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

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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<sup>1</sup>**

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.

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<sup>1</sup> COM(2007) 72.

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.

#### **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.