Follow-up of the Monterrey Conference of 2002 on financing for development

2008/2050(INI) - 25/06/2008 - ${summary.subTitle}

The Committee on Development unanimously adopted the own initiative report by Thijs BERMAN (PES, NL) on the follow-up to the Monterrey Conference of 2002, reiterating the Parliament?s commitment to poverty eradication, sustainable development and the achievement of the Millennium Development Goals (MDGs), as the only way to bring about social justice and improved quality of life for the approximately one billion people globally who live in extreme poverty.

According to MEPs, the immediate actions to be taken by the EU to tackle the dramatic consequences of the soaring food prices in developing countries should be carried out as part of the financial efforts required by the Monterrey Consensus (International Conference on Financing for Development in Monterrey, Mexico, March 2002). They therefore look forward to a concrete proposal from the Commission on the use of emergency funds.

Overall, MEPs stress the need to find the right balance between the need to provide development aid to partner countries, trusting them to develop the right tools for implementation of the funds, while earmarking the financial aid in order to avoid misuse of the aid.

Volumes of Official Development Assistance (ODA): MEPs point out that the EU is the world's leading donor in ODA, representing almost 60% of the world official development aid. Nevertheless, they call on the Commission to provide clear and transparent data on the share of the EU budget devoted to EU development aid in order to assess the follow-up of the Monterrey Consensus by all European donors. Once again, they regret the lack of visibility of European aid and stress the need to improve this visibility. They recall that the EU met its binding ODA target of 0.39% of GNI by 2006, but regret the alarming decrease in EU aid in 2007 (from EUR 47.7 billion in 2006, or 0.41% of EU collective GNI, to EUR 46.1 billion in 2007, or 0.38% of EU collective GNI). Member States are therefore called upon to raise ODA volumes to achieve their promised target of 0.56% of GNI in 2010. MEPs also insist that these reductions should not take place again, bearing in mind that the EU will have given EUR 75 billion less than was promised for the period 2005-2010 if the current trend continues. They also express concern that a number of Member States have reduced their level of aid (sometimes dramatically) or are backloading ODA increases, leading to a net loss for developing countries of more than EUR 17 billion. It is therefore necessary to develop binding multi-annual timetables, as some Member States have already done, to meet the UN target of 0.7% by 2015, particularly in view of the forthcoming International Conference on Financing for Development. Therefore, overall, MEPs call on the Member States to increase ODA levels in a sustainable manner.

Speed, flexibility, predictability and sustainability of financial flows: in addition to the granting of aid, MEPs consider that a certain number of rules must be obeyed to make the provision of aid effective. Assistance needs to be delivered in a timely manner and be flexible in order to respond to changing circumstances, such as rising food prices. The funding should also be predictable to allow partner countries to plan for sustainable development. MEPs also call for the clear observance of the principles of responsible lending and financing.

Debt and capital flight: MEPs fully endorse efforts by developing countries to maintain long-term debt sustainability and to implement the initiative for very Heavily Indebted Poor Countries (HIPC). They regret, however, that the debt relief plans exclude a large number of countries for which debt remains an obstacle to development. Furthermore, MEPs call on the Commission to address the issue of 'odious' or illegitimate debts (meaning debts having arisen from irresponsible, self-interested, reckless or unfair lending) and call on it to limit the rights of commercial creditors, in the event of judicial proceedings. At the same time, all Member States are called upon to adhere to the framework of debt sustainability and to recognise that lender liability does not just involve compliance with the sustainability framework, but also entails:

- taking into consideration the vulnerability of borrowing countries to external shocks;
- incorporating transparency requirements in borrowing agreements;
- exercising greater vigilance in ensuring that the borrowing does not contribute to human rights violations or an increase in corruption.

MEPs therefore urge the EU to put in place some form of international insolvency procedures or fair and transparent arbitration procedure to deal efficiently and equitably with any future debt crisis.

The Commission is also criticised for its lack of initiative to prevent capital flight, which does serious damage to the development of sustainable economic systems in developing countries. It is therefore necessary, as required by the Monterrey Consensus, to close down tax havens, some of which are located within the EU or operate in close connection with Member States. They recall that, according to the World Bank, the illegal component of this capital flight amounts to between 1 000 and 1 600 billion USD each year, half of which comes from developing countries. Therefore, the Commission and the Member States must create measures to promote the global extension of the principle of the automatic exchange of tax information and establish a Code of Conduct on tax evasion, such as that currently being drawn up at the United Nations Economic and Social Council (ECOSOC).

Innovative financing mechanisms: while MEPs welcome the innovative financing mechanisms put forward by the Member States, they ask that these be easy to implement and effective. These instruments should provide for new sources of funding and deploy credit guarantees. At the same time, the Commission is called upon to enhance funding of climate change adaptation measures. They stress, in particular, that innovative finance mechanisms should be developed urgently for this purpose, such as levies on aviation and oil trading, as well as by earmarking of auctioning revenues from the EU Emissions Trading System (EU ETS). They also welcome the Commission's proposal to establish a Global Climate Financing Mechanism, based on the principal of frontloading aid to finance mitigation and adaptation measures in developing countries. Until this mechanism enters into force, they call on the EU to earmark at least 25% of future auctioning revenues from the EU ETS to finance climate change adaptation and mitigation measures in developing countries.

Micro-credit: MEPs call on the Commission to develop access to finance for small-scale entrepreneurs and farmers, as a means of increasing food production and providing a sustainable solution to the food crisis. Furthermore, the European Investment Bank (EIB) is called upon set up a guarantee fund in support of micro-credit and risk-hedging schemes that respond closely to the needs of local food producers in poorer developing countries.

Reforming international systems: lastly, MEPs call on the Council and the Commission to include the European Development Fund in the EU budget at the 2008/2009 Midterm Review, in order to enhance its democratic legitimacy. Regretting the current system of voting rights at the

IMF, MEPs call on the Commission and the Member States to demonstrate their interest in double-majority decision-making (shareholders/states) within the institution responsible for international financial stability. The Member States are also called upon to reform the World Bank.