



**STATEMENT ON BEHALF OF THE GROUP OF 77 AND CHINA BY
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OF ANTIGUA AND BARBUDA TO THE UNITED NATIONS, AT THE
INFORMAL REVIEW SESSION OF THE GENERAL ASSEMBLY ON SECTION
FOUR OF THE MONTERREY CONSENSUS (New York, 15 April 2008)**

Co-Chairs,

It is an honour for me to make this statement on behalf of the Group of 77 and China in this review of Section IV of the Monterrey Consensus "Increasing international financial and technical cooperation for development".

International financial and technical cooperation, in particular Official Development Assistance, has been identified in the Monterrey Consensus as one of the five sources of financing to facilitate development and the achievement of the Millennium Development Goals and other internationally agreed development targets.

Official Development Assistance was seen as particularly essential not just as a source of needed finance, but also because of its potential catalytic and facilitative role in stimulating the other four sources. The Monterrey Consensus saw ODA as stimulating the other sources through, inter alia, its potential to:

- finance the long-term, low financial return, investments necessary to build human capital and productive and export capacities;
- finance social infrastructure (education, health, public infrastructural development, agriculture, rural development and food security) critical for sustainable production and for the achievement of the MDGs and other internationally agreed development goals and targets; and
- support the enhancement of the environment for private sector investment;

Co-Chairs,

In light of the importance placed on ODA in the overall strategy for mobilizing financing for development, leaders in the Monterrey Consensus:

- recognized the importance of a substantial increase in ODA;
- urged developed countries to make concrete efforts towards the targets of 0.7 percent of gross national product (GNP) and 0.15 to 0.20 percent of GNP to developing countries and to least developed countries respectively, as previously agreed; and
- committed themselves to enhance the effectiveness of ODA through, inter alia, reducing transaction costs and aligning ODA to national development needs and objectives under the ownership of recipient countries.

Co-Chairs,

The G-77 and China's analysis of the performance of ODA from developed countries since 2002,

based on OECD statistics, reveals, among other results, the following:

- (i) Total ODA, in current dollar terms, increased in 2003, 2004 and peaked in 2005 at US\$107 billion;
- (ii) Total ODA fell in 2006 to US\$104 billion and further in 2007. The decline in real terms over the two years was about 15 percent.
- (iii) A significant part of the increase in ODA between 2002 and 2005 comprised grants to finance debt relief. This increased four fold from 7 per cent of total ODA in 2001 to 30 percent in 2005. In the 10 years from 1992 to 2001, total provision for debt relief only exceeded 7 percent of ODA in one year, 1998, when it was 9 per cent. In absolute terms, approximately 60 percent or US\$15 billion of the US\$26 billion increase in ODA between 2004 and 2005 was for debt relief. We recall that leaders, in the Monterrey Consensus, encouraged donor countries "to ensure that resources provided for debt relief do not detract from ODA resources intended to be available for developing countries".
- (iv) In addition to the portion of the increased ODA directed to debt relief in 2005, a significant portion, about \$2 billion, was for emergency relief in view of natural disasters such as the Asian tsunami and the Pakistan earthquake.
- (v) In 2006 and 2007 the total and percentage contribution of developed countries to ODA declined. Eleven (11) of the twenty-two (22) developed countries reduced the percentage of their GDP to ODA while only 6 of them increased their contribution in 2006 as against 2005. The Monterrey Consensus and the 2005 Summit Outcome Document urged "developed countries that had not done so [17 of 22 DAC members]* to make concrete efforts towards the 0.7 percent of gross national product as ODA".
- (vi) The decline in ODA in 2006 and 2007 which followed the 2005 UN Summit and the recommitment for developing countries to achieve earlier agreed development targets including the MDGS and for developed countries to urgently increase their ODA towards 0.7 percent of their GNP is not an unusual event. Rather, it conforms to the pattern observed after every major international conference since 1992 in which there was a compact involving commitment for developing countries to the international community to achieve agreed objectives and developed countries to increase their ODA to complement the effort of the developing countries. The percentage of the GNP of developed countries allocated to ODA fell in 1993 after the major Rio Summit in 1992 and in 1995, 1996 and 1997 after international summits in 1994, 1995 and 1996; and again after the Millennium Summit in 2000. The developed countries commit solemnly to increase ODA and proceed immediately to reduce it.

Co-Chairs,

The vast majority of developed countries have systematically failed to honor international commitments to increase the volume of ODA and the percentage of their GDP committed to developmental activities in the face of increasing demands.

This situation must be addressed fundamentally in Doha. The approach to the provision of ODA, to date, has been to leave it totally to the discretion of the donors. This could hardly be appropriate in an international environment in which the targets and goals are internationally determined and failure to meet them has consequences for the developing countries.

Co-Chairs,

The G-77 and China recognizes that the Monterrey Consensus was not only concerned about the volume of ODA but also its quality and effectiveness. Aid quality and effectiveness depend significantly on factors such as conditionalities, the degree of national and local ownership, the quality of domestic policies and framework and the degree to which ODA responds to the objective of such domestic policies.

Co-Chairs,

The G-77 and China has emphasized in presentations on other sections that developing countries have been enhancing their macro-economic policy and management frameworks, increasing transparency, strengthening their development planning and programming and many have promulgated poverty reduction strategy papers (PRSPs). There are therefore national frameworks and objectives to respond to and support.

The Monterrey Consensus recognized that ODA effectiveness was being compromised by burdensome restrictions and donor driven conditionalities such as the tying of aid, and by lack of harmony in the conditions and operational procedures of donors, including multilateral institutions. There is now general consensus that ex ante conditionalities do not work.

Co-Chairs,

The donor community has sought to respond to these weaknesses through the Paris Declaration on aid effectiveness adopted in 2005. But, the Paris Declaration is itself an OECD, donor driven, process with little if any, involvement of the recipient countries. There is significant evidence that while there might be some gains in efficiency and in reductions in some transaction costs, the Paris Declaration is reducing the policy space of recipients and accentuating the asymmetries in power between donors and recipient countries. The OECD is set to review the Paris Declaration in Ghana in September 2008 with a view, inter alia, to assess progress in implementation and to "identify the action needed and the bottlenecks to overcome in order to make progress in improving aid effectiveness for 2010 and beyond."

In the view of G-77 and China, this is a clear admission of failure to date. The process to prepare the Accra meeting, the determination of the agenda, and involvement in the preparation of the Accra Action Agenda, whilst an improvement on previous processes, all remain donor driven through the OECD and the World Bank. It cannot be relied on to provide the fundamental changes required to achieve effectiveness in ODA as required by the Monterrey Consensus.

Co-Chairs,

Leaders in the Monterrey Consensus recognized "the value of exploring innovative sources of finance provided that those sources do not unduly burden developing countries." There has been some progress in this area. There are some examples which demonstrate the possibilities of the concept. These must now be brought into a coordinated process and focus given to the most prospective to generate the level of resources required to complement ODA.

It is important to highlight that "aid for trade" is not an innovative source of financing. Further, that many such transfers cannot off-set earnings loss from deterioration in terms of trade and must be additional to ODA. Such resources could be a complement to strengthen production and marketing capacity in the face of future competition.

Co-Chairs,

This relatively weak performance in the provision of ODA as a source of financing for development and in enhancing ODA effectiveness requires a fundamental review in Doha.

In the view of the G-77 and China the Doha conference should seek, at a minimum, to:

- Give greater legal certainty to developed countries meeting their agreed obligation to provide a level of ODA. This could be achieved through an arrangement with the United Nations such as that which exists with the multilateral financial institutions, including IDA where a commitment is a legal obligation even where it is not met in the timeframe.
- Provide for a system of reporting on performance by donor and recipient. This could be based on a peer review system, possibly on a regional basis, which would allow for assessment based on end results and on the performance of both recipients and donors in relation to their commitments.
- Put in place an arrangement for an inclusive process to consider the overall issue of aid effectiveness.
- Proscribe the use of conditionalities which constrict the policy space of recipient countries, in particular ex ante conditions such as the tying of ODA to specific procurement requirements.
- Put in place a process to build on the successful examples of innovative sources of finance so that such financing might become a more structured, multilateral complement to ODA.
- Specify clearly the acceptable objectives of any program of aid for trade.

I thank you.

* The bracketed section is our insertion.