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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

**Preparation of the International Conference on Financing for Development (Monterrey,
Mexico, 18-22 March 2002)**

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The Conclusions of the Development Council adopted on 8th November 2001 confirmed the willingness of the European Union to take positive initiatives in view of securing a successful outcome of the International Conference on Financing for Development to be held in Monterrey, Mexico, from 18 to 22 March 2002.

The expectations on the contribution of the European Union to the Monterrey Conference are very high. This not least as this Conference will be followed six months later by the “World Summit for Sustainable Development”, which is planned to be held in Johannesburg, South Africa from 26 August to 4 September 2002. The Council has on several occasions confirmed its willingness to seek to achieve a “global deal” at the World Summit on Sustainable Development in Johannesburg. The Commission will submit to the Council a Communication on the External Dimension of Sustainable Development, which should give a clear picture of what a “Global Deal” could encompass.

The European Summits of Gothenburg and Laeken have reconfirmed the commitment of the EU to the 0.7% GNP target for Official Development Assistance (ODA). This is an important element in the discussion on how the international community can make sure that the Millennium Declaration Goals and the other internationally agreed development targets are achieved.

The Development Council asked the Commission to clarify a number of issues and explore, through a dialogue, potential initiatives to be implemented by the Member States in particular on “the steps to be undertaken by each of them to reach the 0.7% target including the question of establishing specific timetables”. In addition to the volume of aid, particular mention was also made of the effectiveness of aid, including the untying of aid, global public goods and innovative sources of financing. These issues have also been addressed within the Study on Globalisation and Development that the Commission will submit to the Council.

In November and December 2001, Mr Richelle, Director General for Development, carried out bilateral talks with the 15 Member States. This led to the elaboration of a report¹ that summarises the possible positive initiatives, which have emerged as a result of those discussions. These possibilities focus on how the financial gap between the current level of ODA and the volume necessary to meet the Millennium Declaration Goals and the other internationally agreed development goals can be closed.

There are of course different ways to raise the necessary finances. One element necessary for our discussions is of course a better calculation of the effective cost of the Millennium Development Goals to be met in 2015. Some recent calculations made by the World Bank have helped the international community in starting the debate on how to define the effort needed in financial terms. As the World Bank is doing more work on the needs assessment, especially in some selected areas, defining the needs down to the country level, it is quite clear that additional resources are needed and they are needed as of now, since we have only about 13 years.

It will also remain the responsibility of each and every country to set the right priorities both in political and financial terms. It is a reality however that there is a clear gap between the resources needed to reach the Millennium Development Goals and the other internationally agreed development goals in the time agreed and the means currently available. The EU should concentrate on the possibilities to contribute from its side without losing sight on the implementation of good governance and good management of public expenditures by the recipient countries.

The results of the preparatory process for the Conference have created a positive momentum which should be used by the EU to take decisions on positive initiatives as a contribution to a successful Conference. The following recommendations will be submitted to the General Affairs Council before the Monterrey Conference:

- The EU Member States could individually and collectively commit to a sizeable increase in ODA volume. Such a commitment could include as a minimum that by 2006 all those States that have not yet reached the 0.7 target, would at least reach the EU average for the year 2000 (0.33 % ODA/GNI). A number of Member States are already performing far above the present EU average, but still need to make further efforts towards the 0.7 target.

¹ Document SEC(2002)154

An increase by those countries below 0.33% would imply that the EU average would go up to at least 0.39% in 2006 at the latest. This figure is in line with the global average that would be required to meet the World Bank estimate of the additional need of \$50bn to meet the Millennium Development Goals and would therefore put the EU in a strong position in the debate on burden sharing. By a similar process, the new 0.39% average could be used as a minimum benchmark for all Member States to reach by 2010 at the latest. By this iterative process, the EU could achieve a sequence of realistic milestones on the way to reach the 0.7 target. The EU could make real and practical progress in the area of quality and effectiveness of aid, in particular by committing itself to make concrete steps on harmonisation of minimum standards for policies and procedures before 2003, both at EC and Member States level in line with internationally agreed best practice.

- The EU, according to its commitment to fully implement the DAC recommendation on untying of aid to Least Developed Countries, could fully untie all bilateral aid. If non-EU members of OECD would not participate in this endeavour, the Member States should decide to fully untie bilateral aid amongst the 15 Member States and vis-à-vis all their partners in the developing world, while maintaining the existing system of price preference of the EU-ACP framework.
- As part of our efforts to enable developing countries to exploit trading opportunities, the EU could commit to a significant increase in trade related technical assistance, capacity building and in measures addressing supply-side constraints to a set amount over a three-year period.
- The EU could agree to a participatory process designed to lead to the identification of relevant Global Public Goods.
- The EU will continue its reflection on innovative sources of financing. As well as contributing to the overall resources for development, new sources of financing could also help with the provision of GPGs, on the basis of the principle of additionality in order to avoid the diversion of existing ODA flows from traditional development assistance.