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on the  
Transfer of Real Resources to Developing Countries)



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Statement by

Mr. Koos Richelle  
Director General  
European Commission  
DG Development, to the  
Development Committee of the World Bank



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The last Development Committee meeting marked the beginning of the **implementation** phase of the new partnership carved out between the developed and the developing world in Doha, Monterrey and Johannesburg. Our shared goal is to achieve the Millennium Development Goals (MDGs). Today's agenda is the first to address this, in three areas in particular. (i) How are we going to monitor progress on reaching the MDGs? (ii) What are the critical issues in scaling up in education, health, HIV/AIDS and water and sanitation? (iii) How should the voice and participation of developing and transition countries in the IFIs be enhanced?

The European Commission is an observer to the Development Committee. It defines the Community's development policy in co-ordination and complementarity with its Member States. With a volume of more than 10% of world development assistance the Commission is a major partner of the Bretton Woods Institutions. I would like to offer a few reflections from a European perspective on the Committee's agenda for today. These deal essentially with **making the MDGs happen**, and in each aspect I propose to describe what the EC is doing and what I believe we all as a development community should do.

MONITORING PROGRESS TOWARDS THE MDGs

The MDGs are an unprecedented agreement by 189 heads of states on development priorities, in the form of 18 medium-term development objectives. They represent a clear, manageable and well-defined frame of reference on the path to halving poverty by 2015. The UN Secretary General has the mandate to monitor the 18 MDGs, together with the 48 specific indicators for them. Efforts by the World Bank to cost the MDGs have helped to highlight the magnitude of the challenge involved and the inadequacy of current aid flows. However it is clear, that reaching the MDGs is not simply a matter of finance, but requires a **global** effort on many fronts.

The **EC has committed** to use 10 MDG-related indicators in all its Country Strategy Papers (CSPs). It will use these for monitoring of its co-operation programmes and in the framework of performance reviews. I truly appreciate the collaboration with Bank staff, which should lead to a

shared list. It is important to minimise the load of country reporting and ensure coherent incentives from partners by standardising as far as possible the indicators which donors use. In its September 2002 Communiqué, the Development Committee called for "regular monitoring and review of the policies, actions and outcomes needed to achieve" the MDGs. The IFI paper on the subject responds to the request of the Committee and is a very timely effort. However, in my view it **merits wider discussion**, including partners not represented at the Development Committee. It is highly desirable to avoid duplication of efforts and ensure an efficient interface with other monitoring activities – by the UN, the OECD/DAC and others, but most importantly at country level. The system needs to have the confidence of all development partners if it is to be used by all of them.

We also need to clarify the **role of policy monitoring** and to make sure that the **focus on outcomes** is maintained and sharpened. This should encourage more evidence-based policy making, as well as more evidence-based policy advice. Proposals for the use of policy indicators by the countries concerned for self-analysis, and as a basis for policy dialogue between donors and governments, point in the right direction. This, however, requires more transparency and openness than the Bank's internal Country Policy and Institutional Assessment (CPIA) can currently offer. If, therefore, as proposed, CPIA becomes the basis for monitoring of policies as proposed it would have to undergo a major transformation. Furthermore, the methodological link between policies and agreed development objectives in the MDGs needs to be clarified.

#### CENTRALITY OF NATIONAL POVERTY REDUCTION STRATEGIES

I welcome the emphasis on national strategies for poverty reduction (PRSPs in low-income countries). Monitoring of progress at country level needs to be anchored on these.

The EC has **anchored** its Country Strategy Papers (CSP), comparable to the WB Country Assistance Strategies, on PRSPs wherever they exist. Annual reviews of CSPs will be based on progress against a core set of indicators for all developing countries. For PRSP countries an additionally set of indicators will be used to measure progress in implementing the poverty reduction strategy. The Annual Review of the PRS should also monitor governments' accountability for both resources and results. The Commission aims to base the monitoring of progress on the Annual Review of the PRS wherever possible.

I hope that the development community shares this high ambition for the role the Annual Review of the PRS, which should be firmly linked to the national budget process. Donors, including the IFIs, should then organise their support in joint missions whose timing and content fit with the PRS and budget cycles. I particularly welcome the concept paper along these lines presented by IFI staff at the OECD DAC High Level Meeting in Rome in February.

More concrete monitoring and benchmarking for donor behaviour should be developed. OECD/DAC peer reviews can be seen as a useful step in this direction, but do not cover the multilateral institutions.

## PARTNERSHIP

Key to effective implementation of national strategies are the twin principles of partnership and ownership. Our actions have to reflect this.

The EC has a track-record of decades in this area. Most recently, on April 1 the **Cotonou partnership agreement** entered into full force. It will be a main vehicle for poverty reduction in Africa, where reaching the MDGs is most at risk, as well as in the Caribbean and Pacific. The Agreement between the 15 EU countries and 77 countries in Africa, the Caribbean and the Pacific (ACP), covers trade, aid, and political dimensions. It explicitly addresses governance issues, and creates a framework that allows us to tackle all problems in this area, including corruption, migration and terrorism. It also guarantees consultation with civil society on programmes supported by the European Union. For the next five years, the Agreement has a financial envelope of €13.5 billion. The programming of these resources in strategy papers and indicative programmes has been completed for 68 countries and 6 regions.

The EC has also reformed the way it provides **budget support**. To improve ownership and sharpen a focus on results, we have moved away from policy conditions to a results-based approach. The effectiveness of budget support in making the MDGs happen also depends, of course, on commitment by governments to improve public financial management. Aid processes must support this, rather than undermine it with parallel systems of planning, resource allocation, and accounting. This is why the EC aims to move increasingly to sector programmes and budget support.

I believe that the development community needs to implement the DAC's call to move towards the use of national systems wherever possible. What is it that stops us doing so? We need also to truly focus on results in our own processes. The IFIs could helpfully give a lead in this by shifting the burden of their conditionality from policies and actions to outcomes and results.

## ADEQUATE RESOURCES

Of course greater effectiveness of aid is essential. It is what we all manage for, and the EC is committed, as I have explained, to pressing this forward. But without a large enough increase in aid volumes we will fall short of making the MDGs happen.

The EC has been asked to co-ordinate monitoring of the European Union's **commitments at Monterrey**, which included an increase in aid effort to 0.39% of EU GDP, by 2006<sup>1</sup>. In May the European Commission will present to the EU's General Affairs and External Relations Council a

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<sup>1</sup> The EU has made concrete commitments in 8 areas: (1) increasing aid volumes to 0.39% average in the EU by 2006, (2) taking concrete steps on coordination of policies and harmonisation of procedures before 2004, (3) untying of aid to least developing countries (4) increasing trade related technical assistance and capacity building (5) to further work on global public goods (6) to further explore innovative sources of financing (7) to influence the reform of the International Financial System, strengthening the voice of developing countries and enhancing coherence between the UN, the IFIs and WTO and (8) to restore debt sustainability in the context of the enhanced HIPC initiative.

report on progress in the present 15 Member States. As from next year, our reports will also include the situation in the 10 new Member States.

The EC has pledged more than €1.275 billion to the **HIPC** initiative: as a donor we have transferred €734 million to the HIPC Trust Fund, while as a creditor the last tranche of €545 million allocated for debt relief for loans from EIB will be disbursed in the 3<sup>rd</sup> quarter of this year.

The issue of debt sustainability after HIPC relief is crucial. The downturn of the global economy has affected the long term debt sustainability outlook for many countries negatively. The EC is therefore committed to covering the potential cost of the **topping-up**, on a fair burden sharing basis, both as a creditor and as a donor to the Trust Fund.

#### GLOBAL INITIATIVES

If we are to make the MDGs for health and HIV/AIDS, education and water and sanitation happen, in particular, the major global initiatives in these fields need to be integrated effectively with national PRSs and planning and budgetary processes.

The EC is an active participant in the Education For All Fast Track Initiative, a contributor to the Global Fund for AIDS, TB and Malaria, and has the lead in the European Water Initiative announced in Johannesburg. We are committed to ensuring that there are sufficient resources for these needs, and also to ensuring that they are used to best effect.

In order to ensure maximum effectiveness of these initiatives they have to be linked to national planning systems and to an allocation of funds that is carefully **integrated** with existing national systems.

#### A SHARED TASK THAT ENCOMPASSES A WIDE RANGE OF ISSUES

Making the MDGs happen will require a great deal more than aid resources. In Doha, Monterrey and Johannesburg, developing and developed countries made concrete commitments in many fields. Developing countries accepted the main responsibility for their own development by creating a sound macroeconomic environment and an appropriate framework for investments, guaranteeing that funds received are properly and effectively managed, committing to good governance and to achieving high standards of transparency and eliminating corruption. Developed countries promised to increase the levels of resource flows, make efforts to increase aid effectiveness, and to improve market access for developing country products.

The EC has begun to **implement** its commitment. In the pursuit of economic growth in ACP countries and their integration into the world economy, the Cotonou agreement foresees economic partnership agreements (EPAs) between the EU and regional groupings in the ACP countries. Negotiations were launched in September 2002. This new concept supports regional integration and induces a widening of economic space and larger markets for domestic and foreign investors alike. For all Least Developed Countries the EC has already put in place its

“Everything But Arms” initiative, to grant duty-free access to essentially all products except armaments from these countries.

We need to ensure that these **non-aid** issues are also moved forward more broadly. Reduced global economic growth prospects will impede poverty reduction in developing countries and action to remove barriers to trade and investment that hurt poor people in developing countries is becoming increasingly urgent. Signs of trade negotiations becoming bogged down are all the more worrying. A development friendly outcome of the “development round” of trade negotiations remains essential.

We have many challenges ahead of us, and the list of areas of work could go on for pages. It includes for instance actions in the fields of untying of aid and harmonisation of donor-procedures, issues to which the EU has committed itself at its Barcelona summit. But the essential message should be clear: making the MDGs happen is the central global task of this century, and the EC has made a start on its central role in that task.