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on the
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Statement by

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ACHIEVING THE MDGs

Looking at progress made up to now towards the achievement of the MDGs, the picture remains mixed: encouraging steps forward have been taken, but much still remains to be done. In particular Africa lags behind. Despite the sustained economic growth the continent has experienced over the last six years, no commensurate reduction in poverty has taken place.

The decrease in global aid levels for the second year in a row is particularly worrying. The EU's collective aid also decreased last year, although several member states continued to substantially increase their aid volumes.. Renewed efforts are urgently needed by all. Since Monterrey, the EU has been leading the global effort to increase aid flows to developing countries. Even if **2007 did see a decrease in development finance in real terms as compared with 2006, the ambitious targets set for 2010 and 2015 remain credible**. The EU continues to shoulder the lion's share of global aid commitments and pledges to Africa, and its share in total ODA has further increased. It will contribute 90% of the scaling up of aid in real terms from 2006 to 2010 (€20.4 billion out of €22.3 billion). This is not appropriate. A better distribution of the efforts made by each country is an absolute necessity.

Beyond the volume of aid, and in order to eradicate poverty and achieve the MDGs we also all agreed in 2005 in Paris that **aid delivery should become more predictable and effective**. We took a number of initiatives to that end, with a particular focus on **alignment and division of labour**. It is now time to move more decisively and fundamentally and to change the way we manage development cooperation. **The EU Code of Conduct on Division of Labour** is one example of how to move ahead. The MDG contract aimed at providing **more predictability in aid disbursements** is another one.

Beyond that, we need specific actions to accelerate progress. We do not need new promises but should **translate existing commitments into ambitious deliverables in the areas of growth, agriculture, education, health, infrastructure and the environment**. The work of the MDG Africa Steering Group is a good step in that direction and needs to be complemented by other initiatives.

At the political level, **the Joint AU-EU Strategy** signed in Lisbon represents one example of a political partnership which should allow us to address the MDGs as one of many interrelated dimensions together with peace and security, governance and human rights, trade and regional integration.

All these efforts are necessary. However, they only represent the translation of commitments entered into in 2005. Since then, new challenges have arisen, which must be adequately addressed. Climate change is the main one. In this respect, current ODA levels and pledged

resources will not be sufficient to help developing countries deal adequately with adaptation needs. Innovative sources of financing should come in addition to ODA commitments.

As the World Bank agenda underlines, sustaining and maintaining effort is key. Scaling up aid is essential for the end of poverty, but it has to go along with substantial changes in the way donors operate.

GROWTH STRATEGIES IN AFRICA

Macroeconomic forecasts for Africa point to the continuation of **the positive trends of the past few years with growth remaining sustained, inflation moderate and monetary and fiscal policies supportive**. Set against the ongoing turmoil in the global financial markets and the slowdown in the US economy, this scenario underlines two important facts. First, it highlights that Africa is reaping the benefits of **the stronger macroeconomic fundamentals** established over the past two decades. Secondly, it stresses the fact **that risks for the near future are largely on the downside**. This calls for appropriate policy reactions combining appropriate macroeconomic responses with careful targeting of safety nets, programmes to shield the poor and long term measures to broaden the sources of growth.

With regard to the latter, it is important to stress the **key role that private sector development, infrastructural investment and regional integration will continue to play in Africa's long term development**. From this point of view, better management of Africa's natural and human resources will equally play a crucial role. Those African countries which are rich in natural resources must be able to turn this wealth into long-term sustainable growth. The importance of good governance, increased transparency and sustainable exploitation is clearly paramount. It should also be stressed that, contrary to what is often stated, there is no real trade-off between growth and the human development MDGs. Progress in health and education is needed to sustain improved productivity and the latter is required to generate the resources that can sustain an expansion in the quantity and quality of services in health and education. Increased and more predictable resources from donors can play a crucial role in bridging any timing gap between these two processes.

Finally, **two challenges** still need to be addressed and should be addressed as a matter of priority. The first concerns the **many African countries that remain trapped in conflict or situations of fragility**. Their growth performance has remained poor, their management of natural and human resources has often unsatisfactory and their influence on better performing neighbours has been negative. The second concerns the need to integrate environmental sustainability into growth strategies taking into due account that African countries are among those most at risk from climate change.

FRAGILE SITUATIONS AND POST-CONFLICT STATES

In 2007, the European Union established the analytical and conceptual basis for tackling its cooperation with countries and regions in situations of fragility in a more systematic and

strategic way. In October 2007, the European Commission adopted a Communication entitled "Towards an EU response to situations of fragility - engaging in difficult environments for sustainable development, stability and peace", which was followed by Council Conclusions and a resolution by the European Parliament on the same topic in November 2007.

Our analysis is clear: We must **remain engaged** even in the most difficult situations, where the challenge of reaching the Millennium Development Goals is exacerbated, the social contract is broken and people's wellbeing, rights and freedoms are at risk. We are fully aware that deliberately calculated risks have to be taken to engage in such fragile situations, but they must be weighed against the risks inherent in not acting. We need to take advantage of the wide range of instruments available to the EU and ensure that we are acting in a holistic and coherent manner. To support partner countries' efforts to address the root causes and consequences of fragility, each case requires a **differentiated response**, combining diplomatic action, humanitarian aid, development cooperation and security measures. Partnership with other national and international stakeholders like the World Bank is key.

Work has started now to put these findings into practice and to develop concrete proposals to feed into a fully fledged **implementation plan by 2009**. Our efforts will concentrate first on **6 pilot countries**: Burundi, Sierra Leone, Guinea Bissau, Haiti, Timor Leste and Afghanistan. For these countries, **action plans** will be adopted that will address the comprehensive and forward-looking use of development instruments as well as steps to bring about better coordination and coherence of policies. The aim will be to address fragility much more **consistently in our political messages** to partner countries and in other fora, to achieve greater **coherence** between our diplomatic, humanitarian, development and security actions (eg via increased exchanges of risks analyses and joint missions), and to take a step forward on the **aid effectiveness** agenda, i.a. by implementing the "EU Code of Conduct on complementarity and division of labour" and by identifying "orphan" sectors and countries.

There will also be an in-depth discussion on the **modalities and specificities of budget support** and support to public finance management reforms in fragile situations which the EC plans to hold in a series of thematic meetings in Brussels. Budgetary assistance to countries that are just emerging from a crisis is an especially important part of our strategy; and we hope that other partners will share and complement this approach. Participants will include all EU institutions and Member States, as well as civil society and international stakeholders including the World Bank.

Furthermore, we are working to make our **procedures more flexible** for emergency situations; we have prepared an "**atlas of fragile situations**" as a background for discussion and we will conduct some further analysis on **identifying gaps and weaknesses in the current array of assessment and response instruments**.

All of this work cannot and must not be done in isolation. We invite other stakeholders, and in particular the **World Bank**, to associate themselves as closely as possible in all aspects of these efforts, and we look forward to working together on this important challenge.

CLIMATE CHANGE

I am particularly encouraged by the progress that was made in Bali with the approval of an action plan very much responding to the needs of developing countries, which are particularly vulnerable to the adverse effects of climate change, especially the Least Developed Countries and Small Island Developing States. In line with the **Bali Action Plan**, the international community must do its utmost for these countries in order to avoid investments made to achieve the MDGs being nullified. For this reason, we have launched **the Global Climate Change Alliance (GCCA)**, to deepen our dialogue and step up cooperation with the most vulnerable countries. The Alliance is focused in the first instance on supporting climate adaptation and closely linked to efforts to promote disaster risk reduction. The Alliance will also encourage mitigation activities that contribute to poverty reduction such as tackling deforestation.

For our credibility as donors, it is vital to **ensure good coordination** and to apply the principles of **ownership** by beneficiaries and alignment with their policies. Additional assistance must be integrated into development strategies that fully reflect the effects of climate change and ideally, although this may take some time, be implemented through **budget support**. The GCCA is designed to complement other initiatives. We are ready to explore possible synergies with all those involved.

I welcome the document on a "*Strategic Framework on Climate Change and Development*", which should contribute to integrating climate change into the development agenda and to supporting the much needed consensus building in this area. The World Bank experience with the Clean Energy for Development Investment Framework (CEIF) provides a good basis to further deepen the work. The six pillars that are outlined are all areas where the World Bank can make an important contribution.

I fully subscribe to the need outlined in the document for **further mobilising innovative finance for addressing climate change**. ODA will not be able to respond in time and at the required scale to the adaptation needs. Therefore I have proposed to explore the possibility of using the **capital markets** by launching a bond that would constitute a **Global Climate Financing Mechanism**. The funds generated will be used as grants to finance ongoing initiatives aimed at helping the poorest developing countries deal with climate change. This is an application of the International Financing Facility, which has already been successfully used to increase funding for vaccinations. The urgency of addressing the financing needs in the climate adaptation area provides a strong argument for frontloading assistance (I am particularly thinking of the period between 2010 and 2015). There are good arguments for repaying a sizeable part of this loan by using the revenues generated through the carbon market, thereby mobilising innovative finance. In the spirit of the principles I have recalled above, the idea is not to use this mechanism to establish a new fund, but rather to use the funds raised to increase the resources of existing multilateral or bilateral initiatives.

The role of forests in combating climate change should be underlined. I would like to refer to the EU's work on **Forest Law Enforcement Governance and Trade (FLEGT)**, which aims to improve sustainable forest management and equitable sharing of forest resources by enforcing the legality of timber trade.

Energy has become an important issue in our development cooperation. We have a dynamic energy dialogue with our development partners in Africa, focusing on our common energy security, energy access and climate change. We have recently launched the **Global Energy Efficiency and Renewable Energy Fund (GEEREF)**, which is designed to use public money to mobilise private sector finance for climate-friendly and affordable energy in poor countries.

OPPORTUNITIES AND CHALLENGES OF HIGHER COMMODITY PRICES

The European Commission is concerned about the effects on poverty of the increases in commodity prices. In particular, the **effects of food price increases on the poorest consumers in developing countries** risks undermining much of the progress made in poverty alleviation. At the same time, this situation leads to renewed attention to agriculture and food security. As the excellent 2008 World Development Report has clearly shown, agricultural development is a necessity to make progress in reaching the first MDG on poverty and hunger.

To react to the challenges posed by high food prices, both short-term and long-term responses are needed. In the short-term, direct social interventions for poor consumers may be necessary which could involve safety-net programmes or school feeding. Export restrictions by net food exporting countries should be avoided as they not only contribute to further short-term shortages and price increases on global food markets but also reduce the incentives for their farmers to invest and increase production. Furthermore, ad hoc changes in border measures have a lasting effect on trade integration. In the longer-term, investments will have to be made which increase agricultural producers' and particularly smallholder farmers' productive capacity,. These investments will have to include rural infrastructure, agricultural research and market development, as well as regional integration – all areas in which the EC is stepping up assistance in a number of the poorest countries in the world.

As the situation varies from country to country, **differentiated approaches** are required. Using the development of **national-owned strategies and national delivery systems** to increase productivity is crucial. This is the approach the European Commission is advocating. For Africa, this is fully in line with the approach developed under the Comprehensive Africa Agricultural Development Programme (CAADP) by AU/NEPAD.

VOICE AND PARTICIPATION

There is broad recognition that changes are required to **improve the representation of developing and transition countries**, which are large borrowers from the WB Group but are currently underrepresented in terms of seats on the WB Board. The situation is particularly acute for **Sub-Saharan African countries**. They have only two seats for 46 countries, while other developing regions (Latin America, developing countries in Asia and North Africa/Middle East) each have three seats for fewer countries. Building on the World Bank's discussion papers presenting options for strengthening the voice and representation of developing countries, I consider that **capping the number of countries per constituency and establishing a third seat**

for African countries would be the best short-term option. I very much hope that the opportunity is seized to **revitalize and take forward discussions on reform options at the Bank** during this year's Spring Meeting. Furthermore, I call for an open, transparent process, based on merit, in selecting future Presidents for the WB and Managing Directors for the IMF.
