EU Presidency Statement on Financing for Development

to

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The EU strongly supports the partnership between developed and developing countries set out in the Monterrey Consensus, which states that while "Each country has primary responsibility for its own economic and social development ... National development efforts need to be supported by an enabling international economic environment". The EU remains strongly committed to supporting country-led sustainable development through actions on aid volume, aid effectiveness, debt relief, innovative financing mechanisms, trade and the international architecture and attaches great importance to carrying out the reforms of aid delivery and management that are embedded in the Paris Declaration on Aid Effectiveness.

On the mobilization of domestic resources, the EU believes that domestic and external resources can only be mobilized - and that external assistance can only be effective - in an appropriate domestic environment. Good governance, a transparent and accountable public financial management system, the fight against corruption, full integration of the MDGs into country-owned plans and PRSPs, and a stable and predictable investment climate are all vital for mobilization and effective use of both domestic and external resources. The EU is committed to support developing country efforts to create this enabling environment, including by assisting developing countries in integrating all the MDGs into their national strategies. The EU believes that mobilization and allocation of resources will increasingly take place in line with partner countries' own priorities with regard to poverty reduction, hunger, health, education, gender equality, water, sanitation and environmental sustainability.

On trade, the EU is strongly committed to ensuring a development friendly, sustainable and ambitious outcome of the Doha Development Agenda (DDA) that *maximizes* development gains and thus contributes to the achievement of the MDGs. The special needs of weak and vulnerable developing countries should be fully reflected in the outcome of the negotiations including through special and differential treatment provisions. Building on its experience with "Everything But Arms", the EU urges developed WTO Members, and developing countries in a position to do so, to provide duty free and quota-free market access for all products originating from least-developed countries as soon *as* possible. The EU *is* also aware of the need for capacity building and investment in trade-related infrastructure. There is growing consensus that many developing countries will face significant adjustment costs to meet the ehallenge of integration into the multilateral trading system, and in order to reap the economic benefits of a more open trading regime. The EU is firmly committed to providing increased and improved trade-related assistance, and welcomes initiatives in this regard The EU will continue to provide support to developing countries to enable them to seize trading opportunities, in particular by assisting them in integrating trade into their national development strategies and securing the necessary domestic reforms.

On aid volume, we recognize that increased ODA is urgently needed to achieve the MDGs. At present, four out of the five countries which exceed the UN target for ODA of 0.7% of GNI, are member states of the European Union. We recall the 16-17 June European Council endorsement of a new collective target of 0.56% by 2010, and the undertaking to achieve an ODA/GNI target of 0.7% by 2015 (0.33% for Member States who joined after 2002). The commitments made by Member States should see annual EU aid double to over $80 billion in 2010 compared to 2004 levels. The EU will increase its financial assitance to Sub-Saharan Africa and will provide collectively at least 50% of the agreed increase in ODA resources to the continent, while fully respecting individual Member States' priorities in development assistance. All measures taken as regards policy coherence and quality of aid will be applicable to Sub-Saharan Africa as a priority.

We also reaffirm the need to improve the quality and effectiveness of aid. The EU is fully committed to a timely implementation and monitoring of the Paris Declaration on Aid Effectiveness, including monitorable targets for 2010 and of the EU specific commitments adopted at the Paris Forum. In order to better respond to the need for stable resources and in view of the expected increases in ODA flows, the EU will develop new, more predictable and less volatile aid mechanisms. Such mechanisms could consist of the provision of a minimum level of budgetary aid where circumstances permit, secured in a medium term perspective and links to policy performance in the partner countries, in particular in rela tion to the commitment towards achieving the MDGs in national plans / poverty reduction strategies.

EU Member States are united in their commitments to increasing aid and follow several routes to that aim. Some Member States firmly believe that innovative financing mechanisms can help deliver and bring forward the financing necessary to achieve the MDGs and may contribute to the achievement of the new ODA/GNI target. A group of Member States will implement the International Finance Facility (IFF) as a mechanism to frontload resources for development. A group of countries have launched the IFF for immunisation and made firm financial commitments. A group of EU Member States will implement a contribu tion on airline tickets to enable financing development projects, in particular in the health sector, directly or through financing the IFF. Some other EU Member States are considering whether and to what extent they will participate in these initiatives or otherwise continue to enhance traditional ODA.

We welcome and support the 08 proposal to cancel 100% of outstanding debt of eligible Heavily Indebted Poor Countries to the IMF, IDA, and African Development Fund and, on a fair burden-sharing basis, to provide additional resources to ensure that the initiative is fully financed without reducing the IFIs' financing capacity. We must ensure that the problem of unsustainable debt will not re-occur. We look forward to the implementation of the G8 proposal subject to the resolution of important issues at the 1FIs' Boards.

On the international architecture, the EU remains committed to ensuring the effective participation of developing countries and countries with economies in transition, and to this end, will continue to advocate enhancing the voice of these countries in the International Financial Institu tions (IFIs), as set out in the EFC Common Understanding on `Strengthening the Voice of Developing Countries in the IMF' of 10 February 2003. We are committed to further improving co-ordination within the IFIs, both within the EU group and with other groups (especially developing countries).