Oxfam International Communique on the
Global Fund Against Hunger and Poverty

On September 20, 2004, the presidents of Spain, Brazil, France, and Chile, together with the United Nations Secretary General, presented the idea of a Global Fund Against Hunger and Poverty based on innovative financing mechanisms. This initiative is part of the international effort to reach the Millennium Development Goals (MDGs), which seek, among other things, to achieve universal access to primary education and reduce by half the levels of hunger and extreme poverty in the world by 2015.

The “Fund against Hunger” is a welcome step and, without a doubt, an important effort to refocus the priorities of the global agenda. In promoting this initiative, the members of the “Quintet” have made a public commitment to place the eradication of hunger and the struggle against poverty among their foreign policy priorities. This commitment represents a special obligation for Presidents Chirac and Zapatero. For decades, rich countries have not done enough to promote effective development policies. The biggest problems have arisen when it comes to guaranteeing adequate financial resources to poor countries for the struggle against hunger and poverty. According to World Bank estimates, it will take at least 100,000 million dollars annually to achieve the MDGs, approximately double the amount that the OECD countries together currently designate for cooperation programs and foreign debt relief.

Nevertheless, it is essential to take into account that the “innovative” mechanisms proposed in the Fund against Hunger will never be an alternative to the principal sources of financing for development. It is these principal sources that will be a measure of the true effort of donor countries: a sustained and ambitious increase in aid flows; effective measures to reduce the foreign debt burden; and fair rules of trade that allow poor countries to take advantage of the opportunities that trade has to offer them.

• Donor countries have, at various times, committed to increase the volume of official development aid over the coming years. EU countries, in particular, have promised to reach half of 0.33 in 2006. The September 20 meeting is a good opportunity to make concrete announcements on compliance with this commitment. Failure to urgently increase the quantity and quality of aid at this time would damage the credibility of the governments in this regard and would considerably dilute the value of the declaration in New York.

• The developed world could do a lot more to guarantee real alleviation of the foreign debt burden on poor countries, promoting more ambitious bilateral programs and demanding that international financial institutions undertake an in-depth review of current debt relief mechanisms, which have been far less effective than initial expectations.

Foreign debt relief should be guided by compliance with the MDGs and human rights. During the upcoming Annual Meetings of the World Bank and IMF, industrialized countries have the opportunity to support unconditional multilateral debt forgiveness for Least Developed Countries, as well as to search for solutions to the problem faced by highly indebted countries that are not covered by the HIPC initiative, such as Ecuador or Peru.

• International trade is the third area in which rich countries should take concrete steps. No serious effort to end hunger and extreme poverty can ignore the importance of achieving trade that is fair, particularly in agriculture. The WTO negotiation round and the process of reform of the Common Agricultural Policy (in the sugar sector, for example), offer the EU and the US the best opportunity to demonstrate the seriousness of their commitment.

None of this reduces the importance of finding new ways to finance development. If it achieves adequate backing, the Global Fund against Hunger and Poverty can channel important additional resources through “innovative financing mechanisms”. In fact, the proposal touches on endemic problems in international development, such as the regulation of tax havens and speculative capital.
The fundamental contribution of the Fund is the political impetus it will give to some initiatives that are already known, among which the following stand out:

- The tax on international financial transactions would not only contribute significant economic resources, but also would help to stabilize financial markets and alleviate the effects of crises, such as the one suffered by East Asia in the nineties.

- The granting of Special Drawing Rights by the IMF can partly resolve the chronic lack of hard-currency reserves suffered by many developing countries, especially during times of trade and financial crisis.

- The initiative also includes the International Financial Aid Program proposed by the British government two years ago. Despite the fact that there are still many doubts about this instrument, its passage opens the possibility to move forward future commitments in development aid by issuing bonds, backed by donor countries, on the capital market.

Of all the ideas proposed by the Technical Group, without a doubt the most controversial is a tax on the sale of heavy weapons. Although no one doubts that the priorities are absurd (world spending on arms is more than 900,000 million dollars annually), the idea of linking funds for development to the advance of the weapons industry can have perverse consequences. Although in theory a price increase could reduce the demand for arms, experience shows the opposite. There is a clear risk that this tax would assume an increase in military budgets and the diversion of funds that should go to finance basic social services. At the same time, the arms industry could use an initiative like this to clean up its image, hiding the harmful consequences and the suffering that armed conflicts imply for the developing world.

Taken together, several of the proposals of the Fund against Hunger and Poverty are feasible and have much potential. Nevertheless, all will face the same problem: the lack of leadership and political will to carry them out. There is little in this initiative that can move forward without the commitment of the principal world economies in the G-8. This is an essential point that the proponents of the Fund will have to resolve as soon as possible.

In a century that began with the greatest levels of misery and inequality in all of history, the struggle against this plague has been systematically relegated down the international agenda. It is time to end this conspiracy of silence. Millions of people around the planet will look to New York on September 20 to demand the necessary political leadership to confront this historic challenge. The ambition is great and the expectations are high. Presidents Lula, Chirac, Zapatero and Lagos must understand that the photo in New York implies a serious political commitment. To betray this commitment would not only defraud the expectations that have been created, but would send a dangerous message to the international community, thereby strengthening the position of those who think the struggle against poverty is only a lesser goal in the context of other foreign policy priorities. It is essential that we avoid making the same mistake again.