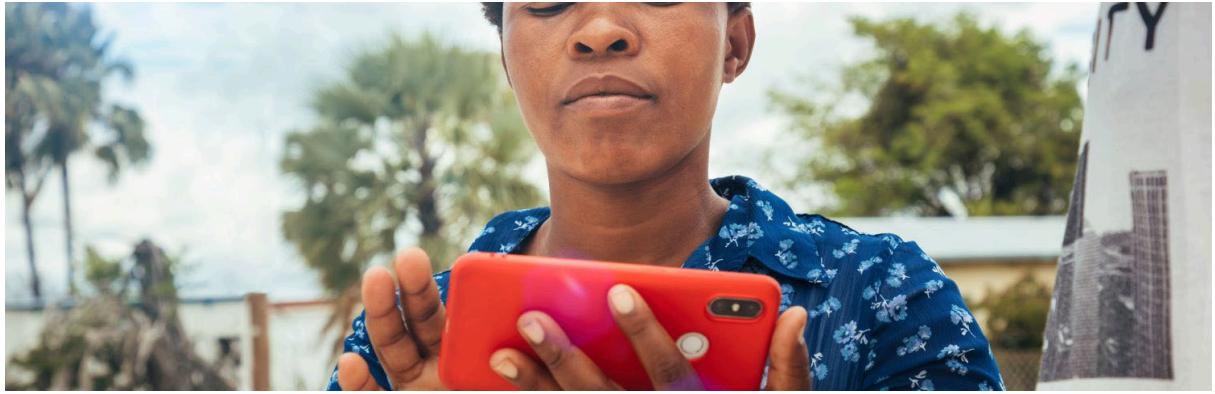
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