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**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL,
THE EUROPEAN PARLIAMENT, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

Proposal for a

**JOINT DECLARATION BY THE COUNCIL, THE EUROPEAN PARLIAMENT AND
THE COMMISSION**

on the European Union Development Policy

“The European Consensus”

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The European Union Development Policy

“The European Consensus”

INTRODUCTION

1. The main challenge the international community must face today is to ensure that globalisation is a positive force for all of mankind. Even if globalisation offers considerable opportunities, at the present time, its benefits and costs are unequally distributed. EU action in the area of development is thus carried out against a backdrop of better harnessing the globalisation process. It aims at optimising its benefits and at a more equitable distribution of its costs with a view to peace and overall stability. The elaboration of an international development agenda¹ has taken place alongside the rise of international terrorism and conflicts in the poorest countries, a considerable increase in migratory flows, including refugees and displaced persons, and a rise in illicit trafficking and global environmental threats.
2. The EU’s external action reflect its identity as a global player and partner working to promote its objectives, its values, to consolidate democracy, the rule of law, respect for human rights and the principles of international law; preserve peace and prevent conflicts; support sustainable development, and promote good world governance.

The external action also aims at integrating the external dimension of the EU’s internal policies and, as such, at representing the European model. Coherence and synergy between these two dimensions - external and internal - are essential prerequisites for advancing the EU’s main agenda: prosperity, security and solidarity in a context of sustainable development.

3. Development policy is at the heart of EU external action. Focussing on the primary goal of poverty reduction, it contributes to the EU’s social, environmental and security objectives and to better harnessing of globalisation. As part of an international strategy, development is, together with security, trade and the environment, one of the fields in which the EU’s commitment to multilateralism is most operational². In synergy with other aspects of the EU’s external action, such as the neighbourhood policy and strategic partnerships elsewhere in the world, development policy ensures coherent and effective external action.
4. Halving poverty in the world between now and 2015 is the major challenge of the years to come. The EU provides 55% of world development aid³. In 2002 in Monterrey and more recently – in the light of the UN Summit in New York in

¹ Action programmes adopted at the UN conferences of the 1990s in the social, economic, environmental and human rights fields. Millennium Declaration and Millennium Development Goals (2000), Monterrey (2002), Johannesburg (2002), New York (September 2005).

² Examples of multilateralism in action in these four fields: the decisive role played by the EU in setting up the International Court of Justice; the ratification of the Kyoto protocol for the environment; the drawing up of the Doha Trade and Development Agenda, the Beijing Action Platform for gender equality; the Brussels conference on least advanced countries and the development of the Monterrey consensus on development financing.

³ The EU also contributes 55% of overall contributions to the IDA 14.

September 2005 - it strongly reaffirmed its will to contribute to the achievement of the Millennium Development Goals, and undertook to increase its aid volumes to 0.56% of GNI in 2010 with a view to reaching 0.7% in 2015. The EU is also the most open trading partner for the least advanced countries and other low-income countries.

5. The Member States and the Community are equally committed to the principles of partnership and respect for partner countries' responsibility for their own development, the fundamental values and the objectives approved at the multilateral level. European aid effectiveness can and must increase through renewed efforts at coordination and harmonisation. To this end, the "European Consensus" sets out, for the first time in fifty years of cooperation, the framework of common principles under which the EU and its twenty-five Member States will implement their development policies in a spirit of complementarity.

This common framework is the subject of the first part of the Statement proposed in this Communication; the second part of the Statement sets out guidelines for the implementation of this common framework at the level of Community policy.

6. The Commission asks the Council and Parliament to endorse this common vision of development, considering that a tripartite statement would contribute significantly to the aims of coherence and effectiveness in the area of EU external action.

PART ONE
A EUROPEAN UNION STRATEGY FOR DEVELOPMENT

The first part of the Statement sets out the objectives and principles on the basis of which the Member States and the Community commit to a common vision.

1. A COMMON VISION OF DEVELOPMENT

The EU is a major player on the international scene. It aims to be a positive force for change by contributing to better harnessing of globalisation and more equitable sharing of the opportunities and wealth it generates. Its action supports the efforts of the developing countries themselves.

1.1. The scope of development policy

EU development policy concerns all developing countries benefiting from public development aid as listed by the OECD development aid committee⁴.

1.2. The values underpinning the EU

The EU is based on values common to all its Member States, which it affirms and promotes in its relations with the rest of the world. These values include respect for human dignity, freedom, democracy, equality, the rule of law and human rights. On the basis of these values the EU endeavours to build partnerships with third countries and international, regional or world-wide organisations which share the principles of the universality and indivisibility of human rights and fundamental freedoms.

EU development policy falls within the broader scope of the principles and aims of its external action. It promotes multilateralism whereby all the world's nations share responsibility for the management of development and the risks threatening security on a global scale. It operates in the framework of the United Nations and promotes a system of rules, institutions and international instruments set up and implemented by the international community, in particular for trade, the international financial structure, employment and the environment.

1.3. Poverty reduction: an objective embedded in the international agenda

The international development agenda is summarised in the September 2000 Millennium Declaration which focuses on social and human development, human rights, equality between men and women, the close relationship between development and the environment and the links between trade and development and sets out a framework of action to which the EU is fully committed. The Millennium Development Goals reflect the political commitments made by all the UN Member States on the basis of a timetable that should make for substantial progress in each country between now and 2015.

⁴ Currently 151 countries (including the territories of the DAC list) representing a total of some five billion people.

The eight Millennium Development Goals (MDGs) are:

- (1) eradicate extreme poverty and hunger,
- (2) achieve universal primary education,
- (3) promote gender equality and empower women,
- (4) reduce the mortality rate of children,
- (5) improve maternal health,
- (6) combat HIV/AIDS, malaria and other diseases,
- (7) ensure environmental sustainability,
- (8) develop a global partnership for development.

The Monterrey conference on financing and the Johannesburg summit on sustainable development built on these commitments, in particular by affirming the importance of partnership and the sharing of responsibilities between industrialised and developing countries, the progress to be made as regards governance, and the necessary balance to be ensured between the three pillars - economic, social and environmental - of sustainable development. The poverty reduction strategy must be based on the commitments adopted at international summits and major conferences in the social, economic, environmental and human rights fields.

1.4. Other EU objectives in the area of development

The EU considers that the overriding objective of poverty reduction is based on the complementary aims of promoting good governance and respect for human rights, which form an integral part of long-term development.

Governance

- Good governance, including states' capacity to ensure respect for the rights and freedoms of their citizens, and democratisation
- The prevention of conflict and fragility of states, which constitute major obstacles to the MDGs

Human rights

- The promotion of human rights as laid down in international conventions and other international instruments, including civil and political rights, economic, social and cultural rights, children's rights, equality between men and women, sexual and reproductive rights and the rights of minorities and indigenous populations
- Social cohesion and social welfare, including through the promotion of decent work for all
- Respect for the fundamental rights of migrants, refugees and displaced persons

EU development policy is an important component of its sustainable development strategy. Development is also crucial for the aims of prosperity and solidarity that guide the EU. The EU aims, both in its internal policies and its external action, to ensure that globalisation benefits all and incorporates a strong social dimension. This differentiates Europe from other global players.

1.5. Development: a strategy for equitable globalisation

1.5.1. The links between development and security

Poverty implies a lack of opportunities, power and choices. Empowerment, participation, inclusion and accountability are four important aspects of both security and development.

Development is crucial for collective and individual long-term security: they are complementary agendas and neither is subordinate to the other. There cannot be sustainable development without peace and security, and sustainable development is the best structural response to the deep-rooted causes of violent conflicts and the rise of terrorism, often linked to poverty, bad governance and the deterioration and lack of access to natural resources.

1.5.2. ... between development and migration

An increase in migratory flows is one element of globalisation. Development is the most effective long-term response to forced migration and destabilising migratory flows: it improves living conditions and employment prospects in developing countries and contributes to peace and security. Development cooperation is also part of the recipe for sustainable solutions for refugees and displaced persons and in combating the trafficking of human beings and illegal migrants. The vulnerability of women and children to these phenomena calls for special efforts to be made.

In turn, the positive impact of migratory phenomena on development must be maximised, in particular via transfers of migrant workers' incomes and the movement of qualified persons. The EU will seek to optimise these favourable effects and to limit the "brain drain", in particular in the health and research sectors.

1.5.3. ... between development and trade

The EU, as the most open trading partner of developing countries, will continue to work for properly sequenced market opening, underpinned by an open, equitable, rules-based multilateral trading system, that has protection of the weaker nations of the world explicitly built into its rulebook and modus operandi. The bilateral and unilateral preference schemes will remain important development tools. The developing countries, for their part, are increasingly aware of the need to systematically incorporate trade into their development and poverty reduction strategies while ensuring the implementation of the necessary internal reforms to enable them to take advantages of these opportunities.

Recognising that developing countries need more substantial support for this often complex process of trade opening-up and integration, the EU will further improve and better coordinate trade-related aid programmes and provide additional support for adjustment and integration into the world economy, in cooperation with the international community. Particular attention will be paid to the least advanced and most vulnerable countries.

Regional integration and the multilateral trade system reinforce one another. Developing countries' commercial policy is increasingly shaped in a regional context. The EU will continue to promote regional integration as a relevant strategy for harmonious and progressive integration of developing countries into the world economy, also in the framework of the economic partnership agreements.

1.5.4. ... between development and environment

Poverty is closely linked to environmental issues. The poorest people are the most dependent on natural resources for survival, which they are often forced to over-exploit. They are also the worst affected by a degraded environment. Sustainable development aims to ensure intergenerational equality via resource management that takes account of future generations. Ensuring sustainable management of natural resources, combating climatic change, deforestation and desertification and halting biodiversity loss are essential for achieving the MDGs.

Globalisation brings with it major environmental challenges. The EU will encourage the development of production and consumption methods that limit the harmful consequences of growth for the environment. It will support the inclusion of environmental considerations in poverty reduction and equivalent development strategies.

1.5.5. ... between development and social dimension of globalisation

The EU will support the strengthening of the social dimension of globalisation with a view to contribute on extending the benefits to all. The EU will endeavour to ensure policy coherence for development and to promote mutually reinforcing economic, employment, social and environmental policies at global, regional and national level. In addition the EU has the intention to promote decent work for all, to enhance its support for fair trade and to encourage European companies to adhere to the principles of Corporate Social Responsibility.

2. SHARED PRINCIPLES

2.1. Supporting performance

The developing countries have the primary responsibility for conducting coherent and effective policies and mobilising their own development resources. Recognising the value of different development methods, the EU supports those partner countries' poverty reduction, development and reform strategies which are coherent and focussed on the MDGs. The developing countries and the EU share responsibility and accountability for their joint efforts and for the results.

The principles of partnership and ownership of development cooperation strategies and programmes by the partner countries and alignment on their strategies and procedures constitute the basis of EU policies vis-à-vis developing countries. The EU encourages increased involvement of official institutions that represent society, in particular national assemblies, parliaments and local authorities.

2.2. The participation of civil society

The EU encourages the participation of partner countries' civil society and other non-state actors in the development process in order to ensure the viability, effectiveness and impact of development strategies and programmes. It encourages in particular the emergence of economic and social players such as trade unions, employers' organisations and the private sector as development partners while continuing to support civil society organisations which specialise in development. It seeks to promote and facilitate political and social dialogue between the different players and with the institutions of the Community and the partner countries.

2.3. In-depth political dialogue

In relation to both political dialogue and aid methods, the EU is moving towards an approach based on results and progress indicators.

Respect for human rights, democratic principles and the rule of law are the subject of a regular political dialogue aiming to assess developments and identify supporting measures, the aim of which will be to prevent situations of breach of these elements, considered essential in all EU partnership and cooperation agreements. This regular dialogue must also address issues of governance, paying close attention to prevention and the fight against corruption.

2.4. A commitment to fragile states

The EU intends to pay greater attention to poorer countries, difficult partnerships⁵ and fragile⁶ and failed states. Thirty per cent of the poorest people⁷ live in fragile states, to which the principles of partnership and ownership must be adapted on a case-by-case basis.

For reasons of solidarity with the populations, of long-term aid effectiveness and of global security, preventing the emergence of failed states has become a crucial task. It is in this context that the EU advocates remaining engaged, even in the most difficult country situations. This assumes an appropriate balance between the priorities of foreign policy and development, and synergies must be sought between the various instruments implemented by the EU and its Member States.

In transition situations, the EU undertakes to promote and apply the principle of linkage between emergency aid, rehabilitation and long-term development by ensuring coordination and complementarity with other regional multilateral organisations and civil society. The process of development in a post-crisis situation will be guided by integrated transition strategies comprising at the same time political responses and financial support appropriate to the changing needs. The aim of these strategies will be to set up or restore the essential conditions necessary for the implementation of long-term development programmes, and in particular to rebuild institutional capacities, essential social services, food security and infrastructure and provide sustainable solutions for refugees, displaced persons and the general security of citizens.

The EU also has a historic responsibility towards small developing countries, e.g. islands, that are particularly vulnerable to natural disasters, climatic change and external economic shocks. The major challenge will be to increase their resilience in the face of these challenges.

3. ACTIONS BASED ON A COMMON THEMATIC FRAMEWORK

The EU must have the capacity to respond to a broad variety of situations and needs in the partner countries. A common thematic framework for EU and Member States' development

⁵ Difficult partnerships are defined on the basis of one of the following: lack of commitment by the authorities to the objective of poverty reduction; weak governance; corruption and/or political repression; institutions unable to ensure their citizens' security or the conditions necessary to live in peace and freedom.

⁶ This concept covers difficult partnerships and crisis/post-crisis situations.

⁷ Extreme poverty is defined by an income level of less than 1 dollar per day.

policies will make it possible to coordinate the economic, social, environmental and political aspects of the poverty reduction objective and ensure its multisectoral character. Identification of these themes will also facilitate greater coherence between EU development policy and other internal and external policies.

Action themes for the EU

- Development of human rights and capacities, access to essential services (human rights, children's rights, equality between men and women, reproductive and sexual rights, right to food, health, combating poverty-related diseases, population, migration, education, training, culture, consumer rights).
- Governance for development and security (governance and democratisation processes, state reform, decentralisation, fight against corruption and tax evasion, strengthening of civil society, prevention of conflict, the fragility of states and natural disasters, and management of the transition between emergency and development).
- Environment and sustainable management of natural resources (management and protection of forests, water, marine resources and biodiversity, access to sustainable energies, climatic change, desertification and soil degradation, sustainable management of chemical products and waste, sustainable production and consumption methods).
- Economic growth and trade development, factors in sustainable development (support for reforms, regional integration, agriculture, fisheries, the private sector, redistribution of the income from growth, economic cooperation, development research, energy, information and communication technology, networks, infrastructure and access to transport).
- Food security (availability and accessibility of food, nutritional quality, prevention of food crises) and regional planning (rural and urban development, decentralised local development, management of the balance between human activities and ecosystems).
- Combating inequalities and promoting social cohesion, including decent work for all (social welfare and inclusion, productive employment, development of human resources, fundamental social rights including combating child labour, social dialogue)

On the basis of this thematic framework, the EU will be able to develop common policy guidelines.

4. AN OPERATIONAL TRANSLATION OF THE COMMON STRATEGY

The Treaty establishes a very clear framework and lays down the principles underlying the actions of the Community and the Member States: coordination, complementarity and division of competences. The EU will pay all necessary attention to the need to account for and make visible to the EU citizen how its contributions are incorporated, in particular where multilateral operations are concerned.

4.1. Increasing financial resources

The EU reaffirms its commitment to increasing aid budgets (public development aid) with a view to reaching 0.7% of gross national income in 2015, a level considered necessary by international experts to achieve the MDGs and to pursue the other development cooperation objectives. To that end, the EU has set an intermediate collective target of 0.56% in 2010 and an individual objective of 0.51% (EU-15) and aiming at 0.17% (EU-10) taking account of the situation of the Member States that joined after 2002. It calls on the other donor countries and emerging countries to join this crucial effort.

The EU has committed to consider the most promising options for innovative sources of financing for development, in order to increase the resources available in a sustainable and predictable way.

4.2. Strengthening aid effectiveness

4.2.1. Acting together for greater coordination, harmonisation and alignment

In order to reduce aid transaction costs and to increase the capacities of partner countries, the EU will take the measures necessary to honour its international commitments as regards aid harmonisation and effectiveness, based on ownership, alignment of the strategies and procedures of the countries concerned, decentralised programme management, results-based management and mutual responsibility⁸. It will use the progress indicators defined in this context and achieve the targets set out in the Paris Declaration.

The EU will implement a work plan⁹ containing specific, measurable actions with a timetable. The aims of this plan over the coming years include:

- (i) better division of labour at the level of countries and regions, for greater complementarity in particular via the establishment of a common EU programming framework,
- (ii) the development of an EU roadmap in each country,
- (iii) the drawing up of a common financial agreement format encouraging the harmonisation of procedures with the partner countries,
- (iv) ensuring a minimum EU presence (Community or Member State) in fragile countries, particularly countries in crisis,
- (v) more joint actions and more intensive use of cofinancing making it possible to launch joint operations with and between Member States, and to capitalise on new Member States' experience and facilitate the gradual emergence of these countries as new donors.

These measures will not be taken in isolation. Europe's activities will be open to the entire development community, since they form part of the international movement which the EU aims to mobilise. It will place particular emphasis on cooperation with other bilateral

⁸ Rome Declaration of February 2003 and Paris Declaration of March 2005.

⁹ GAER Council conclusions of 22-23.11.2004; 14724/04, Annex 2, report of the Working Party on harmonisation entitled "Advancing coordination, harmonisation and alignment: The contribution of the EU".

development partners and multilateral players such as the United Nations and international financial institutions.

4.2.2. *Increasing the quality of aid, including via innovative and flexible mechanisms*

With a view to strengthening ownership, ensuring the financing of essential operating budgets, promoting sound and transparent management of public finances and aligning aid with the partners' national procedures, general or sectoral budget support will play an increasingly predominant role in the implementation of European aid.

In the light of the increase in aid budgets and given the need to ensure stable and predictable resources, the EU will develop a new, less volatile mechanism, which would enable countries that have made sufficient progress in reducing poverty to embark on medium-term measures, in particular to cover the recurring costs connected with the human resources necessary to guarantee access to basic services and to ensure better consideration of investments needed for a sustainable approach, whose benefits are sometimes apparent only in the long term.

Debt reduction also represents a means to finance state budgets in a predictable and coordinated fashion. The EU is committed to finding solutions to the debt burden, in particular for initiatives aiming at reducing multilateral debt, for countries affected by exogenous shocks and for post-conflict countries.

The untying of aid constitutes another vital aspect of efforts to increase aid effectiveness. The EU reaffirms its intention to promote a degree of untying which goes beyond that provided for in existing international agreements, in particular as regards food aid, by directing it towards local and regional purchases.

4.3. **Ensuring policy coherence for development**

The EU has made commitments as regards policy coherence for development. It has identified several fields of policies other than development cooperation in which measures will be taken to help developing countries to achieve the MDGs¹⁰. This constitutes a substantial additional EU contribution to the fulfilment of these goals.

As regards implementation, progress must be made at three levels: (1) at Member State level, by the reinforcement of procedures and instruments relating to policy coherence, based on best practices developed by certain Member States; (2) at Council level, by the strengthening of genuine integration of development issues into the work of the Council's sectoral groups; (3) at Commission level, including by the reinforcement of impact analyses from a development perspective.

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¹⁰ Trade, the environment, climate change, security, agriculture, fisheries, the social dimension of globalisation/employment and decent work, migrations, research and innovation, the information society, transport, energy.

PART TWO
GUIDELINES FOR IMPLEMENTATION OF DEVELOPMENT POLICY
BY THE COMMUNITY

The second part of the Statement set out in the annex provides guidelines for the implementation of development policy at Community level. The aim is to clarify the Community's role and to identify priorities which will be reflected in effective and coherent development cooperation programmes at the level of countries and regions.

ANNEX

PART TWO

GUIDELINES FOR IMPLEMENTATION OF DEVELOPMENT POLICY BY THE COMMUNITY

1. THE PARTICULAR ROLE OF THE COMMISSION

As a political institution with responsibilities conferred on it by the Treaty, the Commission has a considerably wider remit than any development agency. It is essential for it to have a range of policies and instruments that will enable it to respond to a wide variety of situations.

The Commission has a global presence; it is active in all parts of the world, with a common trade policy, political dialogue and cooperation programmes covering practically every developing country and region. It receives back-up from an extensive network of delegations.

It is one of the driving forces behind the agenda for harmonisation and coordination with other EU bodies and non-EU donors; it promotes European approaches to development in international bodies and leads the European debate on development.

It also strives to promote understanding of interdependence and encourage North-South solidarity on the basis of the values that Europe is built on. To that end, the Commission will pay particular attention to raising awareness and educating people about development.

2. A DIFFERENTIATED APPROACH DEPENDING ON CONTEXTS AND NEEDS

2.1. Differentiation in the implementation of development cooperation

Implementation of EC development cooperation is necessarily country- or region-specific, 'tailor-made' to each partner country or region.

Differentiation is a necessity, given the diversity of partners and challenges. Both overall policy and practical development cooperation are differentiated. The EC's policy vis-à-vis each country reflects in fact a 'mix' of objectives (development, trade and economic, security, stabilisation, environment, etc.), based on the countries' needs, priorities and assets. It is supported by a mix of modalities (project aid, budget support, humanitarian aid and assistance in crisis prevention, support to and via the civil society, approximation of norms, standards and legislation, etc.), unique to each country.

Distinctions must be drawn between middle-income and low-income partner countries. Low-income countries (LICs) and least developed countries face enormous challenges on their path towards the Millennium Development Goals. Support to LICs will be based on poverty reduction strategies, paying due attention to the availability of and access to basic services, economic diversification, food security and improved governance and institutions.

The picture is further complicated by situations of difficult partnerships and even more so in countries in conflict.

Support to middle-income countries remains equally important to attain the MDGs. A large number of the world's poor live in these countries and many are confronted with striking inequalities and weak governance, which threaten the sustainability of their own development process. The Community therefore continues to provide assistance with poverty reduction and other key objectives. Many middle-income countries are strategic players with an important role in global political, security and trade issues, producing global public goods and acting as regional anchor countries.

In addition, the European Neighbourhood Policy aims to build a privileged partnership with neighbouring countries, bringing them closer to the Union and offering them a stake in the EC's internal market together with support for dialogue, reform and social and economic development.

In difficult partnerships, fragile or failing states the Community's immediate priorities will be to deliver basic services and address particular needs, mostly in project mode, through collaboration with the civil society and UN organisations. The long-term vision for Community engagement is to help partner countries to build legitimate, effective and resilient state institutions and an active and organised civil society. To improve its contribution to this end the Commission, in cooperation with its international partners, is defining principles for international engagement in fragile states. These principles reflect lessons learned on aid effectiveness in these countries and cover issues such as coherence, prevention of state fragility and conflict, harmonisation and alignment with their strategies and procedures.

Consequently, the EC's policies, including its development policy, have to take account of wider strategic issues in order to fully reflect the range of its objectives. Differentiation, and the complexity of the policy mixes, clearly requires a broad range of policy approaches and themes within development policy. On the other hand, it is increasingly necessary to ensure coherence between policies.

Country, Regional and Thematic Strategy Papers are the EC programming tools which both define this targeted 'mix' of policies and instruments and ensure coherence between them. The new architecture of geographic and emergency instruments¹¹ for Community assistance provides the appropriate framework to respond to the different contexts and conditions. In this framework, the thematic programmes are subsidiary, complementary and defined on the basis of their distinctive value added vis-à-vis the geographical programmes.

2.2. Transparent criteria for resource allocation

The overall funding allocation is awarded on a geographic or thematic basis. Within each geographic envelope resources are allocated and their subsequent use is reviewed following the principles of needs and country capacity and performance, which may be adapted to take into account the specificity of the different programmes. In this context, the challenges posed by sustainable development will also be taken into account. The needs criteria include population, the extent of poverty and the level of social development, while the performance criteria include political, economic and social progress and the absorption of aid, and in

¹¹ The Commission proposal to the Council and the Parliament is based on three geographic regulations : for Neighbourhood Policy, Development and Economic Cooperation and Pre-accession to the EU, on one hand, and three emergency instruments: for Humanitarian assistance, Stability and Macro-financial assistance, on the other hand.

particular the way a country uses scarce resources for development, beginning with its own resources.

This approach favours development and progress towards the MDGs while taking due account of the EC's political priorities. It is also flexible enough to take account of the specific circumstances of beneficiary countries, such as small islands or landlocked states, particularly large and populous countries or disaster-prone countries.

3. PRIORITIES CHOSEN IN CONSULTATION WITH PARTNER COUNTRIES

3.1. The principle of concentration while maintaining flexibility

The Community will apply the principle of concentration; which is one of the most important to ensure aid effectiveness. It means selecting a limited number of areas for action when Community aid is being programmed, instead of spreading efforts too thinly over too many sectors. This selection process will be done at country and regional level in order to honour commitments made in regard of partnership, ownership and alignment.

These priorities will be identified through a transparent and in-depth dialogue with various actors on the basis of a joint analysis and in such a way as to ensure complementarity with other donors. Programming should take account of the need for sufficient flexibility to also enable a rapid response to unforeseen needs.

The harmonisation agenda means that donors must work together to support partner countries' general and sectoral policies. The Community is willing to play its part in this effort. MDG-oriented poverty-reduction strategies or equivalent national strategies must be the starting point for this kind of work.

3.2. The Community's contribution to implementation of the common thematic framework

On the basis of the common thematic framework for the EU and of a joint analysis of partner countries' needs and performance, the Commission will, in its programming dialogues with them, bear in mind the concepts of differentiation and complementarity and its own capacity in order to identify where Community cooperation should be targeted.

The Commission has considerable experience and plans to increase its capacity in a number of areas relating to development cooperation:

– Governance and support for economic and institutional reforms

On governance, the Community will give a specific priority to human rights – including gender equality – and democratisation, the promotion of a high level political commitment and the support to reforms needed to prevent and combat corruption, the support to decentralisation and local authorities and to the strengthening of the role of Parliaments.

Attention will also be paid to improving environmental and social governance by strengthening the effective participation of institutional actors in charge of these issues in the political decision-making process as well as by reinforcing the role of non-governmental actors. In this context the Community will follow up the implementation of the EU Action Plan for Forest Law Enforcement, Governance and Trade.

The Community supports reforms through a range of modalities according to the specific context. Budget support will be considered, where appropriate, as a particularly useful aid modality in a strategy focusing on improving governance, by giving the Community an important role in improving public financial management for the whole budget – which is essential for tackling inefficiency and corruption, and for improvement in the impact which public spending as a whole has on poverty.

The Community will promote good governance principles in relation to financial, tax and judicial matters, in particular through better transparency, exchange of information and cooperation between competent authorities. This will in turn facilitate the fight against corporate and financial fraud, money laundering, financing of terrorism, tax fraud and avoidance, corruption and other financial and corporate malpractices.

The Community will continue to be a key player, alongside the Bretton Woods Institutions in supporting economic and institutional reform, including Poverty Reduction Strategies, by engaging in dialogue with countries on the content of reforms, and providing financial assistance to governments engaged in these programmes. In its dialogue with countries, the Community will continue to pay close attention to the impact of reforms, in terms of growth, improved business climate, macroeconomic stability and the effects on poverty reduction. By putting results at the centre of its dialogue, the Community will promote real country ownership of reforms. Particular emphasis will also be placed on improvements in public finance management, as fundamental to combating corruption and promoting efficient public spending. With regards to finance for programmes, budget support will be the preferred aid modality where appropriate. Interventions will respect the recommendations made in the OECD/DAC Good Practice Guidelines on budget support, in particular in terms of alignment, coordination and conditions. Additional support for capacity building could also be provided in the form of traditional project aid.

Finally, the Community will maintain its active involvement in debt issues, by implementing its commitments and by participating in the international debate on debt.

– **Trade and regional integration**

Trade is a key source of economic growth. Market opening and preferential access provides developing countries with opportunities for growth, but a lack of supply side capacity often hinders their ability to exploit this potential. The EC's objectives on trade and regional integration are sustainable growth and the smooth and gradual integration into the world economy. The priorities in this area are institutional and capacity building to design and effectively implement sound trade and integration policies, as well as support for the private and public sector to take advantage of new trading opportunities in the regional and world market and to facilitate adjustment. This includes strengthening of the supply side in terms of the legal and regulatory framework for a more favourable investment climate and availability of basic support services (eg water, electricity, telecommunications, finance etc.) complementing what is undertaken in relation to infrastructure and transport. Support to private sector will remain an important area of intervention of the Community. Besides the just mentioned improvement of the investment climate, this will include also the provision of capacity building and facilitation of access to finance, in particular through the European Investment Bank, for the private sector in developing countries. One increasingly important area of Community intervention is microfinance where the focus will be on capacity building. The provision of financial services for poor people is an important instrument to help people help themselves to get out of poverty.

Particular attention is given to trade-related areas such as trade facilitation, services, compliance with sanitary and phytosanitary measures, technical and quality standards and intellectual property. Another priority is to facilitate the restructuring of the fiscal system to replace import duties by more balanced forms of taxation.

The specific operations will depend heavily on the characteristics of the partner countries. Small, landlocked and insular countries and LDCs require special emphasis on the supply side and increasing the competitiveness of the private sector. In such countries transitional budget support is important to facilitate the fiscal adjustment process and to prevent policy reversal.

Barriers are often highest between developing countries themselves. Regional integration can lower these barriers, increase market size and therefore enable economies of scale in production and make markets more attractive to investment. A large part of trade-related assistance, especially in the ACP group is carried out in the context of regional programmes to support the consolidation of economic integration and to prepare EPAs. For many countries, but especially those for which the EU is the largest trading and investment partner, approximation of the EU single market regulations is beneficial.

– Infrastructure and transport

The EC promotes a sustainable transport sectoral approach. Meeting stakeholders' needs, ensuring transport safety, affordability, efficiency and minimising negative effects on the environment are key principles of the approach. It applies a strategy for delivering transport that is economically, financially and institutionally sustainable. This vision is shared by developing partners.

The Commission's response to the growing demand from African countries for the increase of donor funding to infrastructure is a Partnership for Infrastructure. The Partnership will operate at various levels, continental, regional and national. It will comprise an optimal mix of "software" (regulatory framework harmonisation, institution development, capacity building) and of "hardware" (additional funds for infrastructure investments).

– Water and energy

The Community 'integrated water resources management' policy framework aims at ensuring a supply of sufficient, good quality drinking water, adequate sanitation and hygiene to every human being, especially the poorest, in line with the MDG to halve, by 2015, the proportion of people without sustainable access to safe drinking water and to basic sanitation.

The EU Water Initiative contributes to these policy objectives. Its key elements are to: reinforce political commitment to action and raise the profile of water and sanitation issues in the context of poverty reduction efforts; promote better water governance arrangements; encourage regional and sub-regional co-operation on water management issues; and catalyse additional funding. The Initiative has a regional focus on Africa; this experience will help to build a similarly strong relationship with Eastern Europe, the Caucasus, Central Asia, the Mediterranean region and Latin America.

Large sectors of the population in low income countries have no access to electricity and rely on inefficient and costly household energy systems. EC policy therefore is focused on supporting a sound institutional and financial environment, awareness raising and capacity building, in order to improve access to modern energy services through the EU Energy

Initiative, and through the Johannesburg Renewable Energy Coalition. Assistance will also be provided to build the necessary infrastructure to interconnect countries and regions, in order to achieve economies of scale and a more efficient and sustainable utilisation of resources. The EC also supports the development of innovative public-private financing mechanisms.

In middle income countries EC policy support is mainly focused on the gradual replacement of fossil fuel based generation of electricity with environmentally sustainable energy sources as well as on the improvement of energy efficiency.

– **Social cohesion and employment**

The Community promotes an integrated social and economic approach that regards economy, employment and social cohesion as interdependent elements with a view to fighting inequalities. Priorities will depend on the needs of the partner countries and regions, with a particular focus on social and fiscal policies to promote equity. Priority actions will include support for social security reforms (e.g. extension of social security to those that are not covered by existing systems, sustained and adequate social protection mechanisms) and fiscal reforms aimed at redistribution of income, pro-poor growth and employment.

Employment is a crucial factor to achieve a high level of social cohesion. The Community will promote investments that generate employment and that support human resources development. In this respect the EC will promote decent work for all in line with the ILO agenda. Special emphasis will be given to the progressive integration of the informal sector into the formal economy, on social dialogue and on corporate social responsibility.

– **Human and social development**

The Community human and social development policy framework aims at improving peoples' lives in line with the MDGs through action at global and country level.

The EC will support interventions for health by strengthening health systems, with special emphasis on human resources, and by increasingly working through sector wide approaches and sector budget support. In this regard the EC will enhance its capacities in policy dialogue at country level, or alternatively, share expertise with EU Member states.

The Community will develop a roadmap for joint EU actions to confront HIV/AIDS, malaria and tuberculosis at country and global level based on its policy framework and the European Programme for Action. EC strategies will support prevention, treatment and care, including through the Global Fund to Fight AIDS, Tuberculosis and Malaria. Actions will include measures to support orphans and vulnerable children, address the gender dimension of the three diseases and overcome stigma and discrimination. Links and synergies with strategies to promote sexual and reproductive health and rights will be fully explored. The Community will also propose joint approaches to the Member States and NEPAD to address the exceptional human resource crisis of health providers.

The EC priorities in education are quality primary education and vocational training. Efforts will be made to address major inequalities. Particular attention will be devoted to promoting girls' education and safety at school. The development of sector plans, the financing of recurrent costs and the participation in regional and global thematic initiatives on education will be envisaged if and where they bring added value to education outcomes, standard setting or monitoring efforts.

The EC's social development policy framework promotes the protection of people, women and children in particular, from human trafficking, the worst forms of child labour and discrimination, notably as regards gender and disability.

The bulk of financial support will go to the poorest countries. In fragile states the Community will work with NGOs and UN organisations to deliver basic services and address particular needs, mostly in project mode.

In addition to the work at country level, the Community has a capacity at the global level by ensuring a strong European voice on a number of key issues, in particular women's rights, sexual and reproductive health and rights, the promotion of affordable and safe pharmaceutical products.

– **Rural development, territorial planning, agriculture and food security**

Not enough attention has been paid to rural development and agriculture in recent years despite their importance for growth and poverty reduction. To relaunch investment in these sectors, the Community will support the implementation of territorial, planning-oriented multi-sector approaches, aimed primarily at strengthening local powers and promoting involvement in the identification of investment priorities and resource management in order to support the emergence of local-development clusters.

The Community will continue to provide the driving force behind moves to improve food security at international, regional and national level. It will support strategic approaches in countries affected by chronic vulnerability of food supplies. Activities will range from preventive measures, including early-warning systems, the development of safety nets, improving access to resources, the quality of nutrition and capacity development for the drawing up of strategies. Particular attention will be paid to transition situations and to ensuring that emergency development aid gets through.

In relation to agriculture, the Community will focus on access to resources (land, water, finance) and new opportunities (markets and technology), particularly for women. Bearing in mind the limitations on what is possible and the level of development of the countries in question, the Community may give priority to sustainable intensification of production (in the case of low-income countries), or competitiveness on international markets and risk management (in countries dependent on commodities). Particular attention will be given to mechanisms for responding to crises. In transition situations, the focus will be on restoring productive systems. To ensure that developing countries benefit from technological development, the Community will increase its support for global agricultural research.

– **The environment and sustainable management of natural resources**

The Community will support the efforts undertaken by its partner countries (Governments and civil society) and help increase their capacity to incorporate environmental considerations into development, including implementation of multilateral environmental agreements¹².

It will strengthen its initiatives to ensure that natural resources are properly preserved and sustainably managed, as a source of income amongst other things (e.g. forests, fisheries etc.) To this end it will support national and regional strategies; it will also take part in/contribute

¹² Climate, biodiversity, desertification, waste and chemicals

to European or global initiatives and organisations. There will also be increased funding for development-related research in the 7th Framework Programme.

Particular attention will be given to ensuring the sustainable management of forest resources, so as to safeguard and develop the jobs, rural livelihoods and environmental goods and services that forest provide, including through promoting community-based forest management, and improved governance of forest resources. Sustainable management of biodiversity, including protected areas systems, equitable sharing of its benefits and domestic bio-safety framework issues will be addressed through a stronger support to UNCBD¹³ implementation.

With regard to climate change, the Community will focus its efforts on the implementation of the EU Action Plan on Climate Change and Development. This will be done in close collaboration with the Member States. Adaptation to the negative effects of climate change will be central in the EC's support to least developed countries and small island development states. As far as desertification control and sustainable land management are concerned, the Community will focus on the implementation of the UNCCD¹⁴ through effective mainstreaming of sustainable land management issues in developing countries' strategies. It will also seek to promote the sustainable management of chemicals and waste, particularly by taking into account their links with health.

– Prevention of conflicts and of state fragility

The EC is committed to preventing the emergence of difficult partnerships and state fragility. It supports governance reform as well as a comprehensive prevention approach. It fosters a culture of long-term prevention of, rather than reaction to, state fragility, conflict, natural disasters and other types of crises.

The Community will maintain its support to conflict prevention and resolution and to peace building by addressing the root-causes of violent conflict, including poverty, degradation, exploitation and unequal distribution and access to land and natural resources, weak governance, human rights abuses and gender inequality. It will also promote dialogue, participation and reconciliation with a view to promoting peace and preventing outbreaks of violence.

The Community will step up its assistance to support partner countries' and regional organizations' efforts to strengthen early warning systems and governance/institutional capacity building, to enable them to engage effectively in a prevention approach. The EC will also improve its ability to recognize early signs of state fragility through improved joint analysis, joint monitoring and assessments of difficult, fragile and failing states with other donors.

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¹³ United Nations Convention on Biological Diversity.

¹⁴ United Nations Convention to Combat Desertification.

Furthermore, as part of an innovatory policy, the Commission is developing **new approaches** in areas such as migration and development, security and development and networks and interconnections.

It is also recognised as having valuable experience regarding the types of aid, in particular general budget support and sectoral aid that require in-depth dialogue within individual sectors but also on the way public finances are managed, transparency, accountability and corruption.

In addition to these skills, the Commission will deploy all the technical expertise it possesses in various areas: not just those relating specifically to external action but any policy area in which it has valuable experience to share, such as internal markets, trade, taxation, competition, fisheries, environment, cohesion, employment and social protection, research, education and culture.

This is what the Commission proposes to bring to a division of labour based on the comparative advantages of each player in order to make aid more effective.

3.3. A strengthened approach to mainstreaming

Some issues require more than just specific measures and policies; they also require a mainstreaming approach because they touch on general principles applicable to all initiatives and demand a multisectoral response.

This is true, for example, of gender equality, human rights in general and the rights of children and indigenous peoples in particular, environmental issues and capacity building, including increased use of information and communication technologies.

The Commission will relaunch this approach, making systematic and strategic use of all resources at its disposal¹⁵. For instance it will intensify the dialogue with its partners and set up networks of expertise and technical support, pooling the Member States' resources with those of partner countries.

3.4. Support for global initiatives and funds

Global initiatives and funds are powerful instruments for launching new political measures or reinforcing existing ones where their scope is insufficient. They are capable of attracting public attention and generating public enthusiasm more effectively than traditional aid institutions.

However, this kind of aid should not be allowed to undermine the dialogue with countries, the process of aligning aid on their strategies or the integration of funds into the budget cycle.

The added value of global initiatives and funds will have to be assessed on a case-by-case basis. The Commission will draw up criteria for Community participation in global funds and contributions to them. It will give priority to initiatives that will help achieve the MDGs and increase the availability of global public goods.

¹⁵ Strategic environmental assessments and gender-equality impact assessments will be carried out on a systematic basis, including in relation to budget ("greening the budget") and sectoral aid.

With regard to initiatives involving measures in the developing countries, participation will depend on the possibility of integrating those measures into national or regional development policies and coordinating with donor programmes.

Decisions on participation will also take account of how long the funds are scheduled to run for and whether or not there is an exit strategy.

4. A RANGE OF MODALITIES BASED ON NEEDS AND PERFORMANCE

The Community has a wide range of modalities for implementing development aid which enable it to respond to different needs in different contexts. This wide ranging “offer”, henceforth available to all geographical and thematic programmes when proposed by the Commission, reflects a genuine Community added value.

Budget support in the form of support for general or sectoral development policies will take on increasing importance. It will enable recipient countries to cope with growing operating budgets, promote harmonisation and alignment on national policies; transaction costs are low and it encourages results-based approaches. Support for sector and governance-related reforms may also be given through other forms of intervention in cooperation with other donors.

In the best-performing countries, steadier, medium-term support will be introduced to boost their capacity to attain MDGs.

The Community will move towards an approach based on results and progress indicators. Increasingly, conditionality is evolving towards the concept of a “contract” based on negotiated mutual commitments formulated in terms of results.

Project-based aid will be useful in difficult situations or situations in which budget support is not well placed, as well as in support of civil society.

Debt reduction, which is comparable to indirect budget support, with low transaction costs and a tendency to promote coordination and harmonisation between donors, could help countries to reduce their vulnerability to external shocks.

The majority of Community aid will continue to be provided in the form of grants, which is particularly suitable for the poorest countries and for those with a limited ability to repay.

However, the European Investment Bank is playing an increasingly important role in the implementation of Community aid, through investments in private and public enterprises in developing countries. The EIB has been given a number of external mandates in recent years. Its increasing involvement calls for some thought on how poverty reduction and sustainable development can best be taken into account when it comes to fulfilling these mandates.

The Community will also cooperate with relevant international organisations and agencies where such cooperation provides added value.

Decisions on what modalities of Community aid are the most appropriate for each country will be made at the programming stage, which must be increasingly coordinated with the process of formulating sectoral policies and implementing national budgets.