

# **Speech by the Chief Secretary to the Treasury, Stephen Timms MP, to the UN and Commonwealth Business Council on Debt, Finance and Financial Integration**

## **Check against delivery**

Thank you Dr Kaul for your invitation and welcome. I am delighted to be here.

I want to welcome the Hon Rohitha Bogollagama who hosted our last Commonwealth Finance Ministers meeting in Colombo. It is my pleasure to welcome you to London in your new role as Foreign Minister.

For us in the UK this is an important time. We are preparing for our Comprehensive Spending Review, setting out detailed Government objectives and spending plans for each government department over the next three years, and aiming to equip the UK to face the challenges of the next decade.

There are big challenges, from globalisation to climate change and international security. These are shared challenges confronting every nation; and we need to work together to address them effectively.

To meet them and to reap the opportunities ahead, we need plans for spending and investment which are sustainable, recognising the importance of international co-operation, and of the international community working towards global social justice through the Millennium Development Goals.

That should be the message as we look ahead to the High Level Dialogue on Finance for Development at the UN in September and the Conference on Finance for Development in Qatar in 2008.

## **Millennium Development Goals**

We recall the 2005 promises of the G8 and other donors at Gleneagles - commitments to US \$50 billion a year extra in aid, and the doubling of aid to Africa by 2010.

At the G20 in Melbourne, I delivered the UK Government's message that we must turn that promise and momentum into delivery. And I encourage everyone here to help hold the European Union and G8 Governments to account.

## **Honest progress**

There has been progress. In 40 years, life expectancy in the developing world is up by a quarter. In 30 years, illiteracy has fallen by half. Since the mid 1980s, 400 million people have risen out of absolute poverty.

But we need to be frank about what is happening. Progress is too slow.

The number living in poverty in Sub-Saharan Africa is going up, and big challenges remain in the South Pacific. Half a million women die each year in pregnancy and childbirth. And every day, 30,000 children die of preventable illness.

We need to do much better if we are to meet the MDGs.

Those that promised must provide. If we continue to demand, through the international community, we will not allow anyone to escape the spotlight. And I want to reinforce the UK commitment today.

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## **UK commitment - aid**

We have doubled our international aid budget in real terms since 1997. And we have set a clear timetable to reach the UN target of 0.7% of Gross National Income being spent on aid by 2013.

We're using this increasing aid budget to help countries train teachers and doctors, to build schools, buy drugs, provide clean water, and support farmers.

We need investment, jobs and income, plus peace and security. And we need good governance - tackling corruption, and building capacity.

## **Trade and openness**

And it is important to us that our global counterparts have the same commitment to economic openness as we do; we shall be continuing to work for international consensus on trade policy. We very much welcome the recent resumption of the world trade talks and hope that all players will now show the necessary flexibility to deliver a successful outcome as soon as possible.

And because this is a development round, we have a duty in particular not to let developing countries down.

So in order for developing countries to benefit from trade liberalisation, we need to provide them with aid for trade to help them integrate the global trading system and the global economy.

The UK's commitment alone will equate to \$750 million a year in 2010. With this support, developing countries can have - not only the opportunity, but - crucially - the capacity to trade.

## **Debt relief**

And we will continue with our commitments on debt relief, which provides long term, predictable resources for countries to spend on tackling poverty. At Gleneagles, we took a great step forward in agreeing the Multilateral Debt Relief Initiative (MDRI).

Together, the MDRI and the Heavily Indebted Poor Countries (HIPC) Initiative will over time reduce the debt burden of the world's poorest countries by some \$110 billion, allowing the savings from debt relief to fund country-owned strategies for poverty reduction.

Developing countries have also received large volumes of debt relief through the Paris Club including, most notably, the debt deal agreed for Nigeria last year which included debt cancellation worth \$18 billion.

It is very welcome that the international community is working together to provide this debt relief. And in the UK we go further, providing 100% relief on all bilateral debt owed by HIPCs.

We also attach great importance to extending multilateral debt relief to all of the poorest countries, not just to those countries deemed eligible under the HIPC Initiative.

The UK therefore continues to pay its share of the debt service owed to the World Bank and African Development Bank by other low-income countries that meet criteria for ensuring that the debt service savings are used for poverty-reduction; and of course Middle Income Commonwealth Countries continue to benefit from assistance under the Commonwealth Debt Initiative.

We urge other donor countries to agree to deeper debt relief for all low-income countries. It is important now that everyone plays their part to make debt relief work:

- There must be full implementation and financing of HIPC and the MDRI, with all countries delivering on their commitments;
- HIPCs and other countries receiving relief must ensure that the savings are spent well, for poverty reduction; and
- We must all work together to ensure that new borrowing is appropriately concessional, well targeted and used for productive purposes, to ensure that countries can achieve their development goals without running into new debt problems in the future.

Continued efforts are needed to ensure that the debts of countries that have received relief are maintained at sustainable levels. I welcome and value the role of this conference in considering this challenge.

The Debt Sustainability Framework developed by the World Bank and the IMF is an important tool for this, but a key challenge is to ensure that it is implemented effectively.

This will require all creditors to work together to improve coordination, including through improving the data available on lending, and for all countries to take account of country-specific debt sustainability analyses in new lending decisions.

When they met in February, G7 Finance Ministers highlighted the importance of developing a charter on responsible lending, which will help to ensure that all countries follow these principles.

Addressing these challenges will help to build on the success of the HIPC and MDRI initiatives. And there has been welcome success. Between 1999 and 2005, debt relief helped recipient countries to increase poverty-reducing spending (in areas such as health, education and rural agriculture) by 3% of GDP.

As a group, HIPCs have made improvements in gender equality and child mortality, and some countries have taken steps in encouraging primary education and improving environmental sustainability.

So, for example, in Tanzania, around \$3.5 billion of debt relief has helped to increase the number of children in primary schools by over 50%, build almost 2,500 new primary schools and recruit 28,000 extra teachers. If this rate of progress continues, Tanzania will meet the goal for universal primary education in the next couple of years - well ahead of the target date of 2015.

In Uganda, HIPC debt relief of nearly \$2 billion since 2000 has helped make possible the removal of user fees for healthcare. As a result, the number of new out-patient consultations has increased from 9.3 million in 1999/2000 to 24.5 million, a doubling in the use of health services over five years. Immunisation coverage increased from 41% in 1999/2000 to 89% in 2004/05.

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## **Education for all**

And the resources must be put to good use.

Countries must focus on improving education and healthcare, so that even those who are poorest today can look forward in the future to an escape from poverty, disease and illiteracy.

The education millennium goal, of every child completing primary school by 2015, means they must be enrolled by 2010.

In Bangladesh, I announced last year that the UK would help support the Government in a ten-year plan for education, enabling it to take long-term decisions for the future.

Again last year the Chancellor of the Exchequer, Gordon Brown, and our International Development Secretary, Hillary Benn, announced the UK will spend at least \$15 billion on aid for education worldwide over the following ten years, and that, for the first time, we will enter into 10-year agreements with developing countries to help support their education plans.

## **Healthcare**

And what we do in education we must also do in healthcare.

That's why we launched the first bond issue of the International Finance Facility for Immunisation - a breakthrough in innovative financing.

Long-term, legally binding donor commitments are converted by capital markets into resources now. Over ten years, \$4 billion to the Global Alliance for Vaccines & Immunisation, to tackle big killers in poor countries.

And just last month, we launched the first ever Advance Market Commitment, designed to accelerate the development of a new, effective vaccine for pneumococcal disease and prevent over 5 million deaths by 2030.

## **Climate Change**

The UN Panel on Climate Change warned us recently of the serious risk, which must be averted, of a catastrophic rise in global temperatures by the end of this century.

This is the world's biggest market failure - not just an environmental and economic imperative, but also a moral one, threatening grievous injustice between generations as also between nations.

Every region will be affected. But the poorest - those most dependent on the natural world for survival, those with the least to buy their way out of trouble - they will suffer most.

We need to adapt our development strategies for this new challenge. We can't allow poverty reduction, and our quest for the 2015 Goals, to be overwhelmed and reversed by climate change.

## **Security**

And we all face a challenge of continued global uncertainty with threats of international terrorism and conflict. In an interdependent world, none are immune from the trends in terrorism, instability and other pressures.

We can meet this challenge too, but only if we all stand together.

## **Concluding remarks**

Many factors can contribute to long-term financial stability, and the development of financial architecture, and the ability of countries to take full advantage of the opportunities that debt relief and debt restructuring can bring over the long term. The success of international organisations and institutions will be critical to the effective resolution of these issues.

We can build a consensus on how to do it.

That's the lesson of Make Poverty History.

The call, by a few people, developed into a campaign by the many, and then into a consensus amongst nearly all.

I want to thank the nations represented here, and the Secretariat and the Financing for Development Office, for your work ensuring the international community is equipped to meet these challenges with strength, determination, and resilience.

Thank you.