

**SPEECH OF EVELINE HERFKENS:
HIGH-LEVEL PARLIAMENTARY SEMINAR
ON POLICY COHERENCE FOR DEVELOPMENT**
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INTRODUCTION

This is a great initiative of yours to call for this meeting. I was a Member of Parliament myself between 1981 and 1990 and, during that time, I was also a Member of the Parliamentary Assembly of the Council of Europe. The Economic Committee, to which I was a Member, used to have a dialogue with the Organization for Economic Co-operation and Development (OECD). The Economic Committee of the Parliamentary Assembly of the Council of Europe created a North-South Commission that had a big North-South Campaign together with non-government organizations (NGOs) and local authorities across Europe, and in all member countries of the Council of Europe. Much of that campaign was on issues of coherence, trade and debt. We are discussing the same subjects today—17 years later—and note that we did not get that far.

But today we have a sexy package to market—the Millennium Development Goals— that puts human development back at the heart of the global agenda—where it belongs. The Millennium Development Goals are about halving the number of poor people, getting all girls into school, putting an end to child and maternal mortality, fighting HIV/AIDS and ensuring sustainable development. This is exactly the type of package that Parliamentarians should embrace because it can help you to reconnect with your electorates on these issues. Those of us from the development business finally came out of our ivory towers and moved away from talking in difficult abbreviations. Now we talk about things that people really understand. It would be interesting to see to what extent Parliamentary Assemblies who are working on development issues can reinvigorate the idea of having a campaign to raise awareness of the Millennium Development Goals package in OECD countries.

The Millennium Development Goals are unique. One-hundred-and-eighty-nine Heads of State and Governments signed onto the Millennium Declaration at the United Nations (UN) Millennium Summit in New York in September 2000. Never before and never since have so many world leaders come together to adopt and agree on something so important. The Millennium Development Goals came from the UN, but the Goals were warmly endorsed by the International Financial Institutions (IFIs). They came from Governments but NGOs also embraced the package. Finally, after wasting thirty years of debating between North and South, between the UN and IFIs, between Governments and NGOs, we have a package that everybody endorsed. The beauty of the package is also that it puts an end to this endless North-South debate where the South was blaming the North for not being helpful enough; and the North was blaming the South for not having good policies and governance. But what happens often when Heads of State or Governments or Ministers go to international meetings is that they sign on to a beautiful declaration and then they return back to their capitals for business as usual. Parliaments need to make their Governments accountable to their promises. Note here that the signatories are not just Development Ministers; it also means that Trade Ministers and Finance Ministers are committed to the Millennium pledges. So it is now up to Parliaments to scrutinize policies of their Finance and Trade Ministers. They need to ensure that positions of their Ministers in the International Monetary Fund (IMF), in the World Bank, in the World Trade Organization (WTO), are consistent with their commitments in the Millennium Declaration.

Now there is a clear division of labour. Both rich and poor countries have to do their homework. The first 7 Goals are the primary responsibility of developing countries—to fight poverty, get girls into school, improve health systems, etc. The Millennium Development Goals explicitly recognize that poor countries cannot achieve these Goals unless rich nations deliver on Goal 8 (the global partnership for development). Goal 8 is about what rich countries should do on aid, debt relief, trade and technology transfers. At the International Financing for Development Conference in Monterrey, all parties again confirmed that each party has to do their homework; each has to pay their dues. As they say in English, we have to “GO DUTCH”. I use this phrase “GO DUTCH” because the letters **G.O. D. U. T. C. H.** will help to spell out exactly what it is that rich countries need to do to achieve the Millennium Development Goals.

“G” IS GOAL 8: GLOBAL PARTNERSHIP FOR DEVELOPMENT. I will spend most time on the G of “GO DUTCH”: Goal 8, the global partnership for development, and, given today’s agenda, I would like to elaborate particularly on trade issues.

Trade. The Doha Development agenda is truly the answer to the Millennium Declaration. OECD countries set the rules of global finance, global trade, and these rules do not benefit developing countries. Poor countries were not present during early negotiations. Their voices and demands were not heard. . The present playing field is tilted towards the rich at the expense of the poor. There are too many barriers that stifle and starve. What we saw, in the outcome of Cancun, is the tremendous frustration of developing countries that perceive trade negotiations of the last 10-15 years as a boulevard of broken promises and broken dreams. Under the Uruguay Round, poor countries felt that they would get real concessions on agriculture and textiles, but we know that there were really no concessions made. At Doha, developing countries were convinced that for the first time trade would really serve development; they would become equal players in the game. They thought they would be more than just the beggars at the feast in the Round. In Monterrey, rich countries said that “trade is the single most important source of financing for development”. G-7 Finance Ministers here in Deauville in France reconfirmed that they were going to ensure the implementation of Doha promises. We saw very little of that. Here follows a few critical trade issues that I addressed in Cancun from my ‘Doha Checklist’:

- **Agriculture.** From a point of view of Goal 1 (halving the number of poor people), agriculture is indeed the most important. Seventy-five percent of poor people in developing countries live in rural areas. They are dependant on agriculture and/or activities related to the sector. Present export subsidies undermine their livelihoods. When I was Development Minister in the Netherlands, I saw firsthand how the impact of aid was eroded by agriculture subsidies. We had a project in Tanzania intended to help farmers to increase milk production. It was a very successful initiative, but whatever these cows produced at whatever low costs, the milk factories would still buy Dutch milk powder. Tanzanian local farmers cannot compete with cheap, subsidized Dutch milk powder. So unless you get coherence, what is the point of continuing to deliver aid money? We had similar successful irrigation projects that helped to increase the production and cost effectiveness of citrus fruit in Egypt. But an EU trade agreement between Europe and Egypt prohibited that citrus fruit from our markets. So there are frictions there. As the Common Agriculture Policies (CAP) might have answered needs in Europe, 30 or 40 years ago, it got totally out of hand. When we were just with six members, it was not that bad. But every enlargement brought in more countries and more products under those same agriculture policies. U.S. domestic subsidies (e.g. cotton), export credits and tied food aid have the same destructive impact on poor farmers in developing countries. Moreover, while we dump on developing countries markets, we allow very little market access for their products on our market. Barriers against products made by poor people in poor countries are twice as high as barriers against products made by rich countries. Textiles are an obvious example. These barriers are directed towards products where poor countries have a competitive advantage.

- **Non-tariff barriers.** As a former politician, I know how difficult it is to question standards for health and environment. But some of these health and safety standards go way beyond what is needed to meet internationally accepted safety levels. A classic example is aflatoxine in African groundnuts, where the amount of aflatoxine allowed per pound of these nuts was such that only 1.7 out of one billion people would die if they would eat these nuts. If you would apply the same standards to the EU transport sector, we would have to ban all motorized vehicles. Special interest groups in our countries promote protectionism in disguise of our health and safety. Thirty years ago at University, I learned of protectionism for the first time. Switzerland allowed the import of milk from cows that grazed above 700 meters. Now you know that the cows in my country graze under sea level: a very classical example.
- **Tariff escalation.** Developing country exports are locked out by tariff escalation, whereby the tariff increases at every stage a commodity is processed. How can developing countries develop and move away from being dependant on the export of raw commodities, as long as we discourage countries to process commodities themselves? This would improve their incomes and job opportunities, and the investment in adding value in poor countries. This would enable possibilities for government to tax incomes in order to pay for primary education.
- **Trade-related Issues for Implementation Property Rights (TRIPs).** The TRIPs Agreement is very anti-development. It is not just the issue of affordable medicines. If you force developing countries to implement TRIPs, it would be a \$6 to \$8 billion transfer from South to North to pay for patent rights. In real poor countries like Mali and Burkina Faso—where they are hardly able to build enough schools and staff them with primary education teachers—building a patent office is really not a development priority.
- **Special and differential treatment (SDT).** Amartya Sen said “Equal rules for unequal partners constitute unequal rules”. Poor countries need affirmative action on trade rules. I know that we, Europeans, are very proud about Everything But Arms (EBA). But early evaluations show that EBA is not very effective and it is really limited. The rules of origin stifle the potential of the Initiative and the bureaucracy is just simply too difficult. All rich countries have preferential schemes for the poorest countries. The U.S. has the Africa Growth and Opportunity Act (AGOA) and the Europeans have EBA; the Canadians have their own initiative, as do the Japanese and Norwegians. If you are a poor exporter in Mozambique, you simply cannot go through this spaghetti bowl of different rules of all these schemes. Rich countries need to bind and harmonize present preferential agreements. That’s the G of “GO DUTCH”.

O IS OWNERSHIP. Donors do not develop countries but countries develop themselves. Much aid over the last 50 years was wasted because donors know better and donors impose their hobbies and latest fads onto recipient countries. We are writing blueprints of development strategies for poor countries from our capitals. We know that aid is only effective if it backs home-grown strategies and priorities of developing countries.

D IS DEBT. Debt relief is also one of the Goal 8 issues. The Heavily Indebted Poor Country (HIPC) Initiative has been extremely helpful. Thanks to many parliamentarians and the Jubilee 2000 Campaign, high debts accrued by poor countries were forgiven because of this Initiative. Resources have been directly channelled into financing the Millennium Development Goals. A lot has gone to primary education and many countries are using the funds to fight HIV/AIDS. HIPC has been extremely successful, but it is still too little and the debt is still not sustainable. This issue has to be revisited. It is on the agenda of the IMF/World Bank Development Committee in April and OECD parliamentarians should scrutinize the positions of their governments at this meeting to ensure they will be generous enough to fund sufficiently the original intended outcome of the HIPC Initiative.

U IS UNTIE AID. This is really one of the worst inconsistencies. Tying of aid is extremely costly. It means that the value of aid goes down by 30%. It distorts agreed priorities. It burdens poor countries with all kinds of local and recurrent costs because you pay for the goods, but if you give an x-ray machine, who is going to pay for the nurses to operate it? It is also very corruption prone as tying aid excludes competition and open bidding procedures. So untying aid is very important, particularly also of technical assistance (TA). Still today, \$1 billion of grant money a year goes to Sub-Saharan Africa as tied TA. We send our experts, our expatriate staff, to poor countries and they ignore the local culture and capacity, imposing institutions and Western concepts on the existing social and political fabric in societies there. Norms and values that do not correspond to local needs; and when they return home, the TA proves to be unsustainable. It perpetuates the dependency on aid and destroys the motivation of local people to take charge of their own future.

U is also unique opportunity. There is a unique window of opportunity now politically to put an end to tied aid, transatlantic. Finally, the European Commission has ruled that tying aid to individual member states is inconsistent with the European competition policy: a good moment to start the debate in the OECD-DAC to put an end to this practice. This coincides with the new Millennium Challenge Account (MCA), launched by President Bush, that—that if fully funded by Congress—would be the biggest increase in U.S. ODA since the Marshall Plan. Congress is still debating if this would be tied in terms of procurement. Here we have a unique political opportunity to put an end to this harmful practice.

T IS TRANSFER OF RESOURCES.

- **Quantity.** Firstly, rich countries need to provide more resources. The World Bank presented an excellent paper to the Development Committee in Dubai that clearly shows that developing countries have honoured their part of the Monterrey pledge—much more than rich countries. There has been a lot of reform in poor countries, but it was not matched by that extent by rich countries to increase ODA. Some of your Governments claim that there is not enough absorptive capacity for more aid. The World Bank puts an end to this argument; and so do the U.N., Zedillo panel and Jeffrey Sachs' Millennium Project who have calculated what it would take—in terms of external aid—to achieve the Millennium Development Goals. All come up with an estimated need of \$52 to \$60 billion. After 10-15 years of declining ODA, the tide was turned in Monterrey—at least in terms of promises. It is you Parliamentarians who set the laws and hold the purse. Please ensure that as a start the \$20 billion promised in Monterrey really comes on the table. Portugal, Italy and Spain promised to achieve 0.33% by 2006. Please make your governments live up to that. France committed 0.7% by 2012. I also would like to underline that it is important for rich countries to live up to our part of the deal in advance of 2015. ODA and trade opportunities are the inputs to the output of 2015 of halving the number of poor people. We cannot say our cheque is still in the mail, so our commitments must be delivered in advance of 2015. Presently \$57 billion is given.
- **Quality.** We could also double the impact in terms of achieving the Millennium Development Goals of the present \$57 billion, by improving the quality of our aid. OECD DAC Reports are made on a peer review basis for each individual donor every few years. These Reports should be discussed in Parliaments to help encourage your Governments to improve aid quality. One of the quality issues is the need to target poor countries. Too much bilateral aid has been driven by geopolitical objectives to middle-income countries that do not need it. Donors should direct ODA to poor countries, particularly in Sub-Saharan Africa, that need it most; and among those, to the countries that are better governed. Also aid has to be given on multi-year basis. How can the Finance Minister of Mali or Mozambique use aid effectively if they do not know in advance how much is coming, when it is coming and what for? Aid must also respect national ownership. It has to be aligned behind poverty reduction strategies of these countries. Every donor wants to have visibility. Sub-Saharan Africa is littered with schools buildings and hospitals, not used anymore; but they still have this plaque that says “thanks to the solidarity of the Swedish people” or “opened by the British Development Minister”. But they are

not used because we built the schools and hospitals, but nobody ever thought of who would pay for teachers, who would pay for nurses, who would pay for the teaching materials. That takes local and recurrent costs financing. To achieve the Millennium Development Goals, these countries need cash and budget support—e.g. through the Education for All Fast Track Initiative (EFA-FTI) that is grossly under funded. We are talking about coherence, security and development. In fact, Governments of Mozambique, Yemen, and Tanzania are concerned about the quality of education in Koran schools. They want to finance good public primary education. They were worried about what was being taught in Koran schools. But even after September 11th, EFA-FTI is still under funded.

C IS COMPENSATORY FINANCING. Poor countries are very vulnerable to external shocks. Some of the HIPC countries like Uganda, Mozambique and Mali did everything the donor community told them to do. They cut their budgets, they implemented reforms and they hoped to see light at the end of the tunnel. After three years the light at the end of the tunnel was the light of the incoming train of terms of trade moving against them. Coffee prices and cotton prices collapsed. Their budget was cut already to the bone; and they have to be cut even deeper. The IMF, World Bank and donors should create a facility to help countries through these external shocks so they do not have to derail their policies.

H IS HARMONIZATION. There was this great conference in Rome, but again this is one of these conferences where ministers sign a declaration and return home to business as usual. I would encourage Parliamentarians to ask their ministers to come up with an action plan to implement the Rome Declaration on Harmonization. Every donor has its own procedures and poor countries have limited institutional capacity. Instead of developing and implementing their own health policies, the few bureaucrats spend their time making reports to each of us, according to our different procedures. They are preparing project proposals; they are auditing, evaluating, accounting and monitoring reports. They are being held accountable to us instead of to their own Parliamentarians, or to their own people. They have to wine and dine 2,000 missions of individual donors a year. We are overloading and overwhelming institutional capacity in poor countries with our different hobbies and procedures. We need to work together and harmonise one set of procedures. If something is good enough for the auditing system in the U.K., it should be good enough for Sweden. We have to come with a common procedure and stop creating the absorptive capacity problems ourselves with these procedures that some donors subsequently refer to as the reason not to increase aid.

CONCLUSION

Now let me conclude with a few points on the political economy of agriculture reform. Firstly, the problem that I also had as a Parliamentarian is that those who lose from policies be it trade, be it other types of reforms, have faces and come to your Parliament and demonstrate. But the winners, the taxpayers as total, the consumers as total, do not. Reforming agriculture or textiles or steel would create economic growth worldwide that would enable developing countries to import from us other products, creating jobs in other sectors; but these beneficiaries do not have a face either. The difference between a politician and a statesman is that a statesman looks beyond the short term and beyond their own constituencies, boundaries and terms of elections.

A second point on political economy that I would like to make is that opinion polls in all of your countries consistently show that your voters want your Government to do more on aid. In all OECD countries, majorities are prepared to pay 1% more tax if that would help putting an end to child mortality in poor countries. This 1% more tax would actually bring on the table the \$50 billion we need to achieve the Millennium Development Goals. But public opinion in some of your countries is sceptical about the effectiveness of aid. Some Development Ministers in Northern Europe are now linking aid to the Millennium Development Goals, showing the taxpayer how the ODA contributes to girls going to school in Mali, or reducing child mortality in Tanzania. This is shifting the image of aid away from that notion

that our middle-income taxpayers' money goes into the pockets of rich elites in poor countries who do not pay tax at home. We can help to change that image by changing our policies and making the Millennium Development Goals the overarching objective of development policies, showing tax payers that ODA flows contribute to achieving these goals.

I would like to make one final point on coherence. People talk about coherence as if it is an international problem. Coherence is a national problem at home. It is not a problem of coherence between the WTO and the UN and the World Bank. We, Member States, create problems of coherence. I was an Ambassador in Geneva to both the WTO and World Health Organisation (WHO). The TRIPs Agreement was reached on patent protection at the WTO, at the same time, that WHO Health Ministers in the Annual Health Assembly agreed on a strategy to have affordable basic medicines for everybody. These decisions were totally inconsistent, but this is what happens when Health and Trade Ministers do not talk at home before they travel to Geneva. Unless you get coherence at home, you yourself are exporting disagreements into the international arena. Similar problems arise when what your Central Bank says at the IMF differs from what your Foreign Affairs Minister says in the UN. It is at home where Parliamentarians can scrutinize consistency of what their Government does. In the Netherlands Parliament, for the last 25 years, we always debate instructions to every international meeting—for WTO Ministerials, EU Councils, IMF/World Bank Meetings or the UN General Assembly. But sometimes Parliaments are as compartmentalised as the Government. The Economic Committee in Parliament talks the lingo of the Trade Minister and the Foreign Affairs Committee talks the lingo of the Foreign Affairs Minister, and the Health Committee talks the lingo of the Health Minister. We need more coherence there and we need more coherence through parliamentary groups or parties.

The Millennium Development Goals can be an extremely useful tool for you to insist on coherence at home and for you to insist that what your Government does is consistent with what your Government promised. You, parliamentarians, are in charge of making Governments accountable for their promises. There is a tremendous opportunity here. We are the first generation that can put an end to poverty. We know what to do. We have the means, the technologies and the resources. It takes the political will of country after country after country of all the 189 countries that signed up to these goals. I imagine a world in 2015—a beautiful mosaic that is dependent on the beauty of each of its (national) tile. Each of the 189 national tiles—represents nation states and members of the U.N. (signatories of the Millennium Declarations—and each of the individual tiles need to turn the right colour to make the mosaic beautiful. We are the first generation, if we implement this package, that can put an end to poverty, as we know it and we should refuse to miss this opportunity.

Thank you.