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Assessing Progress in meeting the MDGs and ODA commitments

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According to estimates of the World Bank and others, attaining the MDGs will require at least $ 50 billion per year in additional aid (or a doubling of current aid levels). As the World Bank has demonstrated in its new report "Supporting Sound Policies with Adequate and Appropriate Financing" for the Development Committee Meeting in Dubai in September, substantial increases in aid can be effectively used in scaling up progress towards the MDGs. l, which concentrates mainly on a sample of 18 countries with so-called "sound policies". The importance of official financial resources for development is widely accepted and there is growing evidence that an increase in the volume of aid is a necessary precondition for meeting the MDGs. Unfortunately, Parliaments and Governments are still trying to ignore this evidence.

The UNDP Human Development Report 2003 and also the latest Progress Report of UN General Secretary Kofi Annan on the MDGs showed that it is still possible to meet most of the MDGs world-wide until 2015, though for some countries and regions it is getting less and less probable. Hearing and reading this we would have expected that donor countries were more motivated to double their efforts to support poverty reduction. But this, unfortunately, is not the case. Promises of OECD Countries made in Monterrey or right after Monterrey will generate only an additional $16 billion annually by 2006 if all promises would be kept. We expect that these commitments will be honoured, but we urge an increase of aid flows afterwards up to 2015 and beyond as a further step towards the 0,7 % ODA-objective.

The volume of aid should be raised also by increasing aid effectiveness and by using new and innovative sources of financing.

The "Rome Declaration on Harmonization" of the High Level Forum held in February 2003 and the creation of a new DAC Working Party on Aid Effectiveness and Donor Practises seem to be steps in the right direction. Donor governments should also consider to give more aid in the form of grants (instead of giving new loans which tend to increase the debt burden), to give more aid in the form of direct budget support (targeted at poverty reduction and in support of home-grown processes such as the PRSP) and especially to extend debt relief, which acts as *de facto* direct budget support and which seems to be more pro-poor than conventional project support. But all these new instruments and procedures to raise aid effectiveness would free probably no more than about $ 7 billion of aid presently locked into inefficient aid practises.

So there would still be a financial gap of more than $ 25 billion to meet the MDGs. New and innovative instruments for development finance could help to close this gap. The World Institute for Development Economics Research of the UN University (WIDER) is conducting a study on this issue to be presented in 2004. We urge the UN to adopt the results of this study as an important contribution towards realizing the MDGs (see SG Report, para 124). In our view at present there are 3 main proposals with the capacity to mobilize additional resources:

1. The "International Finance Facility/ IFF", proposed by the British Chancellor of the Exchequer. Though there remain questions concerning the possible effects on financial markets and concerning the aid volume in the years after 2015, when disbursements to recipient countries would have ended but the legally-binding commitments of donor countries for the IFF would be still going on until 2030, this proposal could mobilize a significant amount of development finance, even if it was not supported by all but only by a group of donor countries.
2. There are various proposals regarding taxes and levies on the utilisation of global commons (atmosphere, oceans) which could be used to finance the access for all people to "Global Public Goods". Since they offer a combination of controlling and fundraising roles, these proposals might be ideal to link the concept of "poverty eradication" directly to the concept of an ecological "sustainable development". In our view a carbon tax that would be levied on the consumption of fossil fuels (graded according to the level of contribution to the pollution of the atmosphere) and a global kerosene or air traffic tax would be the instruments with the highest grade of urgency and effectiveness.
3. Last but not least the discussion on a Currency Transaction Tax (CTT) should be revived. Global currency transactions have slowed down during the last two years, but their taxation still could be an important source for additional development finance. The German Government presented in Monterrey a study by Prof. Spahn that showed the feasibility of such a tax. Also draft laws implementing a CTT have already been proposed and some other European governments have come out in favour of such a tax, but up to