



304 EAST 45<sup>TH</sup> STREET, FF 6<sup>TH</sup> FLOOR, NEW YORK, NY 10017  
TEL.: 1 212 906 6779 • FAX: 1 212 906 6057

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**THE CENTRALITY OF AID EFFECTIVENESS IN THE ACHIEVEMENT OF THE  
MILLENNIUM DEVELOPMENT GOALS**

*DELIVERED AT THE ITALIAN PARLIAMENTARY HEARING IN ROME*

**EVELINE HERFKENS, EXECUTIVE COORDINATOR OF THE UN MILLENNIUM CAMPAIGN**

Thank you for your invitation to speak today. I am always especially pleased to be talking to Parliamentarians, and this is not just because for many years I was one myself. It is also because I am firmly convinced of the power and importance of Parliamentarians and the difference that they can make.

I don't need to remind you that it is parliamentarians that hold the purse and set the laws of the land. And they have the power - and indeed the obligation - to monitor government action and influence public opinion. Parliamentarians have this power across the whole range of issues that concern citizens, but today I want to focus on our responsibilities as rich countries for development.

Parliamentarians can do many things to raise public awareness of development issues and to hold governments to account. I will highlight just a few examples of what could be done, and is being done in some countries.

- One example is to hold comprehensive *debates* with the government around key reports. The most informative of these reports is the OECD/DAC peer review of the efforts of individual rich countries. This report mostly focuses on aid, but it does cover a whole range of government policies addressing development, such as debt and trade.
- My next example is from my own country, the Netherlands. There twenty-five years ago Parliament established the practice of having a *parliamentary debate* ahead of all major international meetings, including WTO Ministerial meetings

and meetings of the World Bank and IMF, to ensure that the government pursues a development agenda in these meetings.

- Finally, the UK parliament scrutinises all government policies to ensure that they are consistent with development objectives.

So, there are many things Parliamentarians can do to ensure that we – as rich countries – are fulfilling our obligations to development. And today I wish to talk about these obligations – which are encapsulated by the eighth of the Millennium Development Goals (MDGs).

Millennium Goal 8 symbolises a *global partnership*. This was confirmed in Monterrey, and at UN conferences since. Goal 8 creates a *division of labour* between the North and South and *mutual responsibility* for development. Specifically, it acknowledges that unless both sides live up to their promises, the eight Millennium Goals will not be achieved.

Of course, the primary responsibility is with *developing* countries: to improve policies, to ensure pro-poor and transparent public expenditures, to deliver pro-poor labour-intensive growth, and to fight corruption. And developing country governments have to be accountable to their own citizens for all of this.

Essentially, the Millennium Goals are about *basic human rights*, for example, the right to education, health or decent work. As such, the Millennium Goals (and the MDG Campaigns in the South) empower people to exercise their social and political rights, and – with their elected representatives – to demand that their governments live up to these responsibilities and obligations. The Goals provide a tool for ensuring that governments are responsive and accountable for the promises they made in the Millennium Declaration, and which they have confirmed in many international meetings since. In this way, the Millennium Goals, combined with citizen mobilization in developing countries, have both proven to be powerful tools to improve *governance*.

And under the Millennium Goals compact, *rich countries* acknowledge that poor countries – particularly those in sub-Saharan Africa – will not achieve the Goals by themselves. We, the rich countries, *must play our part* to enable them to do so. This was agreed at the highest political level in the Millennium Declaration, but was also confirmed at Monterrey, at the UN Summit in 2005, in the Doha Declaration, and through the various Communiqués of the G8, the World Bank Development Committee.

In rich countries, *we must play our part* by:

- increasing the *quantity of aid*. Kemal Dervis has just referred to the minimum timetable for increasing aid to which all EU-15 countries are committed: 0.33% of GNI this year; 0.51% by 2010 and finally, 0.7% by 2015. But, 2015 is the year that

goals have to be achieved, and we have to be sure that our cheque is not still in the mail then!

- (but just as important or more important is) improving the *quality of aid*. There is no point in spending more of your taxpayers' money if you, the elected representatives, cannot ensure that money is actually spent on what the Italian electorate clearly want it to be spent on: achieving the MDGs!
- and, ensuring that we provide poor producers in developing countries the opportunity to earn themselves a livelihood by reforming our *trade policies*. It is still true that 70% of the world's poor live in rural areas and so are dependent upon agriculture for their livelihoods, so a reform of our policies on *agricultural trade* is the most important.

Today, I'll focus my comments on *aid quality*.

Last year the Swedish Director General - Ruth Jacoby - and I addressed the subject of aid effectiveness at a hearing of the Senate Committee, in view of the drafting of a new Italian law on the subject. At that time we very often referred to the OECD/DAC Peer Review of Italian aid. That report spells out the key issues for Italian aid in detail. Today, let me instead summarize the main issues that the donor community faces.

In 2005 in his report "In Larger Freedom," Kofi Annan underlined the need for donors to de-link aid from their *geopolitical agendas*.

One example of this is from the France and the UK: for these countries I used to say that while they do care very much about child mortality, they cared more whether or not children in developing countries grow up speaking French or English.

Italy, on the other hand, can be congratulated for not having much of a geopolitical agenda in developing countries. Instead it has traditionally focused its aid on the most needy countries, particularly those in sub-Saharan Africa.

Kofi Annan also called on donors to delink aid from their *economic interest*. The worst example of this is *tied aid* - i.e. aid that is tied to the purchase of goods and services from the country providing the aid. Tied aid provides poor value for money for the recipient; untying aid could increase its value by up to 25%. It is heavy in administration, and moreover it is particularly prone to corruption.

But the most important reform needed in the way we deliver aid is to realize that *we donors do not develop developing countries, but that they develop themselves*. Instead we need to realise that *our role* is to enable them to take full responsibility. This was what was agreed when making the global deal of the Millennium Development Goals.

This means that we must support *homegrown* poverty reduction strategies and MDG plans. We must allow priorities to be defined locally and ensure that recipient

Governments are accountable to their own citizens first and foremost, instead of to us, foreign donors.

We have to *align* our efforts – both our policies and our procedures – to those of the developing country, and, as a donor community we must *coordinate and harmonise* our efforts.

To do all of this implies a radical change in the way we deliver aid. *And* it implies a massive change in *our attitude*. We must stop thinking about “*our*” Dutch or Italian projects, and instead think about “*their*” development process. We must move away from building “*our*” schools or hospitals to supporting “*their*” education or health policies.

I hope you will allow me to read you a quote from the new Portuguese development strategy: “the most important reason that a lot of development cooperation failed in the past is because of fragmented uncoordinated supply-driven bilateral interventions.” Our Portuguese colleagues are talking about the tens of thousands of isolated projects, demanding hundreds of thousands of different reports to multiple donors, each with their own procedures: for procurement, for accounting, for evaluation ...

All of these requirements are to ensure accountability to *us donors*. And in fact, at the same time our practices were further eroding accountability of developing country governments to their own citizens.

What is more, at the end of the day, most of these projects – which ignored or undermined local responsibilities – proved to be unsustainable after the donor left, as they were not embedded in the country’s own policies. After the donor left there simply were not the resources to pay for the salaries of teachers or nurses, or even for maintenance.

The first ever International Conference where donors acknowledged they were part of the problem, and where they promised to become part of the solution, took place here in *Rome* in February 2003. This was followed by another conference in Spring 2005 at the OECD in Paris, where the donor community signed *concrete commitments*.

These commitments included the following promises:

- to respect home-grown strategies;
- to align donor support to these;
- to work together to coordinate and harmonize procedures; and
- to do away with individual projects, evaluations and missions.

Donors agreed *concrete indicators and deadlines* for the achievement all of these commitments.

A month later the EU agreed on a concrete timetable for achievement of the 0.7% ODA/GNI commitment.

All of these commitments - made after the Millennium Declaration - have provided much-needed flesh to Millennium Goal 8, which - as you know - covers rich country responsibilities. Goal 8 now has concrete indicators and deadlines attached to it. Just to remind you, the other 7 goals, for which developing countries have the primary responsibility, had deadlines and indicators from the outset.

So now, the *global deal* under the Millennium Development Goals is finally a *fair deal*.

Let me conclude by explaining the division of labour between North and South under the Millennium Development Goals, by making a comparison with the division of labour between the driver and the passengers in a car:

- the *developing country* should be in the driver's seat.
- *we, the donors*, should be like the passengers.
- as such, we may check whether the driver has a clean license i.e. whether the developing country government has a decent poverty reduction strategy or MDG plan.
- but, we must keep our hands *off* the steering wheel by respecting local ownership of the development process, and by aligning ourselves to local policies and procedures.
- also, we must not distract the driver with conflicting advice. In a real car we would not force the driver to switch from the left side to the right side of the road, or to read from different maps - one in miles and the other in kilometres. So we must not provide conflicting advice on development. Instead we must harmonize and coordinate, and refrain from imposing irrelevant conditionalities.
- *we, the passengers*, should also pay our fair share for the fuel, i.e. by keeping our commitment to the 0.7% ODA/GNI target.
- *but*, when paying for the fuel, we must not demand a particular brand, i.e. Shell or Agip. That is, we must stop tying our aid, and stop forcing the developing country to buy goods from the Netherlands or from Italy.

Having said that, the passengers cannot just 'sit back, relax and enjoy the view.' No, because Goal 8 has more components:

- the passengers should care about the car's suspension system, and take measures to lighten the load. We need to lift countries' *debt burdens*.
- donors must also help the driver by clearing the road of boulders and fallen trees. Particularly those boulders the passengers put there in the first place. To

start with, this means getting rid of outdated *aid modalities and procedures*, which stand in the way of enabling developing countries really being in the driving seat and really taking responsibility for their own development.

- *and*, it also means donors must break down the walls they have built in the *global trading system*, which prevent products made by poor people in poor countries from reaching our rich consumer markets.
- in addition, the donors must change their *agricultural policies*, which destroy rural livelihoods in poor countries. To remind you, in Europe, these policies cost the average European family 100 euros a month, without helping our own poor farmers, or our environment.

If we respect the division of labour embedded in the Goals and if all countries – both rich and poor – live up to the promises they made, and are held to account for these promises by their own citizens and parliaments, we'll all reach our destination safely: the achievement of the MDGs by 2015.

But, we're not there yet.

This is because we've decided to take the country road rather than the high-speed motorway, and rather than making steady progress towards our destination, we keep stopping in service stations to buy chocolate and fizzy drinks.

That is, so far, progress on the Goals is slow and patchy. While – on our currently slow and winding progress – we might achieve some of the Goals at a global level, this does not stop some of the poorest countries and poorest peoples being left behind.

To remind you, sub-Saharan Africa as a region is not currently on track to achieve *any* of the Goals, and South Asia – the other region which is most behind – will meet the poverty goal, largely because of India. It will also meet the target on water provision. But, South Asia is falling short on *all* of the other Goals.

But, I don't want to paint too bleak a picture, and I want to end by saying that even in the poorest countries we have examples of impressive progress. For example, while sub-Saharan Africa as a whole will not meet the Goal to halve the share of its poverty in extreme poverty, Mozambique – a least developed country – *is* on track to meet this Goal.

And there are many examples just like this, whether it be in primary education or in reducing infection rates in countries with a high prevalence of HIV/AIDS.

The secret behind these success stories – indeed it is not so much of a secret – is that all of us, drivers and passengers, donors and beneficiaries, have been doing what we are committed to do: *respecting mutual responsibilities* and the *global division of labour*.

The Goals are achievable, we just need to put our foot on the accelerator. We *can* reach the destination safely, and achieve the Goals by 2015.

Thank you.

*Eveline Herfkens is the Executive Coordinator for the United Nations Millennium Campaign. She is the former Minister of International Development for the Netherlands, former Dutch Ambassador to the United Nations in Geneva including the World Trade Organisation, and the former Dutch Representative to the World Bank.*