

G-7

Finance Ministers Conclusions on Development

London, February 5, 2005

1. We reaffirm our commitment to help developing countries achieve the Millennium Development Goals by 2015¹. We will make particular efforts in Africa, which on current rates of progress will not meet any of the Millennium Development Goals by 2015. This report sets out the steps we plan to take.

2. At the International Conference on Financing for Development in Monterrey on 21-22 March 2002, the international community agreed on a partnership for development, in which developing countries are primarily responsible for their own economic and social development, supported by the international community. The range of international support agreed at Monterrey included action on: a more open world trade system; increased aid effectiveness; absorption capacity; increased levels of aid; and debt relief.

3. In order to make progress on social and economic development, we believe it is essential that developing countries put in place the policies for sustainable development. Sound, accountable and transparent institutions and policies are the basis for sustained economic growth and poverty reduction. Increasing fiscal transparency is essential and a priority for developing countries is to tackle corruption, which is a significant barrier to growth, private sector development, investment and poverty reduction. A number of other measures, such as establishing a credible legal framework, need to be taken to reduce or eliminate impediments to private investment, both domestic and foreign.

4. It is crucial that the international community improves the effectiveness of aid. In particular bilateral and multilateral donors need to: harmonise their operational procedures; align aid behind country-owned priorities; and provide for measurable results. Donors must also: focus their aid on poverty reduction; enhance efforts to untie aid, based on DAC principles; and deliver aid in a more predictable way. We look forward to agreement on practical steps to improve aid effectiveness at the Paris OECD DAC High Level Forum in March.

5. Progress on the Doha Development Agenda is critical to global economic growth and poverty reduction. We must ensure that the Doha Round delivers

¹ As Endorsed by Heads of State and Government in the UN General Assembly on September 8, 2000.

substantial benefits to developing countries. We encourage both developed and developing countries to play an active role in the negotiations to ensure that an ambitious outcome is achieved. We recognise that developing countries face particular problems and need the flexibility to sequence reforms to their trade policies. We call on the IFIs to develop proposals for additional assistance to countries, consistent with debt sustainability, to ease adjustment in these economies, based on a systematic analysis of transition costs and consistent with country-owned development strategies, so they can increase their capacity to take advantage of more open markets.

6. HIV/AIDS and malaria undermine growth in developing economies and progress towards the Millennium Development Goals. In addition to treatment, care, and the development of health systems, research on vaccines must be accelerated. We reaffirm our commitment to the Global HIV Vaccine Enterprise, and will consider how to increase public research. We will also explore the use of advance purchase commitments to drive private sector investment.

7. The Enhanced HIPC Initiative has to date significantly reduced the debt of 27 countries, and we reaffirm our commitment to the full implementation and financing of the Initiative. Moreover, individual G7 countries have gone further, providing up to 100 per cent relief on bilateral debt. However, we recognise that more still needs to be done. We are agreed on a case-by-case analysis of HIPC countries, based on our willingness to provide as much as 100 per cent multilateral debt relief. We also ask the IMF and the World Bank to look at the issue of debt sustainability in other low-income countries. To finance the relief of debts owed to the IMF and to enable the Fund to continue to play a role in the poorest countries, the Managing Director has stated that he will bring forward proposals at the Spring Meetings, covering the Fund's gold and other resources and in an orderly way. We look forward to his proposals. For the relief of debts owed to the World Bank and African Development Bank we will work with their management and shareholders to bring forward proposals for agreement at the Spring Meetings to achieve this without reducing the resources available to the poorest countries through these institutions. We also call on non-Paris Club creditors to provide at least their share of HIPC debt relief, and we ask the IMF to report on progress at the Spring Meetings.

8. In addition to debt relief, we recognised at Monterrey that a substantial increase in ODA and other resources will be required to assist developing countries to achieve the internationally agreed development goals and objectives, including those contained in the Millennium Declaration. We acknowledged the efforts of all donors whose ODA contributions exceed, reach or are increasing towards the Monterrey targets. We emphasise the importance of an ambitious replenishment of IDA 14.

9. As we prepare for decisions at the G8 Summit in Gleneagles we agree a work programme on: the IFF and its pilot, the IFF for immunisation; some of the revenue proposals from the Landau Report brought forward by France and Germany which could also refinance the IFF; the Millennium Challenge Account; and other financing measures; so that decisions can be made on the constitution of and participation in a financing package to achieve the Millennium Development Goals.

Fuente: HM Treasury