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Statement by Mr. Kremers on Global Monitoring Report 2005—
MDGs: From Consensus to Momentum
(Preliminary)
Executive Board Meeting 05/32
April 1, 2005

Key Points

- *Low-income countries need to develop overarching development frameworks establishing clear links between the MDGs (and/or other development goals) and medium-term strategies, which in turn are translated into specific policy and structural measures with respective budgetary implications.*
- *Within the Fund's core mandate, its work should be part of this framework.*
- *Donors should increase their aid budgets to the agreed UN ODA target of 0.7 percent of GNP. The efficiency of aid delivery could be increased by better prioritization and harmonization of aid with country development strategies, and improved predictability, timing and sequencing of aid flows.*

I welcome the timely presentation of the Global Monitoring Report (GMR) 2005 and broadly agree with the suggested five point agenda towards achieving the Millennium Development Goals (MDGs). While some progress has been achieved, more concerted efforts by mutual accountability and close cooperation between developing and developed countries are critical for the results to become tangible in the coming years. To that effect, the agenda needs to be translated into concrete objectives for all parties concerned, including a clear timeframe.

Development Strategies

Staff rightly underscore the importance of overarching development frameworks in implementation of the MDGs. The framework should establish close links between long-term objectives – the MDGs and other development goals - and medium-term strategies, such as PRSPs, map the latter into specific policy and structural measures with appropriate timing and sequencing, and then translate into budgetary terms. Such approach could also trigger more donor resources. The framework should be realistic, country-specific and tailored to the key priorities as identified by national authorities. While, as noted in the GMR, 'countries are increasingly reflecting the MDGs in their PRSs', one of the reasons for slow progress towards the MDGs seems to be the absence of adequate connection between these objectives and the medium-term development strategies. Linkages between PRSs and fiscal frameworks also need to be strengthened with clear prioritization of spending. Also, as indicated in the report, Fund programs are not always consistent with PRSPs. Here too, and following the recommendations of the IEO, there seems to be scope for better aligning PRGFs and PRSPs as part of country-owned and country-led coherent frameworks. Within this framework and in line with its core mandate, the Fund will have to continue to focus on sound macro-economic management, financial sector issues and macro-critical structural reforms, particularly in public finance and the financial sector. IFIs and donors can and should play a crucial role in their respective fields by advising governments on best international practices, and providing technical assistance and financial aid. On the latter, I would reiterate that in general the Fund can play a more active role in facilitating donor flows though alternative scenario analysis.

Donor Financing and Harmonization

The key responsibility for achievement of the MDGs lies with the countries themselves. Ownership of reforms and sound policy implementation, efforts to strengthen governance and measures to promote private sector development are essential for improving the business climate and attracting private capital. However, due to the lack of domestic resources and the limited access to international capital markets, in many developing and low-income countries, the available private funds are insufficient to make visible contributions. The current level of foreign aid also falls considerably short of the needed amounts to bridge the financing gap, calling for stepped-up efforts on the part of donors to secure additional resources. The obvious and the simplest first step in this respect is for donors to increase their aid budgets to the agreed UN ODA target of 0.7 percent of GNP.

Next to the quantity, the quality of donor financial assistance needs to be improved as well. The experience shows that aid flows are not always channeled to priority areas and are often utilized inefficiently. In many cases, objectives of different development partners overlap and, due to the lack of coordination among them, certain narrowly defined fields receive excessive financial support, while other important goals remain inadequately addressed. Similarly, some critical areas are sidestepped when aid is dispersed and is received in small chunks, each sufficient to cover only minor projects, but not combined and channeled to spheres that are more vital.

There seems to be considerable scope for improving quality of aid delivery and, therefore, perhaps even more importantly than exploring new innovative financing modalities, the international community should think of ways to improve efficiency of existing aid. Aid providers should better harmonize assistance with recipients' development strategies and their priority-spending needs. Staff are right to note that aid to poor countries should be driven by development goals and not by "donors' strategic and security objectives". If aid flows were properly coordinated and prioritized, well-timed and sequenced, and made more flexible and predictable, the already available aid would become more productive and efficient, reducing the need for additional resources.

Aid allocation should be performance-based and result-oriented, contingent on continuous implementation of sound policies and reforms in line with the national agenda. At the same time, performance criteria should be realistic and within the reach of the authorities, taking into account domestic competence and capacity constraints. If absorptive capacity is limited, but otherwise the progress in a country merits additional aid flows, strengthening governance and building capacity should be high on the agenda to attract donor attention. The Fund can add to this in its core area of expertise.