The $5.7 trillion debt owed to the poorest people

50 years of broken promises

OXFAM
SUMMARY

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50 YEARS

This year marks an historic chapter in the story of international aid. On 24 October 2020, it will be 50 years since high-income countries committed to spending 0.7% of their gross national income (GNI) on aid to low- and middle-income countries.

This paper examines how aid has helped improve the well-being of people in low- and middle-income countries. It also discusses how donors’ broken promises on the 0.7% target have limited the potential of aid to reduce poverty and inequality. Oxfam has calculated that in the 50 years since the 0.7% promise was made, high-income countries have failed to deliver a total of $5.7 trillion in aid. Finally, this Briefing Note reflects on the future of aid.

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<td>1970</td>
<td>Adoption of UN resolution through which richest countries pledge to commit 0.7% of their gross national income (GNI) for the development of the global South.</td>
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<td>1970’s</td>
<td>Sweden, The Netherlands, Norway and Denmark reach the 0.7% goal. The Netherlands will drop the goal in 2012.</td>
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This year marks an historic chapter in the story of international aid. On 24 October 2020, it will be 50 years since rich countries committed to spending 0.7% of their gross national income (GNI) on aid to low- and middle-income countries.

International aid is a crucial tool in the fight against poverty and inequality, and it is the only rich-country policy that puts the people living in poverty around the world first. Aid is also a form of redistribution between countries; this redistribution is a moral imperative in a world where global inequality has reached extreme levels, due in large part to past and ongoing exploitation of many countries by a handful of wealthy nations. Furthermore, aid is one of the only ways to channel additional financing to the budgets of low- and middle-income countries, where it is essential to boosting investment in public goods and social spending. Seven countries in sub-Saharan Africa, for example, fund their social protection programmes entirely through international aid.

As the decades have passed, however, high-income countries have time and again missed deadlines and broken their aid promises. Oxfam has calculated that in the 50 years since the 0.7% promise was made, donor countries have failed to deliver a total of $5.7 trillion in aid. Essentially, this shortfall means that the world’s richest countries owe a $5.7 trillion debt to the world’s poorest people. This figure is nine times larger than Sub-Saharan Africa’s stock of external debt at the end of 2019 ($625 billion). For the human development that has been lost as a result of donor countries’ inaction, there is also an immeasurable moral debt to pay.

These trillions in unpaid aid could have helped eradicate hunger and extreme poverty. It would cost, for instance, an estimated $4.8 trillion over planned expenditures during 2019–2030 to meet all 17 UN Sustainable Development Goals (SDGs) in the world’s 59 lowest-income countries. The financing gap for achieving the health SDG worldwide is estimated at $3.9 trillion between 2016 and 2030.

Instead, today, there remains a very long way to go. Before the coronavirus pandemic, nearly 3.3 billion people lived below the $5.50 per day poverty line. The number of people suffering from chronic food insecurity has risen since 2015; an estimated 2 billion people do not have regular access to safe, nutritious and sufficient food. The dramatic impact of COVID-19 is making a dire situation worse; the pandemic could push 121 million more people into an acute hunger crisis this year, and in worst-case scenarios could undo decades of progress by forcing an additional 226 million to half a billion people into poverty.
For each year from 1970 to 2017, Oxfam took the figures on actual aid (official development assistance in 2018 US dollars) and gross national income (GNI) from the Organisation for Economic Co-operation and Development’s (OECD) Creditor Reporting System (CRS) database*. We then calculated what 0.7% of GNI would be, and subtracted actual aid from that figure. The remainder is the amount of promised aid that donors “have failed to deliver.”

*see https://stats.oecd.org/Index.aspx?DataSetCode=crs1#
International aid has played a key role in tackling extreme poverty and exclusion. It has been instrumental in responses to humanitarian crises across the world. It has helped the low- and middle-income countries to get more children into school, tackle major health crises, and improve the lives and livelihoods of farmers living in poverty. It is also helping to address conflict and natural resource degradation and contributing to the fight against injustice and gender inequality. In short, it has saved and changed countless lives.

International aid has been crucial in the fight against killer diseases in the low- and middle-income countries. For example, health programmes supported by the Global Fund to Fight AIDS, Tuberculosis and Malaria have saved more than 27 million lives since its creation, and between 2000 and 2017, the number of new HIV infections declined by 43% in the countries it supported. It has also funded malaria treatment for 6 million pregnant women.

The near eradication of polio is another aid success story. The Global Polio Eradication Initiative has galvanized funding to vaccinate hundreds of millions of children in the world’s low- and middle-income countries every year and has prevented an estimated 18 million people from being paralyzed. In August 2020 Africa was certified as free of wild poliovirus and today there are just a handful of cases in two countries, compared with 350,000 cases across 125 countries in 1988.

International aid has played a decisive role in strengthening education systems in low- and middle-income countries. In the 15 years following the 2000 Dakar World Education Forum, an estimated 34 million additional children got the chance to go to school thanks to aid committed at that time. Multilateral aid funding through the Global Partnership for Education (GPE) has also supported a significant and rapid scaling up of teacher training, which is crucial to improving education quality. For example, GPE funding helped more than 100,000 primary teachers in Ethiopia upgrade their teaching qualifications and enabled Afghanistan to invest in support for female teachers. Aid has also contributed to countries’ making significant strides in getting more girls into school.

Where international aid is delivered on budget, as long-term predictable financing that can be spent according to low- and middle-income countries’ needs, it has been shown to lead to increased public spending on poverty-reducing measures, including essential services, social protection, and support for smallholder agriculture. In Rwanda, for example, an increase in aid given as...
budget support\textsuperscript{25} allowed the government to provide agricultural loan guarantees to farmers and eliminate fees for primary and lower-secondary school education in the early 2000s.\textsuperscript{26} This kind of international aid can also fund recurrent costs, such as the salaries of teachers, nurses, doctors, and agricultural extension advisers. In Zambia it allowed the government to increase the number of health workers from 12,000 to 17,000 in just five years.\textsuperscript{27} Crucially, it can also be used to improve and increase tax collection, which is effectively an investment in a country’s future public spending. There is evidence that countries receiving budget support have made more progress in strengthening tax administration than other low- and middle-income countries.\textsuperscript{28} Improving tax systems to ensure that they are fair and supportive of poverty reduction is important to helping countries to become independent from aid over the long run.

International aid can also serve as a catalyst for future change by supporting citizens’ efforts to hold governments to account and to challenge oppression and discrimination. For example, the Civil Society Education Fund (CSEF) has provided funding to national coalitions to advocate for better policies and allocation of resources to education in 60 countries. The Malawian Education Coalition, funded by CSEF, discovered disparities in service delivery across districts through budget tracking and demanded action from the government. In Zambia the coalition successfully lobbied the government to increase education’s share of the national budget to an historic high of 20.2\% in 2014.\textsuperscript{29} Aid has also helped promote gender equality. Research shows that support for women’s organizations is the most effective way of making progress on gender equality and women’s rights.\textsuperscript{30} An evaluation of Swedish aid support to women’s organizations in Tanzania, for example, found that this aid helped to change individual and community attitudes about gender discrimination.\textsuperscript{31}

International aid is not a magic bullet, but as this evidence shows, when given in the right way and in support of countries’ own priorities, it is a worthwhile investment that can have wide-reaching and long-lasting effects. It has the power to accelerate progress in the fight against poverty and inequality. If high-income countries had kept their 0.7\% promise, there is no doubt that international aid could have achieved far more.
The 0.7% international aid promise was first made at the United Nations in 1970, when the General Assembly adopted a resolution that every advanced economy should ‘exert its best efforts to reach a minimum net amount of 0.7% of its gross national product (GNI) at market prices by the middle of the decade’. This resolution reflected the outcome of the 1969 Pearson Commission, which was appointed by the president of the World Bank and recommended that aid ‘be raised to 0.7% of donor GNP by 1975, and in no case later than 1980’.

Some countries proved that it was possible to take swift action to meet or exceed the target in this timeframe. Sweden and the Netherlands did so in 1974 and 1975, respectively, Norway in 1976, and Denmark in 1978.

In fact, the leaders of the majority of donor countries have repeatedly endorsed the 0.7% target as a long-term objective. Their ‘best efforts’, however, have fallen far short of meeting the target at all, let alone within five to 10 years. In 2005 the 15 oldest member states of the European Union restated their intention to meet the target and set a deadline of 2015. They missed that deadline as well.

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INTERNATIONAL AID TODAY

In 2019 only five countries – Luxembourg, Norway, Sweden, Denmark, and the United Kingdom – met or exceeded the 0.7% target (Table 1). The 2019 average across all rich-country donors was just 0.3%, slightly lower than the previous year. Among the top five donors in absolute dollar terms, only the UK reached the 0.7% target (Table 2).

If this money were made available to boost the budgets of the low- and middle-income countries, it would go a long way toward eliminating poverty and substantially reducing inequality. For example, it would cost an estimated $4.8 trillion over planned expenditures during 2019–2030 to meet all 17 UN Sustainable Development Goals (SDGs) in the world’s 59 lowest-income countries. The financing gap to achieve universal preschool, primary, and secondary education in low- and lower-middle-income countries is estimated at $624bn during 2015–2030. An estimated 100 million people would be prevented from falling into extreme poverty each year if universal healthcare were publicly funded and free of charge to patients, but the financing gap for achieving the health SDG is estimated at $3.9 trillion between 2016 and 2030.

The failure of high-income countries to meet their aid promises represents a catastrophic lack of political will. That the majority of them have made so little progress towards the target after 50 years makes a mockery of their solemn promise to the world’s poorest people. It is a stain on the conscience of the majority of the wealthiest nations.

Oxfam has calculated that since the 0.7% promise was made, high-income countries have failed to deliver more than $5.7 trillion in international aid (see Figure 1). This is a substantial debt owed to the world’s poorest people, and it is nine times more than Sub-Saharan Africa’s stock of external debt at the end of 2019 ($625 billion).
STILL MISSING THE POINT ON AID QUALITY

It is not only the quantity of international aid that is woefully inadequate. High-income countries are also failing to live up to internationally recognised standards of aid effectiveness. In far too many cases, they are spending aid on their own domestic or commercial interests – and even spending it in their own countries – rather than on meeting the needs of people living in poverty or the priorities of low- and middle-income countries’ governments. For example:

• In 2015 EU countries spent more than three times as much on asylum seekers in their own countries as they did on aid to the Syrian Arab Republic, Afghanistan, Somalia, South Sudan, and Sudan, the top five countries those asylum seekers had fled from.46

• In 2016 donors awarded 51% of the aid contracts they report to the OECD to their own domestic companies and just 7% to suppliers in the low- and middle-income countries.47

• Too much international aid is still delivered without using the recipient country’s financial and procurement systems. In 2018 just 55% of aid disbursed by donors to low- and middle-income-country governments used these countries’ systems,48 representing a significant missed opportunity to strengthen them for the future.

• Donors are spending more aid on projects that might involve private sector profit. In 2019 about $3.3bn of aid money was spent through instruments to support the private sector.49

• It is imperative that donors stop backing the privatization of health and education services, which exacerbates inequality by creating two-tiered systems.50

• Donors are also failing to invest enough in small-scale farmers. In 2015 less than one-quarter of EU aid for agriculture explicitly targeted small-scale producers, and EU countries were spending more than three and a half times as much on agricultural aid in Europe as in sub-Saharan Africa.51

• The high-income countries have made a promise through the UN Framework Convention on Climate Change (UNFCCC) to assist developing countries in addressing climate change with financing that would be ‘new and additional’ to the 0.7% official development assistance (ODA) commitment.52 At the 15th UNFCCC Conference of the Parties, in Copenhagen in 2009, wealthy countries pledged to mobilize $100bn in climate finance each year by 2020. However, the $100bn promise has not been kept, as shown by recent Oxfam analysis.53 Many of the rich countries have inflated the climate finance numbers they report, including by counting the full face value of loans and by counting the full costs of projects that have a limited climate-relevant component. According to Oxfam’s estimates, the true value of the climate financing provided over 2017 and 2018 averaged about $20bn a year – well below the nearly $60bn reported and a far cry from the $100bn that should be reached for the first time in 2020. Moreover, donor countries have counted most of that financing towards their ODA commitments rather than providing ‘new and additional’ assistance.

VIEWS FROM ZIMBABWE:
ADRIAN CHIKOWORE, AID WATCHDOG ACTIVIST

‘Aid has predominantly been tied and has been serving the interests of donor countries. As a result of this, an estimated $24bn of development aid was finding its way back to donor countries, a spectre which development effectiveness practitioners point out as a loss of business and the undermining of the domestic private sector in low-income countries.’
We live in a world that is facing unprecedented challenges, and in many countries the additional finance that high-quality aid provides could mean the difference between life and death for millions of people.

First, COVID-19 is putting the lives and livelihoods of people living in poverty at the greatest risk. According to recent worst-case scenario estimates, the number of people living in poverty – on less than $5.50 a day – could increase by between 226 million and half a billion by the end of 2020 as a result of the pandemic. Six months after the UN issued its Global Humanitarian Response Plan for COVID-19, which called for $10.1bn to help tackle the crisis, donors have provided just 28% of the total needed. Real-time tracking of aid spending shows a 24.5% decrease in bilateral spending over the first seven months of 2020 compared with the same period in 2019. The OECD estimates that if donors decide to provide the same share of GNI as aid in 2020 as they did in 2019, the amount of aid could fall by $11-14bn in 2020 because of the contraction in GNI resulting from the COVID-19 crisis.

The wider economic impact, which the World Bank characterizes as ‘the deepest global recession in eight decades’, will also make it even harder for governments in low- and middle-income countries to invest in essential services and other measures to tackle poverty and inequality. Such investments will be further
constrained if austerity measures are adopted in the aftermath of the crisis, which the IMF has started encouraging, and in some cases requiring, through its COVID-19 loans, as revealed by a recent Oxfam analysis. International aid will thus be needed more than ever. Furthermore, COVID-19 is unlikely to be the last global health crisis of this generation.

Second, today’s levels of extreme economic inequality pose a serious threat to poverty reduction. For too long, wealthy countries have allowed a flawed global economy to put more wealth and power into the hands of an elite few, pushing poor families, women, and Black, Indigenous and People of Colour to the bottom. We live in a world where the 22 richest men have more wealth than all the women in Africa, where the wealth of the single richest man is larger than the sum of all international aid budgets. Investment in inequality-reducing policies like free public services and progressive tax systems can help to even things up, and for the low- and middle-income countries, international aid continues to be a crucial tool to shore up their spending power. This is especially true in tough economic times. International aid can also play a role in addressing global inequality by redistributing financial resources between countries. In a world where the average income of people living in the European Union is 11 times higher than that of people in sub-Saharan Africa, and that of people in North America is 16 times higher, this redistribution is a moral imperative.

Third, human-caused climate change is the biggest-ever threat to human existence. It is also already, and increasingly, destroying the homes and livelihoods of people living in poverty and putting their lives at risk. The low- and middle-income countries deserve reparation for the severe damage imposed on them by the rich carbon-polluting countries over generations, and they need the kind of funding that aid can provide to help families living in poverty adapt to the effects of climate change. This is why new and additional climate finance is more urgent than ever.

International aid cannot tackle these mammoth challenges alone, but it can play a decisive role in reducing poverty and inequality and in building systems that protect the people living in poverty from the impact of health, economic, and climate crises. High-income countries must take action to maximize this potential.

Given the very real $5.7 trillion debt, and the immeasurable moral debt, rich countries owe to the world’s poorest people, they must deliver on their 0.7% commitment without delay.

The 50th anniversary of this aid commitment also offers an opportunity for an urgent discussion on the future of aid. How can it be mobilized in sufficient quantities to meet the need and to ensure that high-income countries pay their fair share towards a more equal world? What needs to change about how decisions are made and how aid is delivered so that we might truly celebrate a world without aid in our lifetime?

These are big questions, but some of the answers are well within our reach. For example, high-income countries could allocate half of any financing raised from digital financial transactions and other solidarity taxes in their own countries to increasing international aid.

We need to see a renewed political commitment to international aid and a move from a charity-based system to one based on justice.


4 For each year from 1970 to 2017, Oxfam took the figures on actual aid (official development assistance, in 2018 US dollars) and gross national income (GNI) from the Organisation for Economic Co-operation and Development’s (OECD) Creditor Reporting System database (see https://stats.oecd.org/Index.aspx?DataSetCode=crs1#). We then calculated what 0.7% of GNI would be and subtracted actual aid from that figure. The remainder is the amount of promised aid that donors have failed to deliver.


16 Ibid.


21 The number of teachers trained with support from GPE more than doubled between 2014 and 2016, rising from approximately 98,000 to 238,000 during that period. See Global Partnership for Education. (2017). How GPE Supports Teaching and Learning. Policy Brief. Retrieved 19 October 2020 from https://www.globalpartnership.org/content/policy-brief-how-gpe-supports-teaching-and-learning

22 Ibid.

23 Between 2000 and 2015, a total of 84 million more children and adolescents had the chance to attend school, and the majority – 52 million – were girls. Note that the 34 million cited above is a subset of this; it represents the number of additional children in school specifically thanks to action taken post Dakar (see note 20). UNESCO. (2015). EFA Global Monitoring Report 2015.


25 Budget support is aid that is disbursed to the national treasury of the recipient country government and becomes part of the budget, used in accordance with national budgetary processes.


36 Ibid.

37 For example, the USA does not accept the commitment. See J.L. Ravelo. [2012, 12 April]. The 0.7 Percent Club. Devex. Retrieved 19 October 2020 from https://www.devex.com/news/the-0-7-percent-club-77973. Switzerland was not a member of the UN until 2002 and has not adopted the target.

38 The EU 15 consists of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and the United Kingdom. These were the 15 EU members as of 31 December 2003, before the new member states joined.

39 This figure is for countries in the Organisation for Economic Co-operation and Development, and 2019 is the latest year for which data is available. The OECD average in 2018 was 0.31%. For Oxfam’s analysis and links to the full data, see Oxfam International. [2020, 16 April]. New OECD Figures Show International Aid Woefully Inadequate to Fight the Coronavirus Crisis. https://www.oxfam.org/en/press-releases/new-oecd-figures-show-international-aid-woefully-inadequate-fight-coronavirus-crisis

40 See note 8.


43 Stenberg et al. [2017]. Financing Transformative Health Systems; Espinoza Revollo, et al. [2019]. Public Good or Private Wealth?

44 See note 4.

45 See note 5.


55  See note 13.

56  See note 14.


Oxfam is an international confederation of 20 organizations networked together in more than 90 countries, as part of a global movement for change, to build a future free from the injustice of poverty. Please write to any of the agencies for further information, or visit www.oxfam.org

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