
The big ZERO in G20 - Business

Among the headlines at last week's G20 summit, an important fact was lost in the buzz: the G20 has done almost nothing for the world's poorest countries. Millions of people in poor countries depend on assistance for food production, health services and safe water. Unless the world acts now, the global economic crisis could leave another generation without access to basic nutrition and schooling.

Media reports highlighted the \$1.1-trillion package committed by G20 members. The BBC World Service called this a «breakthrough» for developing countries. And it is, but only for the middle-income countries and so-called emerging markets.

At the very most, less than 5% of this package -- about \$50-billion -- is targeted at low-income countries, but this too is an exaggeration. At least half of this \$50-billion has not been raised. Moreover, none of this \$50-billion will be used to provide the grants desperately needed by poor countries. Instead, it will be disbursed as loans.

The largest component of the \$1.1-trillion, perhaps \$750-billion, comprises new forms of lending authority for the International Monetary Fund (IMF). Yet this new IMF «money» -- basically short-term loans -- is useful, at best, for middle-income countries trying to fend off the global credit crunch. A crunch, remember, that began on Wall Street and in the City of London. Such short-term loans are little solace for the billion hungry people in developing countries, mainly in farming families, who don't grow enough food to earn an income or to meet even their most basic nutritional needs. The G20 has so far left them high and dry.

A planned gold sale by the IMF, combined with some modest earnings on IMF lending, is meant to add \$6-billion to the IMF's most favourable financing for the poorest countries. Low-income countries might also gain a little more access to standard IMF credits, but to little avail. None of this will make much difference to the real fate of the poorest of the poor.

The one part of the G20 deliberations that might -- just might -- make a difference is the renewal of the pledge, first made in 2005 at the G8 Gleneagles summit, to increase annual aid to Africa by at least \$25-billion by 2010. UN secretary general Ban Ki-moon worked hard with the other G20 leaders to ensure that a reaffirmation of the Gleneagles commitment would be part of the G20 summit's outcomes.

It's worth remembering that the value of this pledge is now a bit more than \$25-billion a year owing to inflation since the pledge was first made. The numbers are the following. Aid to sub-Saharan Africa in 2008 -- net of debt relief -- was about \$35-billion. To meet the Gleneagles commitment, this figure would have to rise to about US\$65-billion by next year. But a few G20 countries, such as Italy, are cutting aid, not increasing it. The G20 has pledged to make up the gap -- \$30-billion a year on top of current aid flows -- but who is going to do it?

A cynic would say: «Nobody.» After all, the rich countries have promised and promised again to deliver more aid, but their actions continue to fall far short of their commitments. Some say that this doesn't matter; that aid is a failure in any case. But those who claim that aid is a waste don't have hungry

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children. They don't face diseases such as malaria and respiratory infections. They don't consume unsafe water every day. And they don't travel miles over difficult terrain to get to the nearest school.

Aid can make a critical difference. It can ensure that farmers plant better seeds and that they have the fertiliser needed to grow enough food for their communities. It can ensure that a village clinic staffed by community health workers can provide the bed nets and medicines needed to fight malaria and other silent killers. Aid can drill new boreholes to provide adequate supplies of safe water. And it can finance the construction of new classrooms and staff them with trained teachers so that the next generation can escape the trap of extreme poverty once and for all.

Urgent action is therefore needed for the G20 to make good on its aid promises. The next meeting of the G20 is scheduled to take place in the US later this year. By the time they arrive, each of the G20 leaders should ensure that his or her country is living up to its promises to the world's poorest people, the promises the leaders reaffirmed last week in London. This is the only reliable path to a sustainable recovery from the very deep crisis in which we find ourselves.

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