

EUROPEAN PARLIAMENT

2004



2009

Session document

A6-0085/2009

20.2.2009

REPORT

on MDG contracts
(2008/2128(INI))

Committee on Development

Rapporteur: Alain Hutchinson

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on MDG contracts (2008/2128(INI))

The European Parliament,

- having regard to the United Nations Millennium Declaration of 18 September 2000, in which the international community pledged to achieve the Millennium Development Goals (MDG) with a view to halving world poverty by 2015, as reaffirmed at several United Nations conferences including in particular the Monterrey Conference on Financing for Development,
- having regard to the commitments undertaken by the Member States at the Barcelona European Council of 15-16 March 2002,
- having regard to its resolution of 20 June 2007 on the Millennium Development Goals - the midway point¹,
- having regard to the joint statement by the Council and the representatives of the Governments of the Member States meeting within the Council, the European Parliament and the Commission on European Union development policy: ‘The European Consensus’,² signed on 20 December 2005,
- having regard to the Commission’s ‘MDG package’ of 2005,
- having regard to the communication from the Commission on ‘Accelerating progress towards attaining the Millennium Development Goals - Financing for Development and Aid Effectiveness’ (COM(2005)0133),
- having regard to ‘Keeping Europe’s promises on financing for development’ (COM(2007)0164),
- having regard to the Commission communication on ‘EU aid: delivering more, better and faster’ (COM(2006)0087),
- having regard to its resolution of 23 September 2008 on the follow-up to the Monterrey Conference of 2002 on Financing for Development³,
- having regard to the results and outcome document of the Follow-Up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus (Doha, Qatar, 29 November-2 December 2008)⁴,

¹ Texts adopted on that date, P6_TA(2007)0274.

² OJ C 46, 24.2.2006, p. 1.

³ Texts adopted on that date, P6_TA(2008)0420.

⁴ A/CONF.212/L.1/Rev.1 of 9 December 2008.

- having regard to its resolution of 22 May 2008 on the follow-up to the Paris Declaration of 2005 on development aid effectiveness¹,
- having regard to the Commission's technical discussion paper of 19 June 2007 on 'A MDG contract : a proposal for longer-term and more predictable general budget support',
- having regard to the new EU-Africa strategic partnership,
- having regard to its resolution of 25 October 2007 on the state of relations between the European Union and Africa²,
- having regard to the Paris Declaration on aid effectiveness of 2 March 2005 and the conclusions of the high-level forum which met in Accra from 2 to 4 September 2008 concerning the follow-up to that declaration,
- having regard to its resolution of 6 April 2006 on aid effectiveness and corruption in developing countries³,
- having regard to its resolution of 4 September 2008 on maternal mortality ahead of the UN high-level event on the Millennium Development Goals held on 25 September 2008⁴,
- having regard to 'Aid Delivery Methods: Guidelines on the Programming, Design & Management of General Budget Support'⁵,
- having regard to the provisions of the Cotonou Agreement of 23 June 2000, and in particular Article 58 thereof, as revised in 2005, which lists the institutions which are eligible for funding,
- having regard to the OECD's advice on good practice in the aid sector in 'Harmonising donor practices for effective aid delivery'⁶,
- having regard to the Court of Auditors' Special Report No 2/2005 on EDF budget aid to ACP countries: the Commission's management of the public finance reform aspect⁷,
- having regard to Court of Auditors' Special Report No 10/2008 on 'EC Development Assistance to Health Services in Sub-Saharan Africa', together with the Commission's replies,
- having regard to the 'Evaluation of general budget support synthesis report' of May 2006 by IDD and Associates⁸,

¹ Text adopted on that date, P6_TA(2008)0237.

² Text adopted on that date, P6_TA(2007)0483.

³ OJ C 293 E, 2.12.2006, p.316.

⁴ Text adopted on that date, P6_TA(2008)0406.

⁵ Published in English in January 2007 by the Commission, AIDCO - DEV - RELEX.

⁶ Development Assistance Committee (DAC) reference document, vol. 2, 2006.

⁷ OJ C 249, 7.10.2005, p.1.

⁸ IDD and Associates, May 2006.

- having regard to its resolution of 13 February 2006 on the new financial instruments for development in connection with the Millennium Goals¹,
 - having regard to the UN Convention on the Rights of Persons with Disabilities of 13 December 2006, signed by the European Community and its Member States,
 - having regard to Rule 45 of its Rules of Procedure,
 - having regard to the report of the Committee on Development (A6-0085/2009),
- A. whereas, by supporting the Millennium Declaration on development in the year 2000, the European Union, together with the whole international community, undertook to halve the incidence of extreme poverty worldwide by the year 2015, while concentrating its efforts on the eight Millennium Development Goals,
- B. whereas new estimates still count about 1.4 billion people living below the poverty line (i.e. 1.25 US dollars per day), equivalent to over one fourth of the developing world population,
- C. having regard to the fresh undertakings given by the Commission and the EU Member States in 2007 that they will make a significant contribution to getting the work of meeting these goals back on schedule,
- D. whereas lack of access to basic healthcare and other services causes the death of millions of people and perpetuates the cycle of poverty, although access to such care and to basic education is a human right which it is the responsibility of governments to uphold and enforce,
- E. whereas the MDG contracts could offer a further means of meeting the challenges posed in the developing countries by the world food crisis, in particular in the farming sector,
- F. whereas, despite the considerable efforts they have made up to now, most developing countries do not have the necessary resources to meet the challenges they face in the health and education sectors and whereas, therefore, some form of external aid is essential,
- G. whereas Parliament is being asked to grant a discharge in respect of the EDF,
- H. whereas the Commission intends to significantly increase the use of budget support during the tenth EDF to enhance the effectiveness of its aid and meet the objectives it has set itself,
- I. whereas teachers and health workers in the developing countries are currently working in deplorable conditions, whereas almost two million teachers and more than four million health workers are needed if the MDGs are to be achieved and whereas they could be recruited and trained if adequate levels of support, in the form of budget support as part of an MDG contract, were to be provided,

¹ OJ C 290 E, 29.11.2006, p. 396.

- J. whereas the recurring lack of health workers and teachers is being exacerbated by the brain drain organised by the rich countries,
- K. whereas the Union intends to continue to increase its expenditure on budget support, in particular by significantly increasing sector budget support for health and education, particularly in the African countries,
- L. whereas MDG contracts set concrete performance targets by reference to MDG in the fields of basic health and education, but other priority sectors could also be addressed on the basis of MDG contracts,
- M. whereas Parliament's official position on development aid, as set out in its resolution of 16 February 2006 on new financial instruments for development in connection with the Millennium Goals¹, is that 'an increase in quantity must go hand in hand with an increase in quality, i.e. the effectiveness of aid must be improved by application of the "3 Cs" – coordination, complementarity and coherence – as well as by reducing the transaction costs of aid, improving the predictability and sustainability of aid mechanisms, increasing the speed of delivery of aid, further untying aid, finding solutions to unsustainable debt burdens, promoting good governance, combating corruption and increasing the absorption capacity of aid recipients',
- N. whereas predictable and long-term aid flows can make a direct and effective contribution to carrying into effect the poverty reduction strategies set out in the MDG,
- O. whereas, despite the undertakings they gave in Monterrey (2002), Gleneagles (2005), Paris (2005) and Accra (2008) to improve the quantity and quality of development aid, many EU Member States still do not grant all the aid they have pledged to provide, and whereas, when they do provide that aid, some proves inappropriate,
- P. whereas in 30% of cases delays occur in the disbursement of the budget support provided by the Commission, as a result of the excessively cumbersome nature of its administrative procedures,
- Q. whereas the lack of predictability in the provision of budget support is in particular the result of the annual nature of most of the conditions attaching to the provision of that support, and whereas this lack of predictability sometimes forces the recipient countries to spend the support before it has actually been provided and without being certain that it ever will be provided,
- R. whereas this lack of predictability in the provision of European development aid also affects those recipient countries which offer a degree of legal security and a stable regulatory environment,
- S. whereas the Commission is the largest multilateral development aid donor, whereas it was one of the first donors to provide budget support, and whereas it increasingly uses this type of aid, which has accounted for one-fifth of the total assistance it has provided in recent years,

¹ P6_TA(2006)0063, paragraph 6.

- T. whereas, although budget support already constitutes one instrument which can be used to improve the provision of aid by the EU, it would benefit from being more predictable and granted for longer periods,
- U. whereas the current budget support provided by the Commission is generally delivered on the basis of three-year programmes, or one-year programmes in the case of some agencies,
- V. whereas the proposed MDG contract has no budgetary implications and the MDG contract is not a new instrument but a means of implementing existing instruments,
- W. whereas the status of the Commission document on MDG contracts is currently unclear,
- X. whereas the Commission now believes that the time has come to apply the concept of contracts based on tangible results in terms of attaining MDG instead of annual checking of compliance with each donor's customary conditionality requirements,
- Y. whereas the term 'contract' implies a financial commitment ensuring greater predictability on the part of the donor country in exchange for more sustained commitment on the part of the recipient country to achieving tangible results,
- Z. whereas the Commission plans to conclude a first series of MDG contracts for a period of six years, in other words until the end of the tenth EDF,
- AA. whereas the Commission proposal to conclude contracts for a period of six years goes beyond the current practice employed by other donors at world level,
- AB. having regard to the Commission's appeal to the Member States to co-finance the MDG contracts by means of additional, voluntary contributions to the EDF,
- AC. whereas no changes are needed to the MDG contracts, which form part of the general budget support instrument drawn up on the basis of the criteria laid down in the Cotonou Agreement, in respect of decisions concerning the programmes already under way and the differences in the arrangements for providing general budget support, whereas the MDG contracts do not entail the establishment of a new financial instrument, and thus continue to be based on the budget support provisions set out in the Cotonou Agreement, and whereas, by the same token, the MDG contracts are still consistent with the internal guidelines governing general budget support which were recently finalised,
- AD. whereas the eligibility criteria for MDG contracts include compliance with Article 96 of the Cotonou Agreement on human rights, democratic principles and the rule of law,
- AE. whereas effective budget support should enable recipients to finance their own strategies and very concrete programmes to improve access to efficient public health and education services,
- AF. whereas the Commission has not fulfilled its commitments to systematically include

Members of Parliament and representatives of civil society organisations in its dialogues with the governments of developing countries and whereas, moreover, it is now widely recognised that, to be effective, development should be entirely under the control of developing countries' own governments, parliaments and civil society organisations,

- AG. whereas the Commission envisages that, to be eligible, countries should have achieved satisfactory macro-economic results and budgetary management results when implementing budget support, thereby differing from other suppliers of budget support such as the IMF or the World Bank, which attach many conditions to their aid, running counter to the principle of ownership by the recipient country,
- AH. whereas many countries which urgently require more, and more effective, aid to help them make swifter progress towards attaining the MDG do not fulfil the criteria currently specified by the Commission for the conclusion of MDG contracts,
- AI. whereas, in their current form, MDG contracts apply solely to ACP countries,
- AJ. whereas the budget support provided by the Commission suffers from a serious lack of transparency and of ownership by the poor countries, and whereas the funding agreements are only rarely made public,
- AK. whereas the fundamental principle of development aid is to provide aid to those who need it most and where it can be the most useful,
- AL. whereas, to take just one example, no one in Burkina Faso was aware that an MDG contract was being negotiated between that country and the Commission, and whereas no information on that subject is currently available on the website of the Commission delegation in Burkina Faso,
- AM. whereas, in the European Development Consensus, the Union pledged to adopt an approach based on results and performance indicators,
- AN. whereas the Commission needs to continue to link its budget support to the results achieved by recipient countries in respect of equality between women and men and the promotion of women's rights,
- AO. whereas budget support agreements have already been concluded between the Commission and Burkina Faso (2005-2008), Ethiopia (2003-2006), Ghana (2007-2009), Kenya (2004-2006), Madagascar (2005-2007), Malawi (2006-2008), Mali (2003-2007), Mozambique (2006-2008), Tanzania (2006-2008), Uganda (2005-2007) and Zambia (2007-2008),
- AP. whereas there are some 650 million disabled persons in the world, whereas 80% of them live in the developing countries, and whereas one in five of them live under the extreme poverty threshold; whereas, moreover, they are victims of many forms of discrimination and rarely have access to basic health care and education,
- AQ. whereas under the 'general obligations', and in particular article 32 of the UN

Convention on the Rights of Persons with Disabilities, signatories are obliged to take disability into account in their development cooperation,

AR. whereas the MDGs will not be achieved by 2015 without giving due consideration to the inclusion and participation of persons with disabilities,

AS. having regard to the report on the implementation of the Africa-EU Partnership of 22 November 2008, and in particular paragraph 37 thereof, which emphasises the glaring failure to take action to assist disabled persons in the context of the efforts to achieve the MDGs,

Millennium Objectives – Development cooperation

1. Reasserts that development aid should be based on need and performance and development aid policy should be designed in partnership with the recipient countries;
2. Reasserts that, to achieve the MDG, donor countries must honour all their commitments and improve the quality of the aid they provide;
3. Stresses the need to develop new instruments to ensure aid is more predictable and less volatile;
4. Draws attention to the objective set in the Abuja Declaration of earmarking 15% of national budgets for the health sector, and the objective set by the Global Campaign for Education of earmarking 20% of national budgets for education;

Priority sectors

5. Calls on the Commission to continue to link its aid in the health and education sectors, in particular basic health care and primary education, to the results achieved in those sectors; and also calls on the Commission to specify the importance which will be attached to countries' performance in these sectors compared to a wider range of indicators, and how it intends to assess the progress achieved in these fields;

Aid effectiveness – Stability and predictability

6. Calls on the Commission to improve the predictability of budget support by introducing MDG contracts and extending the principles underlying these contracts to a larger number of countries and to sector budget support;
7. Reminds the Commission of the need to significantly reduce the unnecessary delay caused by excessively onerous administrative procedures;
8. Calls on the governments of the developing countries to increase their health spending to 15% of their national budgets, in accordance with the recommendations set out in the Abuja Declaration, and their education spending to 20% of national budgets, as recommended by the Global Campaign for Education;

Budget support

9. Calls on the Commission to maintain high levels of budget support spending, while aiming in particular to increase the provision of budget support for ACP countries' social services sectors and strengthen sector budget support in other regions;

MDG contracts

10. Notes with interest that the Commission's proposal concerning MDG contracts provides eligible countries with a minimum guaranteed aid level (70% of total commitment);
11. Is disappointed, however, that the document relating to MDG contracts does not specify a timetable for the introduction of these contracts, which were principally designed to cover the six-year period of the tenth EDF, and calls on the Commission, therefore, to provide a detailed timetable;
12. Notes that the main objective of the MDG contract is to help improve aid effectiveness and speed up the rate of progress towards attaining MDG for those countries which need it most;
13. Calls on the Commission to adopt a communication formalising the MDG contract approach and extending it to non-ACP countries which meet the eligibility criteria;

Parliaments and civil society – Aid ownership – Transparency

14. Asks the Commission and beneficiary countries to ensure the involvement of their parliaments and civil society, including disabled people's organisations, in every stage of the budget support dialogue, including the formulation, implementation and assessment of the programme established in the MDG contract;
15. Stresses that donors, rather than imposing unilateral conditions on recipients, should seek to promote good governance, democracy and stability in recipient countries through transparent criteria established in partnership with these countries;
16. Considers that, in the interest of transparency, the conditions for the disbursement of the variable component of the support should be performance-based, as that approach encourages donors and recipients to analyse the real impact of the money spent and increases transparency in relation to the use of public funds;
17. Calls on the Commission to periodically monitor the results of its programmes and to pass these results on to Parliament;
18. Recommends that the Commission work towards strengthening the dialogue between donors and recipients, particularly with a view to identifying real needs and sectors in which aid is necessary;
19. Calls for the ACP-EU Joint Parliamentary Assembly (JPA) to play a more active role in defining priorities, negotiating MDG contracts and all other stages of the process;

Selection criteria – creativity and flexibility

20. Calls on the Commission to make its budget support conditional on results achieved with regard not only to the field of good governance and transparency, but also in terms of defending and upholding human rights, in particular those of the poorest and the excluded, including disabled people, minorities, women and children, and to ensure that budget support is not provided for sectors other than those specified in the MDG contract;
21. Reiterates that the national indicative programmes should be drawn up in cooperation with the parliaments of the countries concerned, the JPA and civil society;
22. Notes that the proposal concerning MDG contracts does not state which countries will be included in the first round of MDG contracts and that, in their current form, MDG contracts concern only ACP countries;
23. Deplores the fact that the Union's budget support policy for developing countries is increasingly subject to conditions imposed by the IMF being attached to Union development aid; considers that such conditionality runs counter to the policies of recipient countries with regard to the ownership principle;
24. Emphasises the need to develop other budget support approaches for countries which are ineligible for MDG contracts, and particularly for countries whose situation is fragile; stresses that it is obvious that the most fragile states are unable to fulfil existing eligibility criteria;
25. Recommends that MDG contracts should also be available to countries covered by the development cooperation instrument (DCI);
26. Calls on the Commission to explain clearly how it intends the proposed MDG contracts to be combined with other aid distribution systems;
27. Warns against the danger of making indiscriminate and excessive use of MDG contracts and creating the perception that they are the only really effective means of distributing aid, and urges the Commission to choose whatever aid distribution methods are best adapted to each individual situation;
28. Calls on the Commission to strengthen the capacity of the parliaments of the recipient countries to be involved in the budget process and the capacity of the parliaments and the civil society to be involved in formulating national policies, by providing them with more financial support, by stressing the need for such involvement in the course of political dialogue with the recipient countries and by concentrating on the public finance management indicators designed to enhance governments' accountability to their citizens;

Assessment – Performance indicators

29. Asks the Commission, in collaboration with partner countries, to match every MDG contract with a series of performance indicators in order to evaluate progress achieved in the implementation of the contract; the inclusion of persons and children with disabilities

should also be measured by these indicators;

Gender dimension

30. Draws the Commission's attention to the fact that it should imperatively continue to link its budget support to results in beneficiary countries related to gender equality and the promotion of women's rights, and asks that the performance indicators be strengthened in this area in the MDG contracts to expand to other spheres such as women's rights and the rights of persons with disabilities; calls on it to strengthen the gender-related performance indicators linked to budget support by broadening their scope to include other areas, such as the rights of the disabled and women's rights, in particular measures to facilitate access for all women to information about sexual and reproductive health and to universal sexual and reproductive health services; improved access to and greater use of family planning methods; long-term measures to promote women's education and emancipation; and measures to combat sex discrimination and foster gender equality;

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31. Instructs its President to forward this resolution to the Council and Commission, to the ACP Council and to the Governments and Parliaments of the Member States and the ACP States.

EXPLANATORY STATEMENT

In 2005, the Commission officially acknowledged the very ineffective way in which the EU cooperated with its developing-country partners. Many reasons were cited, including excessively onerous administrative procedures, a total lack of coordination between European partners, and the imposition on partner countries of development strategies which they had not been involved in formulating.

Some steps have been taken towards improving the effectiveness of European cooperation, but there is still strong resistance to such changes, particularly on the part of Member States which play a leading role in the field; there is still enormous scope for progress, therefore. Access to health care and basic education, for example, is still only a dream for millions of people throughout the world, particularly women. Every day, 72 million children, mainly girls, do not go to school. Every minute, a woman dies of pregnancy-related complications or in childbirth, and a child dies every three seconds from a medically preventable illness.

Yet access to health care and basic education is a human right which it is governments' responsibility to put into practice. Over the last ten years, the governments of many developing countries have made extraordinary efforts in that direction, but simply do not have the necessary resources to achieve their objectives.

At present, sub-Saharan Africa is the region of the world where the situation is the most disastrous by far and, judging by recent developments, is likely to remain so for many years to come. Almost half of all Africans live on less than € 0.78 (1 dollar) a day, three-quarters of all Aids victims are African and about 42% of the population in Africa still has no access to safe drinking water. Beyond sub-Saharan Africa, all the European Union's developing-country partners desperately need more effective development cooperation.

Budget support is one instrument of such cooperation which, in certain conditions, makes it possible to provide aid on a more predictable and longer-term basis by supporting the recipient countries' budgets, essentially to provide funding for urgently required health care, education and other priority sectors. The Commission is one of the main donors of this kind of aid.

It is in this context, and to rise to the challenge of providing more predictability in relation to aid, that the Commission envisages concluding millennium development goal contracts, which it planned to launch with a certain number of countries at the beginning of the 10th EDF and were intended to commit funds for a six-year period, to introduce annual performance-oriented monitoring, particularly in the fields of health and education, and to establish greater dialogue with the recipient countries.

The rapporteur notes that the European Parliament has been calling for many years for greater attention to be paid to basic health care and primary education in the Community budget for development cooperation. From the year 2000 onwards, Parliament has systematically called, both in the course of budgetary negotiations and in the comments it makes in connection with the budgetary discharge, for at least 20% of the Community's financial resources to be invested in those sectors. Unfortunately, this is currently far from being the case: according to Parliament's calculations in the course of the 2007 budget discharge, less than 7% of the

Community's development cooperation budget was invested in those sectors. Parliament welcomes the Commission's statement, in connection with negotiations on of the regulation establishing a financing instrument for development cooperation (the DCI), to the effect that it would 'endeavour to ensure that a benchmark of 20% of all its allocated assistance under country programmes covered by the DCI [would] be dedicated, by the year of review 2009, to basic and secondary education and basic health, through project, programme or budget support linked to these sectors', and suggests that extending the scope of application of MDG contracts to countries covered by the DCI would be an excellent means of enabling the Commission to achieve its objectives.

However interesting and desirable this approach appears to be for the developing countries, the Commission initiative still raises a number of questions which require a clear answer. For example, the criteria on the basis of which a developing country would be eligible to conclude a contract of this kind need to be clarified. Furthermore, the Commission has not so far published any official communication concerning the initiative, so that the only means of finding any more about it is by consulting the internal Commission paper which is the only available source of information other than the basic information published on the Commission's website. The Commission also needs to clarify the expected duration of the initiative and, more generally, the arrangements for its implementation.

Although it has several positive features, including the fact that the aid is linked to performance in the fields of health and education and is generally programmed for a three-year period, the Commission's budget support system is far from perfect. Firstly, budget support may be subject to conditions which are detrimental to the recipient countries' development. The fact that the Commission – like most other aid donors – generally only provides budget support for countries which have introduced an IMF programme is particularly problematic, as such programmes may limit governments' capacity to invest in development by setting excessively ambitious objectives in relation to inflation and budget deficits.

Next, even if the Commission opts to provide longer-term budget support, there is no guarantee that it will improve short-term predictability, as its cumbersome bureaucratic procedures very often result in long delays before the aid is disbursed.

Finally, the Commission's budget support is seriously deficient in terms of transparency and the ownership of aid by the countries concerned and their inhabitants. Financing agreements are only rarely published and the Commission does not systematically include civil society organisations and members of parliament in the dialogue it conducts with the governments of developing countries. However, it is now widely recognised that, if such aid is to be effective, not only developing countries' governments, but also their citizens, must be fully in charge of their countries' development.

The MDG contracts project will be able to provide a positive opportunity for improving the effectiveness of European cooperation only if such contracts are defined very precisely, together with all the conditions governing eligibility, implementation and assessment.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	17.2.2009
Result of final vote	+: 23 -: 0 0: 0
Members present for the final vote	Alessandro Battilocchio, Thijs Berman, Thierry Cornillet, Alexandra Dobolyi, Fernando Fernández Martín, Alain Hutchinson, Romana Jordan Cizelj, Filip Kaczmarek, Glenys Kinnock, Maria Martens, Gay Mitchell, Luisa Morgantini, José Javier Pomés Ruiz, José Ribeiro e Castro, Toomas Savi, Frithjof Schmidt, Jürgen Schröder, Feleknas Uca
Substitute(s) present for the final vote	Miguel Angel Martínez Martínez, Manolis Mavrommatis, Renate Weber, Gabriele Zimmer
Substitute(s) under Rule 178(2) present for the final vote	Emilio Menéndez del Valle