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Africa Shortchanged

The Global Fund and the G8 Agenda

By Marc Lee

The plight of Africa will be at the top of the agenda later this month when leaders of the G8 meet in Kananaskis. These leaders of the world's wealthiest countries will likely unveil an action plan for Africa in response to the New Partnership for Africa's Development (NEPAD), a controversial initiative of three prominent African leaders. It is far from clear, however, that a NEPAD is what Africa needs. Many African civil society organizations have expressed concerns over the direction and strategy of the NEPAD document.

Instead of committing to NEPAD, the G8 leaders, if they are serious about assisting African development, could take some constructive concrete actions. A top priority for the G8 agenda should be fighting preventable diseases through the Global Fund to Fight AIDS, Tuberculosis and Malaria. The burden of these diseases carries enormous economic costs, and evidence suggests that, dollar for dollar, development assistance is best spent easing this burden.¹

There has been a great deal of effort at the global level to study this problem, identify tools and interventions, and set out a plan, including the establishment of the Global Fund. What is missing is the political will in rich countries to come up with the money and to take concerted action.

Economic Costs of Disease

The economic cost of preventable diseases in Africa is massive. A detailed study by Sachs (2001) for the World Health Organization chronicles the role health and illness play in economic development and poverty reduction. Health is the basis for personal development, economic security, and job productivity at the indi-

vidual level, with accompanying spillovers to families, communities and nations. Health deficits in the form of disease are huge impediments to development, as they reduce the lifetime incomes of individuals and the prospects for economic growth.

The Sachs report concludes that increased investments in health for the poorest countries could translate into hundreds of billions of dollars of additional income. A few health conditions are responsible for a large share of the health deficit: HIV/AIDS, malaria, tuberculosis, childhood infectious diseases, maternal and perinatal conditions, tobacco-related illnesses, and micronutrient deficiencies. The report estimates that 8 million deaths per year could be prevented in poor countries (many of which are in Africa) by 2010 as part of a well-focused program.

HIV/AIDS has become the greatest epidemic in world history, and a disproportionate amount of HIV/AIDS cases are in Africa. Some 25 million Africans are infected with HIV/AIDS, with infection rates surpassing 30% of the population in some south African countries.² In 2000, 2.4 million people died of AIDS in sub-Saharan Africa. Some 12 million children have been orphaned as a result of AIDS deaths.³ AIDS in Africa is an enormous human tragedy, causing considerable damage to economic and social structures, but has largely been hidden from view in the North.

Since 1996, the advent of a three-drug cocktail of anti-retroviral drugs has dramatically cut the number of deaths due to AIDS in industrialized countries. But most African countries are too poor to afford these drugs, patented by North American and European corporations. Due to international pressure, anti-retroviral

drugs have come down in price from US\$10-12,000 per patient per year to around \$300 per patient per year. But even these prices are too high for poor countries whose total health care budgets often amount to a mere US\$5-10 per person per year. According to the UN, fewer than 5% of people with HIV in developing countries have access to anti-retrovirals.

Although it is but one part of tackling the AIDS crisis, access to anti-retroviral drugs is a matter of life and death. The Declaration on TRIPs and Public Health, issued by the WTO at the Doha Ministerial last November, will help bridge the gap by allowing countries to override patents by licensing production to local companies in cases of public health emergencies. More discussion is underway at the WTO to assist countries that do not have domestic manufacturing capabilities. Still, a major barrier continues to be the lack of adequate funds needed by governments to purchase drugs to fight AIDS and other diseases.

The Global Fund to Fight AIDS, Tuberculosis and Malaria is the outcome of several years of international dialogue. It was unanimously endorsed by the UN General Assembly's Special Session on HIV/AIDS in June 2001. UN Secretary-General Kofi Annan has called for US\$7-10 billion to fight AIDS, and an additional US\$2 billion to fight TB and malaria. Other estimates from UN agencies are in the same range.

The Global Fund finances programs for prevention and treatment, including access to essential medicines. Some 40 poor countries need assistance, with many of these in Africa. Sub-Saharan Africa, which contains just over 10% of the world's population, accounts for more than three-quarters of AIDS deaths, 22% of TB deaths, and 90% of all malaria deaths.⁴ There are also important inter-relationships among the three diseases. For example, TB is more deadly for people with HIV who have weakened immune systems. The disproportionate burden of these diseases in Africa points to the need for them to be at the centre of any Africa plan.

Without measures to address the AIDS pandemic and other killer diseases, there is little basis for a revival of African economies. Simply put, sick people cannot build strong economies. Even worse, a generation of teachers, health care professionals, managers and workers

has been decimated by AIDS. Many poor people become further impoverished having to pay out-of-pocket to help their loved ones, sometimes spending money on ineffective remedies. The economic bottom line, as Sachs (2001) notes, is that "[t]he high prevalence of diseases such as malaria and HIV/AIDS are associated with persistent and large reductions of economic growth rates." Priority No. 1 for rich countries seeking to help Africa must be to help stabilize this situation.

The Global Funding Gap

UN Secretary General Kofi Annan personally led a push to get wealthy countries to contribute generously to the Global Fund, with a special appeal at the 2001 G8 meeting in Genoa, Italy (this was overshadowed by the killing of protester Carlo Giuliani and other civil rights abuses by the Italian police). To date, only about \$2 billion in *total* public and private contributions has been received. Saving lives in Africa may pull the heartstrings, but so far it has not loosened the pursestrings.

Ten billion dollars may sound like a lot of money, but relative to the incomes of the world's richest nations, it is but a drop in the bucket. The U.S. spends more than 30 times this amount on its military each year. The combined GDP of the G8 countries is more than US\$21 trillion, an amount more than 2,000 times the size of a fully endowed Global Fund.

While the Global Fund is meant to tap all potential sources of funding—including local governments, multilateral institutions, and the private sector—the G8 alone could easily bankroll the Global Fund, and it would be scarcely noticeable to citizens in the G8 countries. The main barriers are not economic, they are political.

One way of looking at this is to compare the shortfall between a fair contribution to the Global Fund and the actual amounts promised to date. Table 1 sets out such a scheme based on the contribution framework for the United Nations. The G8 countries combined contribute 72% of the total UN budget, so it would be appropriate for them to cover at least the same share of contributions to the Global Fund. (It is worth noting that these estimates are relatively modest; other knowledgeable observers say the G8 contributions should be much higher.)

Table 1: Measuring the Shortfall

	GDP in 2000 (billions of US dollars)	Share of Total UN Budget (percent)	Fair Annual Contribution to the Global Fund based on share of UN Budget (millions of US dollars)	Fair Annual Contribution as a percentage of GDP	Total Actual Contribution as of May 2002 (millions of US dollars)	Total Contribution as a Percentage of Fair Annual Contribution
United States	9,602	22.00%	2,200	0.023%	450	20.45%
Japan	4,519	19.63%	1,963	0.043%	200	10.19%
Germany	2,064	9.83%	983	0.048%	133	13.48%
France	1,438	6.50%	650	0.045%	134	20.55%
United Kingdom	1,460	5.57%	557	0.038%	200	35.91%
Italy	1,163	5.09%	509	0.044%	200	39.29%
Canada	650	2.57%	257	0.040%	100	38.91%
Russia	241	1.20%	120	0.050%	20	16.67%
Total	21,136	72.39%	7,239	0.034%	1,436	19.84%

Sources: Statistics from World Bank, United Nations, Global Fund on AIDS, Tuberculosis and Malaria.

The results show that G8 commitments to the Global Fund have been far from adequate, especially given ability to pay. Based on UN contributions, the United States should be contributing about US \$2.2 billion per year to the Global Fund, an amount equivalent to two cents out of every \$100 of GDP.⁵ But, as of May 2002, the U.S. has only managed to come up with a *total* contribution of US \$450 million. In other words, the U.S. has so far anted up less than one-quarter of a fair *annual* contribution. Yet, during this same period, Congress and the Bush Administration pushed through enormous multi-year tax cuts, estimated at \$2 trillion, that primarily benefit the very wealthiest of American families.

Canada fares relatively better than the United States, although Canada still has little to brag about. Its *total* commitment of US\$100 million represents about 39% of a fair *annual* contribution. Based on UN contribution rates, Canada should be contributing about US\$257 million per year to support the Global Fund, which amounts to only four cents out of every \$100 in GDP. Yet Canada is poised to spend US\$200 million just to host the G8 summit, double its contribution to the Global Fund.

Canada also made a one-time commitment, on the order of US\$325 million, in the 2001 federal budget for an overall Africa package (this includes the Global Fund contribution). Given the needs expressed above, and ongoing federal surpluses, additional funding for the Global Fund to meet a fair annual commitment should be easily attainable.

Other G8 countries have been similarly tightfisted. As a group, they have managed to come up with a total of

US \$1.4 billion for the Global Fund, compared to an estimated US \$7.2 billion per year required for a meaningful action plan. Despite the high-minded rhetoric emanating from G8 communiqués in recent years, they have failed to put their money where their collective mouths are. Only 3 cents out of every hundred dollars of G8 GDP has found its way into the Global Fund's coffers.

Several smaller countries have been better role models in supporting the Global Fund. The Netherlands, for example, with half the population and GDP of Canada, has managed to contribute US\$125 million to the Global Fund, compared to Canada's US\$100 million.

All G8 countries should be increasing their budgets for development assistance to the Pearson-era target of 0.7% of GDP. Despite a commitment in Mexico earlier this year to increase development flows to poorer countries, G8 countries will still fall well under the 0.7% target. Canada's foreign aid has been declining as a share of GDP and currently stands at 0.24%, with promises from the Liberals to raise this to 0.35% over the coming years. Clearly, this is insufficient, particularly in light of the bold commitments made as part of the Millennium Development Goals to halve world poverty by 2015. A renewed commitment to 0.7% of GDP would provide ample funding for the Global Fund, while increasing aid budgets for other worthy projects in health and other areas.

Why NEPAD?

Instead of the Global Fund, the focus of the G8 meeting will be on the (aptly-named) NEPAD. African civil society organizations have been critical of the NEPAD for

lacking democratic input, and being tailored to Northern donors rather than African citizens. At heart, the NEPAD premises Africa's revival on massive inflows of foreign investment to provide social services, build infrastructure, and create jobs.⁶ The NEPAD thus appeals more directly to the self-interest of the G8 because it opens up vast investment opportunities for their corporations.

The NEPAD also seeks debt relief and increased foreign aid in exchange for commitments by African nations to make political and economic reforms along the lines long advocated by rich countries. What is left unsaid is that African countries have been coerced into such reforms via structural adjustment programs in order to get access to financing from the IMF and World Bank—reforms that have, among other things, undermined public spending for health care. The test of new aid commitments is whether they will be in the form of loans or grants, and whether they are tied to specific reforms.

There is also the danger that G8 leaders will issue an ostensibly impressive communiqué, but with little or no follow-up action. In a triumph of spin over substance, the 1999 G8 meeting in Cologne, Germany, outlined a plan to remove the crushing burden of debt from the world's poorest countries, yet not much has changed three years later. Real commitments toward debt cancellation, and not just rhetoric about helping the poor, are required by the G8 and should be part of any effective Africa strategy.

While the NEPAD is fraught with controversy and needs a democratic airing in Africa, the scourge of AIDS and other diseases pose concrete problems with real economic costs. These problems are solvable, but one of the major gaps is funding. Like medical practice, the first priority to help the patient is to stop the bleeding, not to prescribe a new exercise regimen (whether appropriate or not).

If G8 leaders are serious about helping Africa when they meet in Kananaskis, it is time that they reach for their pocketbooks and give generously to the Global Fund. This would make for a real investment in Africa's future that would contribute to the continent's longer-term prosperity.

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Endnotes

- ¹ United Nations 2002.
- ² Ibid.
- ³ Sachs 2001.
- ⁴ United Nations 2002
- ⁵ The US gets off easily in these calculations, with less funding as a share of GDP than other G8 countries. This is the result of concessions in recent years won by the US to lower its contribution rate.
- ⁶ A full critique of the NEPAD is beyond the scope of this paper. See ACF/CCIC (2002) and Ngwane (2002) for more.

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