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Informal review session on Chapter IV of the Monterrey

Consensus:

**“Increasing international financial and technical
cooperation for development”**

Statement on behalf of the European Union by

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I have the honour to speak on the behalf of the European Union.

The Candidate Countries Turkey, Croatia and the former Yugoslav Republic of Macedonia*, the Countries of the Stabilisation and Association Process and potential candidates Albania, Bosnia and Herzegovina, Montenegro, as well as the Republic of Moldova and Armenia align themselves with this declaration.*

Distinguished Co-chairs,

The Monterrey Consensus recognizes that ODA is an important financial source for development, alongside domestic resource mobilisation, foreign direct investment inflows and other international private flows. The EU agrees that there is a need for ODA flows, as a complement to other sources of financing, to support country's own development endeavours, for capacity building, to support countries to lift themselves from man made and natural disasters and from state fragility. The European Union has collectively surpassed the 2006 ODA target of 0,39% of GNI, set in 2005 before the World Summit Outcome. The Union has also set new ambitious targets for 2010 and 2015 – including new levels for Africa. The EU is currently providing over 60% of total ODA and is **committed to reach the target of 0, 56% ODA/GNI by 2010 and 0, 7 % of GNI by 2015**. While the aid levels did not develop in the EU as predicted in 2007, this transitory descent is expected to pass in 2008 with a return to increasing EU aid levels. Based on existing international pledges, the EU is set to contribute more than 90% of the global scaling up of aid from 2006 to 2010 (€20.4 billion out of €22.3 billion of the scaling up forecasts).

The EU is also strongly committed to ensuring that these resources reach the poorest. According to the latest UN MDG progress report, **Africa** is the continent least likely to meet the Millennium Development Goals. For that reason **the EU is committed, in 2005, to channel 50% of combined aid increases to that continent**. The EU will also address development efforts more systematically in situations of fragility and pay more attention to the aid orphan" countries.

Excellencies,

The Monterrey Consensus has initiated an in-depth process that leads to the current international high standards on **aid effectiveness** and it rightly points out that quality matters as much as quantity. The EU has been a constant advocator of those high standards based on its conviction that the promised **scaling-up of aid necessitate more efficient and effective delivery**. As a consequence, the EU has adopted two inter-twinned tracks: **The Paris Declaration on aid effectiveness** and **The European Consensus for Development**.

To further develop the aid effectiveness agenda, the EU welcomes the upcoming **Accra High Level Forum** (HLF-3) on Aid Effectiveness in September. This forum is a crucial political opportunity to agree on strong and decisive action by all donors and partner countries for the outstanding implementation issues that are a key to meeting the Paris Declaration targets.

Aid allocation among recipient countries and sectors is an aspect of "international financial and technical cooperation" that, the EU feels, deserves the attention of the international community. Donor coordination on aid allocation is rather new and has not yet led to sizable results. With its "Code of Conduct on Complementarity and Division of

* *Croatia and the former Yugoslav Republic of Macedonia continue to be part of the Stabilisation and Association Process.*"

Labour" the EU has taken steps in this direction. It is hoped this initiative will be joined by other donors. Total transparency on effective aid allocation and the underlying criteria is an indispensable first step.

The Monterrey Consensus calls for intensified efforts on **untying aid**, such as the 2001 OECD/DAC Recommendation on untying aid to least developed countries. EU member states have successfully contributed to the commendable result that all aid - that should have been untied according to the Recommendation - has been almost fully untied. Furthermore, some EU member states have even untied their aid beyond the coverage of the Recommendation by unilateral moves. EU member states will, however, undertake further efforts to underpin their political will for more effective ODA.

We should also be aware that aid highly depends on the general quality and efficiency of national policies and development strategies and therefore donor and partner countries should establish effective **development partnerships based on national ownership**.

Excellencies,

The Monterrey Consensus also calls for ensuring long-term **resources for social and environmental protection schemes in the event of exogenous shocks**. The 2005 European Consensus commits the EU to support disaster prevention and preparedness in disaster-prone countries and regions with a view to increasing their resilience in the face of these challenges. Evidence has long suggested that disaster risk reduction has a high cost/benefit ratio, i.e. preparedness, prevention and mitigation pay off.

Since South-South cooperation can improve the aid effectiveness in emphasizing ownership and inclusive partnership, the EU welcomes and supports this cooperation as well as triangular cooperation.

Improving effectiveness of and results from the operational activities of the United Nations development machinery is an **important part of the global aid effectiveness agenda**. The EU therefore fully supports the UN reform process on system-wide coherence, including its aims to improve the effectiveness and coherence of UN actions at country level through the "One UN" approach.

Distinguished Co-chairs,

The EU sees the following challenges with respect to Chapter 4 of Monterrey Consensus: aid effectiveness, of which we have already spoken earlier, innovative sources of financing for development, climate change and new aid-architecture.

- 1. Innovative sources of financing for development** have developed since Monterrey. They are supported and used by many EU countries through air ticket contributions, the International Financing Facility for Immunisation, the International Drug Purchase Facility and a first Advance Market Commitment for the pneumococcal disease. In addition, some are using the proceeds from emissions trading – an instrument originally created to combat climate change – to fund measures for the mitigation of and adaptation to climate change in developing countries. All of these innovative sources of financing generate new funds and are a long-term source of financing.
- 2. Mitigation and adaptation to climate change** is needed as response to the worsening climate conditions which are hampering developing countries' efforts to reach the MDGs. Both developed and developing countries need to adapt to the challenge. Climate change needs to be systematically integrated into development policy-making and planning at all levels. Enhanced action by the international community is necessary to help countries continuing their development path, namely the

mobilization of additional resources through innovative financing will be crucial. We therefore consider:

- Additional financing is required to implement low carbon, climate resilient development and adaptation measures;
- The carbon market should play an essential role in delivering funds to tackle climate change;
- Existing financial mechanisms should be used where possible. Any additional finance, including the post-2012 financial architecture to be agreed within the UNFCCC, should be integrated within established development processes, in country and internationally.

- 3.** New players such as **non-DAC bilateral donors, private foundations, and vertical funds** are the fastest growing sources of funds. Their increasing role is changing the aid landscape. There are thousands of developing country NGOs which are increasingly active in raising local funds for development, and possibly millions of community-based organizations that implement development projects. Private players are changing the aid landscape in two ways: providing significant sums of money to complement official aid, and operating largely outside official structures, dealing directly with local beneficiaries. Innovative approaches to financing development have also spurred increased voluntary contributions from individuals. Also vertical funds are one of the most rapidly increasing sources of official aid and have also become platforms where the private and public initiatives can cooperate.

The EU welcomes new donors bringing new resources and new modalities which promise innovation. However, the increased complexity of the aid architecture adds to the challenge of ensuring effectiveness and coherence of aid. The Paris Declaration addresses some of these issues, since its framework represents an important international consensus and it can resolve to improve the effectiveness of aid. The Accra High Level Forum scheduled for September 2008 provides an opportunity to address the new, dynamic dimensions of aid harmonization. More discussion on how to maximise the volume and effectiveness of these rapidly increasing sources of finance without reducing the volume of the traditional aid resources can enrich discussions at Doha.

Thank you.