



DEVELOPMENT

Compendium on development cooperation strategies 2007



LOUIS MICHEL

European Commissioner
for Development and
Humanitarian Aid

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**Compendium
on development
cooperation
strategies 2007**



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European Commissioner
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Humanitarian Aid

This publication is Volume Two of the European Union's "Compendium on development cooperation strategies".

In 2006, as you recall, the European Commission's Directorate-General for Development and Relations with the African, Caribbean and Pacific States published a first volume detailing the different measures taken since the start of my term of office as European Commissioner. My aim has been to launch a new concept and framework for the European Union's policy towards development cooperation and this includes:

- › The European Consensus on Development.
- › Working towards more, better and faster European Union aid.
- › The European Union Strategy for Africa.
- › Towards an EU-South Africa Strategic Partnership.
- › Governance in the European Consensus on Development –
Towards a harmonised approach in the European Union.

This 2007 edition updates the compendium by reproducing six more recent communications from the European Commission to the Council and the European Parliament, details of which can be found in the Table of Contents.

Reading theses will give you a better picture of how the European Union is going about its task and is literally revolutionizing its policy on development.

Eradication of poverty is still the main challenge for the coming years. It is our duty to rise to this challenge in terms of justice and human solidarity. We can assure the European public that we will spare no effort as we continue in the energetic and enthusiastic pursuit of this crucial goal.

Louis Michel

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1. Introduction

1.1. Policy framework

On 20 March 2006, the European Commission outlined at the 11th Summit of Heads of State and Government of IGAD (Intergovernmental Authority on Development) an initial blue print of a strategy for peace, security and development for the Horn of Africa region. This Communication translates the mutual interest and political will to generate regional stability and solidarity and is the product of high-level consultations that have taken place since then, involving all the IGAD countries and other interested regional players such as the League of Arab States and Egypt.

This Communication builds on two important Strategies already being implemented by the EU: the **‘European Consensus for Development’** adopted by the European Parliament, the Council and the Representatives of the Governments of the Member States meeting within the Council and the Commission on 20 December 2005 ⁽¹⁾ and the **‘EU-Africa Strategy’** approved by the European Council on 15-16 December 2005. The former provides an overarching policy framework geared to achieving poverty reduction and sustainable development by following a comprehensive prevention-based approach to state fragility, supporting conflict prevention and resolution, and building peace. The latter underpins EU policy towards Africa by pointing out that *“issues such as peace and security, migration, interconnection or disaster management require primarily regional or continental responses”* and stressing the need to *“develop a comprehensive approach to conflict prevention, which seeks to integrate policies and action in the fields of security, development and democratic governance. The EU should increasingly use regional and national development strategies and instruments to address structural causes of conflict.”*

Security and development are important and complementary. Without peace and security, development and poverty eradication are not possible, and without development and poverty eradication no sustainable peace will occur.

This central assumption which underscores the EU-Africa Strategy is particularly relevant in the Horn region. The Horn of Africa is one of the most conflict-prone regions in the world as well as one of the poorest. The protracted border dispute between Eritrea and Ethiopia, the Somalia crisis and the

(1) OJ (O) C 46, 24.2.2006, p. 1).

Sudanese and Northern Uganda conflicts all have an impact on the livelihoods of millions of people moving the region away from the Millennium Development Goals' (MDGs).

On the basis of this policy framework, the European Commission is now proposing to set up a **'Regional Political Partnership'** with the Horn of Africa⁽²⁾, as a test case for applying the EU-Africa Strategy. The main objective of the Communication is to contribute to reducing the region's instability, which is a prerequisite for reaching the MDGs. It sets out a comprehensive approach to conflict prevention in the Horn of Africa, tackling in the short to medium term the root causes of instability at both country and regional level and strengthening regional cooperation. It should guide EU external action in the region and the formulation of Country and Regional Strategy Papers.

1.2. Why the Horn of Africa is of strategic importance to the EU

A prosperous, democratic, stable and secure region is in the interests of the countries and peoples of both the Horn of Africa and the EU. However, an uncontrolled, politically neglected, economically marginalised and environmentally damaged Horn has the potential to undermine the region's and the EU's broad stability and development policy objectives and to pose a threat to European Union security.

The EU is the most important development partner in the Horn region. It is also one of the main providers of humanitarian assistance. Socio-economic vulnerability and inequities, shortcomings in the human and social rights field, chronic food insecurity, competition for scarce natural resources, poor governance and population growth are underlying features that EU stability and poverty reduction policies, together with regional and international partners, seek to address. Stability in the Horn of Africa is also strategically crucial for EU security. Cross-border dynamics, such as illegal migration and trafficking of arms, drugs and refugee flows, are factors contributing to instability and tensions that spread throughout the Horn of Africa and beyond, and could even reach the EU. The Horn has come under increased international scrutiny in the war against terrorism due to the spreading of religious extremism and ideological influences from neighbouring sub-regions. Prevailing insecurity in the region has also contributed to a culture of lawlessness, banditry, and

(2) Defined in this Communication as including all IGAD countries: Djibouti, Ethiopia, Eritrea, Kenya, Somalia, Sudan, Uganda.

warlordism. As a result the boundaries between political conflict, criminality and terrorism tend to be blurred.

The EU has also strong economic interests in having a stable Horn of Africa. It adjoins strategically important parts of the Middle East: it flanks the Red Sea waterway, which is crucial for EU trade and supplies, particularly energy; it is a neighbour of Saudi Arabia, the world's largest oil producer ; it straddles the Nile basin, which is of central importance to Egypt (whose stability in turn is an important element of Mediterranean and Middle East stability); and it is in close proximity to countries covered by the EU Neighbourhood policy, both in North Africa and the Near East.. Also, the EU is the key international trading partner of the region and there is potential for EU economic interests to grow, if energy supplies and economic growth in the region continue to rise and are adequately managed.

It is important to note that other countries, notably the US, China and India have taken an interest in the strategic importance of the Horn and are investing significant resources there.

2. Regional dimension and dynamics

2.1. Regional interconnections

The Horn region has particularly **complex regional, political and cross-border dimensions**. These include the confluence of Bantu/Nilotic, Arab, Egyptian and Abyssinian cultures; the large number of wars over secession, autonomy or territorial claims (many of them related to ethnic or religious identity), control of resources and disputed borders; the regional impacts of population growth, climate change and related pressures on natural resources; the friction fuelled by competition for the water resources from the Nile; the high proportion of nomadic pastoralists, bound largely by ethno-linguistic ties rather than political borders, who are among the most marginalised groups in the region; a culture of militarism and certain vested interests in war economies; and the neglect, underdevelopment and insecurity of border areas in the region. All these factors contribute to instability, conflict, poverty and poor governance, and require regional solutions with cross-border and transnational components that complement appropriate national responses.

The Horn faces not a series of separate conflicts, but a **regional system of insecurity** in which conflicts and political crises, feed into and fuel one another. The current political and ideological environment in the Horn of Africa gives rise to growing polarisation and an entrenched fault line of instability that stretches from Darfur to southern Somalia and has a negative impact on the region as a whole. Regional organisations such as the African Union (AU) and IGAD play a key role in finding sustainable solutions to the challenges the Horn of Africa faces. *Annex I* provides an over view of the existing regional architecture.

An overview of some of the most important regional interconnections of the larger conflicts in the region is provided in *Annex II*. The following conclusions can be drawn:

- Most of the borders are unstable, border regions are prone to conflict of one kind or another and there are a number of contested borders;
- Most of those countries which share a common border also have, or have had in the recent past, difficult inter-state relations which can lead to violence;

- In all of the larger conflicts in the region, there is evidence of states providing refuge, rear bases, military support and diplomatic recognition to groups fighting wars in neighbouring states.

These regional interconnections have manifested themselves in several ways:

- A major recent political development has been the rapprochement between Sudan, Eritrea and the emerging Islamic Courts in Somalia;
- The Ethiopia-Eritrea tensions have spillover effects not only along the common border but also in the internal politics of each country and in the conflicts in Somalia and Sudan;
- Ethiopia has had or continues to have complex relations with many of its neighbours;
- The existing instability in Darfur and southern Somalia has been fuelled by international factors and has implications on neighbouring countries and regions.

2.2. Regional cross-cutting issues

There are a number of important cross-cutting issues common to the crises in the Horn.

Governance and security: A crucial issue in reducing instability in the Horn of Africa is to address the mutually reinforcing connections between insecurity, poverty and governance. At the heart of this relationship are communities which feel marginalised in the national distribution of power, wealth and access to natural resources, social services, security and justice. These communities may over time develop grievances that can lead to violent rebellion. Conflicts in the Horn can be exacerbated by powerful networks of state and non-state actors, such as warlords and the business community, who benefit from war economies – including arms, drugs and human trafficking networks - which they to some extent control and who thus have an interest in maintaining the status quo, thereby increasing the marginalisation of communities and the manipulation of ethnic groupings. In addition, instability and conflict in the Horn of Africa and the violation in some cases of universal rights have been perpetuated by the lack of political space for the peaceful resolution of conflicts, by authoritarianism and militarism, and by the interference of external powers.

Religious fundamentalism: Religious fundamentalism is becoming an increasingly important regional issue in view of: (i) weak state institutions in the Horn that make the region a target for fundamentalist groups; (ii) grievances wrought by poverty and conflicts that make the region a potential breeding ground for religious extremism and activism; and (iii) the influence on the region of extremist fundamentalist ideology particularly from certain parts of the neighbouring Middle East.

Migration, refugees and Internally Displaced Persons (IDPs): The Horn of Africa is one of the regions with the highest number of migrants and refugees in the world. Every country in the region is severely affected, as a source of refugees/migrants, as a transit or destination or both. IDPs remain particularly vulnerable and are numerically the most important group, and have also to be factored in as part of the development and insecurity equation. This crisis, which has very strong regional political and security dimensions, is an indicator of political marginalisation and exclusion and is a source of regional instability fuelling the development of inter-state tensions. Refugees are, moreover, vulnerable to exploitation by traffickers and criminal/terrorist networks. Human trafficking to Gulf countries, involving not only refugees but also marginalised and poor communities and the fact that the region is a major entry route to Europe are significant issues.

Proliferation and misuse of Small Arms and Light Weapons (SALW): The problem of proliferation and misuse of SALW is acute throughout the Horn. Wide availability and flow of SALW is partly a consequence of past and present wars in the Horn and in the neighbouring regions (along with third states providing arms to opposition/rebel groups), and is a factor contributing to the presence of warlords, militias, criminal networks, armed crime and violence in the region. It also serves as an enabler of terrorism.

SALW and other trafficking in the Horn have strong inter-regional and global dimensions. Large-scale trafficking of arms thrives between the Horn of Africa and the Great Lakes Region, Central Africa, North Africa and the Arabian Peninsula. Consequently, trafficking in MANPADS and other highly sensitive arms across the Red Sea and Gulf of Aden has become a major focus for several EU Member States.

Security of border areas: Insecurity and underdevelopment of border and peripheral areas are key elements of regional instability. Borders are permeable and often allow for high levels of insecurity, smuggling/trafficking, violence and environmental degradation.

Competition for access to Natural resources such as water, timber and non-timber forest products, fish and fertile land, further negatively impacts on human security in the region, particularly when coupled with population growth and the marginalisation of remote areas. The impact of desertification and climate change will further exacerbate the pressure on natural resources.

Access to limited water and environmental protection of water resources have a particularly important regional dimension because the main river basin in the region, the Nile, is a trans-boundary resource shared by ten states, including five of the seven countries of the Horn. Other important trans-boundary rivers, which flow from Ethiopia into Somalia and Kenya, are the Shabelle, Juba and Omo. There are potential regional tensions relating to sharing of the waters of the Nile, particularly between Egypt and up-river riparian states.

Structural food insecurity is also a concern, affecting mostly nomadic pastoralists⁽³⁾ and agro-pastoralists. Depletion of natural resources, drying-out of water holes and degradation of pasture areas, are all causes of ethnic tensions and conflicts in the Horn of Africa. Food insecurity has both cause and effect implications for regional stability. Tackling the political roots of food insecurity is of strategic importance in order to break a vicious cycle of instability generating hunger and vice-versa.

Pastoralism: The Horn has a high number of transhumant and cross-border pastoralists, whose communities are often marginalised and alienated. Poor policies have stimulated or tolerated violent conflict amongst pastoralists or between pastoralists and other segments of the population. Pastoralists have been drawn into trafficking, rebellions and increasing levels of violent conflict.

The relation between pastoralist and agro-pastoralist is also critical, with access to land, water and other natural resources vital for agriculture a source of tension.

(3) Agriculture also plays a major role in food security, in countries like Ethiopia for example, and although more of national interest, it has some regional aspects, namely trade-related, which cannot be neglected.

A significant cross-cutting issue aggravating all these factors is **the demographic upsurge** in the region (*Annex III and IV*). The IGAD region today counts a population of 195 million people; this is estimated to be as high as 480 million people in the year 2050, representing 25% of Africa's total population. This rapidly growing population further increases pressure on limited natural resources and represents a challenge to the region's development and stability.

3. A work programme for regional action

The work programme addresses the key regional challenges outlined above, focusing on concrete actions and initiatives that need to be taken in order to achieve greater regional political stability.

3.1. Encouraging effective regional political and economic cooperation and integration

Increasing the capacity and political commitment of the AU, IGAD and other sub-regional organisations to play a key role in regional stabilisation is a high priority in the regional partnership. The EU enhanced partnership with the AU and sub-regional organisations should include the following measures:

1. Enhancement of political and functional cooperation with IGAD by the development of **a joint vision and implementation plan** focusing on three main areas of cooperation: (i) peace, security and governance; (ii) pastoralism and food security, and (iii) institutional development.
2. Active involvement of the AU in the Horn and the strengthening of African Capabilities⁽⁴⁾, particularly in building capacities for conflict prevention, conflict mediation and deployment of military peacekeeping and monitoring operations. The establishment of the **Eastern African Standby Military Brigade (EASBRIG)** as part of the African Standby Force is a positive development in building capacities for the deployment of military peacekeeping and monitoring operations, and the EU could consider support to this initiative as well as building the capacity of the Secretariat of the AU Peace and Security Council.

(4) In line with the EU Concept for strengthening African Capabilities for the Prevention, Management and Resolution of Conflicts (July 2006).

3. Fostering of regional integration in the Horn of Africa, *inter alia* through the **Economic Partnership Agreement (EPA) negotiations**. COMESA and the East Africa Community (EAC) are key vehicles for regional integration and should certainly be part of any long-term strategy for building peace in the region. In EC regional and pan-African programmes, particular emphasis will be placed on infrastructure and communications as strategic vehicles for regional integration in line with the Africa Strategy.

In the context of the EU-Africa Infrastructure Partnership, the EU will develop infrastructure and related services as well as interconnections within the Horn and between African regions.

4. In December 2005, the European Council agreed to support African efforts to monitor and improve governance, and to develop a Governance Initiative to support national reforms triggered by the **African Peer Review Mechanism (APRM)**. Several countries in the Horn region (Ethiopia, Sudan, Kenya and Uganda) have already adhered to the APRM, and support for the implementation of reforms should be provided through the EU Governance Initiative.

3.2. Addressing the key country-level strategic political issues which have regional ramifications

This part of the work programme prioritises the major strategic country-level political issues which could potentially have the most serious regional impact. A selected number of issues and regional priorities are identified below, and could be considered as items for EU political dialogue with the Horn of Africa.

1. In Sudan, regional supporters and opponents of the peace process(es) and their interests should be identified and factored into dialogue and cooperation. Particular attention should be paid to the regional implications of the Darfur crisis.
2. Cross-border state support for armed groups should be put on the political/diplomatic agenda of the EU and the countries of the Horn region.
3. There should be engagement with initiatives aimed at finding solutions to border demarcation issues, particularly in relation to the Ethiopian/Eritrean

border which has broader implications for the region. The normalisation of relations between Eritrea and Ethiopia is crucial for peace and stability in the Horn.

4. The political approach towards Kenya and Djibouti should be developed and reviewed, taking into account their role in regional stability.
5. For regional stability, “containment” cannot be considered as an option in Somalia; instead, the underlying causes of instability in Somalia need to be addressed. The concerns of Somalia’s neighbouring countries should be taken into account and these countries should play a positive and stabilising role in the Somali peace process. Anchoring Somalia in the regional partnership will be a ‘test case’ for its effective implementation (see *Annex V*).
6. The northern Uganda peace process should take the regional dimensions of the conflict into account, particularly as regards southern Sudan.

3.3. Addressing regional cross-cutting and cross-border concerns in the Horn of Africa

There are several important cross-cutting and cross-border issues that need to be addressed in a systematic way. The Communication proposes EU regional action in three interrelated pillars and outlines in *Annex VI* policy responses to achieve the following objectives:

1. Improved governance and security and enhanced engagement with Political Islam and dialogue between societies/cultures.
2. Enhanced development, trade, security and political participation, particularly in ‘border regions’ and management of migration and refugees and prevention of trafficking and SALW proliferation.
3. Improved policies and programmes to address competition in natural resources including development of regional food security strategies and reduce pastoralist-related conflict, enhanced governance and co-operative management of freshwater resources.

4. An enabling environment for a successful partnership

Successful implementation of the measures described in this Communication requires concerted and coordinated action on the part of the EU and IGAD Member States as well as flexibility, responsiveness to dynamic situations and innovative use of available instruments to create incentives for political change. Moreover, this regional political partnership will evolve dynamically, with regular revision and development of common policies and programmes. It will thus make substantial demands on EU/IGAD capacities for coordination, policy development and programme implementation and the following accompanying measures are proposed.

4.1. Proposed EU accompanying measures

- Promote information-sharing and consultation between EU Member States and EU institutions with a view to developing a shared understanding and common approaches as regards the Horn of Africa.
- Maintain and develop effective use of existing EU instruments to support improved coordination and dialogue, including Troika missions, joint EU Council/Commission missions and EU Special Representatives. In particular, the EU could promote the International Partners Forum (IPF) as a forum for dialogue with IGAD.
- Make full use of Article 8 of the Cotonou Partnership Agreement to facilitate and advance dialogue with key actors (national governments, regional organisations). The EU should ensure that Article 8 political dialogue will include a strong focus on regional issues, in particular the regional implications of actions by individual states.
- Promote the micro and meso level of conflict prevention, management and resolution, including non-state actor structures.
- Include discussion of relevant Horn of Africa issues in talks and contacts with key stakeholders in the wider African and Arab region, particularly Egypt, the Arab Gulf States, the League of Arab States and Central and East Africa.

- Enhance dialogue and coordination on the Horn of Africa with the USA, Norway, Japan, Canada, Russia and China. In addition, there should be structured dialogue with the UN and relevant agencies.
- Strengthen the mainstreaming of 'human security' approach including human and social rights and gender, demographic issues and the environment (water, coastal zones and forest sustainable management, desertification and adaptation to climate change) into development programmes and promote integration by the partner strategies in the Horn region.
- Dovetail all EU strategies, policies and programmes geared towards countries of the Horn of Africa, to ensure that they take appropriate account of key regional and cross-cutting issues, and contribute effectively to the EU's regional political partnership for the region. In its Country Strategy Papers for the countries of the Horn of Africa, the EU should place particular emphasis on the regional context and analysis as well as an assessment of the root causes of violent conflict.
- When preparing new cooperation strategies with the Horn of Africa and IGAD, the Commission will dovetail EDF 10 country and regional strategies (2008-2013) in support of the Regional Political partnership for the Horn of Africa. Wherever feasible, this will be complemented by support from EU Member States. Governance, natural resources and food security, education and regional integration focusing on infrastructure should be the main areas of cooperation underpinning country and regional strategies.

4.2. Proposed Horn of Africa partners' accompanying measures

- Debate and promote the regional strategy among Member States, IGAD Secretariat and other policy organs and relevant regional players and civil society organisations in order to obtain a coordinated position and adherence on the part of all stakeholders.
- Regional partners and organisations would have to be open to systematic dialogue at all levels on key regional challenges, e.g. governance, conflict, food security, trafficking and resource sharing, security and religious fundamentalism, and be engaged in identifying drivers of change.

- Promote information-sharing and clarity of the respective roles of regional organisations, Horn of Africa partners, neighbouring countries and key regional stakeholders with a view to developing a shared vision.
- Horn of Africa countries and regional organisations would have to allocate adequate resources for the dialogue and the work programme, and operationalise the format for enhanced dialogue with the European Union.
- Horn of Africa partners would have to address sources of conflict and promote cross-sectoral cooperation such as, for example, the link between conflicts, share of natural resources, pastoralists and food security.
- Implement relevant institutional reforms and Member States' commitments to enable the IGAD Secretariat to function adequately.
- Review and update the IGAD strategy and complete the IGAD sectoral strategy on peace and security.

5. Conclusion

This Communication implements the Africa Strategy by introducing an EU regional political partnership for the Horn of Africa based on an analysis of the key regional dynamics and problems in the Horn region. The aim of the partnership is to promote peace, stability and development in the region. It provides a political framework for concrete regional initiatives and programmes and for structured and open dialogue between partners at all levels. Implementation of the partnership will commence in 2007 and it will be jointly reviewed after two years to take stock of progress in delivery of the work programme and ensure it is updated and dovetailed to the conditions prevailing in the region.

6. List of abbreviations

ALIVE	Africa Livestock
AMCOW	African Ministerial Conference on Water
AMESD	African Monitoring for the Environment and Sustainable Development
APF	African Peace Facility
AU	African Union
CEWARN	Conflict Early Warning and Response Mechanism
COMESA	Common Market of Eastern and Southern Africa
CPA	Comprehensive Peace Agreement
CSO	Civil Society Forum
DDR	Disarmament Demobilisation Reintegration
EAC	East Africa Community
EASBRIG	Eastern Africa Standby Brigade
EC	European Commission
EPA	Economic Partnership Agreement
EPLF	Eritrean People's Liberation Front
EU	European Union
FRUD	Front pour la Restauration de l'Unité et de la Démocratie (Djibouti)
ICG	International Contact Group (ICG) on Somalia
IDP	Internally Displaced Person
IGAD	Intergovernmental Authority on Development
IPF	IGAD Partners Forum
LRA	Lord's Resistance Army
MANPADS	Man Portable Air Defence System

MDGS	Millennium Development Goals
NBI	Nile Basin InitiativeM
NDA	National Democratic Alliance (Sudan)
NEPAD	New Partnership for Africa’s Development
NGO	Non-governmental organisation
OECD/DAC	Organisation for Economic Cooperation and Development/ Development Assistance Committee
OLF	Oromo Liberation Front
ONLF	Ogaden National Liberation Front
RECSA	Regional Centre for Small Arms and Light Weapons
REFORM	Regional Food Security and Risk Management Programme
RPF	Regional Political Framework
SALW	Small Arms and Light Weapons
SPLA	Sudan People’s Liberation Army
SRRC	Somali Reconciliation and Restoration Council
SSR	Security Sector Reform
TFG	Transitional Federal Government
TFIs	Transitional Federal Institutions
TPLF	Tigrean People’s Liberation Front

EU Code of Conduct on Division of labour in Development Policy

**Communication from Commission
to the Council and
the European Parliament**

COM(2007) 72 final

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Introduction

European citizens want a stronger Europe, capable of improving the living conditions of the world's poorest. A Europe that delivers more, better and faster in the fight against global poverty. A more vocal Europe, with a political impact that matches the level of its financial generosity.

But European citizens also want a more effective and efficient Europe. Over the last decade, the multiplication of development aid activities and structures has led to a complex and expensive aid industry. In each developing country there are, on average, 350 donor missions per year. Too many donors are concentrating on the same countries and the same sectors. In Mozambique, for example, there are no less than 27 donors fighting HIV. As a result, developing countries can often hardly cope with the many missions, the unnecessary administrative costs, the overlaps and duplications, and the differences in donor requirements, rules and conditionalities. This situation reduces transparency and increases the potential for corruption. Other countries, such as the Central African Republic or Somalia suffer on the contrary from so-called donor fatigue, leaving them almost entirely up to themselves.

A consensus is emerging that this opaque and complex situation is not sustainable and that the European Union (EU) should take the lead in addressing the problem. The emergence of new EU donors and the pledge to double EU aid has raised further awareness that radical improvement is necessary. With the adoption of the European Consensus for Development in 2005⁽¹⁾, the EU created a new momentum. For the first time ever, the Council, the Parliament and the Commission agreed on a set of common values, principles and objectives for the EU's development policy, positioning it as world leader in development. A few months later, in April 2006, the EU agreed on a package of measures to deliver more, better and faster aid.

Time has come to move from rhetoric to action. *Who does what* is the essential question the EU needs to address if it is to make progress in implementing the EU's new development policy. The objective of this Communication is therefore to present a set of concrete measures *to enhance complementarity and division of labour amongst EU donors*. To achieve this objective, the EU must analyse the main challenges and opportunities ahead (part 1) and redefine the concepts and principles for EU action (part 2). On this basis, the EU should define a way forward (part 3).

(1) OJ C 46, 24.2.2006.

1. An unprecedented window of opportunity

Complementarity is not a new political issue. International donors and organisations such as the Organisation for Economic Co-operation and Development, the United Nations and the World Bank have a long standing experience in trying to improve complementarity. At European level, the Communications and Council Resolutions of 1995⁽²⁾ and 1999⁽³⁾, many reports, and various pilot initiatives indicate the EU's commitment to promote division of labour. The Joint Policy Statement of November 2000⁽⁴⁾ on Development Policy was the first attempt to achieve operational complementarity between the Commission and the Member States by defining areas of recognised added value for Community assistance. However, many of these policy initiatives failed to be translated into field reality because of the political and operational difficulties such an approach raised.

1.1. The challenges

Politics and visibility. Development cooperation is part of donor countries' foreign policy toolbox. Donor countries may be reluctant to give up cooperation in a given sector or country, as it may lead to reduced visibility for their action. Visibility also has a domestic dimension. Parliaments and the public may become reluctant to support measures to pull out of directly poverty reduction-related sectors (e.g. education, children's health).

Operational challenges. An optimal division of labour, even when politically desired by donors, still entails operational challenges. Experiences exist where commitments were made in partner countries and where governments did promote harmonisation processes and division of labour among donors. Local processes, including those often referred to as Joint Assistance Strategies, were being developed early 2006 in about 15 countries. However, these laudable

(2) Communication from the Commission to the Council and the European Parliament on Complementarity between the Community's Development Cooperation Policy and the Policies of Member States, Brussels, May 1995. Resolution of the Council on complementarity between the Community's Development Cooperation and Member States' policies and actions, Brussels, June 1995.

(3) Communication from the Commission to the Council and the European Parliament on Complementarity between Community and Member State Policies on Development Cooperation — COM(1999) 218, 6.5.1999. Resolution of the Council on complementarity between Community's and Member States Development policies, Brussels, May 1999.

(4) Joint statement on EC development policy by the Council and the Commission - November 2000.

initiatives did not necessarily lead to much practical progress because of the operational difficulties involved.

Use of existing expertise Any strategy for a division of labour must take account of the significant differences between EU donors. Some countries have provided large volumes of Official Development Assistance (ODA) for a long time. Others have maintained strong cultural and political ties from their colonial past. Other countries still have only recently started development co-operation. Every EU donor has specific expertise and can play an active role in a division of labour, which should not be lost but, on the contrary, fully capitalised upon. Division of labour should not lead to rigid bureaucratic approach but leave room for flexibility.

1.2. The opportunities

Building on a new global and European consensus. In 2005, all donors signed the Paris Declaration underlining the importance of complementarity and the need to make full use of each other's comparative advantages, while respecting the ownership of partner countries. The EU has gone one step further. In its contribution to the Paris Declaration, based on the Report of the Ad Hoc Working Party on Harmonization⁽⁵⁾, the EU agreed to develop an operational strategy towards complementarity. This commitment was thereafter made an integral part of the 2005 European Consensus on Development and is a central element in the EU Aid Effectiveness Action Plan presented in 2006. Following this proposal, EU ministers agreed to develop operational principles on how to better organise the division of labour in a partner country or between countries. The present Communication –progressively elaborated since 2004 over seven presidencies with the participation of experts of the Members States– should be seen in the light this framework.

The EU: possible leadership, necessary responsibility. This increased European awareness is linked to its special responsibility, accounting for 52% of worldwide ODA and 80% of the scheduled scaling up of aid. All EU donors share common development objectives, a common vision, values and principles. This vision, enshrined in the European Consensus on Development, provides the basis on which to build shared responsibilities. Moreover, on the ground, the Commission and Member States already have country-level coordination and constant dialogue. EU joint programming is emerging. The

(5) Endorsed by the Council in November 2004.

European Consensus has recognised budget and sector support, as a preferred aid modality, offering an additional opportunity to further promote coordination, harmonisation and division of labour.

Improving performance. The EU Donor Atlas has identified the gaps, duplications and unnecessary administrative costs that limit the impact of aid provided by EU donors and increase the burden put the partner countries. Reinforcing the complementarity of EU donors' activities is a key factor in increasing Europe's performance as a donor of reference.

2. A complex set of intertwined concepts

Complementarity covers a wide range of principles and concepts. The EU must assess and clarify all these dimensions carefully. Indeed, agreeing on the conceptual framework is a prerequisite for joint action. At this stage, there are no clear internationally agreed definitions of complementarity, only briefly sketched by the Paris declaration. It is therefore important for the EU to offer to the international community the definition of key concepts and principles.

2.1. The various dimensions of complementarity

Complementarity is a concept of an organisational nature. It must be seen in terms of donors acting in complete and balanced unison, rather than being merely an additional planning exercise. Complementarity starts with coordination, but goes much further: it implies that each actor is focusing its assistance on areas where it can add most value, given what others are doing. Hence, *complementarity is the optimal division of labour between various actors in order to achieve optimum use of human and financial resources.* Complementarity can take place in the five following dimensions which, all interact with each other and must be seen as a whole.

In-country complementarity: as set out above, aid fragmentation leads to an increased administrative burden and transaction costs in partner countries, diffuses policy dialogue and may misallocate resources. Some, often politically attractive sectors may receive excessive funding while some other – not less important – sectors remain under-funded. The pharmaceutical pathways to purchase drugs in Kenya involving 20 donors through 13 procurement bodies are a perfect illustration of how irrational the system can turn out (see Annex 7).

Cross-country complementarity: too many donors focus on some, often success, countries, while leaving too often aside other, often fragile, countries. This tendency leads to an increasing gap between “aid darlings” and “aid orphans”. Interesting experiences are being developed to ensure a minimum of international support in countries where partnerships are difficult and domestic capacity limited. The EU has a special role to play in this respect: The EC is a global player with global presence, Member States have close linkages with all developing countries and the EU has formal agreements with almost all of them.

Cross-sector complementarity: not all donors need to build capacity in all sectors. Some donors have developed specific know-how that should be fully used. For example, the European Consensus on Development has stated the sectors and themes where the European Commission should globally focus its activities on. Other donors have taken full benefit of their comparative advantage at agency level and established priority areas. The EU as a whole should be able to provide a complete “tool box” of thematic and sector operations, building on the specific expertise of individual donors.

Vertical complementarity: the emergence of global aid initiatives and of regional organisations as major actors has established a complex set of development assistance layers. There are several areas where similar activities are undertaken simultaneously at the national (including sub-national), regional or international levels. New synergies need to be thought through. For example, cross-border activities, large-scale projects or capacity building projects are often planned both at national and regional levels.

Cross-modalities and instruments complementarity: some initiatives involve a combination of various modalities or instruments, whose synergies need to be strengthened. For example, the choice is often on how to complement grants with loans or private capital flows. Some donors are also specialised in, or have a favoured type of, modalities or instruments (i.e. budget support, project, technical assistance, or support to NGOs).

2.2. Principles for implementation

Ownership. The primary leadership and ownership in country-level division of labour should first and foremost lie with the partner country government. If such leadership and ownership do not exist, the EU should advance such a process. In both cases, the EU should play an active role in promoting complementarity and division of labour. All initiatives need to be built on existing processes whenever possible, and readily transferred to the government whenever appropriate. The EU should provide capacity building support to partner countries to enable them to take responsibility⁽⁶⁾.

Impact on aid flows. It is essential that division of labour is not implemented at the expense of global aid volumes or aid predictability. Increased volatility can pose major challenges for the recipient country's economy. The scheduled scaling up of aid provides an opportunity in this context but EU donors should avoid sudden aid disruption. Policy changes should be introduced in collaboration with the partner countries.

EU and donor-wide dimensions. As mentioned above, the EU has a special responsibility as provider of more than 50% of worldwide ODA. Moreover, the EU's shared vision and development objectives as well as its common political aspirations provide the ideal platform for an enhanced division of labour. Therefore, the EU has first and foremost to organise its own division of labour. This enhanced EU leadership and complementarity will also provide a basis for a better international division of labour. The European Consensus on Development established the principles on how to interact best in those two mutually reinforcing dimensions.

Comparative advantage and added value. Complementarity should be based on the comparative advantage of donors in supporting partner governments (see definition in Annex 2). EU donors should make full use of their respective comparative advantages to (i) enhance division of labour, (ii) deepen concentration of activities, and (iii) develop delegated cooperation. Comparative advantage can be found also in sub-sectors or niche themes within sectors. Examples could be inclusive education within the education sector, fishing within natural resource management, local administration in public sector

(6) Conclusions of the Council and of the representatives of the governments of the Member States meeting within the Council on EU guiding principles on complementarity and division of labour (17/10/2006) — General principles.

reform, etc. The European Consensus defined the roles through which the Commission will aim to provide added value (paragraphs 46 to 55). In addition to its role as a donor, the Commission has a recognized added value, in developing strategic policies, promoting development best practices, and in facilitating coordination and harmonisation (paragraphs 50 and 51), as well as in the external dimension of internal Community Policies.

Lead donor and delegated cooperation. Delegated cooperation is a practical arrangement where one donor (a “lead” donor) acts with authority on behalf of one or more other donors (the “delegating” donors or “silent partners”). The practical implementation modalities including those related to the issue of visibility need to be defined between leading and delegating authorities. The level and form of delegation vary, ranging from responsibility for one element of the project cycle (e.g. a particular review) to a complete sector programme or even country programme⁽⁷⁾.

European Neighbourhood & Partnership Policy (ENP). The ENP aims to build privileged partnerships with neighbouring countries, using appropriate – including development – instruments to promote effective management and implementation. Therefore the ENP and the relevant financing instruments contain specific provisions for programming EU support at overall, country and regional levels, for political and sector dialogues, for the mobilization of particular strengths of the Member States (e.g. through twinning programmes), and for coordination by the Commission. In the application of the Code to these provisions, and in accordance with Article 62 of the European Consensus, appropriate account will be taken of the broader political framework and the technical nature (approximation to the EU ‘acquis’) of the ENP.

(7) Definition of the DAC Guidelines and Reference Series: Harmonising Donor Practices for Effective Aid Delivery, Good Practice Papers.

3. The way forward: a more effective division of labour

Improving complementarity requires changes in the attitude of both donors and recipient countries. It impacts heavily on the planning processes and the long-term partnerships in countries and in sectors. This will not happen overnight. A long-term perspective and a multi-stage approach are therefore needed.

3.1. The approach: pragmatic and informed

Analyse and build on existing experiences. Improved complementarity and division of labour has been an objective of a number of national development policies and is under way. Lessons can be learned from good practices, but also from those initiatives which have not led to expected results (see Annex 3).

Establish a political mandate. Development cooperation is based on political decisions and aid budgets are subject to parliamentary scrutiny. Changes are highly political decisions and work should be guided by a clear political mandate from the top level.

Establish appropriate operational modalities. Complementarity is very much linked to how donors organise themselves in the policy planning, programming and implementation of development cooperation. Topics covered in on-going work regarding methodologies for aid delivery include the roles of lead and active donors as well as delegating partners, joint programming and joint financing arrangement.

Have a pragmatic approach to implementation. Promoting complementarity should be based on a pragmatic approach aiming at concrete and tangible results. The extensive discussions in recent years on in-country complementarity should make an early implementation possible. As for cross-country and cross-sector complementarity, further political discussions are needed to guide implementation. At all stages working methods should remain rational, transparent, and well balanced.

Build effective monitoring systems. For the signatories of the Paris declaration, the Organisation for Economic Co-operation and Development/Development Assistance Committee (DAC) monitoring systems provide a good basis for permanent monitoring of progress. In other countries, existing national systems should be utilised with as few new systems established as possible. The EU Donor Atlas and the annual reporting on implementation provide overviews at European level.

3.2. The method: a Code of conduct

It is proposed to adopt a Code of conduct that sets out operational principles with a view to ensuring better division of labour between EU donors. Based on good practices from the field, it has been drafted in close collaboration with Member States experts. *The Code is embedded in the principles of ownership, alignment, harmonisation and management by results* entailed in the Paris Declaration as well as the additional objectives and values highlighted by the European Consensus.

The European Commission will apply this code on the basis of the objectives and principles laid out in the legal framework applicable to its development and external assistance policy, namely the Development and Cooperation Instrument and the European Development Fund.

3.2.1. Nature

The Code is voluntary, flexible and self-policing. It is a 'soft' law to guide policy and actions, and to encourage consistency with our commitments. The Code provides principles and standards applicable to EU development aid but may be incorporated and form part of any other similar local or international agreed code of conduct when such a code is developed.

The Code is a dynamic document. It establishes targets, which EU donors will endeavour to reach progressively. It will be evaluated and revised periodically as information accumulates through its implementation and the monitoring of its progress.

The Code is generic in nature and focuses on broad guidelines. It is elaborated on the basis of desired outcomes, rather than a prescriptive set of procedures to attain those outcomes. This approach allows flexibility for balancing the need for rapid results with the constraints that some EU donors will face in implementing those principles.

The Code is directed towards all EU decision-makers who may be engaged in any form of definition and implementation of development assistance. Their compliance with the Code is encouraged.

The Code is a contribution to the international agenda. It is hoped that donors around the world will find it useful and will want to commit themselves publicly to abiding by it. Governments and donor bodies may want to use it as a yardstick against which to judge the conduct of those agencies with which they work. And partner countries have a right to expect those who seek to assist them to measure up to these standards.

3.2.2. Scope

Civil society activities and cooperation with private foundations represent an important part of the aid delivered in a given country, but enhanced complementarity between the private and the public spheres belongs to another debate. Therefore, while fully acknowledging the importance of this dimension, this Code focuses only on the complementarity between public authorities.

At this stage, while referring to the five components highlighted above, the proposed Code will mainly focus on the first three dimensions of complementarity, i.e. on division of labour between EU donors and how EU donors can complement each others' work (in-country, cross-country and cross-sector). It will nevertheless reaffirm the need to address the remaining dimensions within other relevant contexts.

Finally, this Codes addresses operational complementarity. It does not intend to touch upon any institutional set up. Nevertheless, further progress on division of labour implies change and redeployment of activities and working methodologies, and even potential structural adjustments. They need to be promoted and sustained by supporting measures.

3.2.3. Principles

It is proposed that the EU donors commit themselves to the following principles (further detailed in Annex 1):

- ***Guiding principle 1 –***

- ***Concentrate their activities in-country on focal sectors***

- EU donors will focus their activities on two focal sectors on the basis of their respective comparative advantages. The partner countries will be encouraged to play an active role in the identification of the focal sectors. The European Consensus defined the roles through which the Commission will aim to provide added value (paragraphs 46 to 55). This is completed by the

Treaty which recognizes the added value in the external dimension of internal Community Policies. In addition to the two focal sectors, which should absorb the bulk of available funding, donors can provide general budget support, where conditions permit to do so, and finance activities in other areas such as support to civil society, research, or university/school co-operation.

Box 1:

The European Commission Country Strategy Papers, as launched in 2001 and revised in 2005 define the strategic programming of the Commission's aid allocation for all developing countries. The concentration of activities and financial assistance on two sectors is a key principle of these Strategy Papers and has greatly increased the focus and efficiency of the Commission's cooperation.

- ***Guiding principle 2 – Redeploy their other activities in-country***

EU donors will redeploy aid activities that are not in their focal sectors, by either remaining engaged through lead-donors arrangements and delegated cooperation/partnerships, redeploying into general budget support, or exiting in a responsible manner.

- a) Sub Principle 2 a – Lead donorship arrangement***

EU donors will seek to establish lead donorship arrangement based on a substantial mandate.

- b) Sub Principle 2 b – Delegated cooperation/partnership***

If a given sector is considered strategic for the partner country or the donor and there is a financing gap, EU donors may enter into a delegated cooperation/partnership arrangement with another donor.

Box 2:

In South Africa, the UK Department for International Development (DFID) has delegated the implementation of its support to land reform to Belgium. In Rwanda, Sweden has delegated the monitoring and auditing of funds in support to the education sector to the DFID which is providing general budget support.

- **Guiding principle 3 –**

- **Ensure an adequate EU presence in strategic sectors**

- EU donors should ensure that at least one EU donor is actively involved in each strategic sector considered relevant for poverty reduction. EU donors will furthermore seek to limit the number of active donors to a maximum of three per sector by 2010.

- **Guiding principle 4 –**

- **Replicate practices in the cooperation with partner regional institutions**

- Taking into account the increasing/scaling up of aid volumes and activities at regional level, the EU donors will apply the above principles of in-country division of labour also in their work with partner regional institutions.

- **Guiding principle 5 –**

- **Establish priority countries**

- EU donors will reinforce their geographical focus, through a dialogue within the EU, taking into account the broader donor engagement. As stated in the European Consensus, Community assistance will remain universal.

Box 3:

As an example, the Netherlands have gone through a drastic reduction in the number of core/priority countries (from over 70 to some 20 priority countries), by broadly speaking using three selection criteria: (i) poverty level, (ii) macro-economic performance and (iii) good governance performance.

- **Guiding principle 6 –**

- **Address the "orphans" countries of aid allocations**

- EU donors will strive to dedicate part of their aid budget to “under funded” countries. These are often 'fragile states' whose stabilisation has a positive spill-over effect for the wider region.

Box 4:

The European Community Humanitarian Office's (ECHO) aid strategy strongly focuses on forgotten crises. In 2002, ECHO has set as a target to channel 10% of its funds to forgotten crises. Today this target has been largely achieved. Already in the course of the year 2004 support totaling €239 million was allocated to forgotten crises (i.e. 42% of total funds).

- **Guiding principle 7 – Analyse and expand global areas of strength**
EU donors will deepen self-assessments of their comparative advantages. They should specialise more, while maintaining the diversity of expertise for the EU as a whole.

The Commission will further develop its expertise and capacities in the areas where it has comparative advantages, paying particular attention to building the necessary capacity and expertise at the country level.

- **Guiding principle 8 – Pursue progress on the vertical and cross-modality/instruments dimensions of complementarity**
EU donors commit themselves to advance on the other dimensions of complementarity primarily in the context of relevant international fora and partnerships.
- **Guiding principle 9 – Promote jointly the division of labour**
EU donors will increasingly rely on joint statements to clarify purpose, modalities and outcome of division of labour, and achieve greater impact of EU collective contribution.
- **Guiding principle 10 – Deepen the reforms of aid systems**
EU donors recognize that division of labour will imply real structural changes, reforms and staffing consequences.

3.2.4. Follow-up

For the reasons set out above, it is proposed that this Code of conduct is first adopted by the EU and opened in a second stage to all donors willing to join this good practice. The successful implementation of the Code will depend on a collective effort by Member States and the Commission and requires clear instructions. The role of Commission delegations and Member States' field offices will be key in its implementation.

The implementation of the Code should be strongly promoted and monitored. It should be part of an annual debate on the orientation of EU Development Policy and be based on three elements: an annual sampling of country cases,

an EU Donor Atlas adapted to a more political use, and the EU Development Report under preparation. The Code should be reviewed in 2010.

Conclusion

The lack of effectiveness of donors' collective input has become unsustainable. The EU has the duty to be pro-active in addressing this challenge. There is today a unique opportunity to deliver, in a progressive manner, on the long-standing commitment to enhance complementarity and organise a real division of labour between donors. EU donors are invited to adopt the proposed Code of conduct and to start immediately the implementation of its principles, both for ongoing and future scaled up activities. The Commission will monitor and evaluate the status of its implementation through ongoing annual reporting and regular country samplings.

The EU must now go beyond policy statements and translate words into acts. Agreements on a division of labour would increase aid effectiveness, strengthen the role of development co-operation in EU external relations and contribute to the construction of a European identity based on the values contained in the European Consensus on Development. The EU has both the potential and responsibility to act as an engine for a donor-wide division of labour.

Gender Equality and Women Empowerment in Development Cooperation

**Communication from Commission
to the European Parliament
and the Council**

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1. Introduction

It is widely acknowledged that Gender Equality is not only crucial in itself but is a fundamental human right and a question of social justice. Furthermore, Gender Equality is essential for growth and poverty reduction, and it is key to reaching the Millennium Development Goals. Nevertheless, gender inequalities are still ingrained in the cultural, social and political systems of many countries.

The EC and the EU Member States are key players in the effort to close the gender gap in the developing world. At international level they are signatories to International Agreements and Declarations supporting Gender Equality **(1)** (for all endnotes see Annex I.). Accordingly, current EU development policy contains a strong commitment to accelerate progress in this important area.

Thus, the **European Consensus (2)** highlights the importance of Gender Equality in the context of the new aid modalities. While Gender Equality is a common objective and a common value of the entire EU, the Consensus recognises Gender Equality as a goal in its own right. Furthermore, the policy document identifies Gender Equality as one of the five common principles **(3)** of EU development cooperation.

In addition, the EU is committed to the equality of women and men, girls and boys in its development cooperation Agreements with all geographical regions **(4)**. Furthermore, the ‘Roadmap for Equality between Women and Men’ **(5)** identifies the ‘promotion of women’s rights and empowerment outside the EU’ as one of six priority areas **(6)**.

To progress towards greater Gender Equality most Member States and the European Commission have, hitherto, adopted a twin-track strategy. This comprises, on the one hand, the mainstreaming of Gender Equality in all policies, strategies and actions and, on the other, the financing of measures which directly support women's empowerment **(7)**.

To adapt this approach to the new aid modalities and to the requirements of the Paris Declaration on Aid Effectiveness, the Commission, together with UNIFEM **(8)**, organised a major Conference in November 2005 on the theme “Owning Development: Promoting Gender Equality in New Aid Modalities and Partnerships”. This Conference reviewed the progress made in eliminating gender inequality in the developing world, and re-assessed the role of the

EU in accelerating Gender Equality in the context of changes in the architecture of EU development aid.

The present Communication builds on the outcome of that Conference, the policy framework of the European Consensus, and on the practical experience gained so far. The Communication also responds to the commitments made in the Roadmap for Equality between Women and Men by formulating an EU strategy to progress towards achieving:

- equal rights (political, civil, economic, employment, social and cultural) for women and men, girls and boys;
- equal access to, and control over, resources for women and men;
- equal opportunities to achieve political and economic influence for women and men.

While the previous 'Programme of Action for the mainstreaming of Gender Equality in Community Development Co-operation' valid between 2001 and 2006 provided the basis for capacity building within the European Commission, the present document places Gender Equality and Women's Empowerment firmly in an EU context and is intended to send the strongest possible signal regarding the importance of Gender Equality in all future EU development cooperation efforts.

2. Rationale for Gender Equality and Women's Empowerment

Women are at the centre of sustainable social and economic development, poverty reduction and environmental protection. Despite this, gender inequality is part of the daily experience of a large proportion of the world's women. In spite of the complex nature of such inequalities experience has shown that the following areas are particularly significant in understanding the relationship between the status of women and sustainable poverty reduction.

The role of women in **employment and economic activities** is often underestimated because most women work in the **informal** sectors, often with low productivity and incomes, poor working conditions, with little or no social protection. E.g. in Africa women constitute 52% of the total population, contribute 75% of the agricultural work and produce and market 60 to 80% of food.

The female labour force in sub-Saharan Africa in 2005 was about 73 million, representing 34 per cent of those employed in the formal sector, earning only 10 per cent of the income while owning 1 per cent of the assets (9).

Although **trade** liberalisation has had a positive impact on most economies in the long term, it may also result in short-term negative consequences for vulnerable groups with poor women being particularly affected (10). Different sectors of the economy can have a crucial impact on Gender Equality: e.g. poor **infrastructure** can undermine girls' schooling because of insecure transport or if the lack of nearby water sources 'forces' the parents to use girls for house work.

Women's empowerment is a key aspect of **governance**. In many countries women still tend to be marginalized as decision-makers. Legislation ensuring equal rights (11) for all women and men is critical and must also be accompanied by implementation in order to protect the fundamental human rights of women and also to enhance the reduction of poverty and economic growth. In **conflict situations** women have a critical role and should be fully incorporated into the peace-building efforts, in conformity with UN Security Council Resolution 1325 (12).

Gender inequalities persist as regards access to **education** (13). 57% of the school-age children not in school are girls (14), while almost two thirds of the world's illiterate people are women (15). The ability of women and girls to empower themselves economically and socially by going to school or by engaging in productive and civic activities outside the home is constrained by their responsibility for everyday tasks in the household division of labour.

In the field of **health** there are concerns over women's limited access to basic health services. In addition, the main area where serious Gender Equality concerns exist is the sphere of sexual and reproductive health and rights (SRHR). Not only does an increased investment in SRH support a basic human right, but an increase in the health status of women has positive effects on the overall economy. Many of the modest gains in women's health realized in recent decades are now threatened by the HIV/AIDS pandemic. In addition, the increasing rate of HIV infection among women and girls is a cause for deep concern (16).

Gender-based violence both violates women's human rights and is a serious obstacle to the achievement of equality, development and peace. Very often sexual violence is associated with the spread of HIV/AIDS. **Trafficking** of women is a crime, which has its roots in widespread poverty, inequality, weak governance, armed conflicts and lack of protection against discrimination.

A more detailed analysis of gender inequality is set out in **Annex II**.

3. Progress and Challenges

The European Union has taken important steps to support greater Gender Equality both within and outside the Union. Gender Equality is becoming a recognised part of the dialogue with more and more partner countries and is being incorporated into the EU's consultations with civil society. This process has raised the level of awareness of our development partners regarding the importance of Gender Equality and women's empowerment and has sensitised them in particular to the relation between greater equality and poverty reduction **(17)**. This process has complemented the considerable progress at country level in accelerating the achievement of Gender Equality through various projects and programmes supported by the European Commission and the EU Member States **(18)**. Throughout the 10th EDF programming exercise, the EC has placed particular emphasis on gender sensitizing the country strategies. There has been clear progress also in the area of capacity building both in Member States and the Commission. **(19)**

Nevertheless, in spite of this progress, significant challenges remain. First, we are still far from reaching the MDG targets. In particular, the first gender MDG deadline of eliminating gender disparities in primary and secondary education by 2005 was missed. Secondary school enrolment of girls in relation to boys averaged 89% in the developing countries. Women still have a smaller share of decent jobs than men, and one in three women will suffer some form of gender based violence in her lifetime. In addition, the MDGs focus on the health and education aspects of Gender Equality and fail to capture other multifaceted dimensions of Gender Equality **(20)**.

Second, at the social and cultural level there are important factors which serve to slow progress towards the achievement of Gender Equality. Thus, traditional social structures may offer only limited incentives for changing the existing distribution of power between men and women, especially to those with a vested interest in maintaining the *status quo*. This may go some way to explaining

why specific gender-related actions are not always regarded as high priority and why, in most country strategies, gender is a subsidiary issue **(21)**.

Again, despite the considerable progress that has been made, it is apparent that effective gender mainstreaming has not been fully integrated into country strategies or in the practice of EU development cooperation. In the case of the European Commission a ‘Thematic Evaluation of the Integration of Gender in EC Development Co-operation with Third Countries’ (2003) recognized the constructive work that has been done by the Commission but concluded that specific policy goals on Gender Equality and the integration of gender in EC development co-operation have been weak. Furthermore, the Report concluded that the financial resources specifically allocated to support the integration of gender in development cooperation have been negligible compared to the resources allocated to other horizontal issues. The indications are that many of the recommendations of this Evaluation remain valid – both for the Commission and for some EU Member States. (See the 9 main recommendations of the Report in **Annex IV**). **(22)**

One of the major assets the EU has available to promote Gender Equality in its external relations is the experience of best practices from inside the Union. Gender Equality is recognised by the EU as a fundamental human right and as a necessary condition for the achievement of the EU objectives of growth, full employment and social cohesion. Accordingly, the EU has invested heavily in Gender Equality through legislation **(23)**, gender mainstreaming, specific measures for the advancement of women, action programmes, social dialogue and dialogue with civil society.

A genuine European approach should be built based on this longstanding experience, as well as on the unique nature of Europe as a multicultural and highly diverse group of countries that – despite significant differences in culture and traditions – are all united in devoting a great deal of attention to the issue of equality between women and men. As a fundamental European objective, the EU should support third countries in adhering to, and in the implementation of, international commitments such as the Beijing Platform for Action.

4. An EU Strategy to Accelerate the Achievement of Gender Equality

The European Union is now at a turning point regarding Gender Equality in Development Cooperation. The framework and policies are in place – the most important question is how to ensure the effective implementation of strategies and practices within the new aid modalities that genuinely deliver for women. It has to be clearly seen that measures to increase Gender Equality, in addition to increasing social cohesion and enhancing the protection of women's human rights, have a strong impact on economic growth, employment and poverty reduction.

4.1. Objectives

The new EU strategy must respond to two **objectives**: first, to **increase the efficiency of gender mainstreaming**. Second, to **refocus specific actions** for women's empowerment in our partner countries. To reach these objectives cooperation strategies for Gender Equality and women empowerment will have to adapt to the new aid architecture, primarily budget support.

4.1.1. Efficient mainstreaming

For Gender Equality mainstreaming and women's empowerment to become more effective, changes will be needed in three areas:

(1) Political action:

- Gender Equality and women empowerment have to be brought to the table during the political dialogue with partner countries at the highest level **(24)**;

(2) Development cooperation:

- The key role of women in growth and development needs to be taken into account in the preparation and implementation of cooperation strategies; e.g. agricultural and food security strategies must clearly address the differing constraints faced by rural women, since in certain developing countries they are responsible for up to 80% of basic food production **(25)**;
- Effective partnership, dialogue and consultation have to be established with relevant stakeholders (including governments, research centres, universities, civil society, international organisations) in the preparation of country strategies and aid programmes;

- Mutual accountability mechanisms have to be put in place that include Gender Equality and women empowerment; the accountability role of different actors: government, regional economic communities, development agencies, international institutions, civil society, parliament and media, must be clarified;
- Gender sensitive performance indicators have to be developed and used;
- Budget support has to take into account Gender Equality concerns by linking the disbursement of incentive tranches to gender sensitive indicators and by going hand in hand with a high quality policy dialogue.

(3) Institutional capacity building:

- Updated practical tools have to be developed in the assessment and implementation phases **(26)**;
- Improved access to information and best practices, and gender training for partner countries and staff have to be provided.

4.1.2. Specific actions to empower women

Deriving from the analysis in Section 2 above, 41 gender specific actions have been identified in the following broad areas:

- **Governance** (human rights, women's political empowerment, development of indicators, role of women in conflict and post conflict situations);
- **Employment and economic activities** (economic and social empowerment of women, employment, gender budget analysis, public finance management);
- **Education** (abolishing school fees, incentives to send girls to school, improving school environment, adult literacy);
- **Health** (social protection schemes, sexual and reproductive health and rights);
- **Gender-based violence** (legislation, victim protection, awareness raising through media, education and training).

An indicative list of these possible supportive actions has been drawn up and is presented in **Annex III**. These activities are examples to help to identify the

proper programme mix for each specific country or region. The proper mix of activities will be decided case by case after a thorough analysis of each individual situation.

4.2. The Principle of Ownership and the New Aid Modalities

Central to the Paris Declaration is the principle of ‘ownership’ of development co-operation initiatives by the recipient country. For actions that promote Gender Equality and Women’s Empowerment it has been shown that ‘ownership’ must not only be taken by partner governments, but also by the women beneficiaries themselves. In practice this often means ownership through the involvement of CSOs and CBOs (27). Support to CSOs advocating Gender Equality is especially important in cases where the number of women active in local or central government or in parliament is limited. The EU will, therefore, seek to support the emergence of such CSOs where they do not exist and to ensure a significant investment in capacity-building for such organisations where they exist but are in need of strengthening for example in the areas of: lobbying skills, advocacy, gender analysis and economic literacy.

The EU will seek to ensure the efficient channelling of development aid in support of country-owned gender policies on the basis of an in-depth policy dialogue with partner governments and key non-government stakeholders. The constraints and needs in each specific country context will be analyzed in order to enable genuine local ownership to be created both at the government and at the civil society levels as well as within the donor community.

The paradigm shift represented by the Paris Declaration is reflected in the preferred new mechanisms for aid delivery, i.e. budget support and sector wide approaches, as opposed to support for individual, stand-alone projects. The use of budget support is dependent on the presence of certain conditions, in particular having a national or sectoral development strategy under implementation, having a macro-economic reform programme in place supported by major international donors (usually the IMF) and having a proven commitment to reform.

Budget support can contribute to the achievement of Gender Equality by linking the disbursement of variable tranches to improvements in gender disaggregated indicators; by strengthening public finance management systems, and by stimulating a wider dialogue on partner countries’ policy priorities.

The European Commission and the Member States will support the development of indicators plus the collection of the relevant data that can track changes in Gender Equality and which can be linked to the disbursement of variable tranches.

4.3. Gender in National Strategies

The preparation of a Poverty Reduction Strategy Paper, a National Development Plan or a Country Strategy Paper provides a unique opportunity to analyse the status of women relative to men, to determine gender-related obstacles to development and growth and to define country-wide gender sensitive policies. The gender situation of a country has to be analysed across sectors with an eye to understanding its implications for growth and poverty. In this context, the EU's on-going process of political dialogue with partner countries will be used to ensure that Gender Equality issues are included in the analysis of poverty variables. This political dialogue will be complemented by EU assistance to reinforce the gender capacities of national authorities. Emphasis will be put on defining poverty not simply as a lack of income or financial resources, but as encompassing the notion of inequalities in access to, and control over, the material and non-material benefits in society. This will involve the inclusion of a number of issues on the political agenda such as:

- Securing acceptance for a broader multi-dimensional conception of poverty beyond income poverty including time poverty and measures of the differential impact of poverty on both women and men, as well as the promotion of technology that reduces time poverty;
- Securing agreement that civil society should contribute to policy dialogue, formulation and monitoring of PRSPs all from a gender perspective plus agreement for appropriate capacity-building measures to be put in place;

4.4. A Need for Gender Sensitive Indicators

Indicators are necessary to measure the outcomes of gender mainstreaming and gender specific actions (28). Most indicators currently used tend to reflect Gender Equality concerns in the social sectors. There are few reliable indicators available in most developing countries to measure changes in female employment, the unpaid care economy, civil rights, incidence/prevalence of violence against women, right to inheritance/property and land use, women's representation and participation in decision-making.

The EU will therefore support the development and use of gender-sensitive indicators and the strengthening of the underlying basic statistics to enable progress across the entire spectrum of equality and empowerment issues to be addressed (29). **Annex VII** contains a non-exhaustive list of possible indicators, taking into account the areas of education, health, governance/empowerment of women, employment/economic activities, time use and violence against women.

4.5. Strategies for Gender Responsive Budgets

The increased use of budget support as a major instrument of aid delivery raises the question of how to promote Gender Equality within or through such a programme. To achieve this it is vitally important to ensure that partner countries' budgets are gender responsive. This requires:

- Focus on gender awareness and gender mainstreaming in the budgeting process at national and local levels;
- *Re-prioritisation* of expenditure and *re-orientation* of programmes within sectors to achieve both Gender Equality and human development;
- Monitoring of government revenue and expenditure to ensure that the inequality gap between females and males is in fact decreasing.

4.6. Coordination and Harmonisation with Member States

Coordination aimed at maximising complementarity between the programmes of EU Member States and the Commission is a key element in the effective promotion of Gender Equality in development cooperation. The Commission will continue the practice of organising regular meetings of Member State Gender Experts and, together with the Member States, will seek to increase not only EU-wide coordination but also harmonisation of activities on the promotion of Gender Equality in development cooperation. Priority will be given to reinforcing EC and Member State gender expertise through the identification and exchange of best practices. The preparation of Country Strategy Papers and Joint Assistance Strategies will continue to be a focus for enhanced coordination and harmonisation efforts. Furthermore, EC Delegations and EU Member State Embassies will continue to use existing coordination mechanisms to address Gender Equality activities in the field.

4.7. EU Action at International and Regional Levels

Bilateral cooperation with partner countries on the issue of Gender Equality will be complemented by EU action at the international level. The presence of a unified European voice at this level reinforces the role of the EU as a major global actor in development cooperation. The Commission and the EU Member States will actively seek to advance Gender Equality and women's empowerment in relevant international fora. Of particular importance is the promotion of the extension of the scope of Gender Equality from health and education to other areas not captured by MDG3.

Regional and inter-regional cooperation encourage information sharing between the members of the regional organisations on gender specific tools, data, analytical documentation and training. The Commission and the Member States will therefore continue to promote regional cooperation in the field of Gender Equality as well as engaging with the existing international and regional networks in this area.

5. Specific EC Actions for the Promotion of Gender Equality

The role of the European Commission in implementing this strategy will involve actions on three fronts:

5.1. Country Programming

The European Commission will pay particular attention to ensure that Gender Equality and Women's Empowerment feature in all future country and regional strategies **(30)**. This will involve the following actions:

- the further development of internal tools and programming guidelines;
- the systematic gender assessment of country and regional strategies, including the mid-term and final reviews of such strategies;
- the adjustment of country strategies according to the results of the above assessments;
- the building of partnerships with relevant international organisations who have a significant experience in mainstreaming gender into projects and programmes. **(31)**

5.2. Thematic Programmes and Other Financial Instruments

Apart from national or regional programmes, additional resources are available through multi-annual thematic programmes tabled by the Commission under the financial perspectives 2007-2013. The Thematic Programme “Investing in People” **(32)** contains a financial envelope for funding EC actions in the area of promoting Gender Equality and the empowerment of women. Through this Thematic Programme EC funding will be made available to the following broad areas of interventions:

- policy and advocacy events promoting the implementation of international commitments;
- capacity building for NGOs and associations dedicated to the advancement of Gender Equality and women’s rights;
- strengthening statistical capacity of governments.

The funds available will be allocated through calls for proposals from eligible organisations and by direct agreements with selected partners.

Gender Equality will also be supported through the implementation of the Environment **(33)** and Food Security **(34)** thematic programmes, as well as under the new European Instrument for Democracy and Human Rights (EIDHR II) **(35)** and the Instrument for Stability **(36)**.

5.3. Monitoring and Follow-up

The practical outcome of this new EU Strategy needs to be monitored. Accordingly, to evaluate the progress made and to refine and adapt the Strategy to changes in the international context, the European Commission will organise in 2010 a second major international Conference on Gender Equality with the participation of all major stakeholders **(37)**. Furthermore, a mid-term and a final evaluation of the implementation of this strategy will be executed by an external evaluator in 2010 and at the end of the 10th EDF cycle. These evaluations will include a gender budget analysis of EC funded projects and programmes including general budget support in at least twelve selected pilot countries.

EC Delegations, in close collaboration with Member State Embassies, will continue to include in their annual reporting an assessment of the promotion and achievement of Gender Equality in the partner country. Also, the Gender Equality section of the 'Annual Report on the European Community's development policy and the implementation of external assistance' will continue to publish aggregate information on progress made towards achieving Gender Equality. The EC and the Member States will examine the possibility of a joint EU annual reporting system that could include monitoring of gender mainstreaming in EU development cooperation.

6. Conclusion

The eradication of poverty demands that women and men be given equal opportunities in the economic and social spheres and have equal access to, and control over, the resources of society. However, if significant progress is to be made in the achievement of greater Gender Equality by the EU's developing country partners, the EU needs to tackle systematically the constraints on the achievement of this goal that exist both on the side of developing countries themselves and inherent in some of the EU's own development cooperation mechanisms. These issues can be addressed only in the context of an enhanced political dialogue which incorporates Gender as an explicit theme and which paves the way for the EU to engage actively with those CSO's and other organisations that make up the constituency for increased Gender Equality in the country concerned.

Within such a framework the primary instrument to achieve greater Gender Equality, **gender mainstreaming** has to be used in a more effective and practical way if we are to make real progress towards the goal of greater Gender Equality. The secondary instrument, **specific, targeted actions**, to empower women, has to be used so as to complement mainstreaming activities and to address key strategic issues that impact on the well-being and opportunities of particular vulnerable groups. For both instruments, their application must be sensitive to, and reflect, the unique social and cultural situation of each of the EU's developing partner countries. To support such an approach, the focus of Gender Equality which, hitherto, has been mainly on health and education, must be broadened and extended to include other areas of cooperation.

A combination of advocacy, support for women's groups and specific actions to change cultural, social and political patterns and the distribution of political and economic power marks the way forward to promote Gender Equality. Clearly this will be a challenging task. But the EU is committed to supporting our partner countries to overcome all obstacles on this crucial path.

From Monterrey to the European Consensus on Development: honouring our commitments

**Communication from the Commission
to the Council, the European Parliament and
the European Economic and Social Committee
and the Committee of the Regions**

COM(2007) 158 final

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Introduction

With the adoption of the European Consensus on Development in December 2005, the European Union (EU) placed development at the heart of its external action and gave it an unprecedented political dimension. For the first time ever a shared vision, binding the Council, the Parliament, the Commission and each of the 27 Member States, gives the EU's action the reference framework required to deal more effectively with poverty and growing inequalities in the world, and to be more coherent in tackling such global challenges as climate change, energy, migration, security and the social dimension of globalisation. This is an important dimension of the Sustainable Development Strategy which is now included in the EU's general objectives.

While recognising the number and variety of instruments for promoting development, the EU has decided to increase aid substantially, believing it more necessary than ever to speed up progress towards the Millennium Development Goals.

Since the Monterrey Conference on Development Financing in 2002, the EU has made a commitment to increase its development aid. It is in particular committed to collectively dedicate 0.39% of its gross national income to development aid in 2006 and 0.56% in 2010 in order to reach 0.7% in 2015. By actively contributing to the adoption of the Paris Declaration on aid effectiveness, the EU has also committed itself to a radical overhaul of its aid system.

The EU recognises that partner countries have the primary responsibility for their own development and commits the EU to providing adapted assistance that responds to their specific needs. But by investing in social sectors, in infrastructures, in institutional reforms and supporting efforts towards good governance, the EU assumes its share of the work.

An unprecedented political framework has been mapped out between developing countries and the EU, bringing together aid and policy dialogue. Europe has a duty to make a difference. Its influence must be commensurate with the resources it provides.

The Council has mandated the Commission to follow up these commitments. The latest studies have prompted it to make three proposals to ensure that the commitments are honoured in full.

1. The European Union honoured its overall commitments to increase aid in 2006 – but meeting the next target dates will call for further, concerted efforts

In 2002, the EU committed itself to collectively dedicate 0.39% of its gross national income to development aid in 2006. The EU hasn't only reached this objective, it has gone beyond. The EU collectively devoted 0.42% of its gross national income to development aid in 2006.

The following comparative figures help gauge the scale of the effort:

- In 2006 EU development aid amounted to €48 billion, an appreciable increase from €35 billion in 2004 and €45 billion in 2005.
- The aid of one Member States has exceeded 1% of its gross national income.
- The ten Member States which acceded to the EU in 2004 and were previously providing very little aid have since doubled the volume of their aid, thereby demonstrating their commitment to the Community acquis and their will to achieve their individual targets.
- This aid effort represents more or less €100 per EU citizen a year; it also represents €40 for every person living on less than a dollar a day in the developing countries.

By way of comparison, US aid stands at 0.17% of gross national income and the equivalent of €53 per US citizen; the figures for Japan are 0.25% and €69 respectively.

This collective effort masks marked disparities between Member States. While some devote more than 0.80% of national income to development, far more than the most ambitious targets, others continue to fall far short of the average or their own objectives or register a decline of their aid in 2006 compared with 2005. It is also clear that a substantial share of the additional aid takes the form of debt alleviation. In the years to come, the challenge will be to continue to increase development aid as a whole while reducing the share of debt alleviation.

As regards the breakdown of EU aid, the priority given to Africa is being upheld, since at least half of the EU's aid is already going to this continent, which should receive an additional €10 billion a year from 2010.

Overall, the EU is well on the way to honouring its commitments by 2010, but whether these trends and results are borne out will depend on the capacity to mobilise political and public support. The increase recorded in some Member States' aid has partly been the result of debt forgiveness or other one off operations, especially humanitarian aid. Sustaining growth aid budgets will require the mobilisation of new flows of programmable aid in future.

This encouraging but uneven situation, plus the need for close monitoring of trends in EU aid budgets lead the Commission to recommend that each Member State draw up a road map by the end of 2007 to ensure a gradual increase in official aid flows by 2010 and 2015 in order to prevent any slippage on collective and individual commitments.

2. Aid for Trade must increase so that developing countries can take advantage of trade liberalisation – an implementation plan will be needed

The poorest countries' share of international trade remains marginal in spite of the tariff preferences they enjoy, especially on the European market. Beyond technical assistance to the implementation of trade policies (including for instance custom policies), a consensus has developed in recent years as to the need to go further and incorporate into cooperation strategies support for the development of productive capacity, support for trade related infrastructure and support to overcoming other supply constraints.

In December 2005 the EU pledged to collectively increase its aid for trade to €2 billion a year from 2010 for all developing countries, €1 billion of it in Community aid and €1 billion in bilateral aid from the Member States.

The Commission and the Member States must agree a joint strategy on aid for trade, as requested by the Council in October 2006. According to the Commission, this strategy should contain the following essential elements:

- the announced increase in EU aid for trade to € 2 billion from 2010. The Commission is on the right track to respect its own commitment. Member States should reach a level of € 600 million by 2008 to respect theirs. If this wouldn't be the case, specific corrective measures should be envisaged;
- the attribution of a significant share of these resources to ACP countries in the context of the Economic Partnership Agreements (EPA). The strategy will have to specify the amount envisaged for ACP countries;
- a process to identify the partner countries' needs on the basis of their own assessments and existing international mechanisms. The involvement of civil society and the private sector in this process is crucial and must be facilitated. Furthermore, the sustainability of measures and reforms backed by the EU must be guaranteed;
- more effective aid through the implementation of the announced reforms, in particular progress towards joint programming, the division of labour, alignment and more effective aid arrangements, such as budget aid and cofinancing;
- the constitution by the ACP regions of regional funds to cover needs identified in the context of the EPAs and to support regional integration by channelling EU aid in a coherent manner. Created in 2006, the Infrastructure Partnership for Africa is the first such initiative. A number of Member States are already contributing, and the others are invited to join this concerted effort.

3. The quality and effectiveness of EU aid must improve – the Commission has proposed a code of conduct on division of labour ⁽¹⁾

The expansion and multiplication of development cooperation activities in recent years has resulted in a system which is complex and costly to manage for partner countries.

The harmonisation effort actively promoted by the Commission lies at the heart of the Paris Agenda on aid effectiveness, which the EU wholeheartedly endorsed.

There are three fundamental aspects:

- the division of labour. The Commission has proposed a voluntary and flexible EU code of conduct to promote complementarity between donors in the interests of greater effectiveness;
- ownership and the alignment of cooperation programmes on the partner countries' strategies and procedures. Though enshrined in the Paris Declaration and the European Consensus, these principles are still far from being realised. Not only are countries' budget cycles not respected but a welter of conditionalities undermine the continuity and predictability of aid. The Commission believes it is now time to apply the concept of a "contract" based on tangible results in relation to the Millennium Development Goals rather than the annual checking of each individual donor's traditional conditionalities;
- aid modalities. Programme aid and budget aid must quickly become the preferred delivery methods, without excluding other aid modalities when they are more appropriate. The dispersion of aid across many small projects – as in Tanzania, where there are 600 projects of less than € 1 million in the health sector alone – generates unnecessary costs and lessens effectiveness.

These reforms must take place against a backdrop of more decisive progress towards joint programming of bilateral and Community aid.

(1) COM(2007) 72.

4. Conclusion

The EU has taken, at the very highest political level, ambitious development commitments by deciding to raise its aid gradually to a level of 0.7% of gross national income by 2015 (€ 164 per European citizen a year) and taking the requisite steps to increase the overall effectiveness of EU aid as a whole.

We need to move from words to deeds. This calls for the honouring of commitments and political will. There is no question of changing the institutional balance in the EU or increasing the Commission's powers in the sphere of development. It is simply a matter of a stronger, more efficient EU that holds out better prospect for the weakest and most vulnerable people on the planet. To offer this prospect the EU has to act collectively.

Towards an EU Aid for Trade strategy – the Commission's contribution

**Communication from the Commission
to the Council, the European Parliament and
the European Economic and Social Committee
and the Committee of the Regions**

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TOWARDS AN EU AID FOR TRADE STRATEGY – THE COMMISSION'S CONTRIBUTION

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1. Origin of the EU Aid for Trade strategy

Trade is an important catalyst for growth and poverty reduction in developing countries. But successful integration of developing countries into world trade requires more than better market access and strengthened international trade rules. In order to fully exploit the benefits from trade, developing countries also need to remove supply side constraints and address structural weaknesses. This includes domestic reforms in trade-related policies, trade facilitation, enhancement of customs capacities, upgrading of infrastructure, enhancement of productive capacities and building of domestic and regional markets. Complementary efforts are required in areas such as macroeconomic stability, fiscal reforms, promotion of investment, labour policy, capital and product market regulations and institutions, and human capital development.

This is what Aid for Trade is for. Aid for Trade should have a global scope and support all developing countries, in particular the least developed, in their efforts to reform and to adjust to the world trading system, in the wider context of sustainable development. Aid for Trade is geared to generating growth, employment and income. It is therefore a contribution to the first of the Millennium Development Goals namely to reduce the proportion of people living on less than a dollar a day (MDG 1). It also supports MDG 8, which is to establish a global partnership for development, in particular to develop further an open trading and financial system that is rule-based, predictable and non-discriminatory. Aid for Trade is a key complement to trade negotiations. It is not a substitute for a pro-development outcome of these negotiations but should be delivered independently of progress in the negotiations.

The concepts behind Aid for Trade are well known to the EU. The EU is collectively the biggest donor in the field of Trade Related Assistance (TRA). The European Consensus for Development identifies trade and regional integration as an important area for Community action. One case in point are the ongoing negotiations of Economic Partnership Agreements (EPAs) with the African Caribbean and Pacific (ACP) countries. TRA commitments are also significant for other EU partner countries such as those in Asia or in Latin America.

This Communication is the Commission's contribution to further expanding EU support for Aid for Trade, with a view to adoption of a joint EU strategy by the Council in the second half of 2007, as agreed by the Council in October 2006⁽¹⁾.

(1) See background in Annex.

Anchored in well-established policy commitments, and building on the recommendations of a WTO Task Force⁽²⁾, the value added of an EU Aid for Trade strategy lies in agreeing on the specific action to deliver. Such EU cooperation will reinforce the impact of EU Aid for Trade and contribute to the global debate on this topic.

2. Objectives

Aid for Trade has multiple objectives: to enable developing countries, particularly the least developed countries (LDCs), to use trade more effectively to promote growth, employment, development and poverty reduction and to achieve their development objectives; to help them build and modernise supply-side capacity and trade-related infrastructure in order to facilitate their access to markets and to export more; to help them implement and adjust to trade reform and liberalisation, including via labour market and social adjustments; to assist regional integration; to assist smooth integration into the world trading system and to assist with implementing trade agreements, all in the context of sustainable development, preservation of natural resources and the environment, and promotion of decent work.

Following the Council's guidelines, an EU Aid for Trade strategy can contribute to these objectives by addressing the following issues⁽³⁾:

1. Increasing the volumes of EU Aid for Trade, in particular by taking Trade Related Assistance up to €2 billion a year by 2010; but also by promoting an effective response to wider Aid for Trade needs⁽⁴⁾.
2. Enhancing the quality of EU Aid for Trade, in particular by applying commitments to making development cooperation more effective.
3. Supporting effective monitoring and reporting.
4. Ensuring that Commission and Member States have sufficient capacity to implement the above mentioned objectives.

(2) See details in Annex.

(3) The strategy will have a much wider coverage than the recently created EC budget line on Aid for Trade.

(4) See definitions in Annex.

As the Council drew specific attention to the Aid for Trade needs related to the ongoing negotiations of Economic Partnership Agreements (EPAs) with ACP countries, the EU strategy should pay similar specific attention to these developments, in order to help realise the full development potential of EPAs. Aid for Trade is also an important element of EC assistance in Asia and in Latin America.

3. Increasing the volume of EU aid for Trade

3.1. A Roadmap for meeting the EU's financial commitments on trade related assistance

TRA comprises two categories: "trade policy and regulation"; and "trade development". The first refers to support for the effective participation of developing countries in multilateral trade negotiations, analysis and implementation of multilateral trade agreements, trade-related legislation and regulatory reforms (including Technical Barriers to Trade and Sanitary and Phytosanitary measures), tariff structures, support to regional trade arrangements, trade facilitation, including customs regimes and equipment, and issues such as security of the supply chain⁽⁵⁾. The second category covers business development and activities aimed at improving the business climate, business support services and institutions, access to trade finance, trade promotion and market development in the productive and services sectors, including at the institutional and enterprise level.

During the baseline period 2001-2004, the TRA commitments of Community and Member States were, on average €840 million⁽⁶⁾ and €300 million per year respectively. The Council requested a roadmap for delivering in 2010 on the Community's and Member States' commitment to take this volume to €1+1 billion a year. After analysing the available figures, the Commission concludes that it is on track to meet its commitment. Due to lack of forecasting data, the Commission is however not in a position to assess whether Member States are collectively on track to attain their 2010 target⁽⁷⁾.

(5) In line with the World Customs Organisation Framework of Standards.

(6) Includes funds both from the European Development Fund and the EC general budget.

(7) See details on Member States in the Commission Staff Working paper accompanying the Monterrey report - SEC(2007) 415 - and details on EC commitments in Annex.

The Council decided that a substantial share of the increased EU TRA should go to ACP countries, in support of regional integration and EPAs. Guidance on the actual amounts involved is important for ACP partners at this point in time. On the basis of current plans the share of Community TRA which will go to ACP is expected to remain relatively stable. Whilst this reflects an increase in absolute terms, it means that the bulk of additional TRA resources for the ACP will have to come from the Member States.

EU Member States and the Community (as well as other donors) provide aid on the basis of priorities expressed by partner countries in their national development strategies. To deliver on their commitments the EU depends largely on the extent to which trade-related needs are articulated in these national strategies. Assisting developing countries with identifying and prioritising trade related assistance needs is therefore an integral part of meeting the EU's financial commitments. One key instrument for doing so is the Integrated Framework (IF) to which both the Commission and several MS are already contributing⁽⁸⁾. Key challenges are to enhance the IF agenda and impact and expand the approach to other developing countries. At regional level, effective approaches to trade needs assessments must be developed.

COMMISSION RECOMMENDATIONS

- A linear trend from the present situation to their 1 billion target would imply that the collective commitments to TRA by EU Member States should rise to at least €600 million by 2008. The strategy should, however, consider which measures to take should TRA from the Member States fail to reach this level by 2008.
- The strategy should provide guidance on the amounts involved in the Council commitment to allocate a “substantial share” of the additional TRA to ACP countries, in support of regional integration and EPAs with a view to increasing the share of overall TRA allocated to the ACP.
- The EU strategy should underline the importance of integrating trade-related concerns into national development strategies and identify criteria

(8) The IF is a multi-donor program whose objectives are to support LDCs mainstream trade into their national development plans; and to assist in the co-ordinated delivery of TRA in response to needs identified by the LDC. In August 2006, 42 LDCs were participating in the programme.

for when it is acceptable to finance trade-related priorities in anticipation of national development strategies being updated. The strategy should demonstrate the EU's commitment to engage actively in the enhanced IF, in particular by active in-country participation; and to extend the IF methods to non-LDCs, including via a plan for joint EU engagement in the creation of an IDA-only⁽⁹⁾ mechanism.

- The strategy should outline how to support regional trade needs assessments in support of regional integration.

3.2. EU support to the wider Aid for Trade agenda

The Commission fully supports the wider Aid for Trade agenda identified by the WTO Task Force, i.e. inclusion of trade-related infrastructure, productive capacities and trade-related adjustment. This broad approach is reflected for example in the 2004 EU Commodity Action Plan. Although the EU Council did not set specific numerical targets on the new Aid for Trade categories, the EU is already providing substantial support to such areas. For instance, support for trade related infrastructure averaged €1.480 billion a year from the Member States and €1.290 billion a year from the Community during the period 2001-2004.

There is some lack of clarity in the new Aid for Trade categories, and some overlaps with the already existing categories of TRA⁽¹⁰⁾. This has to be tackled if monitoring and reporting are to be developed usefully for Aid for Trade. This is recognised by the Aid for Trade community, including within the EU, and work is in progress, in particular within the OECD/DAC, to clarify and simplify the scope and use proxies from longstanding ODA categories. The EU, as a key partner in the Aid for Trade initiative, should participate in the unfolding discussions.

In this regard, the Commission considers that economic infrastructure is a helpful proxy for trade related infrastructure. For productive capacities, existing reporting categories can be used. In the context of trade-related adjustment, the Commission considers that this should include support to fiscal reforms

(9) The IDA-only countries are: Mongolia, Tonga, Vietnam, Albania, Armenia, Georgia, Kyrgyz Republic, Moldova, Tajikistan, Guyana, Honduras, Nicaragua, Sri Lanka, Cameroon, Republic of the Congo, Côte d'Ivoire, Ghana and Kenya.

(10) See discussion in Annex.

aiming at introducing more sustainable forms of tax systems⁽¹¹⁾. Linked to this, budget support can be an appropriate means to tackle falls in customs revenue following trade liberalisation, or to support trade-related social safety nets to facilitate adjustment to trade opening and globalisation.

COMMISSION RECOMMENDATIONS

- In addition to TRA, the EU strategy should include a political commitment to strengthen EU support for trade-related infrastructure, productive capacity and trade-related adjustment, starting by supporting good coverage of such issues in trade needs assessments. This is particularly relevant for small, vulnerable and land-locked economies, many of which are ACP.
- The EU strategy should state the intent to develop coherent EU reporting practices for all categories of Aid for Trade and to continue to participate actively and jointly in relevant discussions at international level. The strategy should make it clear that the intent of the EU financial commitment to TRA is solid and will be maintained regardless of the evolving international debate.

4. Enhancing the quality of EU Aid for Trade

Increasing levels of Aid for Trade raise the questions of quality and effectiveness. Without due attention to these matters, additional financial resources will not bring about the improvements desired by partner countries.

The EU strategy will not be starting from scratch. Based on the conclusions of the EU Ad Hoc Working Party on Harmonisation, the EU made a substantial contribution to the Paris Declaration on Aid Effectiveness. It is already fully committed to the Paris principles and has gone further to act on several of these. In particular, in April 2006, the Council agreed on principles and a format for joint programming and issued a mandate for further work on complementarity and co-financing⁽¹²⁾.

(11) In line with the principles of good governance in the tax area.

(12) See Annex for details.

The EU Aid for Trade strategy should offer a practical application of the agreed principles, focusing on five quality aspects: poverty and Aid for Trade; ownership and participation; sustainability; joint analysis, programming and delivery; and effectiveness of regional Aid for Trade.

4.1. Poverty and Aid for Trade

Within each category of Aid for Trade, choices made will have an impact on poverty levels. Sometimes, there are trade-offs between indirect and direct poverty reduction effects. The Commission has noted that the poverty linkages are not always well articulated in trade development strategies and Aid for Trade operations, in particular for traditional TRA.

Deeper reflection on how to ensure poverty reduction through Aid for Trade is necessary, for each category of Aid for Trade. More could be done to identify the areas of Aid for Trade which bring about the widest and most sustainable reduction in poverty. In individual operations, the EU should support analysis of implications on poverty and incorporate conclusions in a transparent way. Efforts should specifically include the gender dimension.

The decent work agenda⁽¹³⁾ is of relevance here, to address trade related issues of labour market and social adjustment. Similarly, the strategy should confirm support for the world-wide implementation of ILO's core labour standards. Voluntary initiatives giving consumers assurances relevant to sustainable development, such as Fair Trade, eco-labels, and comparable corporate schemes, are also important instruments with potential for reducing poverty and promoting socio-economic development, which a joint EU strategy should address.

COMMISSION RECOMMENDATION

- The strategy should stress the importance that the EU attaches to the impacts of Aid for Trade on poverty, and lay down steps to ensure that the activities undertaken under the strategy deliver in this regard.

(13) Cf. Council Conclusions on Decent Work for All of 1 December 2006, and the Commission Staff Working Paper on Promoting Employment through EU development cooperation.

4.2. Ownership and participation

Ownership and participation are two aid effectiveness principles of special importance to Aid for Trade. Better ownership, manifested by integration of trade-related issues into poverty reduction and equivalent strategies, is necessary for increasing Aid for Trade. Identifying pertinent trade priorities, building consensus for reform policies and developing effective remedies to address bottlenecks to trade require active participation by the private sector, social partners and civil society. Often, partner governments need assistance to manage such consultation processes. Effective participation of a wide range of stakeholders can *inter alia* be facilitated by strengthening intermediate organisations such as chambers of commerce.

COMMISSION RECOMMENDATION

- The EU strategy should emphasise the key role that the private sector and civil society can play in Aid for Trade. It should outline ways of supporting the capacity of governments to manage consultation processes, and of weaker interest groups to engage in these processes.

4.3. Sustainability

Sustainability is the underpinning principle of the EU Aid for Trade strategy and should be dealt with in all its dimensions – institutional, financial/economic, social and environmental.

The key to institutional and financial sustainability of programmes lies in ensuring stakeholder **capacity-building** and ownership in all operations, as discussed elsewhere in this Communication.

To fully integrate both social and environmental considerations into Aid for Trade programmes, existing **impact assessment regulations and procedures**, both of partners and donors, need to be applied. Sustainability impact assessments of trade policies and agreements should be further developed and the results better used both by the EU and partners.

As regards environmental issues specifically, EU Aid for Trade should help partners develop more **sustainable production methods** and assist producers in

complying with (public and private) health, safety and environment standards in export markets and improve the capacity of customs to help implement trade-related aspects of Multilateral Environmental Agreements.

Other important related issues are the promotion of decent work and the development of effective labour market and social adjustment mechanisms. For example, the EU will continue to assist producers in complying with recognised labour standards, practices and regulations and in promoting occupational health and safety.

COMMISSION RECOMMENDATION

- The EU strategy should promote the sustainability of Aid for Trade, including by foreseeing support to stakeholder ownership, capacity building and participation; pursuing social and environmental goals; applying EU and partner countries' tools and procedures for environment, social, gender and sustainability impact assessments; integrating results from such work into in-country trade needs assessments; promoting sustainable production methods; and helping comply with relevant product standards in exports markets.

4.4. Joint analysis, programming and delivery

Recent trends in EU development aid all point in the same direction: greater complementarity and cooperation is needed between EU partners, across all stages of the programme cycle and for all types of instruments. This must also apply to Aid for Trade (See Annex).

As regards **joint analysis** of trade related needs, IF processes should be the preferred framework for EU coordination in LDCs. Similar processes should be developed for joint analysis in other countries. In ACP regions, Regional Preparatory Task Forces are important complements, in the context of EPAs.

As a further step, there is scope for the EU to **coordinate better its response strategies** in countries and regions. The Joint Trade and Development Expert Group could develop into an informal coordination forum for multilateral initiatives.

Opportunities for joint delivery will depend largely on progress in working through **sector wide approaches** (SWAPs), as these are one of the preconditions for embarking on **sector budget support**. Good trade needs assessment processes and in-country coordination will help prepare the ground for successful SWAPs.

The possibilities for use of **general budget support** in Aid for Trade should be examined, including the issue of developing appropriate indicators. Finally, **EU co-financing** of Aid for Trade could allow increasing Aid for Trade without stretching partners' absorption capacity, by opening up existing EC programmes to Member States or by allowing some Member States to take the lead based on their comparative advantage and expertise.

COMMISSION RECOMMENDATIONS

- The strategy should lay down actions to facilitate the EU leading the way on coordinated response strategies in Aid for Trade. This could include preparing an overview of partner countries with a strong EU Aid for Trade presence, and assigning EU Aid for Trade contact points to facilitate in-country EU coordination and joint identification.
- Looking ahead to future opportunities to engage in Joint Programming (such as those related to the mid term review of the Commission's country strategies, including for the 10th EDF), the strategy should prepare the ground for good coverage of trade-related issues in the countries concerned.
- The strategy should lay down actions to further develop use of SWAPs in Aid for Trade. It should propose measures to build the confidence which is needed to facilitate application of joint delivery methods such as budget support and co-financing.
- The strategy should highlight the role that the Joint Trade and Development Expert Group could play in coordination for multilateral initiatives.

4.5. Aid effectiveness in regional Aid for Trade

Support for regional integration is a distinctive feature of EU development cooperation and relations with non-EU countries, in particular through trade and customs policy. The regional level is therefore important for the delivery of Aid for Trade, in particular for regions deeply engaged in regional integration efforts. This corresponds to the growing number of regional trade and cooperation agreements, the growing interest on the part of developing country partners in regional integration and the priority given to regional integration in the European Consensus for Development, the Cotonou Agreement and the EC Development Cooperation Instrument.

Programming and delivery at regional level are not different in nature from that at national level. The same aid effectiveness principles should be applied, although this could be more challenging at regional level. Key actions for aid effectiveness at regional level include:

- **supporting regional partners' capacity to own and lead Aid for Trade efforts**, in particular by building regional organisations' capacity to assess the implications of trade or regional integration and/or trade agreements with third countries and strengthening their capacity to monitor and implement commitments, including for issues such as fiscal reforms;
- **coordinating programming in support of regional and trade integration.** Joint EU efforts could be developed to assess needs and identify areas where the EU could support the integration agenda of the region concerned, including on issues of economic and social integration. Much can be done at regional level by building on existing efforts on private sector development, productive capacity and infrastructure;
- **pursuing more streamlined methods of delivery.** The strategy should define enhanced coordination modalities with a view to stepping up collective mobilisation of AfT finance. Regional methods of delivery equivalent to budget support and co-financing should be developed. For example, the Commission is developing contribution agreements to facilitate financial management of its regional cooperation. Some ACP regions have begun to create regional funding mechanisms to facilitate management of regional programmes, including contributions from the Commission and, possibly, other donors in support of EPAs;

- **enhancing cooperation with other donors.** The Commission and the Member States should jointly encourage non EU donors to consider increasing their support to regional trade integration. Regional development banks and international financial institutions are particularly important.

COMMISSION RECOMMENDATIONS

- The EU strategy should underline the EU's commitment to applying aid effectiveness principles at regional level by supporting regional partners' capacity to own and lead Aid for Trade, coordinating programming, pursuing more streamlined delivery modes and enhancing cooperation with other donors.
- Having regard to the ongoing EPA negotiations, the EU strategy should indicate a priority for regional interventions in the EPA context, particularly as regards coordinating programming and supporting regionally owned initiatives, such as regional EPA funds.

5. Specific ACP angles of the proposals

The October Council paid specific attention to the EPA-related Aid for Trade agenda in ACP countries. The measures outlined above are all essential for supporting ACP regions and countries in the context of the EPAs. Some recommendations are particularly important; they are repeated below:

COMMISSION RECOMMENDATIONS

- The EU strategy should provide guidance on the amounts involved in the Council's commitment to allocate a “substantial share” of the additional TRA to ACP countries with a view to increasing the share of overall TRA allocated to the ACP.
- The strategy should include a political commitment on the part of the EU to strengthen its support for trade-related infrastructure, productive capacity and trade-related adjustment, starting by supporting good coverage of such wider issues in trade needs assessments.

- The strategy should support, as a priority, integration of trade-related concerns into ACP national development strategies.
- The strategy should outline how to strengthen support to regional trade needs assessments, in support of regional integration. In the EPA context, this includes a particular emphasis on the EPA Regional Preparatory Task Forces.
- The strategy should underline the commitment of the EU to applying aid effectiveness principles at the regional level by supporting regional partners' capacity to own and lead Aid for Trade, coordinating programming, pursuing more streamlined delivery modes and enhancing cooperation with other donors.
- The strategy should indicate a priority to EPA regions as regards coordinating delivery modes and supporting regionally owned initiatives, such as regional EPA funds.

6. Monitoring and reporting

Monitoring and reporting are the key to making progress in the areas discussed above. Both process monitoring and outcome monitoring is necessary, according to criteria to be agreed. The global monitoring and reporting foreseen within the WTO/OECD framework and the EU level monitoring of implementation of the EU Aid for Trade strategy are closely interlinked.

Monitoring and reporting at the global level

The **global review mechanism** proposed by the WTO Task Force on Aid for Trade should assess Aid for Trade delivery both quantitatively and qualitatively:

- **Quantitatively:** Monitoring should include global Aid for Trade flows as reported to the WTO/OECD by donors plus reports by beneficiaries on the implementation of their trade capacity building strategies. The Commission does not intend to duplicate the WTO/OECD work in compiling quantitative data on Aid for Trade but could, with the Member States, use the existing data for analysis at EU level to deepen understanding of efforts already made and planned.

- Qualitatively: The global review should also provide a platform for discussing all issues relevant to the effectiveness of Aid for Trade, building international consensus on these issues, and exchanging experience between donor and partner countries. It should monitor adherence to agreed processes recognised important to aid effectiveness, and outcomes. Monitoring should support **results-based management** of Aid for Trade, in particular by promoting development of clear and measurable objectives and indicators. Impacts on poverty deserve special attention. The review mechanism should also help increase understanding of the most efficient ways of spending funds on Aid for Trade, including the nexus between domestic markets, demand and institutional capacities, and the ability of developing countries to participate in international trade, the importance of the policy framework, the sequencing of trade liberalisation and Aid for Trade, the best way of integrating Trade issues into poverty reduction strategies etc.

Support for beneficiary countries' own monitoring and evaluation frameworks for Aid for Trade will be crucial.

Monitoring and reporting at EU level

The EU will need to report on implementation of the EU Aid for Trade strategy, for example to the European Parliament. Progress on implementing the EU strategy should be assessed yearly by the Council, on the basis of a progress report by the Commission and Member States. Joint programme evaluations should be promoted. If necessary, the strategy should be adjusted.

COMMISSION RECOMMENDATIONS

- The EU strategy should actively contribute to monitoring and reporting at global level, including by supporting developing countries in their reporting and monitoring.
- The strategy should assist in streamlining Commission and Member States reporting of quantitative Aid for Trade flows to the Doha database so that the data can be used for deeper analysis at EU level.

- The EU strategy should lay down action to support results-based management and commit the EU to carry out annual joint programme evaluations in the area of Aid for Trade in order to assess progress in the priority areas of the EU strategy and in those agreed internationally.

7. EU capacity for Aid for Trade

Building human capacity in donor organisations, both at headquarters and in the field is a precondition for scaling up Aid for Trade. Without this capacity, trade will figure less prominently in the policy dialogue and donor organisations will find it more difficult to respond to the needs of partner countries. Capacity means both numbers of staff and skills.

The specific needs to scale up capacity will differ between Member States and depend on the manner in which Member States have chosen to expand their Aid for Trade. Implementing the aid effectiveness agenda will be staff-intensive. However, sharing expertise could also help to reduce the need for an increase in human resources in the field.

COMMISSION RECOMMENDATIONS

- The Commission recommends taking stock of the EU's existing Aid for Trade capacity and expertise.
- The EU strategy should explore joint EU initiatives to develop and share expertise, such as trainings on Aid for Trade.

Keeping Europe's promises on Financing for Development

**Annual report from the Commission
to the European Parliament, the Council
the European Economic and Social Committee
and the Committee of the Regions**

COM(2007) 164 final

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1. Introduction

The EU is the biggest aid donor in the world, and its share of total ODA is growing. It is taking long-term, far-reaching commitments on development finance and their timely delivery to contribute to the achievement of the Millennium Development Goals (MDG):

- In 2002 the EU committed to a target of 0.39% of their combined Gross National Income (GNI) to Official Development Assistance (ODA) by 2006. In 2006 the EU not just met but exceeded this target increasing their ODA to 0.42% of GNI and by disbursing, in 2006, a record high of €48 billion⁽¹⁾. In 2005 Africa received the most substantial part of EU aid. Overall one third of EU ODA was used for social and administrative infrastructure to fight poverty and 10% for humanitarian assistance.
- In 2005 the EU set further targets of collectively 0.56% ODA/ GNI by 2010 to bridge the financing gap for finally attaining the 0.7% ODA/ GNI goal by 2015⁽²⁾. These historic EU commitments account for almost 80% of promised G8 aid increases for Africa. The EU is on track to meet both.
- One Member State dedicated in 2006 just over 1% of its GNI to ODA. Three others reached over 0.8% ODA/GNI. Other Member States, who seemed to be off track just few years ago have scaled up their aid substantially. The ten Member States who adhered to the EU in 2004 have collectively doubled their aid since their accession.
- The Union also leads the international Financing for Development process because it is already implementing aid better and faster. In addition to signing the Paris Declaration on Aid Effectiveness the EU has introduced joint analyses and multi-annual strategic planning of country assistance

(1) In order to collectively provide, by 2006, at least 0.39% of the EU GNI as ODA, Member States committed to increase their ODA; those with ODA of 0.7% ODA/ GNI committed to maintain the high levels; all other Member States committed to achieve at least 0.33% ODA/GNI.

(2) The second intermediate collective target for 2010 is based on individual baseline targets, i.e. Member States that have not yet reached an ODA of 0.51% of their GNI undertake to reach that level; Member States undertake to achieve the 0.7% ODA/GNI target by 2015 and those which have achieved that goal commit themselves to remain above that target; Member States that joined the EU after 2002 strive to achieve or maintain, by 2010, a minimum of 0.17% ODA/GNI and of 0.33% by 2015. This commitment is combined with the promise to provide collectively at least 50% of the agreed ODA increase to Africa

provided by the EC and the Member States⁽³⁾ and is in the process of agreeing an EU Code of Conduct on Division of Labour in Development Policy⁽⁴⁾.

However, this progress cannot be taken for granted and should not hide certain issues, specifically:

- big variations in aid budgets between Member States;
- the use of one off measures which sometimes disguise the overall trend in aid volumes;
- the need for more effective aid disbursement to ensure that it reaches those who need it.

The Commission hereby presents its fifth annual report on EU progress towards implementing the historic commitments agreed in 2002 ahead of the Monterrey Conference and further shaped by the European Council prior to the UN World Summit in 2005 to accelerate progress towards the MDG⁽⁵⁾. The EU commitments are, moreover, core parts of the European Consensus for Development. The UN High Level Dialogue on Financing for Development in late 2007, the Third High Level Forum on Aid Effectiveness in Accra and the 'Monterrey follow-up' conference to be held in Doha in 2008 will again discuss how to scale up aid and to deliver aid more effectively and efficiently.

This Communication builds on the opinions of the 27 EU Member States (EU-27) expressed in their responses to the monitoring questionnaire of late 2006. A detailed analysis of the survey is contained in the accompanying Commission Staff Working Paper⁽⁶⁾.

(3) Council Conclusions of April 2006. '*Financing for Development and Aid Effectiveness: Delivering more, better and faster*'.

(4) Based on the Commission Communication COM(2007) 72, 28.2.2007.

(5) Council Conclusions of May 2005. '*Millennium Development Goals: EU Contribution to the Review of the MDGs at the UN 2005 High Level Event*'. The EU promises also comprise additional commitments concerning innovative sources of financing for development, debt relief and Global Public Goods, better coordinated and more effective aid, including more predictable aid mechanisms, mitigation of exogenous shocks, aid untying and the reform of the international financial institutions.

(6) Financing for Development from Monterrey 2002 to Doha 2008 - Progress report 2007 - SEC(2007) 415.

2. EU aid levels could reach record highs throughout 2006-2010

2.1. EU global performance surpassed its objectives while some Member States have yet to strengthen their efforts

The EU achieved its first intermediate collective ODA goal one year ahead of schedule, i.e. in 2005, and confirmed its excellent performance in 2006: the combined EU ODA of €48 billion represents an ODA/GNI ratio of 0.42%, exceeding the 0.39% target. The collective outcome for the 15 Member States, who alone subscribed to this target in 2002 (EU-15), was even more impressive, as they reached 0.43% ODA/GNI. Undoubtedly debt relief to Iraq, Nigeria and post-tsunami aid contributed to the peak of EU ODA in 2005-06.

TABLE 1: EU ODA LEVELS 2004-2006

	2004		2005		2006	
	ODA in million €	ODA in % of GNI	ODA in million €	ODA in % of GNI	ODA in million €	ODA in % of GNI
Official Targets						EU-15: 0.33
Austria	1 175	0.50	1 266	0.52	1 205	0.48
Belgium	1 178	0.40	1 580	0.52	1 568	0.50
Bulgaria	NA	NA	NA	NA	2	0.01
Cyprus	4	0.03	4	0.03	16	0.11
Czech Republic	87	0.11	109	0.11	124	0.12
Denmark	1 639	0.83	1 696	0.81	1 780	0.80
Estonia	4	0.04	5	0.05	8	0.07
Finland	547	0.36	726	0.46	658	0.39
France	6 820	0.41	8 067	0.47	8 324	0.47
Germany	6 064	0.27	8 112	0.36	8 247	0.36
Greece	258	0.15	309	0.17	306	0.16
Hungary	56	0.07	80	0.10	96	0.12
Ireland	489	0.39	578	0.42	794	0.53
Italy	1 982	0.14	4 096	0.29	2 926	0.20
Latvia	7	0.06	8	0.07	9	0.06
Lithuania	8	0.04	12	0.06	15	0.08
Luxembourg	190	0.86	206	0.86	232	0.89
Malta	8	0.18	7	0.17	7	0.15
The Netherlands	3 384	0.67	4 116	0.81	4 343	0.81
Poland	95	0.05	165	0.07	239	0.09
Portugal	830	0.59	303	0.21	312	0.21
Romania	NA	NA	NA	NA	3	0.00
Slovak Republic	23	0.07	45	0.12	44	0.10
Slovenia	25	0.10	30	0.11	35	0.12
Spain	1 962	0.24	2 428	0.27	3 028	0.32
Sweden	2 191	0.78	2 706	0.94	3 161	1.03
UK	6 339	0.36	8 662	0.47	10 049	0.52
EU 15 TOTAL	35 047	0.35	44 852	0.44	46 932	0.43
EU 10 TOTAL	316	0.07	467	0.09	592	0.10
EU 25 TOTAL	35 364	0.34	45 318	0.42	47 524	0.42
EU 27 TOTAL					47 529	0.41

DA in € million at current prices.

Coloured cells contain information supplied by Member States, other cells are Commission data or calculations. EU-12 total and EU-27 total GNI and ODA figures in 2004 and 2005 do not include the GNI of BG and RO.

The front-runners ensuring the EU's success are the nine Member States that have either achieved the 0.7% target or decided to reach it prior to 2015. Particularly outstanding is the commitment of Sweden (SE) now allocating 1% of its GNI to aid and Luxemburg (LU) that is set to follow by 2012. Member States that registered much lower ODA levels a few years ago, e.g. Germany (DE) and Spain (ES), have demonstrated that scaling up is possible when the political will is there. Nevertheless Spain missed the 0.33% individual baseline by €142 million. The 10 Member States that joined the EU in 2004 (the EU-10) have doubled their ODA since the accession and have demonstrated their commitment to the “acquis communautaire”.

The Union's output would have been even more impressive if Greece (EL), Italy (IT) and Portugal (PT) had also lived up to the agreed 0.33% ODA/GNI individual target on time. They have pledged to catch up with the group by 2007 (EL, PT) and 2008 (IT), but their difficulties so far illustrates the general risk entailed in “one-off” ODA boosts in single years (PT: ODA-counted debt relief for Angola in 2004; IT: contribution to multilateral agencies in 2005) that are not sustained by policy changes ensuring gradually growing aid budgets. To avoid a widening gap between the Member States' performance in delivering on shared promises, continuing efforts are required by Member States trailing below the minimum baselines.

2.2. Good prospect to reach the next milestone targets by 2010

In contrast with the global ODA outlook that foresees lower aid levels in 2007-2008 the Union's aid levels are expected to rise throughout 2007-2010 in line with the EU pledge for 2010. Improved economic growth prospects mean that the EU could mobilise, an, extra €27-30 billion annually compared to 2006, thus more than the initially projected €20 billion. The amounts that Member States are forecasting remain vulnerable to GNI developments and might not meet the targets. The forecast figures of several Member States are not yet underpinned by clear year-on-year budget increases, but depend on ad hoc developments. While debt relief grants have become instrumental in attaining higher ODA levels in the short-term and have, since 2005, constituted the lion's share of aid from Austria (AT) at over 50%, France (FR), DE, IT and the UK (for each around 1/3 of total ODA), they are insufficient over time. To maintain the dynamics required to get to the 2010 targets an accelerated mobilisation of programmable funds is warranted, including recourse to innovative sources of financing, where necessary. PT – despite a planned impressive 148% ODA increase in the period 2006-2010 – is not yet on track to meet the next EU

individual target. Also, some of the EU-12 (the Member States that have joined since 2004) have yet to demonstrate how they intend to further increase their aid volumes in the run-up to 2010.

TABLE 2: FORECASTS AND ASSUMPTIONS FOR ACHIEVING THE 2007–2010 GOALS

	2007		2008		2009		2010	
	ODA in million €	ODA in % of GNI	ODA in million €	ODA in % of GNI	ODA in million €	ODA in % of GNI	ODA in million €	ODA in % of GNI
Official Targets								EU-15: 0.51 EU-10: 0.17
Austria	870	0.33	901	0.33	939	0.33	1 512	0.51
Belgium	1 799	0.55	2 030	0.59	2 288	0.64	2 561	0.68
Bulgaria	16	0.06	31	0.11	46	0.14	60	0.17
Cyprus	14	0.10	16	0.10	17	0.10	19	0.10
Czech Republic	128	0.11	147	0.12	171	0.13	230	0.17
Denmark	1 863	0.80	1 956	0.80	2 054	0.80	2 152	0.80
Estonia	9	0.07	11	0.07	13	0.07	15	0.07
Finland	746	0.42	796	0.43	870	0.46	1 395	0.70
France	9 180	0.49	10 581	0.54	11 982	0.59	13 383	0.63
Germany	9 426	0.40	10 605	0.43	11 784	0.47	12 963	0.51
Greece	683	0.33	799	0.36	1 057	0.45	1 262	0.51
Hungary	98	0.11	106	0.11	127	0.13	148	0.14
Ireland	813	0.51	942	0.55	1 018	0.55	1 199	0.60
Italy	4 072	0.27	5 218	0.33	6 974	0.42	8 730	0.51
Latvia	10	0.06	13	0.06	16	0.07	19	0.07
Lithuania	19	0.07	23	0.08	26	0.08	40	0.11
Luxembourg	254	0.90	274	0.91	300	0.92	336	0.95
Malta	8	0.17	9	0.17	9	0.17	9	0.17
The Netherlands	4 532	0.81	4 702	0.80	4 916	0.80	5 136	0.80
Poland	305	0.11	352	0.12	439	0.14	574	0.17
Portugal	517	0.33	588	0.37	660	0.39	768	0.44
Romania	59	0.05	115	0.10	171	0.14	228	0.17
Slovak Republic	57	0.12	69	0.14	82	0.16	95	0.17
Slovenia	40	0.13	46	0.14	52	0.15	64	0.17
Spain	4 305	0.42	5 464	0.50	6 524	0.56	7 676	0.62
Sweden	3 328	1.02	3 486	1.02	3 655	1.02	3 730	1.00
UK	9 572	0.46	11 156	0.52	12 740	0.56	14 324	0.60
EU 15 TOTAL	51 960	0.46	59 498	0.51	67 759	0.55	77 126	0.60
EU 10 TOTAL	765	0.10	938	0.11	1 168	0.13	1 499	0.16
EU 27 TOTAL	52 724	0.44	60 436	0.48	68 927	0.52	78 626	0.57

ODA in € million at current prices.

Source: coloured cells contain information supplied by Member States, other cells are Commission data or calculations.

2.3. On track to deliver on the UN goal for Least Developed Countries (LDC) by 2010

Further to the World Summit Outcome of 2005 and the Monterrey Consensus all EU-15 countries either already allocate at least 0.15% ODA/GNI to LDC or intend to reach this level by 2010. Six other Member States are willing to agree to a minimum ODA share for LDCs. The nexus of support to the neediest (LDC, aid “orphans”, fragile states), poverty reduction and the achievement of the MDG will be centre-stage again at the Accra and Doha conferences of 2008.

2.4. Effective focus on Africa

Since 2002 Europe's annual aid to Africa has doubled and reached almost € 14 billion in 2005. Almost half of the EU aid already goes to Africa, and half of its aid promised on top of 2006 ODA volumes annually has been pledged to the continent as part of the EU-Africa strategy. When the OECD/DAC definite ODA statistics 2006 become available later this year the Commission will establish a baseline chart, against which future EU allocations to Africa can be assessed. In line with the overall outlook on EU scaling-up of aid the outlook for allocating an additional annual € 10 billion or more of combined EU aid to Africa is promising.

2.5. But critical challenges need to be tackled

In order to further demonstrate that the EU keeps its promises on development finance, and leads in delivering aid more effectively and efficiently the following issues require attention:

- Longer-term **predictability of aid flows** is a prerequisite to achieving the MDGs. While some Member States are acting on national plans to gradually scale up their aid, the ODA flows of other Member States are more volatile, in quantity or in composition. Against this background, it is crucial that all **Member States establish national timetables, by the end of 2007, to ensure gradually rising aid levels year-on-year.**
- In particular those Member States that have neither reached the 2006 targets nor prepared for getting to 2010 milestones need to demonstrate better how they will bridge the remaining gap in the spirit of securing **fair burden-sharing between Member States.** Their undertakings should be underpinned by redoubled **outreach activities to win public opinion for higher aid volumes.** The Commission is ready to support this course.

- **Additionality of debt relief:** in 2005, the net ODA volumes excluding debt relief grants of those three Member States that together represent 55% of the EU's total aid, either decreased (DE -5.5%, FR -0.7%) or only marginally increased (UK +0.9%). This seems to go against the Monterrey Consensus and the Council Conclusions of April 2006⁽⁷⁾.
- In order to ensure the comparability of aid volumes Member States need to **strengthen their ODA reporting capacities and methodology**. Current EU DAC members should **call on the DAC to adapt its outreach strategy accordingly in relation to emerging donors namely to the 12 EU countries that are not DAC members**; the Commission can assist this process.
- **Preparedness for efficient and effective use of rapidly rising aid volumes:** Member States will provide 90% of the additional EU aid bilaterally. As the lion's share is supposed to be programmable aid, EU donors must urgently review their structures and operative and aid modalities to deliver more aid, better and faster. This process needs to include:
 - national plans to **strengthen capacity** to implement scaled-up ODA, otherwise scaling up remains a question of commitments, but disbursement could lag behind;
 - the **speedy and practical application** of the forthcoming **EU Code of Conduct on Division of Labour in Development Policy**;
 - **increasing use of any different disbursement channels**, such as **common European instruments** that emerge, as a result of the European Consensus
 - to **implement joint policy objectives**, such as the EU-Africa Strategy or far-reaching EU Partnership/Association Agreements, **for instance through voluntary contributions to the EU Trust Fund for Infrastructure in Africa**;
 - to **respond to global challenges**, e.g. related to external shocks such as climate change, natural disasters, commodity price variations or major threats to public or animal health;
 - to facilitate **delivery of joint EU commitments**, e.g. aid for trade;

and which contribute to enhancing the EU profile and visibility in the world.

(7) Council Conclusions of April 2006, footnote 1 to paragraph 24.

3. Slow but steady progress in implementing innovative sources of financing

Progress in 2006 was based on considerable efforts by some EU Member States which also attracted the participation of non-EU countries. FR and UK decided to devote together estimated annual revenues of more than €200 million from an airline ticket tax for an International Drug Purchasing Facility (UNITAID). UK, FR, IT, ES and SE (together with Norway) raised the first US\$ 1 billion on capital markets for the International Finance Facility for Immunization (IFFIm) to vaccinate children. Recently, the UK and IT (together with Canada, Norway, Russia and the Bill & Melinda Gates Foundation) launched the first **Advance Market Commitment** (AMC) to speed up the development and market introduction of a new vaccine for the pneumococcal disease in developing countries; a further pilot for a malaria vaccine is being considered.

The new instruments provide stable and predictable sources of finance. Their main advantage consists in locking in long-term budgetary commitments. This, however, might entail additional transaction costs and require considerable administrative and political efforts.

Most of the revenues arising from innovative mechanisms will be delivered through existing channels and organisations that are experienced in working in the health sector of developing countries. Although this avoids setting up parallel structures, aligning these initiatives with partner countries' health strategies remains a challenge.

The vast majority of EU Member States are not considering effective participation in innovative sources in the foreseeable future, for either development purposes or for global public goods.

The Commission encourages Member States that are currently not participating in any of the initiatives to continue analysing their effectiveness with a view to possibly broadening participation and mobilising additional and more stable sources of finance. It also recalls that innovative sources cannot substitute ODA and recommends that Member States' efforts in implementing innovative sources of financing do not distract from other important priorities of development finance.

4. **Vigilance required to ensure continued debt sustainability in developing countries**

In addition to the continuing impact of the extraordinary debt relief (Iraq, Nigeria) the implementation of the Heavily Indebted Poor Countries (HIPC) Initiative continued. The Multilateral Debt Relief Initiative (MDRI) reinforces efforts to further reduce HIPC debt by providing 100% cancellation of debt stock vis-à-vis the International Development Association (**IDA**, WB), **African Development Fund** and **IMF**, but does not cover outstanding loans from the Inter-American and other regional Development Banks. The Commission encourages reinforced, internationally coordinated endeavours to support low-income countries in their efforts to avoid unsustainable debt situations. These undertakings should encompass improved debt management, include new creditor countries in the debate on the debt sustainability framework and address the free-rider problem (i.e. the possibility that debt relief cross-subsidises lenders that offer non-concessional loans to post-HIPC countries). **The Commission proposes that the Council** calls on the Member States to further consider, in the appropriate international fora, on how to promote responsible lending and borrowing, including by improving developing countries' debt management and promoting dialogue with new lenders.

5. **An EU Aid for Trade Strategy underscores the commitments on trade and development**

The Commission recommends that the Council and the European Parliament support the proposals presented in the Communication 'Towards an EU Aid for Trade strategy – the Commission's contribution⁽⁸⁾.

(8) Commission Communication - COM(2007) 163, 4.4.2007.

6. Aid effectiveness – EU to make better use of available tools

Aid effectiveness is at the forefront of the EU's policy agenda and is referred to in all its initiatives. Since its adoption in 2006 most of the time-bound deliverables of the Aid Effectiveness Action Plan “Deliver more, better and faster” have been initiated or completed:

- (1) **Joint multi-annual strategic planning** shall be implemented, over time, in all countries as a means to improve complementarity. In pursuance to the Council Conclusions of April 2006, it started in ACP countries where the programming of the 10th EDF has provided an opportunity to kick-start the efforts toward joint programming with other donors in the field.

The experiences vary greatly as far as the state of progress and participation of donors are concerned. Efficient coordination mechanisms have facilitated the elaboration of **joint analysis of country situations**. The drafting of **common response strategies** is also progressively materialising in most selected countries⁽⁹⁾ such as DRC, Dominican Republic, Ethiopia, Ghana, Haiti, Kenya, Mali, Sierra Leone, Somalia, South Africa, Tanzania, Uganda and Zambia. Based on the flexible and gradual nature of joint programming the processes are adapted to specific country situations and, where relevant, use other processes such as Joint Assistance Strategies.

Due to the evolving nature of the process, these data are subject to constant changes. However, they show that, despite some significant achievements, results have been hampered by the heterogeneous nature of Member States' programming mechanisms and the gap between positions expressed by headquarters and at field level. In order to help overcoming obstacles, provide technical support and improve links between headquarters and field, the Commission has organised joint missions, e.g. in Haiti and Somalia, and set up a specific network of EU experts.

- (2) The **Code of Conduct** to promote the **Division of Labour** among EU donors is expected to be adopted by the Council in May 2007.

(9) According to the Council criteria (Council Conclusion 51): “a) the existence of a Poverty Reduction Strategy or equivalent, b) the existence of a sufficient number of active EU donors, revising their programming, c) the existence of local coordination processes, d) specific considerations for fragile states, and e) a positive field assessment”.

- (3) The first edition of the **European Development Days** was successfully held in November 2006 and will now be held every year.
- (4) A revised **EU Donor Atlas**, including first regional (West Africa) and country (Mozambique) editions has been compiled.
- (5) A baseline for the **four additional EU commitments** regarding the Paris Declaration has been set, through an EU Roadmap exercise on harmonisation which reported on local processes on aid effectiveness. The Commission restates its intention to meet the 50% objective for aid via country systems through budget support.
- (6) All **obstacles to co-financing** under EC rules have been removed.

7. Speedier progress required towards more predictable aid mechanisms

Budget support, the recognised key instrument for ensuring medium-term, policy-performance-based support to developing countries, remains a favoured instrument for 13 Member States. Some are increasingly willing to consider general budget support on top of sector budget support. The Commission is developing the concept of general budget support as a possible way to increase aid predictability, incorporating clear eligibility criteria and a focus on results. Budget support ought to be based on mechanisms ensuring ex post information and accountability. A possible arrangement could include longer-term budget support, guaranteeing certain levels of annual support, subject to safeguard clauses.

8. Mitigating the impact of exogenous shocks: stronger support by Member States is warranted to support emerging concepts

Increasing the resilience of developing countries to external economic shocks (price vulnerability) and natural events (disasters, climate change and pandemics) is a common goal of EU development policy. In 2006 tools for this were conceptualised and piloted, but they have attracted little attention and progress remains limited.

- **Revenue vulnerability:** The Netherlands (NL) and the **Community** (EC) are renewing their support for the Commodity Risk Management Group (CRMG)

in the WB, which has shown that market-based instruments for risk reduction related to external price movements are feasible. FR has developed risk management initiatives for cotton and envisages piloting a new integrated mechanism in selected countries within an emerging joint donor approach.

- **“Disaster risk reduction” (DRR):** In 2005-2006 the **EU** spent over €3.5 billion on disaster-related support, of which only an estimated **three percent** went to **ex-ante assistance**. Interest in broader strategic approaches to disaster preparedness is increasing but much broader support by the Member States is required. In order to offer a common approach in 2008 the Commission will propose, a joint "EU strategy for DRR", building on available experience (e.g from the 9th EDF Natural Disaster Facility) and aligned with international initiatives.
- FLEX is the EC's mechanism for ACP countries aimed at safeguarding reforms that could be put at risk as a result of short-term fluctuations in export earnings. With a view to reinforcing its anti-cyclical nature, proposals for making FLEX-assistance available earlier and more easily will be discussed with Member States and the ACP group.

The Commission suggests that Member States

- strike a better balance **between ex-post** natural disaster responses and **ex-ante** risk reduction strategies, based on a common EU approach to disaster prevention/preparedness;
- strengthen support for piloting/ scaling up new instruments and methods to reduce adverse effects of external shocks on developing countries, distinguishing between market-based answers to shocks resulting from international price fluctuations and efforts to mitigate shocks caused by natural disasters;
- actively **participate in the International Task Force on Commodity Risk Management** to improve information exchange on novel risk management approaches.

9. Untying aid: international developments lag behind EU progress

The EU is untying more aid. The majority of Member States that are DAC donors have (almost) fully untied their ODA. Others have introduced new measures to further untie part of their aid. Some of the EU-10 have started to implement the DAC Recommendation on untying aid to LDC. The increasing use of budget support also contributes to the improved record of the Union's combined development assistance. Member States are encouraged to advance further towards fully untying their aid.

As the EC **internal market rules apply to Member States' ODA**, the Commission reaffirms its duty to pursue any infringement in this regard. Member States that are in the process of building their development cooperation systems, namely their procurement schemes, need to untie their aid in relation to all other Member States.

In 2006 the EC translated its untying regulations into the new financial cooperation instruments under the EC budget; in this context the support to non-state actors was also untied.

The Commission welcomes the extension of the scope of the DAC Recommendation (through lowering the threshold for its application), after years of impasse, and calls for further progress, i.e. to move from a trade approach limited to the issue of reciprocal access between donors to a more pro-poor approach centred on developing countries. This requires a further extension of the DAC Recommendation (focus on access for developing countries; promotion of local preferences). The Commission points to the EU agreement to further advance, within relevant international fora, on **untying food aid and food aid transport**.

10. Strengthening the EU's influence in the international financial institutions (IFI)

Despite the varying pace of progress, the EU coordination within the World Bank and the IMF has advanced. In particular EU Executive Directors at the World Bank have so far issued around 40 joint statements in an informal coordination setting and thus significantly augmented EU visibility and influence. Joint positions by EU Member States appear essential to further increasing the Union's visibility and influence in the IFI. Improved EU coordination in the IFI mostly relies on increased dialogue and information sharing. WB and IMF EU EDs meet weekly to exchange views on Board topics and decide on common positions where possible; the Commission is facilitating this coordination and aims to provide further support. There is scope for improving the EU coordination at the IMF, particularly in Washington.

The Commission also invited in 2007 the EU EDs of the three main regional development banks (African, Asian and Inter-American Development Banks) to Brussels to improve coordination with the Commission and dialogue among themselves. The meeting proved useful and will be regularly held.

The Commission also proposes

- to pursue systematic coordination meetings of EU EDs, with the Commission participating, at the WB and the IMF with a view to adopting common European statements on Board issues as often as possible;
- to improve EU coordination prior to the Spring/Annual Meetings; the Commission stands ready to provide the necessary support;
- the exchange of information and documents between EU EDs and the Commission, including timely and regular transmission of Board documents of the IFI (including regional development banks to the Commission);
- to reinforce the European voice within the WB while at the same time enhancing the voice of developing countries.

11. The EU confirms support for the global public goods (GPG) but will not link actions to the recommendations of the International Task Force

The Report of the International Task Force on GPG – *Meeting Global Challenges* – was released in September 2006. Overall EU Member States' first reaction seems to have suffered from delays in finalising the report and the low profile it was given. While mostly aware of the report, Member States are not convinced it contributed substantially to the debate on GPG. The Commission sympathises with this perception, although it acknowledges the substantial analytical work and consultations with a broad range of actors undertaken by the Task Force. There is **general agreement on the priority GPG** identified by the Task Force, especially for those related to **health** and the **environment**, but this support in principle is not backed up by strong views on specific financing for GPG.

Most Member States agree on the need for a reformed UN system, consistent with the recommendations of the High-Level Panel on UN System-wide Coherence, to strengthen the transparency of its operations and overall accountability; but there is not support for the report's key proposal for improved global governance, i.e. the Global 25 forum.

The Task Force's strategy for **financing** GPG receives mixed support: a majority of Member States is in favour of some proposals, which are plain and already agreed internationally. Other more innovative recommendations, which attempt to de-link GPG from development assistance, deserve attention, but very few Member States support them. In view of the above and of the Commission's own analysis of the report, it appears that the Task Force's proposals do not currently attract significant EU interest. Establishing an EU Action Plan for enhanced supply and financing of GPG at this point in time would therefore be premature and ill-advised. Despite this assessment, the EU has made notable progress to enhance the supply of priority GPG, such as in health and environmental matters, and it continues to take on the “responsible leadership” role strongly argued for by the Task Force. The opportunity for an overarching initiative for GPG may be reassessed in the future.

Meanwhile, the Commission will strengthen its action on environmental GPG through enhanced collaboration on alliance-building with developing countries. This enhanced collaboration aims at a second phase of the Kyoto Protocol (post-2012) that should serve different purposes, e.g. be both compatible with achieving the MDG and with limiting climate warming.

12. Conclusions

The combined EU ODA results 2006 exceeded expectations, but some Member States have yet to catch up and deliver agreed baseline aid levels. The overall prospects for the EU's attaining the next milestone ODA targets by 2010 are good, if core issues are addressed to sustain the EU's credibility as the largest provider of development finance and if public opinion supports scaling up. The speedy application of the EU Code of Conduct on Division of Labour in Development Policy is the best opportunity for a quantum leap in the effectiveness of EU aid. The nexus of trade and development must be dealt with under the joint EU Aid for Trade Strategy, which requires credible follow-up by all stakeholders. Overall there is progress, at varying pace, on most of the EU commitments, but greater efforts are necessary and more active Member State participation is required in several areas, e.g. regarding budget support and concepts to mitigate the impact of exogenous shocks.

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