

European MDG Rescue Package Essential Services

Working Document

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INTRODUCTION

In 2000 at the UN Millennium Summit, 189 countries signed up to the Millennium Development Goals, an agreed set of 8 goals with measurable targets, for example reducing by two thirds child mortality by 2015, or halving the number of those living in poverty by 2015. These goals were deliberately set as being achievable and realistic within the timeframe. In fact they were criticised at the time by many for not going far enough.

In recent years there has been significant progress towards some of the goals, notably reducing child mortality. Around four million fewer children die each year than when the goals were set, which is an amazing achievement. However, overall progress has been unacceptably slow and some of the goals have not even begun to be met. Global progress has been highly uneven and mainly driven by the rapid growth and improvements in the giant countries of Asia, including China, India, Indonesia and Vietnam. Other regions in the world have performed poorly, especially Sub Saharan Africa, which still lags behind. Maternal mortality reduction is amongst the most unsuccessful goals: in 2007, more than 500.000 women died in pregnancy childbirth- the same number as in 1990, a shocking failure.

More recently the food and economic crises have reversed some of the progress made, with the economic crisis forcing a hundred people below the poverty line every minute. The time is ripe to redouble efforts to ensure these goals are met.

Aid is central to enabling the poorest countries to reach the MDGs. EU Member States agreed in 2005 in the European consensus for development to give collectively 0.56% of their GNI in ODA by 2010. In June 2008, responding to the UN secretary general call for a new international efforts to return to the good direction, the EU adopted an agenda for action on MDGs outlining the policy milestones or outcomes to be achieved in the areas of poverty and hunger, education, health, environment and gender equality by 2010 to be back on track towards the MDGs. These milestones were decided on the assumption that the EU would respect its 0.56% commitment. However, outlooks for 2010 indicate that this target is not going to be met: the EU collectively is far from 0.56%, with insufficient increases over the 5 years and with some Member States even cutting their aid budget in recent years, under pressure from the financial crisis. It is therefore very unlikely that the EU will meet the outcomes defined in the Agenda for Action on current ODA trends.

The EU, representing 60% of global aid flows, has a special responsibility towards the MDGs. The fight against global poverty is one that distinguishes the EU as a global leader, and it something which Europeans are proud of. However, this hard-earned reputation is at risk of being lost. With the failure of the G8, G20 and the UN to set up a strategy to reach the MDG and mitigate the impact of the economic crisis, the EU needs to take the lead in 2010 by adopting an MDG rescue package to maintain hopes of reaching the MDGs in 2015 and pave the way for a UN summit in September 2010 that takes the strides needed to end poverty.

Spain is one of the few EU countries that will respect its commitment in 2010 and its 0.7% commitment in 2012. Belgium, the country that will hold the next EU Presidency also committed to attain 0,7% already this year in 2010. Both countries announced that they will put development amongst the top priorities of their Presidency. Oxfam therefore believes that the Spanish Presidency of the EU -with the support of Belgium the next EU Presidency- have the opportunity to take the lead on getting all EU Member States to agree the much needed MDG rescue package at the Heads of States and Governments summit in June 2010. But for this opportunity to become a reality, they must not repeat the mistakes of previous presidencies and fail to use their positive domestic record to push for critical European progress.

FOUR ESSENTIAL COMPONENTS OF AN EU MDG RESCUE PACKAGE

1. More aid

The MDG rescue plan needs to recognise the failure of the EU to meet its 2010 commitment, and agree an emergency plan to boost aid levels to a minimum interim target of 0.63% by 2012. This must be combined with a reaffirmation of the commitment to reach the MDGs (0.7% GNI/ODA) by 2015 at the latest, and with the new measure of establishing legally binding mechanisms to ensure that these commitments are respected.

2. Better Aid

The EU also needs to continue to improve the quality of its aid. Investing more in budget support, especially through MDG contracts is one way to make a significant contribution to this, providing the vital predictable support needed to support poor country governments to deliver education and health services. The EC and the Member States must commit to a collective target for 50% of their aid to be delivered as sector and general budget support by 2015 at the latest, further promote the use of MDG contracts and provide additional voluntary contributions to the EDF to enable more countries to benefit from the mechanism. This boost will be critical to protect health and education spending in a time where poor people are facing the worst effects of a global economic crisis.

3. Beyond Aid

Beyond 0.7%, the EU must commit to innovative sources of financing and in particular implement a Currency Transaction Levy (CTL) on the eurozone as a first step towards promoting a universal Financial Transaction Tax (FTT) internationally, both of which can mobilise billions of additional euros for development. The EU should promote the establishment of a multilateral agreement on tax havens with an automatic exchange of full tax information that require a country by country reporting of subsidiaries, sales and profits by multinational corporations in order to enable developing countries to recoup lost tax revenue that can be used for development purpose. Oxfam also believes that the EU needs to improve “policy coherence for development” to ensure that the effectiveness of its development policy is not reduced by the impact of another of its other external policies.

4. Increase efforts towards essential services MDGs

At both the technical and political level, the EU should strongly support free public services, with the abolition of user fees in both education and health, and underline the vital need to expand public provision of free services in poor countries. The EU should deliver an EU-US transatlantic partnership on health that includes shared commitment to the abolition of user fees – especially for mothers and children – and to increased budget support to strengthen public health systems. The EU should also support the Global Fund in expanding its support to health systems. The EU should support the reform of the Education For All Fast Track Initiative to transform it into a Global Fund for Education, independent of the World Bank, and along with other donors fully replenish the Catalytic Fund on the condition that this takes place.

MORE AID: AN EMERGENCY FINANCIAL PLAN

Aid works. It is an absolutely necessary and vital part of the fight against poverty. The EU has a good track record on aid, but its reputation is at risk. Promises to the poorest are being broken, and there is a risk that the progress made due to Europe's aid will be unravelled if aid is not scaled up to meet promises and to meet the need in poor countries.

The EU promise in 2005 to reach 0.56% by 2010. In 2008, EU aid was just 0.4% of GNI and outlooks for 2009 and indicates that the 0.56% target will not be respected. A rapid and immediate scaling up of ODA is necessary to get back on track to reach 0.7%. But while Member States need to reaffirm their commitments, this alone will not be enough. They need to set up a concrete mechanism to ensure that the commitments are respected.

1. Under the Spanish Presidency the EU should **agree a new collective target of 0.63% by 2012 in order to boost the EU collective efforts to deliver 0.7% ODA/GNI by 2015 at the latest and avoid the risk of backloading**. This new target should build on the 2010 collective target, with minimum graded targets for the EU 15 and the EU 12 newest Member States. This target should be ambitious enough to avoid backloading trends among some EU donors. Developing countries need the money now to make the necessary investment to reach the MDGs by 2015 and to fight the negative impact of the financial crisis. A collective target of 0.63% ODA/GNI should be considered as a minimum for 2012 and donors who have made more ambitious pledges should re-commit to meet their targets.

But past experience has proved that promises only are not enough. The EU needs to make more efforts to ensure that ODA commitments are respected. Under the Spanish Presidency:

2. EU Member States should set up **national ODA increase timetables for each Member for reaching 0.7%**. Where five years budgetary planning is not possible due to legal constraints, three year plans should be secured at least. This would improve the predictability of European aid increasing the value of the money for developing countries by enabling longer term planning and allowing partner countries to strengthen their finance and fiscal systems so they might invest more domestic resources in achieving MDGs. In order to provide a long-term commitment to 0.7%, Member States must also **pass binding national legislations to ensure this commitment is maintained**.
3. **A peer review of Member States ODA commitments should take place every year in June at the EU Heads of States level.**
4. The EU should ensure that at least 90% of its budget for developing countries is ODA.

BETTER AID: GIVE MORE BUDGET AND SECTOR SUPPORT- A NEW EFFORT TO IMPROVE THE QUALITY OF AID

To get on track towards the MDGs, developing countries will not only need more aid they will need better aid. Developing countries need aid that is well coordinated, transparent and predictable. Based on research¹ that proves that budget support has been the most effective to ensure universal access to health and education, Oxfam international thinks that under the Spanish Presidency:

1. See Oxfam international, Fast Forward report "this analysis draw on extensive research into EC budget support commissioned by Oxfam and carried out by EEPA as well as detailed review of 11 general budget support agreements by Oxfam and EURODAD".

5. **The EC and the EU should continue to increase the amount of aid they provide as budget support, including stepping up sector budget support for health and education, and agree a collective EU target for 50% of their aid to be delivered as budget support by 2015 at the latest.** This should go to those governments that are committed to poverty reduction and have good systems of domestic accountability.
6. **EU Member States should give additional annual voluntary contributions to EDF (equivalent to 15% of their annual EDF contribution) to finance more MDG contracts and extend them to more countries.** The next EDF replenishment should be planned according to these features. To this end, the European Commission should publish a paper in its April package that stress the added value of doing so and provide guidelines to Member States on how they can co-finance or give additional voluntary contributions

BEYOND AID: TAX AND DEBT CANCELLATION

While reaching 0.7% ODA/GNI is a compulsory step to reach the MDGs, it only corresponds to the minimum estimation of the amount of money needed. Costs of reaching the MDGs have increased with the financial crisis and the impact of climate change. Additional to 0.7% sources of financing will be needed. Therefore:

7. The EU should support the search for **innovative finance mechanisms additional to 0.7% ODA/GNI** and especially support the implementation of a Financial Transaction Tax (FTT) of at least 0.05% on all transactions. This must raise significant financing for developmental and environmental objectives. Europe should advocate in the G20 towards the US, Japan, BRICs and others to ensure that a universal FTT is implemented. As a first step to provide greater impetus to global negotiations, the EU should implement a currency transaction levy in the euro zone to be implemented from January 2011 at the latest, and pursue this in other EU Members, particularly the UK given the size of currency transactions on the pound.
8. The EU should promote the establishment of **a multilateral agreement on tax havens** with an automatic exchange of full tax information and a country by country reporting of subsidiaries, sales and profits by multinational corporations. This could help developing countries to recoup lost tax revenue that can be used for development purpose.
9. **Ensure that all European donors immediately give a moratorium on debt repayments** for those countries hit by the economic crisis and committed to reach their specific MDG targets, reflected in their National Poverty Reduction Strategies. This means suspending both debt interests and principal repayments. This moratorium should be until 2015, and should ensure that no interest accumulates during this period. An assessment should be made of sustainable debt levels based on what financing a country requires to meet the MDGs. To achieve this, a new debt sort-out mechanism that is impartial and faster in achieving results is needed (Free and Transparent Arbitration Process). All debt cancellation must be additional to funds received through ODA.
10. **The EU should improve policy coherence for development so that the effectiveness of its development policy is not reduced by the impact of another of its policies.** Many of the EU's current external policies, particularly in areas such as trade, agriculture, migration, capital flight and intellectual property rights, are having a negative impact on development objectives in poor countries. The PCDD process should keep on following 12 priorities and should also take into account the negatives (flows from developing countries to developed countries), but must also be combined with stronger coordination mechanisms and greater political will going up to the highest political level to ensure policy coherence is truly applied.

INCREASE EFFORTS TOWARDS ESSENTIAL SERVICES MDGs FREE PUBLIC HEALTH AND EDUCATION FOR ALL

Health and education represent four of the MDGs, and lie at the heart of achieving the others. The crippling cost of paying for health care for example is a key reason that families are driven into poverty each year. Countries with strong and free education and health services have been better able to weather the economic crisis in the last year, providing protection for their citizens. Improvements in human health and educational opportunities are important on a personal level, but they also play a critical role in contributing to economic growth and development and protecting the environment. Yet in countries with some of the most urgent needs, expenditures in these priority areas are far from enough. There has been some welcome progress in education and in tackling HIV and child mortality, but maternal mortality rates for instance are still critically high. EU aid has played a key part in achieving successes on the health and education, and far more is needed.

HEALTH

The Health MDGs are lagging furthest behind. Progress in improving maternal health has been especially low. Amongst the commitments in the MDG agenda for action was an additional 8 billion for health, tied to specific outcomes such as ensuring that 21 million more births are attended by health professionals by 2010. But these commitments have not been respected and urgent measures are needed to put the world back on track towards reaching the health MDGs. We therefore call the Spanish Presidency to:

11. **Ensure that the EU increases its aid for health by at least € 8 billion by 2010 (according to its fair share of the growing estimated financing gap) as promised in the MDG Agenda for Action.**
12. Through the **Communication on the role of the EU in global health** and following GAERC conclusions the EU should establish an ambitious and forward-looking position on health developing, by inter alia:
 - Calling for increased financial and technical support to developing countries that want to (further) abolish user fees, especially for mothers and children. The additional 8 billions euros committed in the Agenda for Action can help to support developing countries' efforts to scale up free publicly provided health services, and should enable additional countries to deploy free health care by the end of 2010.
 - Encouraging Member States to increase the proportion of aid provided as health sector budget support both bilaterally and through their contributions to the EDF, which should be accompanied by structural support to civil society in developing countries to hold their governments to account. The EC should also transparently calculate what proportion of its budget support is contributing towards the 8 billion commitment, and seek to increase this.
 - Promoting greater policy coherence for development in EU externally, and, in particular, ensuring that access to medicines in developing countries is not endangered by the EU trade policies.
13. Building upon the ambition established in the adopted Communication, the **Spanish Presidency and all EU Member States put health on the agenda at the highest political level on European and on global stage.** The EU should:
 - Ensure delivery of an **EU-US transatlantic partnership on health** that includes shared commitment to the abolition of user fees – especially for mothers and children – and to increased budget support to strengthen public health systems. A common declaration of support on these two principles by the EU and US at the UN summit in September would be a significant step in that direction.
 - Support the Global Fund to fight HIV/AIDS, TB and Malaria (GFTM) and press for it to have the ability to further support the whole health system in poor countries with long term on budget support. The WHO, GFATM and GAVI should take the lead in supporting public health systems, with the World Bank playing a much smaller role given its poor track record in health

EDUCATION

Europe as a whole is the main donor of the Education For All - Fast Track Initiative (FTI). While the FTI has been key for the progress made in MDG 2 and 3, it has suffered limited effectiveness by structural, governance and leadership problems and an increasing finance gap. Under the Spanish Presidency:

14. **The EU should increase its support to education by €4,3 billion by 2010 (according to its fair share of the growing estimated gap) as promised in the MDG Agenda for Action**

15. **Europe should promote a reform of the FTI to set up a Global Fund for Education (GFE), independent of the World Bank. This renewed multilateral instrument should deliver better and further by including and strengthening the participation of other donors, such as the US, creating new instruments for disbursement, and developing new plans to ensure funding for education to donor orphan countries and fragile states.** This 'second generation' Global Fund should play an active role in mobilizing additional funding, pushing donors to increase the amount of assistance provided as budget support, and ensuring that these funds are given in a predictable, long-term way to allow recipient countries to adequately plan. In order to achieve these goals, its financing model should include both an effective, quick-disbursing pooled fund, and a coordination mechanism to align a diversity of donor contributions with national education plans. European and other donors must fully replenish the FTI Catalytic Fund on the condition that this reform takes place.

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