

# European And External Affairs Committee

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Date: 16 June 2005

Time: 9.00 - 12.30

Venue: Committee Rooms 3 and 4, National Assembly for Wales

Title: Make Poverty History - What Wales Can Do Introduction

2005 offers unprecedented opportunities for Wales and the rest of the UK to demonstrate the strength of public feeling that exists to end the scandal of global poverty. Malnutrition, AIDS, conflict and illiteracy are a daily reality for millions of people. The gap between the world's rich and poor has never been wider and this poverty is sustained not by chance or nature, but by a combination of factors: injustice in global trade; the huge burden of debt; insufficient and ineffective aid. Each of these is exacerbated by inappropriate economic policies imposed by rich countries.

In 1970 donor countries agreed a target aid budget of 0.7% of Gross National Income (GNI) by 1980. A quarter of century later and just 4 EU member states and Norway have met this target. In a 2001 summit, G8 leaders agreed to halve world poverty by 2015, but four years on and the world is still failing dismally to reach those targets whilst Africa grows poorer by the day. Today, Wales has both an obligation and opportunity to act.

With a commitment to sustainable development enshrined in the Government of Wales Act, the National Assembly can help ensure the UK Government takes a lead internationally: translating Wales' internationalists values into international action. By both supporting in principle, change abroad and enacting practice change at home, Wales can make a difference.

## Make Poverty History

Make Poverty History, is a coalition of UK charities, trade unions, campaigning groups and celebrities, who have come together to demand that rich countries increase aid and make it work better for poor people, cancel world debt and change the rules of world trade so that they favour the interests of the poor. The coalition is part of the Global Call to Action Against Poverty, a worldwide movement that will come together at key points during 2005 and demand trade justice :: drop the debt :: more and better aid.

## What Wales can do?

By implementing change at home and supporting change internationally, the Assembly Government can change UK policies on international trade, debt and development aid. The First Minister, along with

AMs from across the political spectrum have expressed support for the Make Poverty History campaign. However, the UK Government has some distance to travel if its joint presidencies of the EU and G8 are to deliver trade justice, debt cancellations for poor countries and deliver more and better aid for development. The influence of Wales and the Assembly Government in the coming weeks and months will therefore be crucial in achieving this end.

## **Trade**

The EU, with the support of the UK Government, is currently negotiating agreements (EPAs) with African, Caribbean and Pacific countries that will impose liberalising measures on developing countries, forcing them into unfair competition with rich European corporations. There is growing evidence that this approach exacerbates and entrenches poverty rather than reducing it. The Assembly Government can press the UK Government to use its EU presidency to stop progressing EPAs in their current form and propose alternatives that promote poverty reduction.

While imposing liberalisation on developing countries, the EU practices protectionism at home by providing massive agricultural subsidies through the Common Agricultural Policy (CAP). The dumping of subsidised exports from the EU and US on world markets creates unfair competition for producers in developing countries and artificially deflates prices, thereby significantly damaging the livelihoods of poor people in developing countries, with the knock-on effects for their food, security, health and education.

As the implementation of CAP is devolved, the Assembly Government has an excellent opportunity to enact change at home, whilst concurrently using Wales' position within the UK and the EU to advance the principle of further reform. The Assembly Government and Welsh representatives of the UK delegation to the EU Council of the Regions should utilise their positions within the UK and EU and advocate:

An EU commitment to bring forward the end of direct and indirect subsidies that finance export dumping;

The placing of a review of the trade impact of domestic subsidies onto the EU agenda. There is an opportunity for Wales to advocate further reform, which would target subsidies more effectively in line with the EU's social and environmental goals.

Both within the EU and internationally, the Assembly Government can promote trade justice further by:

Supporting developing countries in their defence of their right to decide their agricultural policies within WTO and regional trade agreements.

At home, the Assembly Government can help Make Poverty History by:

Following the transparency of DEFRA and publish details of public subsidies paid to farmers and businesses under the Common Agricultural Policy in Wales;

Introducing a ceiling on CAP payments to individual producers set at £50,000 and reduced overtime to £20,000 for all payments not directly linked to targeted social and environmental goals. Resources saved should be channelled towards funding streams within axes two and three of the second pillar of CAP and towards investment in marginal areas, people living in poverty and other environmental projects;

Provide further support for sustainable farming with a commitment to increase the level of modulation and channel further investment in agri-environment and rural development schemes in Wales.

In attempting to strengthen international business links, there is an opportunity for Wales to become a world-leader in the development and promotion of socially, ethically and environmentally responsible corporate practices and business models. The Assembly Government has already committed itself to working with partners to gain 'Fair Trade status' for Wales. Make Poverty History welcomes this positive engagement to increase awareness and practice of fair trade.

The Assembly Government can press the UK government to make it mandatory for UK companies to report on their global social, human rights and environmental impact; change the law in order to make directors of UK companies who do not take all necessary steps to limit the negative social, ethical and environmental impact of their businesses, liable for the damage they cause; and allow communities to bring cases against UK companies in the UK if justice fails them in the country in which an abuse took place;

The Assembly Government can press the UK government and the EU to ensure that global trade policies and practices do not undercut internationally agreed social and environmental standards, in particular core labour standards.

At home the Assembly Government should promote ethical practices across all government departments, local government and Assembly funded organisations. In particular, the Assembly Government should:

Ensure the inclusion of social, ethical and environmental criteria across all areas of public procurement. Whilst the Assembly Government has taken welcome steps to improve its own procurement processes, further reform is needed, in particular the continued development of the Wales Procurement Initiative to include the ethical scrutiny (observance of ILO labour rights) of global as well as local supply chains in the procurement process;

As the funding body of the WDA, the Assembly Government could do much more to ensure that the international business models and practices promoted and pursued by Welsh companies respect international labour standards and do not undermine sustainable social and environmental development. The Assembly Government should ensure that private organisations in receipt of Assembly Government

grants adhere to basic labour rights by monitoring employment practices and that workers (particularly homeworkers and female workers) in firms in receipt of Assembly Government funding receive the National Minimum Wage;

Take steps to ensure the use of social, environmental and ethical investment criteria by public sector bodies in Wales and in funding WalesTrade International, ensure Welsh and global members in receipt of direct or indirect Assembly funds comply with recognised standards. Further, the Assembly Government should instruct WalesTrade International to promote the Ethical Trade Initiative to Welsh and global members;

Investigate support for potential secondment opportunities for business advisors to promote trade in developing countries where reciprocal benefits can be identified;

In funding Assembly Sponsored Public Bodies, the Assembly Government should include a criterion within remit letters that obliges ASPBs to take proactive steps to improve and promote social, ethical and environmental standards. In particular, the Assembly Government should extend the promotion of fair trade through ASPBs, for example, the WDA to promote fair trade food through Blas and the 'A Taste of Wales';

Whilst the initial move made by the Assembly Government in looking at the sourcing of Fair Trade and the commitment to a 'fair trade' country are both welcome, Make Poverty History believes that to be fully meaningful, the Assembly Government should move beyond the planned positive practice of sourcing fair trade products such as fair trade fruit as part of the 'free fruit for schools' initiative and investigate further opportunities to promote trade justice in procurement. Ethical and fair trade practice should be integrated into the audit framework of public authorities through the Wales Audit Office and the work of the National Assembly Audit Committee;

Confirm high-level support for the implementation of Education for Sustainable Development & Global Citizenship (ESD&GC) throughout the formal education sector.

## **Debt**

The international debt crisis is far from over. Every year African countries face demands for over US \$10bn in debt repayments and to date only around 10% of the debt owed by the world's poorest countries has been cancelled. The UK government is to be commended for the leadership it has shown in cancelling 100% of bilateral debts owed to the UK by poor countries and agreeing to cover its share of their debts owed to the World Bank and African Development Bank. However, the UK needs to stop attaching damaging conditions to debt relief that undermine the ability of developing countries to tackle poverty.

The Assembly Government can press the UK government to stop attaching damaging (and increasingly discredited) economic policy conditions such as privatisation of basic services (including water), trade

liberalisation and cuts in government spending to securing debt relief. The Assembly Government can also impress upon the UK government the importance of funding debt relief from additional sources, not from aid budgets, so as not to undermine progress towards the UN Millennium Development Goals.

## **Aid**

An immediate annual injection of at least US\$50bn is needed per year to allow developing countries to make progress towards the UN Millennium Development Goals (MDGs). In 1970, the UN General Council set a goal of increasing donor countries' international aid to 0.7% of GNI by 1980. This goal, subsequently supported by several OECD countries (though not the US), was missed. At the Earth summit in 1992, world leaders renewed their commitment to 0.7% of GNI on aid, but in 2005 after several reaffirmations of this goal, just Norway, Sweden, Finland, Denmark and Luxembourg can claim success. Without adequate aid funding, 30,000 children will continue to die every day due to poverty. Make Poverty History welcomes the agreement reached between EU member states to increase aid to 0.7% of national wealth by 2015 and the commitment made by the 15 richest member states to set a new milestone spending target of at least 0.51% of national wealth on aid by 2010. However, the UK has so far failed to meet the timetable announced in 2004, which commits the UK to reaching the 0.7% target by 2013. Meanwhile, the MDGs face a massive funding gap and the Global Fund to Fight AIDS, TB and Malaria faces a serious financial shortfall. By agreeing a new timetable EU member states have made progress but Make Poverty History calls on EU governments to quicken the rate of progress still further and bring forward the 0.7% target date. Make Poverty History calls on the Assembly Government to support this call in principle.

The Assembly Government can urge the UK government to accelerate its timetable to deliver 0.7% GNI for development aid and in the meantime meet its US\$2bn share of the MDG financing gap in 2005. As with debt relief, the Assembly Government can also press the UK government to stop attaching economic policy conditions to aid that undermine its effectiveness;

The Assembly Government should identify concrete opportunities to develop partnerships with developing countries' national and regional governments where the expertise of Wales can make distinctive contribution.

**Make Poverty History Coalition in Wales  
June 2005**