



Federal Ministry  
for Economic Cooperation  
and Development

STRATEGIES 150

# The Development Policy Of the European Union



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## Presentation of the organisation

### Founding, mandate, tasks

The European Community (EC) was founded in 1957 by the Treaty of Rome. The original members of what was then known as the European Economic Community (EEC) were Belgium, France, Germany, Italy, Luxembourg and the Netherlands. Denmark, Ireland and the United Kingdom joined in 1973, followed by Greece in 1981, Spain and Portugal in 1986 and Austria, Finland and Sweden in 1995. In 2004 the Community was further enlarged, with the accession of eight countries which had hitherto been part of Eastern Europe along with Malta and Cyprus, bringing the total number of members to twenty-five. Since January 2007, when Romania and Bulgaria acceded, the European Community has had twenty-seven member states.

The Treaty of Maastricht established the European Union in 1992. The European Union, or EU, is an association of member states and the community institutions. It is built on three pillars: 1. The European Community, managed by the community institutions, 2. The Common Foreign and Security Policy, coordinated by member states 3. Police and judicial co-operation in criminal matters, which is a conglomeration of areas for which the Community is responsible and coordinated activities.

The responsibility for development cooperation too is shared by the European Community and its member states. Community policy in the field of development policy supplements the pertinent policies of the individual member states.

The European Community's development policy dates back to the very beginning of the Community in 1957. The first member states attempted to obtain some sort of association with the Community for their dependent overseas territories. After many of these states became independent, cooperation was pursued within a new frame-

work. This process led in 1975 to the first Lomé Agreement which focused for the first time on the development-policy perspective. This cooperation has continued to the present day. The most recent partnership agreement between the EC and the 77 African, Caribbean and Pacific states, or ACP states as they are known, was signed in 2000 in Cotonou, Benin. The fundamental principles on which EC-ACP cooperation is based comprise a contractual basis for cooperation, the principle of partnership and a broad-based approach to cooperation. The Community also provides funding for development measures in other parts of the world (the Mediterranean Region, Asia, Latin America, CIS states and the Western Balkans).

Against this background, development policy was finally also regulated under the primary law governing the Community. The **legal foundation** is today laid down in **Article XX of the EC Treaty (Development Cooperation)** which became part of community law with the entry into force of the Maastricht Treaty on 1 November 1993.

Pursuant to **Article 177.1 of the Treaty Establishing the European Community**, "Community policy in the sphere of development cooperation, which shall be complementary to the policies pursued by the Member States, shall foster:

- the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them,
- the smooth and gradual integration of the developing countries into the world economy,
- the campaign against poverty in the developing countries."

It is also intended to help develop and consolidate democracy and the rule of law, and to ensure that human rights are respected and that basic civil liberties are guaranteed.

**The single most important objective** of the European Community's development policy is to **combat poverty**. This priority was set by the Council and the Commission in their joint statement on EC development policy issued on 10 November 2000. It was re-affirmed on 22 November 2005 in the European Consensus on Development. Resources for community development cooperation are to be **concentrated on** the following **nine fields**:

- Trade and regional cooperation
- The environment and the sustainable management of natural resources
- Infrastructure, communication and transport
- Water and energy
- Rural development and regional planning, agriculture and food security
- Governance, democracy, human rights and support for economic and institutional reforms
- Conflict prevention and fragile states
- Human development (health, education)
- Social cohesion and employment.

In its development work, the Community aims to concentrate systematically on democracy and human rights, ecological sustainability, gender equality and good governance. It respects the principles laid out in the Treaty Establishing the European Community: **coordination** (the obliga-

tion to consult and coordinate the development policies and aid programmes of the Community and of member states, Article 180.1), **coherence** (obligation of the Community to take into account the development-policy objectives laid out in Article 177.1 of the Treaty Establishing the European Community in its other policies, as stipulated in Article 178 of the Treaty) and **complementarity** (the development policy of the Community should supplement the pertinent policies of member states, pursuant to Article 177.1 of the Treaty Establishing the European Community).

#### **Forms of action**

The EU can act in many ways in the field of development cooperation. Within the framework of regional programmes (ACP states and others) concrete **development projects and programmes** with specific countries, groups of countries and regions are approved and funded.

Over and above this, the EU has entered into long-term bilateral **trade and cooperation agreements** with a whole series of developing countries. Where closer cooperation exists, it enters into **association agreements** (e.g. with Turkey and the Mediterranean states). It works with international organisations like the World Bank and the United Nations, which also entails making financial contributions to joint development interventions, and has joined **international conventions**, such as the International Food Aid Convention.

The EU supports **non-governmental organisations (NGOs)** by co-financing projects implemented by the latter in developing countries.

The implementation of EU-assisted projects and programmes is systematically monitored.

#### **Institutions and responsibilities**

Responsibility within the EU Commission is broken down in line with the major regional programmes, for historical reasons:

- DG External Relations: Asia, Latin America, Middle East, Southern Mediterranean, Eastern Europe, Russia, Caucasus, Central Asian Republics, Western Balkans
- DG Development: Africa, Caribbean, Pacific, principles and policies
- EuropeAid Co-operation Office: Within the framework of the reorganisation of external aid, in an attempt to boost efficiency, EuropeAid was established as the implementing organisation of EU development cooperation; formally EuropeAid is also a Directorate General (DG).
- ECHO: Humanitarian Aid department (crises and natural disasters)
- EU delegations: Representatives of the EU in the capital cities of non-EU member states. Increasingly, authority and personnel are being transferred to the in-country delegations (deconcentration within the framework of the reorganisation process)
- European Investment Bank (EIB): The EIB extends loans to developing countries for national and regional projects and programmes within the framework of its business activities. (Only part of the loan is granted at a lower rate of interest).

#### **Decision-making processes, opportunities to exert an influence**

The Commission has the right of initiative. The **Council** (which is also known as the Council of Ministers) adopts directives, decisions and regulations on topics relevant to development policy (generally with a qualified majority, while on fundamental development cooperation issues decisions are taken jointly with the European Parliament under the codecision procedure). These then serve as political guidelines. It also issues **the Commission with a mandate to**

**negotiate** agreements falling within the purview of the Community. Should they also fall within the responsibility of **member states** they must be approved unanimously.

Formally, Germany can **influence** conceptual planning work through its presence in the **Council** and the Council working groups. It can influence the planning and implementation of development cooperation by collaborating on the administrative committees for the regional programmes and through **in-country coordination**. Informal options for exerting an influence are offered by contacts in expert groups and like-minded groups as well as contacts to the Commission, the European Parliament and the other member states. Germany's **opportunities to exert an influence** are not insignificant.

#### **Budget and finance**

In 2005 the EU spent some 10.7 billion euros on development measures. (These figures include transfers to transition states in addition to official development assistance, or ODA.) Three quarters of this sum came from the **EU budget** (community budget) while the other quarter came from the European Development Fund (**EDF**) for cooperation with sub-Saharan African, Caribbean and Pacific states (ACP states).

The Community provides funding from the general budget for Asia, Latin America and the Mediterranean Region as well as for food aid, humanitarian aid and cooperation with non-governmental organisations (NGOs). Germany's share of financing through the EU budget (community budget) can be calculated to be 22% in 2004 and 21.1% in 2005.

The EDF is composed of special national contributions made by member states. The 9<sup>th</sup> EDF was agreed in 2000 and will run until 2007 with a total funding volume of 13.8 billion euros (of which the German share is 23.4%). It will be followed by the 10<sup>th</sup> EDF, with the German share amounting to 20.5% of the total.

## Summary

The institutions of the European Community pledge some 7.5 billion euros a year for development cooperation, making them the third largest donor of official development assistance (ODA) in the OECD. If we take the EU Commission along with the development policies of the 25 member states (whose number increased to 27 on 1 January 2007), the EU is the world's largest donor. Together they account for more than half of all ODA worldwide.

The European Union is the main trading partner of the majority of developing countries, and plays an important strategic role in shaping the world trade order. In many policy fields it makes decisions which directly affect developing countries, e.g. the common agricultural policy. As a successful model of regional integration, founded on the values of democracy, solidarity, the rule of law and human rights, it can contribute important experience in peaceful development and cooperation. At the global development conferences in Monterrey and Johannesburg, the EU presented a common stance and was thus able to give important impetus to development processes. The activities of the EU outside its own borders have expanded enormously, whether in the Middle East, in delivering aid to Pakistani earthquake victims or in its peace mission in Aceh, Indonesia. The provisions made for the external activities of the EU have been strengthened, both in budgetary terms and within the framework of further developing the relevant contractual basis. European development policy too benefits from this, being part of overall EU external activities although it continues to be an independent policy field.

The German government sees the EU as a key actor in achieving the international goal of halving the percentage of people living in extreme

poverty by 2015. It is thus extremely interested in helping to shape European development policy and working through the EU to make globalisation socially equitable.

The Federal Ministry for Economic Cooperation and Development (BMZ) is endeavouring to ensure that the Community makes the best possible use of its unique potential, in particular to link trade and development policies and to promote democracy and human rights, and to make sure that these topics are taken into account in the international development-policy discussion. At the same time, the Community must continue to improve its own performance and become an efficient, credible donor. There is still scope for improving the public image of the Community. If the Community and its member states pool their forces and interests, and take a coordinated approach based on an expedient division of labour, European development policy will be able not only to enhance its profile and degree of popularity both at international level and in partner countries, but even more importantly it should manage to increase the effectiveness of its contributions.

The BMZ aims to strengthen the strategic role of the EU in the following fields: sustainable and broad-impact poverty reduction (in all regional and sectoral development programmes of the Community, in particular in trade policy); democracy, human rights and good governance as fundamental principles, trade and development, regional integration and crisis prevention. In today's multi-dimensional understanding of poverty, these fields play an important role in realising the German government's Programme of Action 2015; the EU also has comparative advantages in these fields.

In the field of trade and development the BMZ will work to improve market access for developing countries, further extend EU programmes aiming to enhance the trading capacities of developing countries, reduce export subsidies in the agricultural sector and have development-policy goals taken into account when the EU market directives or similar documents in other EU policy fields are revised so as to ensure coherence. The BMZ will, for instance do its bit to ensure that the new EU Economic Partnership Agreements (EPAs) with ACP states are seen as development instruments and designed accordingly, and that they take into account divergent regional and local circumstances.

The BMZ will also be focusing on ecological sustainability, gender equality and civil society participation, and will endeavour to have these integrated in all programmes and projects of community development cooperation. In the case of civil society participation, care must also be taken to involve and, if necessary, strengthen non-governmental organisations.

The German presidency of the EU in the first six months of 2007 offers many opportunities.

In order to realise these goals, the pertinent organisational framework must be in place. For this reason, the BMZ will work to further improve the quality, efficiency and effectiveness of community development cooperation. This is why it supported the reform of the way external aid is administered, launched by the Commission in 2000. It has since been monitoring implementation of the reforms and offering constructive criticism along the way.

The Joint Statement by the Council and the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the Commission on The European

Union Development Policy, the European Consensus on Development, announced at the end of 2005 is an important step in the right direction. Government representatives of EU member states, representatives of the Commission and of the European Parliament agreed in this document on common principles for development policy. This is the first binding statement made for the bilateral development policies of member states. For the development policy of the European Community, which is implemented by the EU Commission with its in-country delegations, nine priority areas were set. The new principles aim to enhance efficiency, transparency and coherence in the work of the EU Commission.

The reforms are to be implemented in stages, with each stage following hard on the heels of the one before; implementation is to be verifiable. In each developing country donor coordination must be further improved, and here too the EU Commission has seen its workload increase.

What we are seeing is the start of a worldwide process of decentralisation, which is known as “deconcentration” within the EU. The individual in-country delegations have assumed greater competencies and more responsibility for the planning and implementation of EU development cooperation – because a great many things can be decided more easily, more rapidly and more appropriately in the developing countries themselves. This process, which goes hand in hand with organisational and human resources changes, is not yet complete and should be further monitored.

European development policy should be strengthened and firmly anchored as a high-profile policy field in its own right in the course of institutional reform, in the wake of EU enlargement and the Treaty of Nice. This strategy paper will lay out the form that the BMZ’s contribution could take.

# 1 European development policy and German interests

## 1.1 Helping to shape European development policy

The European Union is the world's largest donor, providing some 55 percent of global official development assistance (ODA). About 20 per cent of total ODA is accounted for by the development cooperation of the EU itself. This is one of the original policy fields of the European Community, and is implemented largely by the Commission. The EU Commission is thus the third largest donor worldwide in the field of development cooperation, with total assistance totalling 11.3 billion euros.<sup>1</sup>

The scale of community development cooperation, and even more so the development cooperation provided by the European Union as a whole, make the EU a global player in achieving the Millennium Development Goals.

Against the background of the complex historical relations of a number of EU member states, the European Union has close political links to many "third world" countries. For the majority of developing countries, the EU is by far the most important trading partner. This gives it an important strategic role in shaping the world trade order. In terms of regulating access to its own internal market it also makes decisions that have a crucial impact on the development of many developing-country partners, not least through its common agriculture and fisheries policies.

The European Union thus has a particular political interest in and responsibility for the continued

peaceful development of international relations and the promotion of development, partly because of its historical links and its political role in the world today, but partly also in its own best neighbourhood-policy and foreign-trade-policy interests. As a successful model of regional integration it can contribute its own important experience to efforts to foster peaceful development and cooperation.

European development policy has a crucial contribution to make within the framework of the Council's moves to strengthen Europe's external activities, recently incorporated in the draft European constitution, and this role seems set to become increasingly important in future.

It is then in the *overarching European policy interests of Germany* to continue to expand European development policy, in particular community development policy, and to play an active part in shaping this policy, which is seen as an integral part of the EU's external activities albeit with its own objectives.

As the EU's largest member state, Germany contributes some 2 billion euros every year to community development policy (EU budget, contributions to the European Development Fund). Given its economic weight, Germany's commitments seem likely to grow rather than shrink in future.<sup>2</sup>

For this reason, because of the vital role played overall by European development policy in the achievement of the Millennium Development

<sup>1</sup> Includes both ODA and OA; commitments; disbursements 10.7 billion euros in 2005. Source: EU annual report 2006

<sup>2</sup> In the 10<sup>th</sup> EDF, as of 2008, Germany will be the largest contributor, providing 20.5 per cent of the total, although this share is still lower than overall German contributions to the EC budget, which are, of course, determined on the basis of the respective economic strength of member states.

Goals, and last but not least because of the crucial importance of the Commission's development cooperation for the effectiveness and sustainability of our own bilateral and multilateral development inputs, it is also in the direct *development-policy interests* of Germany to help actively shape community development policy in the future, playing a constructive part and taking a critical stance where necessary.

### 1.2 Increasing Europe's political clout

Europe's development policy, both the policy of the European Community and that of its member states, is based on the common values of democracy, the rule of law and human rights. The further development of these values within the scope of European development policy in developing countries is, at the same time, the contractually declared goal of the EU<sup>3</sup>. This explicitly political value orientation distinguishes European development policy fundamentally from that of other donors; it is an important comparative advantage of the Community and its member states.

A political debate, which will surely become more heated in future, is currently looking at ways of ensuring a more rational international division of labour among donors in the field of development assistance. Given the imperatives of reducing transaction costs and improving the effectiveness of the individual development inputs, this will concentrate in no small way on the issue of the various political roles that ought to be played by the different donor levels in future (bilateral inputs, EU level, multilateral inputs, UN level) as part of the overall division of labour within the system of international development cooperation. The special features of the EU's assistance seem likely to lend it increasing political weight against this background.

It is in the political interests of Germany to push forward vigorously with this process. Essentially, community development policy must be given a distinct political role at international level, thus strengthening its development-policy legitimacy. This calls not least for a radical division of labour in the development policy sector, among the individual member states of the Union and between them and the European Community.

### 1.3 Making European inputs more effective

The Community development policy has been undergoing an ambitious reform process since 2000, both at conceptual level and in institutional terms, in an attempt to develop its full political potential and enhance effectiveness.

This reform process is the response of the EU to criticisms that have been levelled at the efficiency, effectiveness and sustainability of community development cooperation. Criticism has focused in particular on the lack of strategic orientation, foot-dragging in implementation and unnecessarily complex procedures with overlapping fields of responsibility.

The reform process has already generated remarkable results, which have brought the design and implementation of European development policy up to international standards: the joint declaration of the Council and the Commission on European Union development policy in 2000 and the joint declaration of the Council, the Commission and the European Parliament on EU development policy in 2005 (the European Consensus on Development Policy) have given the EU a much acclaimed strategic orientation for community development policy and for the development policy of member states, which has since been implemented in a number of country

<sup>3</sup> Article 177.2 of the Treaty Establishing the European Community; European Consensus on Development, Brussels, 2005

strategies and common planning procedures (Commission and member states). The Community has undergone a fundamental institutional renewal, administrative procedures have been radically stripped of red tape and authority for implementing development cooperation has been decentralised. The Union has thus laid promising foundations in line with the global responsibility laid out above and commensurate with its political role in international cooperation, which will make it fit for the future in the development policy sector.

The further reform process of European development policy is closely linked to the general reforms and the treaty-based further development of the EU. The overarching reform process of the European Union is currently concentrating on an extensive consultation process, the outcome of which remains uncertain after voters in France and the Netherlands rejected the draft European constitution. From a political stance,

however, it is still in Germany's interest to see European development policy fulfil the strategic role accorded it by the draft constitution within the framework of the EU's external activities and in line with its international political potential<sup>4</sup>.

This strategy paper serves to lay out the political objectives considered important by the German side in the further development of community cooperation and EU policies relating to developing countries. It will also identify strategies that can help us achieve these objectives. The focus is on the strategic fine-tuning of European development policy with a view to maximising the efficiency and effectiveness of EU contributions to reducing poverty and achieving the Millennium Development Goals as well as fully harnessing the EU's (development)-policy potential within the framework of a more harmonised and more efficient distribution of labour among the international donor community.

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4 The draft European constitution provides for the various elements of the EU's external relations to be better dovetailed. It also strengthens the principle of political coherence in the development of the Treaty Establishing the European Community (Article 178). A series of other reforms within the EU go beyond the field of development cooperation, but affect this directly or indirectly. These include efforts to improve coherence among EU policies, in particular trade and agricultural policies, and development cooperation. Enlargement and the concomitant structural reforms will also have an impact on the external aid sector. The European Council meetings in Cardiff (1998) and Göteborg (2000) already turned the spotlight more on sustainable development throughout the EU. In June 2005 the Council re-affirmed its commitment to these principles and laid out in more detail what this actually means.

## 2 Objectives and Strategy

### 2.1 Objectives of German development policy

The German contribution to European development cooperation is an integral part of German development policy as a whole. The influence Germany brings to bear on European development policy and the external aid of the Community is guided by the fundamental objectives of German development policy. With its policies, the German government aims to reduce poverty worldwide, secure peace, realise democracy, make globalisation equitable and conserve the natural environment. In this responsibility, it takes its lead from the vision of global sustainable development, which is expressed in equal measure in economic performance capacity, political stability, social justice and ecological soundness.

The Millennium Declaration of the United Nations and the Millennium Development Goals, also taking into account the Monterrey Consensus achieved at the International Conference on Financing for Development in Mexico in 2001, the Johannesburg Plan of Implementation adopted at the World Summit on Sustainable Development in 2002 and the results of the 2005 World Summit, form the framework for German development policy. The German government has also undertaken to raise the quality and the effectiveness of development cooperation (Paris Declaration on Aid Effectiveness, 2005). In its Programme of Action 2015 the German government laid out how it intends to make its contribution within the international framework for action, and how this is to be further developed.

### 2.2 Where does the EU's development cooperation stand?

With its broad range of instruments, a remarkable volume of funding, an almost seamless worldwide presence and the close links that exist between trade and development issues, community development cooperation has an enormous, practically unique potential. Moreover, the coordinated procedure of the Commission and the 27 member states, as of 1 January 2007, gives the EU a strong overall political weight in the international context.

This was impressively demonstrated, for instance, in the political ramifications of the decisions of the Barcelona Council meeting to increase European ODA in the run-up to the International Conference on Financing for Development in Monterrey in March 2002. This decision triggered a similar discussion in Monterrey among all donors and made the EU a pioneer in this field.

In Barcelona, the EU undertook to increase its average ODA by 2006 from 0.33% to 0.39% of gross national income (GNI). At the meeting of the Council of Ministers in 2005 it was further agreed that European ODA would be gradually increased to a minimum of 0.51% GNI by 2010, for the "old" EU member states including Germany, rising further to reach a minimum of 0.7% GNI for the "old" EU member states and for the EU as a whole by 2015, the deadline for achieving the Millennium Development Goals. Countries acceding to the EU after 2004 are to achieve lower targets. Thus the EU has finally agreed to a timetable for meeting the demand long made by the United Nations. Germany too is now bound to achieve the 0.7% goal by 2015.

Irrespective of its great political potential, the EU, however, is still attracting criticism from many

sides (e.g. NGOs, German Bundestag, the interested general public and from member states), and the field of development policy is no exception. Protracted decision-making procedures, poor quality, non-transparent procedures, turf fighting and above all the excessively slow implementation of projects and programmes are at the heart of the debate.

The German government had already done much to respond to criticisms by launching a fundamental reform of community development cooperation during its presidency in the first half of 1999. In 2000, the Commission and the Council then introduced a far-reaching conceptual and institutional reorganisation of community development policy, which was intended to raise the efficiency and the effectiveness of the Commission's development cooperation. Under the banner of the Millennium Development Goals adopted by the international community, the Commission has since introduced an agenda for reform with results-based management and a strengthening of the quality of the EU's development cooperation.

Along with our European partners, the German government has continued to endeavour to reach agreement on important **conceptual and strategic parameters** for a re-working of European development cooperation. The success of these efforts can be seen in the **Joint Declaration of the Council and the Commission** on the European Community's Development Policy (2000), the new **country strategy papers** and last but not least the **Cotonou Agreement**.

The milestones on the way to a new European development policy also include the identification of poverty reduction as the overall goal of European development cooperation, the concentration of financial and human resources on priority sectors, and the uniform application of country strategy papers as the basis for cooperation with partner countries. To push forward from these strategic milestones towards the practical imple-

mentation of new policies, Germany and other member states have also been urging that the annual plan of action for the implementation of the joint declaration (2000) should contain concrete, rapid and verifiable steps to be taken, and that it should meet all the criteria expected of a central management instrument. Since 2001 the Commission has also undertaken a **comprehensive reorganisation** of the field of external aid, the main elements of which include focusing implementation efforts through the establishment of a separate EuropeAid office within the Commission, as well as the massive strengthening of the role and responsibilities of the EU in-country delegations (deconcentration, shifting responsibilities and staff from Brussels to the partner country level). The split responsibility for development cooperation, between the Directorates General for External Relations, Development and Humanitarian Aid is still an institutional problem, however.

This ambitious reform process does without a doubt demand a massive effort on the part of the Commission, and no final assessment can yet be made. In terms of the effectiveness and efficiency of community development cooperation, however, significant successes have been achieved, in particular in deconcentration and improved disbursement, with quality gains in development cooperation. This was confirmed, for instance by two independent evaluations published in 2005 by the UK Department for International Development (DFID) and by the European Court of Auditors.

In 2005, building on this process, the Cotonou Agreement and the Joint Declaration of 2000 on the European Community's Development Policy were revised and brought into line with the status of the international discussion, including primarily the outcomes of the UN Millennium Summit, the World Summit on Sustainable Development in Johannesburg in 2002 and the International Conference on Financing for Development held in Monterrey in 2002.

The main goal of the initial review of the Cotonou Agreement was to improve implementation and financial cooperation, as well as aligning development cooperation to new political goals (such as preventing the spread of weapons of mass destruction and combating terrorism). The fundamental development-policy importance and achievements of the partnership between the EC and the ACP states and the special nature of the Cotonou Agreement were re-affirmed.

The largest developing region within the ACP states is sub-Saharan Africa. In December 2005, the European Council agreed on a comprehensive EU Strategy for Africa, which lays out an overall approach for the African continent. This is to form the strategic basis for cooperation between the entire EU (Commission and member states) and Africa over the next ten to fifteen years. The strategy emphasises mutual commitment and the particular interest of Europe in peace and development in Africa. The EU has also adopted new regional strategies for two other developing regions (Latin America in 2005 and the Caribbean in 2006).

Within the process of renewal that European development cooperation is going through, the joint statement by the Council, the European Parliament and the Commission on the European Development Policy (the European Consensus on Development) was adopted in November 2005. The European Consensus on Development brings together the Council, the representatives of the governments of the member states meeting within the Council *and* for the first time, the European Parliament. It was adopted in December 2005 by the European Council of Heads of State and Government.

The first part of this European Consensus on Development addresses all EU actors, i.e. both member states and the Community, and sums up the political objectives, values and instruments of European development cooperation.

For the development policy of the European Community, which is implemented by the EU Commission through its in-country delegations in developing countries, nine priority areas are identified in the second part of the document. The European Consensus on Development underlines the principles of coordination, coherence and complementarity between the actions of the Commission and the development cooperation conducted by member states and indeed among member states of the Union, and re-affirms the objectives of concentrating actors in sectors in which they offer comparative advantages. The number of priority areas of Community development cooperation in any one developing country is to be strictly limited.

### 2.3 Objectives and priorities of our cooperation with the EU

#### 2.3.1 Vision of a future EU development policy

German development policy sees itself as a building block of **global structural and peace policy**. The development policy of the German government thus makes a contribution to the political design of globalisation, which it hopes to make socially equitable and conducive to development. German development policy helps partner countries harness the opportunities presented by globalisation while simultaneously minimising the risks.

The EU plays a particularly important part in achieving the objective of equitable globalisation. As one of the largest member states we are thus interested in incorporating **our own development-policy visions in the work of the EU** and in strengthening the quality, efficiency and effectiveness of the EU in this field.

The German government, represented by the Federal Ministry for Economic Cooperation and Development (BMZ) pursues the following **long-term vision**:

The European Community should act as an efficient and politically credible donor, which makes effective use of its comparative advantages, in particular incorporating trade-related and political factors in development cooperation. It should push forward with these topics at conceptual level in the international development-policy discussion. This development-policy approach should be incorporated in all other policy fields of the EU that affect developing countries. With better dovetailing with other fields of external activities, development policy can retain its independence and its alignment to the long-term objective of combating poverty. At the same time, the Community and the member states ought to take a coordinated approach and adopt a division of labour at international level and in partner countries. The interests of the 27 + 1 donors should be pooled and the full European thrust used in order to ensure “joined-up” development policy on the part of the Commission and all member states.

The potential of the Community, as an influential mediator and negotiator, which is largely free of any negative historical baggage, should be better used in particular in the face of crises, natural disasters and other trans-national problems, e.g. fighting epidemics.

In order to realise this vision, the **following objectives and priorities** present themselves:

### 2.3.2 Strengthening the strategic role of the EU in key areas

#### 2.3.2.1 Poverty reduction

In alignment with the internationally agreed goal of halving extreme poverty worldwide by 2015, the European Commission too has declared poverty reduction to be the overarching goal of community development cooperation, and has drawn up a list of pertinent measures to put this into practice. The Treaty Establishing the European Community lays down poverty reduction in de-

veloping countries as an objective for all external activities of the Community, and this is re-asserted in the draft European constitution.

**In line with the objectives of the Programme of Action 2015, the German government will be working within the framework of the EU in particular to ensure**

- That the **goal of combating poverty** is reflected in all regional and sectoral strategies and work programmes of the Community (mainstreaming). Care should be taken to ensure that the **multi-dimensional nature of poverty** is taken into account and that measures cover all aspects of sustainable development such as social justice, social security, ecological soundness, economic performance and activities to promote democracy and human rights. The utilisation and promotion of the potentials of partner countries that can be mobilised for their own economic and social development as well as **pro-poor internal framework conditions** are particularly important in this context.
- That the **external framework conditions for poverty reduction** are improved worldwide in terms of other EU policy fields, by continuing to help the Commission to translate into practical action the principle of coherence laid down in the Treaty Establishing the European Community. The principle of coherence stipulates that the development-policy objectives of the EU must not be adversely affected by other policies of the EU, which have an impact on foreign or development policy, i.e. which affect developing countries (see also Section 2.4.2).

- That development policy must prevent the emergence of **new poverty** as well as fighting existing poverty in our partner countries. This demands on the one hand ongoing investment in pro-development and socially balanced economic growth as well as the promotion of jobs and employment, while on the other hand making contributions to establishing and expanding social security systems based on solidarity.
- That the Community pays particular attention to **low-income countries**, taking into account the countries' own efforts to reduce poverty, their needs, their outputs and their absorption capacity.
- That the Community uses its resources in **medium-income countries** primarily to build capacities with which the states can make more efficient use of their own resources to combat poverty.
- That the activities of the **European Investment Bank** in developing countries are geared even more to supporting poverty reduction strategies.

### 2.3.2.2 Promoting rule-of-law structures, human rights and good governance

A central concern of community development cooperation, expressly enshrined in the Treaty Establishing the European Community, is to promote democratic and rule-of-law structures, human rights and good governance. This explicitly political dimension of community development cooperation, not least the **guarantee of human rights and the fundamental principles of democracy as well as good governance** is, at the same time, one of its main features. It is a key factor in development and provides a crucial normative and ethical basis on which to build European development cooperation. It is both the objective and the precondition for the success of development cooperation with partner countries and as such is firmly an-

chored in the Cotonou Agreement as a fundamental provision. Over and above the Cotonou Agreement it is a **basis for cooperation** with other regions. In October 2006 a new governance initiative of the EU was passed. It will help implement the Strategy for Africa adopted in 2005.

### Within the Community, the German government will be working to ensure

- That democracy, participation, transparency, accountability, empowerment, non-discrimination and equal opportunities as well as good governance remain **fundamental principles** of Community development cooperation and that they become a recognised "trade mark" of practical EU development cooperation;
- That for the field of democracy and good governance coherent **strategic approaches** are formulated on the basis of an inventory, and that the instruments for putting cooperation into practice are improved, in particular for use in countries in which the political framework makes cooperation extremely difficult;
- That the **capacities of the Commission for analysis, planning and evaluation** are strengthened in all fields relevant for assessing the political situation and development in partner countries as well as for the planning and implementation of pertinent promotion measures; these include the development of specific strategies and instruments to enable the Community to foster stability and development in difficult countries (states suffering crises and conflicts, poor governance, etc.);
- That the Commission builds on its **comparative advantages** in the fields of democracy, human rights and good governance, and that it assumes **a leadership** role in the international discussion in this field.

### 2.3.2.3 Trade and development, regional integration

Today Europe is not only the largest common market in the world. It is also the largest world trading partner by a long way, and one of the most attractive locations worldwide for investors. Trade policy is primarily the domain of the EU Commission.

The European Union, as a major trading power, has a very special **responsibility** vis à vis developing nations, also because of the history of the European Community. The states of Africa, the Caribbean and the Pacific in particular are granted preferential terms of access to EU markets in the Cotonou Agreement. All developing and transition countries can also make use of the advantageous customs provisions laid down in the EU's Generalised System of Preferences (GSP). Part of the Generalised System of Preferences is the Everything But Arms Initiative (EBA), which has since 2001 offered a total exemption of customs duties with no quota restrictions for all exports, except arms exports, from the 50 least developed countries (LDC) to the EU. Transitional regulations were agreed for bananas, sugar and rice. The EU is thus the most important market for agricultural produce from the poorest developing countries.

The German government is working within the EU to ensure

- That the EU actively supports the resumption of the **Doha Round of trade negotiations** and that this becomes a genuine development round within the World Trade Organization (WTO), which puts the interests and needs of developing countries at the heart of negotiations and thus lives up to the Doha Declaration of Ministers;<sup>5</sup>
- That development-policy aspects are taken into more account in the negotiation and further development of **regional trade agreements** (with South Africa, Chile, Mexico, Mediterranean Region, Mercosur);
- That the Commission continues to expand its programmes to **enhance the trading capacities** of developing countries, and to support them in multilateral negotiations and in the implementation of multilateral treaties and agreements;
- That the trade dimension becomes a major aspect of **country and regional strategy papers**, in the interests too of achieving coherence;
- That the new **Economic Partnership Agreements** between the EU and groups of ACP states are designed to **foster development** and that trade and development policy are closely linked.

These Economic Partnership Agreements are set to become vitally important in future in terms of development and trade policy. According to the Cotonou Agreement, they shall come into force at the start of 2008. **Germany**, in its capacity as **EU president**, will thus pay special attention in the first six months of 2007 to ensuring the pro-development design of these agreements, and making certain that the agreements are completed in time.

<sup>5</sup> See also BMZ institution paper on the WTO

The German government, represented by the Federal Ministry for Economic Cooperation and Development (BMZ), will during the negotiations and during the implementation of the Economic Partnership Agreements work in particular to ensure

- That the different economic situations in the ACP states and the groups of ACP states are taken into account (**differentiation**);
- That the Economic Partnership Agreements are **pro-development** and that they are integrated into a **development-policy approach** and a development strategy, and that food security provisions are incorporated;
- That the Economic Partnership Agreements build on existing regional integration initiatives and **that they foster regional cooperation and integration**;
- That **substantially improved market access** for ACP states is agreed on, in which **quota-free market access and exemption from customs duties** can be considered, and that the **country of origin regulations are simplified**;
- That **liberalisation moves** taken by partners are in line with their development status, and that the need to protect certain sectors in ACP states is taken into account;
- That other **trade-related topics** (including investment, services, trade promotion) are incorporated and devised in such a way as to foster development, where this is in the interest of the ACP states;
- That negotiations are linked to ongoing **political dialogue processes** with partners and that civil society in the broadest sense of the term is involved to a greater extent.

#### 2.3.2.4 Crisis prevention

The European Union has important comparative advantages in the field of crisis prevention in particular, including the wide range of instruments at its disposal, its financial and political clout and the greater “neutrality” enjoyed by the Union as compared to individual member states, in particular those with a marked colonial past.

**Common Foreign and Security Policy (CFSP)** and non-military crisis management within the European Security and Defence Policy (ESDP) have developed rapidly and positively in recent years. With the adoption of the European Security Strategy by the Council in December 2003 and the European Consensus on Development in December 2005, the EU has taken up a political position at the interface between development and security policy, and has adopted a pertinent agenda. The focus is clearly on civilian crisis prevention, the emphasis on an optimum and mutually complementary interplay of the various policy fields, including development policy.

The aim must be to reflect the **role of development policy** even more strongly, and at the same time to ensure that it remains independent of security policy strategies. In particular the various instruments involved in external relations are to be better linked and crisis prevention elements integrated more clearly into development-policy strategies.

The German government will be working to ensure that the existing range of instruments at our disposal is used and further developed in line with needs such that

- **Development policy and Common Foreign and Security Policy work more closely** to prevent and manage crises in developing countries and that the **sanction mechanisms** provided for in Article 96 of the Cotonou Agreement are dovetailed with other measures of Common Foreign and Security Policy;
- **Development-policy factors** are discussed and tackled appropriately by the **Political and Security Committee** wherever this appears necessary and appropriate;
- Country strategy papers continue to **analyse possible causes of conflicts** and that the country programmes are aligned accordingly;
- **The humanitarian aid** of the Community is linked to reconstruction measures and development co-operation for optimum effect;<sup>6</sup>
- The **EU Code of Conduct on Arms Exports** is further strengthened and that more use is made of development-policy criteria.

### 2.3.3 Promoting cross-cutting issues

The Council of European Development Ministers has over recent years adopted a number of conclusions on various sector policies, in which the German government has been able to incorporate its (development)-policy visions and procedures for implementation taken from its bilateral development cooperation. Now, we must monitor the **consistent realisation** of the agreed policies,

and help further develop these. The European Consensus on Development identifies as a cross-cutting issue community cooperation to promote human rights, gender equality, democracy, good governance, the rights of the child and of indigenous peoples, ecological sustainability and the fight against HIV/AIDS. These horizontal topics are objectives in their own rights, but at the same time are indispensable components in strengthening the effectiveness and sustainability of cooperation.

The German government will be using its **presidency of the EU Council** in the first half of 2007 in order to push forward in the field of development policy with the realisation of major cross-cutting issues, in particular **gender equality, the fight against HIV/AIDS and good governance**, including the promotion of human rights and democracy.

#### 2.3.3.1 Incorporating environmental factors in development cooperation

Back in 2001 the Commission in its strategy paper “Integrating the environment into EC economic and development co-operation” laid a sound foundation, which takes into account the main priorities from a German point of view. The environment and the sustainable management of natural resources was upgraded to a new priority area of EU development cooperation in the more recent joint statement of 2005. Ecological sustainability is retained as a cross-cutting issue and is to be part of all development activities across the board (mainstreaming, which also entails the systematic conducting of environmental impact assessments).

<sup>6</sup> The European Community is one of the world's largest humanitarian aid donors, with funding totalling some 500 million euros a year.

### The German government shall ensure

- That **environmental factors** are consistently incorporated in all overarching strategy papers (e.g. the EU's sustainable development strategy), country strategy papers, indicative programmes, sector programmes and financing proposals (mainstreaming);
- That the Commission's **thematic programme on the environment** guarantees effective environmental protection in regional and sectoral cooperation.

#### 2.3.3.2 Gender equality

The joint decision on promoting gender equality in development cooperation, published in early 2004 was an important step towards better anchoring this topic. The “Roadmap for equality between women and men 2006 – 2010” drawn up by the Commission in March 2006 and presented to the Council represents the next logical step on the way along with the new thematic programme of the Commission “Investing in people”.

Promoting gender equality is not only a Millennium Development Goal in its own right (MDG 3), it is also an indispensable part of our activities to achieve *all* of the Millennium Development Goals and the overarching development-policy goals of combating poverty, achieving sustainable development and incorporating developing countries in the world economy. Gender mainstreaming as a key strategy to achieve these goals will and must be complemented by specific measures to empower women (a dual track approach), and will be reflected in all sectors.

### Here the German government shall ensure

- **That the fundamental principles of gender mainstreaming are included** in all strategy papers (e.g. the EU's sustainable development strategy), country strategy papers, indicative programmes, sector programmes and financial proposals;
- That these requirements are translated into practical cooperation;
- That the “Roadmap for equality between women and men 2006 – 2010” of the European Commission is put into practice.

#### 2.3.3.3 Involving civil society

It is important for the success and sustainability of development cooperation that we improve the participation of civil society in political, economic and social decisions.

It is a declared goal of community policy to foster civil society and to involve civil society actors in politics to a far greater extent. This was re-affirmed in the European Consensus on Development. According to the communication issued by the Commission on the participation of non-state actors in EC development policy, the focus is to be on strengthening non-governmental organisations. Priority will be given to supporting NGOs in developing countries, while European NGOs will receive assistance from the EU in their role as actors, mediators and advisers.

The German government acknowledges the important role played by European NGOs, whose strength lies in particular in their proximity to disadvantaged population groups and in their ability to mobilise self-help and the own initiative of target groups. It sees this as being fully in line with the EU policy laid down in the European

Consensus on Development, which provides for aligning co-financing for NGOs with the respective country strategy papers for the various partner countries and focusing more strategically on the overall goal of reducing poverty, while retaining the independence of non-governmental organisations from state actors.

**The German government will, during its EU presidency in the first half of 2007, and beyond this period, continue to work in the field of development policy to ensure**

- That the action plan for civil society participation within the framework of the **Cotonou Agreement** continues to be put into practice and that the guidelines drawn up to this end are successfully applied in practical work;
- That the **country strategy papers** also include European NGOs promoted by the Commission, at least in the matrix;
- That the **application and approval procedures** for projects of European NGOs are further simplified and made more transparent, and that the dialogue between European NGOs and the Commission is encouraged.

## 2.4 Further development of coordination, complementarity and coherence

### 2.4.1 Coordination and complementarity

The practical realisation of the principles of coordination and complementarity laid down in the Treaty Establishing the European Community are of crucial importance for the effectiveness and sustainability of European development policy, and in the final analysis for strengthening the

political legitimacy of the community level of development cooperation as a whole.

Better coordination of the objectives, contents and fields of intervention in *individual* partner countries<sup>7</sup> (in-country), and with respect to the role and presence of the Commission and member states in *various* partner countries (cross-country), as well as in relation to the various instruments used and priority sectors identified by the individual member states and the Commission can, with a view to ensuring an **efficient division of labour**, help to reduce the **transaction costs** for our partner countries and indirectly also for us. This should enhance the **efficiency** of development activities, and thus the chances of achieving the Millennium Development Goals. It should also contribute to upgrading existing development-policy delivery systems in European donor countries, to ensuring a high-quality and rapid increase in **ODA contributions** in line with the EU's step-by-step plan to scale up the ODA provided by member states, and, thanks to a more rational allocation of individual responsibilities within an overall system of a division of labour, to strengthening the **political legitimacy** of the various levels of activities of worldwide development cooperation, in particular the UN level, international financing institutions, the European Community level and bilateral development cooperation.

Within the framework of its **EU presidency** Germany will be picking up on the work already performed with German participation under the Austrian and Finnish presidencies, and will translate this into concrete political terms, which can then be applied in practice. To this end, Germany will be working to achieve agreement on **operational principles** for better in-country divisions of labour and to have these **implemented on a pilot basis**, as well as coming to an agreement on the political cornerstones of the process and on a

7 This corresponds to the goals of the Paris Declaration on Aid Effectiveness, also known as the Paris Agenda.

working process to improve the cross-country division of labour within the European Union.

In recent years significant progress has been made, with the introduction of standardised **country strategy papers and guidelines for operational coordination**. In-country coordination by the EU delegations in the various developing countries has improved in the course of deconcentration. This presupposes the **political will** on the part of the (in-country representations) of EU member states to support the coordination efforts of the EU delegation.

In the medium and long term the goal should be to achieve a genuine in-country division of labour between the EU, the member states and other relevant donors over and above the EU. The **Community** should not be seen only as one donor among others but should increasingly assume the role of **development-policy coordinator**.

**The German government will work, over and above this, to ensure**

- That the topic of a division of labour becomes an integral part of the European development policy agenda that will last well beyond the term of the German presidency;
- That the new common format of **country strategy papers** is used and that the country analyses are drawn up jointly;
- That the **EU country strategy papers and the German bilateral country and priority area strategies** (along with those of other member states) are **dovetailed as well as possible** and that joint papers are drawn up in future in line with the Paris Agenda;
- That greater use is made of the opportunities offered by **joint financing** involving the Commission and member states;

- That the Commission is required to **concentrate on the priority sectors** laid down in the European Consensus on Development, with a limited number of priority areas in any one partner country and in line with the development priorities of that country (ownership);
- That efforts are made to achieve **complementarity** with regional priorities of member states, meaning also that countries/regions which do not fall within the priorities of member states, become the sole concern of the Community;
- That the Commission increasingly uses the services of tried and tested **bilateral implementing organisations** when realising activities;
- That the Commission is called upon to exercise its **coordination responsibilities in-country** and that it is supported accordingly;
- That all EU coordination activities are incorporated in the overall coordination of development cooperation, which should ideally be **steered by the partner country**;
- That the **new member states** receive continued support to help them take on board the *acquis communautaire* in the field of development policy.

Moreover, the **political weight of the EU** should be strengthened to allow it to **realise international and global initiatives**. Experience indicates that the European Councils in particular can give important impetus to wording international concepts and regulations in a development-oriented way, in the run-up to international conferences (International Conference on Financing for Development in Monterrey, the World Summit on Sustainable Development in Johannesburg). This was illustrated again only recently by the adoption in 2005 of the European plan to gradually increase the ODA provided by member states.

**For this reason, the German government will ensure**

- That the opportunities for **EU coordination** and for exerting a common influence in the **international context** (within the United Nations, the OECD, the World Bank and the IMF) are more fully explored and harnessed;
- That the EU continues to realise its plans for follow-on measures to the World Summit on Sustainable Development in Johannesburg and to act on the pledges it made at the International Conference on Financing for Development.

#### 2.4.2 Coherence

Measures in the fields of trade, agriculture, fisheries, industrial, external and security policy can conflict with development-policy objectives. In its conclusions on political coherence for development, issued in May 2005, the Council identified a total of eleven policy fields in which there are **overlaps with development policy**. The aim of the German government is thus to support the Commission in systematically reviewing its policies for coherence with development-policy measures, so as to ensure optimum effectiveness of EU development policy, and to avoid or minimise any disadvantages for developing countries (as laid out in the Treaty Establishing the European Community Article 178).

**The German government will be working to ensure**

- That the communication of the Commission of April 2005 and the Council conclusion of May 2005 on the development-policy coherence of external activities as well as the agreements on **political coherence in the interests of development** as laid out in the European Consensus on Development are realised, and in the view of the BMZ in particular;

- That **export subsidies in the agricultural sector are dismantled** and that development-policy objectives are taken into account in the redesigning of EU market regimes;
- That **EU fisheries policy**, in particular as regards agreements with third countries, is revised with a view to taking into account the imperatives of sustainable development and poverty reduction;
- That the coherence and transparency of decision-making processes in the Council are strengthened;
- That the **Coherence Focal Point** established by the Commission in 2000 can step up its work and that the informal network “Policy Coherence for Development” initiated by the Netherlands is actively supported.

#### 2.5 Improving quality, efficiency and effectiveness

If the above goals are to be achieved, the **institutional preconditions** must firstly be in place within the Community. The efficiency and effectiveness of EU development policy has in the past frequently been the butt of massive criticism, and in some cases still is. Criticism focuses in particular on the snail’s pace at which it is claimed the development cooperation of the Commission is implemented. In response, the Commission introduced an ambitious **administrative reform programme** of its external aid in 2000.

Since the outset of this process, the Commission has made major progress towards achieving tangible improvements in the quality, efficiency and effectiveness of its development cooperation, which is a clear indication that reform is on the right course. Although the Commission must continue this reform course, making use of opportunities for further improvements, successes

already achieved should be communicated to a greater extent to the interested members of the general public, member states and at political level. The Commission should then work more on **improving the image it projects to the outside world** so as to enhance the way European development cooperation is perceived and to increase political support for it.

**The German government will continue to support the reform efforts of the Commission, and will be looking in particular at the following aspects:**

- Realisation of the **objectives and priorities** laid out in the European Consensus on Development in the respective regional programmes;
- Maintaining a **strategic alignment of implementation committees** and thus reducing the costs of micro-management;
- Further **simplification and harmonisation of procedures** so as to accelerate implementation without sustaining any loss of quality;
- Working towards uniform, supra-regional **standards, principles and criteria for cooperation**, while still taking into account regional and country-specific features;

- Support for the Commission in elaborating and consistently applying **results-based indicators** to measure the effectiveness of community assistance;
- Extending the action programme and the **annual report** on the realisation of community development policy to make them into effective **management instruments**, which can be used both by the Council and by the Commission;
- Support for and careful monitoring of the **deconcentration process** and analysis of the impacts thereof;
- Strengthening the **human resources capacities** of the Commission in the field of development cooperation;
- Extension and strengthening of **programme evaluation**;
- Endeavouring to ensure a **comprehensive evaluation of the reform** after an appropriate period has elapsed;
- Elaboration of a comprehensive **communication strategy** to improve the image that European development cooperation projects to the outside world.

### 3. Chances of achieving the objectives; risks

#### 3.1 Massive pressure for reform within the EU

The buzz words further development of the European treaties, enlargement, the European Consensus on Development and the deconcentration process outline the major renewal processes which Europe will be shaping and translating into practice in the near future.

The comprehensive reform process expressed in each of these individual developments is at once an opportunity and a challenge for European development policy: On the one hand it brings with it a superb opportunity to enhance the consistency of external (policy) activities, as well as boosting the coherence, transparency and efficiency of Europe as perceived by outsiders. It should make it possible to integrate European development policy effectively into these extended and intensified external activities of the Union, and to involve civil society to a greater extent. On the other hand, however, it confronts European development policy with the challenge of a possible relative loss of independence and importance within the overall framework of the EU.

In this context, the concrete future role and position of European development cooperation within the Union's overall external activities will thus be crucially important. This will involve the greater integration of development cooperation into European external relations provided for in the draft European constitution.

Within the framework of the consultations to be resumed on the draft **constitutional treaty** the elements that are positive for EU development cooperation must thus be underpinned in the constitutional treaty. The possible **establishment of a European foreign minister** on the basis of proposals made in the draft constitution, who would

then have overall responsibility for ensuring more efficient external activities on the part of the European Union, raises the question as to who should represent the EU's development policy in future and what the contents of this policy would be, should EU development cooperation in future be part of these common EU foreign activities. Here solutions for both aspects will have to be developed which reflect the specific importance of development policy vis à vis the various partner countries of Europe, thus taking into account the preferences of our partners in developing countries to an appropriate extent.

The accession of more **new member states** whose increased commitment to development policy is very recent, confronts us with another challenge, to integrate these accession states in the objectives and systems of community development policy without overtaxing the already difficult coordination mechanisms through the ever growing number of member states. It will thus continue to be important to strengthen the profile and the independence of community development policy and to counter all attempts to relegate it within the general reform process to a secondary role in the interests of short-term foreign-policy considerations. The political definition of a division of labour and the translation into practice thereof must also be a special priority, against this backdrop.

One special challenge can be seen in the fact that the EU, in its efforts to strengthen its profile as a **global player** commensurate with its role in the world, is increasingly taking on new duties, which entails the risk of financial bottlenecks. These **new duties** include security topics, the problem of illegal migration and the fight against terrorism, organised crime, the organised drug trade and money laundering. In this situation the

temptation is great to dip indiscriminately into development cooperation funds and thus use them at least in part for purposes other than those originally intended.

European development policy should continue to look in future too at these and other interfaces in its environment and aim to shape these on a conceptual level such that development policy is part of an overall division of labour and is responsible for the relevant aspects of these policy fields. At the same time, however, European development policy cannot become the paymaster of development-related aspects of other policy fields which are not part of its original mandate. The BMZ is thus in favour of ensuring that the relevant EU budget items are appropriate to allow it to tackle new duties, and that the funding thus made available is used.

Suitable budgetary alternatives for financing demands for funding arising in the field of the EU's external activities include the substantially increased budget of the Joint Foreign and Security Policy and the **instruments devised in this process to foster stability**. Given the large number of new tasks in the field of external relations and the growing demands made of the scarce European resources available, development policy will have to do all it can, also with a view to the commitments entered into in Monterrey, to retain and increase development cooperation funding for its original purpose.

### 3.2 Consultation increasingly conducted in country

As a result of the deconcentration process already mentioned, the Commission is expanding the role and responsibility of the in-country EU delegations and strengthening them in technical and organisational terms. In Brussels, the Commission will at the same time assume an increasing number of support and quality assurance functions. The delegations will thus increasingly play a key role in planning and implementation, although their performance is not equally good across the board. If they are in future to help shape development policy and meet the above requirements in terms of coordination and complementarity, German institutions (embassies, permanent representatives and through these, the offices of German implementing organisations) in partner countries will have to be more actively involved in the decision-making process than has hitherto been the case. This presupposes firstly appropriate human and organisational resources, but will in future automatically also entail increased deconcentration and the shifting of the operational capacities of the BMZ and its implementing organisations to partner country level in our bilateral cooperation too.

## Annex

At its meeting on 22 November 2005, the General Affairs and External Relations Council, in its formation of Development Ministers, and the Representatives of the Governments of the Member

States meeting within the Council, adopted the EU Development Policy Statement in **Annex I** as well as the declaration in **Annex II**.

### Annex I

Joint Statement by the Council and the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the Commission

## The European Consensus

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# The European Consensus

## The development challenge

1. Never before have poverty eradication and sustainable development been more important. The context within which poverty eradication is pursued is an increasingly globalised and interdependent world; this situation has created new opportunities but also new challenges. Combating global poverty is not only a moral obligation; it will also help to build a more stable, peaceful, prosperous and equitable world, reflecting the interdependency of its richer and poorer countries. In such a world, we would not allow 1,200 children to die of poverty every hour, or stand by while 1 billion people are struggling to survive on less than one dollar a day and HIV/AIDS, TB and malaria claim the lives of more than 6 million people every year. Development policy is at the heart of the EU's relations with all developing countries<sup>2</sup>.
2. Development cooperation is a shared competence between the European Community<sup>3</sup> and the Member States. Community policy in the sphere of development cooperation shall be complementary to the policies pursued by the Member States. Developing countries have the prime responsibility for their own development. But developed countries have a responsibility too. The EU, both at its Member States and Community levels, is committed to meeting its responsibilities. Working together, the EU is an important force for positive change. The EU provides over half of the world's aid and has committed to increase this assistance, together with its quality and effectiveness. The EU is also the most important economic and trade partner for developing countries, offering specific trading benefits to developing countries, mainly to the LDCs among them.
3. The Member States and the Community are equally committed to basic principles, fundamental values and the development objectives agreed at the multilateral level. Our efforts at coordination and harmonisation must contribute to increasing aid effectiveness. To this end, and building on the progress made in recent years, the 'European Consensus on Development' provides, for the first time, a common vision that guides the action of the EU, both at its Member States and Community levels, in development co-operation. This common vision is the subject of the first part of the Statement; the second part sets out the European Community Development Policy to guide implementation of this vision at the Community level and further specifies priorities for concrete action at the Community level.
4. The European Consensus on Development is jointly agreed by the Council and the representatives of the governments of the Member States meeting within the Council, the European Commission and the European Parliament.

1 The EU includes both Member States and the European Community.

2 Developing countries are all those in the list of Official Development Assistance (ODA) recipients, due to be decided by OECD/DAC in April 2006.

3 Community development cooperation is based on Articles 177 to 181 of the Treaty of the European Community.

# Part I:

## The EU Vision of Development

*The first Part of the European consensus on development sets out common objectives and principles for development cooperation. It reaffirms EU commitment to poverty eradication, ownership, partnership, delivering more and better aid and promoting policy coherence for development. It will guide Community and Member State development cooperation activities in all developing countries<sup>4</sup>, in a spirit of complementarity.*

### 1. Common objectives

5. The primary and overarching objective of EU development cooperation is the eradication of poverty in the context of sustainable development, including pursuit of the Millennium Development Goals (MDGs).
6. The eight MDGs are to: eradicate extreme poverty and hunger; achieve universal primary education; promote gender equality and empower women; reduce the mortality rate of children; improve maternal health; combat HIV/AIDS, malaria and other diseases; ensure environmental sustainability and develop a global partnership for development.
7. We reaffirm that development is a central goal by itself; and that sustainable development includes good governance, human rights and political, economic, social and environmental aspects.

8. The EU is determined to work to assist the achievement of these goals and the development objectives agreed at the major UN conferences and summits.<sup>5</sup>
  9. We reaffirm our commitment to promoting policy coherence for development, based upon ensuring that the EU shall take account of the objectives of development cooperation in all policies that it implements which are likely to affect developing countries, and that these policies support development objectives.
  10. Development aid will continue to support poor people in all developing countries, including both low-income and middle-income countries (MICs). The EU will continue to prioritise support to the least-developed and other low-income countries (LICs) to achieve more balanced global development, while recognising the value of concentrating the aid activities of each Member State in areas and regions where they have comparative advantages and can add most value to the fight against poverty.
- ### 2. Multi-dimensional aspects of Poverty Eradication
11. Poverty includes all the areas in which people of either gender are deprived and perceived as incapacitated in different societ-

<sup>4</sup> Development cooperation activities of Member States are defined as ODA, as agreed by the OECD/DAC.

<sup>5</sup> Action programmes adopted at the UN conferences of the 1990s in the social, economic, environmental, human rights, population, reproductive health and gender equality fields, and reaffirmed 2002-2005 by: Millennium Declaration and Millennium Development Goals (2000), Monterrey (2002), Johannesburg Sustainable Development (2002), Millennium Review Summit (2005).

ies and local contexts. The core dimensions of poverty include economic, human, political, socio-cultural and protective capabilities. Poverty relates to human capabilities such as consumption and food security, health, education, rights, the ability to be heard, human security especially for the poor, dignity and decent work. Therefore combating poverty will only be successful if equal importance is given to investing in people (first and foremost in health and education and HIV/AIDS, the protection of natural resources (like forests, water, marine resources and soil) to secure rural livelihoods, and investing in wealth creation (with emphasis on issues such as entrepreneurship, job creation, access to credits, property rights and infrastructure). The empowerment of women is the key to all development and gender equality should be a core part of all policy strategies.

12. The MDG agenda and the economic, social and environmental dimensions of poverty eradication in the context of sustainable development include many development activities from democratic governance to political, economic and social reforms, conflict prevention, social justice, promoting human rights and equitable access to public services, education, culture, health, including sexual and reproductive health and rights, as set out in the ICPD Cairo Agenda, the environment and sustainable management of natural resources, pro-poor economic growth, trade and development, migration and development, food security, children's rights, gender equality and promoting social cohesion and decent work.

### 3. Common values

13. EU partnership and dialogue with third countries will promote common values of: respect for human rights, fundamental freedoms, peace, democracy, good governance, gender equality, the rule of law, solidarity and justice. The EU is strongly committed to effective multilateralism whereby all the world's nations share responsibility for development.

### 4. Common principles

#### 4.1 Ownership, Partnership

14. The EU is committed to the principle of ownership of development strategies and programmes by partner countries. Developing countries have the primary responsibility for creating an enabling domestic environment for mobilising their own resources, including conducting coherent and effective policies. These principles will allow an adapted assistance, responding to the specific needs of the beneficiary country.
15. The EU and developing countries share responsibility and accountability for their joint efforts in partnership. The EU will support partner countries' poverty reduction, development and reform strategies, which focus on the MDGs, and will align with partner countries' systems and procedures. Progress indicators and regular evaluation of assistance are of key importance to better focus EU assistance.
16. The EU acknowledges the essential oversight role of democratically elected citizens' representatives. Therefore it encourages an increased involvement of national assemblies, parliaments and local authorities.

#### 4.2 An in-depth political dialogue

17. Political dialogue is an important way in which to further development objectives. In the framework of the political dialogue conducted by the Member States and by the European Union institutions – Council, Commission and Parliament, within their respective competencies, the respect for good governance, human rights, democratic principles and the rule of law will be regularly assessed with a view to forming a shared understanding and identifying supporting measures. This dialogue has an important preventive dimension and aims to ensure these principles are upheld. It will also address the fight against corruption, the fight against illegal migration and the trafficking of human beings.

#### 4.3 Participation of civil society

18. The EU supports the broad participation of all stakeholders in countries' development and encourages all parts of society to take part. Civil society, including economic and social partners such as trade unions, employers' organisations and the private sector, NGOs and other non-state actors of partner countries in particular play a vital role as promoters of democracy, social justice and human rights. The EU will enhance its support for building capacity of non-state actors in order to strengthen their voice in the development process and to advance political, social and economic dialogue. The important role of European civil society will be recognised as well; to that end, the EU will pay particular attention to development education and raising awareness among EU citizens.

#### 4.4 Gender equality

19. The promotion of gender equality and women's rights is not only crucial in itself but is a fundamental human right and a question of social justice, as well as being instrumental in achieving all the MDGs and in implementing the Beijing platform for Action, the Cairo Programme of Action and Convention on the Elimination of All Forms of Discrimination Against Women. Therefore the EU will include a strong gender component in all its policies and practices in its relations with developing countries.

#### 4.5 Addressing state fragility

20. The EU will improve its response to difficult partnerships and fragile states, where a third of the world's poor live. The EU will strengthen its efforts in conflict prevention work<sup>6</sup> and will support the prevention of state fragility through governance reforms, rule of law, anti-corruption measures and the building of viable state institutions in order to help them fulfil a range of basic functions and meet the needs of their citizens. The EU will work through state systems and strategies, where possible, to increase capacity in fragile states. The EU advocates remaining engaged, even in the most difficult situations, to prevent the emergence of failed states.
21. In transition **situations**, the EU will promote linkages between emergency aid, rehabilitation and long-term development. In a post-crisis situation development will be guided by integrated transition strategies, aiming at rebuilding institutional capacities, essential infrastructure and social ser-

<sup>6</sup> Set out in the EU Programme for the Prevention of Violent Conflicts, Gothenburg European Council, June 2001.

vices, increasing food security and providing sustainable solutions for refugees, displaced persons and the general security of citizens. EU action will take place in the framework of multilateral efforts including the UN Peace Building Commission, and will aim to re-establish the principles of ownership and partnership.

22. Some developing countries are particularly vulnerable to natural disasters, climatic change, environmental degradation and external economic shocks. The Member States and the Community will support disaster prevention and preparedness in these countries, with a view to increasing their resilience in the face of these challenges.

## 5. Delivering more and better aid

### 5.1 Increasing financial resources

23. Development remains a long-term commitment. The EU has adopted a timetable for Member States to achieve 0.7% of GNI by 2015, with an intermediate collective target of 0.56% by 2010<sup>7</sup>, and calls on partners to follow this lead. These commitments should see annual EU aid double to over €66 billion in 2010. Further debt relief will be considered, as well as innovative sources of finance in order to increase the resources available in a sustainable and predictable way. At least half of this increase in aid will

be allocated to Africa, while fully respecting individual Member States priorities' in development assistance. Resources will be allocated in an objective and transparent way, based on the needs and performance of the beneficiary countries, taking into account specific situations.

24. In order to meet the MDGs, priority will continue to be given to least developed and other LICs, as reflected in the high proportion of EU aid flowing to these countries<sup>8</sup>. The EU also remains committed to supporting the pro-poor development of middle-income countries (MICs), especially the lower MICs, and our development assistance to all developing countries will be focused on poverty reduction, in its multi-dimensional aspects, in the context of sustainable development. Particular attention will be given to fragile states and donor orphans.

### 5.2 More effective aid

25. As well as more aid, the EU will provide better aid. Transaction costs of aid will be reduced and its global impact will improve. The EU is dedicated to working with all development partners to improve the quality and impact of its aid as well as to improve donor practices, and to help our partner countries use increased aid flows more effectively. The EU will implement and monitor its commitments on Aid Effectiveness<sup>9</sup> in all developing countries, including

7 May 2005 Council conclusions set out that: Member States which have not yet reached a level of 0.51% ODA/GNI, undertake to reach, within their respective budget allocation processes, that level by 2010, while those that are already above that level undertake to sustain their efforts. Member States, which have joined the EU after 2002, and that have not reached a level of 0.17% ODA/GNI, will strive to increase their ODA to reach, within their respective budget allocation processes, that level by 2010, while those that are already above that level undertake to sustain their efforts. Member States undertake to achieve the 0.7% ODA/GNI target by 2015 whilst those which have achieved that target commit themselves to remain above that target; Member States which joined the EU after 2002 will strive to increase by 2015 their ODA/GNI to 0.33%.

8 In 2003 the EU allocated average 67% of aid to LICs, excluding Member States joining in 2004 (OECD DAC figures).

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

setting concrete targets for 2010. National ownership, donor coordination and harmonisation, starting at field level, alignment to recipient country systems and results orientation are core principles in this respect.

26. Development assistance can be provided through different modalities that can be complementary (project aid, sector programme support, sector and general budget support, humanitarian aid and assistance in crisis prevention, support to and via the civil society, approximation of norms, standards and legislation, etc.), according to what will work best in each country. Where circumstances permit, the use of general or sectoral budget support should increase as a means to strengthen ownership, support partner's national accountability and procedures, to finance national poverty reduction strategies (PRS) (including operating costs of health and education budgets) and to promote sound and transparent management of public finances.
27. Partner countries need stable aid for effective planning. The EU is therefore committed to more predictable and less volatile aid mechanisms.
28. Debt reduction also provides predictable financing. The EU is committed to finding solutions to unsustainable debt burdens, in particular the remaining multilateral debts of HIPC's, and where necessary and appropriate, for countries affected by exogenous shocks and for post-conflict countries.
29. The EU will promote further untying of aid going beyond existing OECD recommendations, especially for food aid.

### 5.3 Coordination and complementarity

30. In the spirit of the Treaty, the Community and the Member States will improve coordination and complementarity. The best way to ensure complementarity is to respond to partner countries' priorities, at the country and regional level. The EU will advance coordination, harmonisation and alignment<sup>10</sup>. The EU encourages partner countries to lead their own development process and support a broad donor-wide engagement in national harmonisation agendas. Where appropriate, the EU will establish flexible roadmaps setting out how its Member States can contribute to countries' harmonisation plans and efforts.
31. The EU is committed to promote better donor coordination and complementarity by working towards joint multiannual programming, based on partner countries' poverty reduction or equivalent strategies and country's own budget processes, common implementation mechanisms including shared analysis, joint donor wide missions, and the use of co-financing arrangements.
32. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and has in this context made four additional commitments: to provide all capacity building assistance through coordinated programmes with an increasing use of multi-donors arrangements; to channel 50% of government-to-government assistance through country systems, including by increasing the percentage of our assistance provided through budget support or sector-wide approaches; to avoid the establishment of any new

<sup>10</sup> This includes the Council Conclusions of November 2004 on: 'Advancing Coordination, Harmonisation and Alignment: the contribution of the EU'.

- project implementation units; to reduce the number of un-coordinated missions by 50%.
33. The EU will capitalise on new Member States' experience (such as transition management) and help strengthen the role of these countries as new donors.
34. The EU will undertake to carry out this agenda in close cooperation with partner countries, other bilateral development partners and multilateral players such as the United Nations and International Financial Institutions, to prevent duplication of efforts and to maximise the impact and effectiveness of global aid. The EU will also promote the enhancement of the voice of developing countries in international institutions.
- 6. Policy coherence for development (PCD)**
35. The EU is fully committed to taking action to advance Policy Coherence for Development in a number of areas<sup>11</sup>. It is important that non-development policies assist developing countries' efforts in achieving the MDGs. The EU shall take account of the objectives of development cooperation in all policies that it implements which are likely to affect developing countries. To make this commitment a reality, the EU will strengthen policy coherence for development procedures, instruments and mechanisms at all levels, and secure adequate resources and share best practice to further these aims. This constitutes a substantial additional EU contribution to the achievement of the MDGs.
36. The EU strongly supports a rapid, ambitious and pro-poor completion of the Doha Development Round and EU-ACP Economic Partnership Agreements (EPAs). Developing countries should decide and reform trade policy in line with their broader national development plans. We will provide additional assistance to help poor countries build the capacity to trade. Particular attention will be paid to the least advanced and most vulnerable countries. The EU will maintain its work for properly sequenced market opening, especially on products of export interest for developing countries, underpinned by an open, fair, equitable, rules-based multilateral trading system that takes into account the interests and concerns of the weaker nations. The EU will address the issues of special and differentiated treatment and preference erosion with a view to promote trade between developed countries and developing countries, as well as among developing countries. The EU will continue to promote the adoption by all developed countries of quota free and tariff free access for LDCs before the end of the Doha round, or more generally. Within the framework of the reformed Common Agriculture Policy (CAP), the EU will substantially reduce the level of trade distortion related to its support measures to the agricultural sector, and facilitate developing countries' agricultural development. In line with development needs, the EU supports the objectives of asymmetry and flexibility for the implementation of the EPAs. The EU will continue to pay particular attention to the development objectives of the countries with which the Community has or will agree fisheries agreements.

<sup>11</sup> May 2005 Council Conclusions confirm the EU is committed to the implementation of the objectives contained in the Commission's Communication on PCD dealing with the areas of Trade, Environment, Climate change, Security, Agriculture, Fisheries, Social dimension of globalisation, employment and decent work, Migration, Research and innovation, Information society, Transport and Energy.

37. Insecurity and violent conflict are amongst the biggest obstacles to achieving the MDGs. Security and development are important and complementary aspects of EU relations with third countries. Within their respective actions, they contribute to creating a secure environment and breaking the vicious cycle of poverty, war, environmental degradation and failing economic, social and political structures. The EU, within the respective competences of the Community and the Member States, will strengthen the control of its arms exports, with the aim of avoiding that EU-manufactured weaponry be used against civilian populations or aggravate existing tensions or conflicts in developing countries, and take concrete steps to limit the uncontrolled proliferation of small arms and light weapons, in line with the European strategy against the illicit traffic of small arms and light weapons and their ammunitions. The EU also strongly supports the responsibility to protect. We cannot stand by, as genocide, war crimes, ethnic cleansing or other gross violations of international humanitarian law and human rights are committed. The EU will support a strengthened role for the regional and sub-regional organisations in the process of enhancing international peace and security, including their capacity to coordinate donor support in the area of conflict prevention.
38. The EU will contribute to strengthening the social dimension of globalisation, promoting employment and decent work for all. We will strive to make migration a positive factor for development, through the promotion of concrete measures aimed at reinforcing their contribution to poverty reduction, including facilitating remittances and limiting the 'brain drain' of qualified people. The EU will lead global efforts to curb unsustainable consumption and production patterns. We will assist developing countries in implementing the Multilateral Environmental Agreements and promote pro-poor environment-related initiatives. The EU reconfirms its determination to combat climate change.
- 7. Development, a contribution to addressing global challenges**
39. EU action for development, centred on the eradication of poverty in the context of sustainable development, makes an important contribution to optimising the benefits and sharing the costs of the globalisation process more equitably for developing countries, which is in the interests of wider peace and stability, and the reduction of the inequalities that underlie many of the principal challenges facing our world. A major challenge the international community must face today is to ensure that globalisation is a positive force for all of mankind.
40. Reducing poverty and promoting sustainable development are objectives in their own right. Achieving the MDGs is also in the interest of collective and individual long-term peace and security. Without peace and security development and poverty eradication are not possible, and without development and poverty eradication no sustainable peace will occur. Development is also the most effective long-term response to forced and illegal migration and trafficking of human beings. Development plays a key role in encouraging sustainable production and consumption patterns that limit the harmful consequences of growth for the environment.

## Part II:

# The European Community Development Policy

*This second part of the European Consensus on Development sets out the renewed European Community Development Policy, which implements the European vision on development set out in the first part for the resources entrusted to the Community, in accordance with the Treaty. It clarifies the Community's role and added value and how the objectives, principles, values, policy coherence for development and commitments defined in this common vision will be made operational at Community level. It identifies priorities which will be reflected in effective and coherent development cooperation programmes at the level of countries and regions. It will guide the planning and implementation of the development assistance component of all Community instruments and cooperation strategies with third countries<sup>12</sup>. It shall be taken into account in other Community policies that affect developing countries, to ensure policy coherence for development.*

41. Community policy in the sphere of development cooperation shall be complementary to the policies pursued by the Member States<sup>13</sup>.
42. The Community development policy will have as its primary objective the eradication of poverty in the context of sustainable development, including pursuit of the MDGs, as well as the promotion of democracy, good governance and respect for human rights, as defined in part I. At the Community level, these objectives will be pursued in all developing countries and

applied to the development assistance component of all Community cooperation strategies with third countries.

43. The Community will apply all the principles defined in Part I, including principles on aid effectiveness: national ownership, partnership, coordination, harmonisation, alignment to the recipient country systems and results orientation.
44. The Community will also promote policy coherence for development, based upon ensuring that the Community shall take account of development cooperation objectives in the policies that it implements which are likely to affect developing countries.
45. In all activities the Community will apply a strengthened approach to mainstreaming the cross cutting issues as set out in section 3.3 "A strengthened approach to mainstreaming".

### **1. The particular role and comparative advantages of the Community**

46. Within its competences as conferred by the Treaty, the Commission has a wide role in development. Its global presence, its promotion of policy coherence for development, its specific competence and

<sup>12</sup> The development assistance component is defined as all official development aid (ODA) as agreed by the OECD Development Assistance Committee.

<sup>13</sup> Community development cooperation is based on Articles 177 to 181 of the Treaty of the European Community.

expertise, its right of initiative at community level, its facilitation of coordination and harmonisation as well as its supranational character are of special significance. The Community can be distinguished by its comparative advantage and added value, which enable complementarity with bilateral policies of Member States and other international donors.

47. On behalf of the Community, the Commission will aim to provide added value through the following roles:
  48. First, a global presence. The Commission is present as a development partner in more countries than even the largest of the Member States, and in some cases is the only EU partner substantially present. It has a common trade policy, cooperation programmes covering practically every developing country and region and a political dialogue conducted together with the Member States. It receives backup from an extensive network of delegations. This enables it to respond to a wide variety of situations, including fragile states where Member States have withdrawn.
  49. Second, with the support of Member States, ensuring policy coherence for development in Community actions,<sup>14</sup> in particular where Community policies have significant impacts on developing countries, such as trade, agriculture, fisheries and migration policies, and promoting this principle more widely. Drawing on its own experiences, and exclusive competence in trade, the Community has a comparative advantage in providing support to partner countries to integrate trade into national development strategies and to support regional cooperation whenever possible.
  50. Third, promoting development best practice. The Commission, together with the Member States, will stimulate the European debate on development and promote development best practice, such as direct budget support and sectoral aid where appropriate, untying of aid, an approach based on results and deconcentration of the implementation of assistance. By enhancing its analytical capacities, it has the potential to serve as an intellectual centre in certain development issues.
  51. Fourth, in facilitating coordination and harmonisation. The Commission will play an active role in implementation of the Paris Declaration on aid effectiveness and will be one of the driving forces to promote EU delivery of its commitments made in Paris on ownership, alignment, harmonisation results and mutual accountability. The Commission will continue to promote the 3Cs – coordination, complementarity and coherence as the EU contribution to the wider international agenda for aid effectiveness. The Community will also support enhanced coordination of disaster relief and preparedness, in the context of the existing international systems and mechanisms and the UN's lead role in ensuring international coordination.
  52. Fifth, a delivery agent in areas where size and critical mass are of special importance.
  53. Sixth, the Community will promote democracy, human rights, good governance and respect for international law, with special attention given to transparency and anti-corruption. The Commission's experience on democracy promotion, human rights and nation-building is positive and will be further developed.

<sup>14</sup> In all 12 areas set out in the May 2005 Council Conclusions and attached Communication on PCD.

54. Seventh, in putting into effect the principle of participation of civil society, the Commission will be supported by the European Economic and Social Committee which has a role in facilitating the dialogue with local economic and social interest partners.
55. In addition, the Community strives to promote understanding of interdependence and encourage North-South solidarity. To that end, the Commission will pay particular attention to raising awareness and educating EU citizens about development.
- 2. A differentiated approach depending on contexts and needs**
- 2.1 Differentiation in the implementation of development cooperation**
56. Development objectives, principles, and application of aid effectiveness commitments,<sup>15</sup> must be applied to all development cooperation components. In all developing countries the Community will use the instruments and approaches that will be most effective in reducing poverty and ensuring sustainable development.
57. Implementation of Community development cooperation is necessarily country or region-specific, ‘tailor-made’ to each partner country or region, based on the country’s own needs, strategies, priorities and assets. Differentiation is a necessity, given the diversity of partners and challenges.
58. Development objectives are goals in their own right. Development cooperation is one major element of a wider set of external actions, all of which are important and should be coherent, mutually supportive and not subordinate to each other. Country, Regional and Thematic Strategy papers are the Commission programming tools which both define this range of policies and ensure coherence between them.
59. Development assistance can be provided through different modalities that can be complementary (project aid, sector programme support, sector and general budget support, humanitarian aid and assistance in crisis prevention, support to and via the civil society, approximation of norms, standards and legislation, etc.), according to what will work best in each country.
60. Poverty eradication is important in both middle-income and low-income partner countries. LICs and LDCs face enormous challenges on their path towards the MDGs. Support to LICs will be based on PRS, paying due attention to the availability of and access to basic services, economic diversification, food security and improved democratic governance and institutions.
61. Support to middle-income countries also remains important to attaining the MDGs. Many lower MICs are facing the same kind of difficulties as LICs. A large number of the world’s poor live in these countries and many are confronted with striking inequalities and weak governance, which threaten the sustainability of their own development process. The Community therefore continues to provide development assistance based on countries’ poverty reduction or equivalent strategies. Many MICs have an important role in political, security and trade issues, producing and protecting global public goods and acting as regional anchors. But they are also vulnerable to

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<sup>15</sup> Made in the context of the Paris Declaration of March 2005.

internal and external shocks, or are recovering, or suffering, from conflicts.

62. The Pre-Accession Policy, insofar as it concerns developing countries, aims to support the membership perspective of candidate and pre-candidate countries, and the European Neighbourhood Policy aims to build a privileged partnership with neighbouring countries, bringing them closer to the Union and offering them a stake in the Community's internal market together with support for dialogue, reform and social and economic development. Whilst these policies have a clear integration focus, they usually include significant development aspects. Poverty reduction and social development objectives will help to build more prosperous, equitable and thus stable societies in what are predominately developing countries. The instruments that may provide technical and financial assistance to support these policies will include, where appropriate, development best practice to promote effective management and implementation. Policies guiding these instruments will be realised within a broader framework, set out in the European Neighbourhood and Pre-Accession Policies, and will form an integral part of wider Community external actions.
63. The proposed new architecture of policy-driven and horizontal instruments<sup>16</sup> for Community assistance may provide the appropriate framework to respond to the different contexts and conditions. In this framework, the thematic programmes are subsidiary, complementary and defined on the basis of their distinctive value added vis-à-vis the geographical programmes.
- 2.2 Objective and transparent criteria for resource allocation**
64. Within global geographic and thematic allocations, the use of standard, objective and transparent resource allocation criteria based on needs and performance will guide the allocation of resources and a review of their subsequent use. The particular difficulties faced by countries in crisis, in conflict or disaster-prone will be borne in mind, alongside the specificity of the different programmes.
65. The needs criteria include population, income per capita and the extent of poverty, income distribution and the level of social development, while the performance criteria include political, economic and social progress, progress in good governance and the effective use of aid, and in particular the way a country uses scarce resources for development, beginning with its own resources.
66. Development policy must reflect a distribution of resources which takes account of the effect of such resources on poverty reduction. Consequently, particular attention must be paid to the situation of the LDCs and other LICs, as part of an approach which also encompasses the efforts by the government of the partner countries to reduce poverty as well as their performance and absorption capacity. The LDCs and LICs will be given priority in terms of overall resource allocations. The Community should find ways to increase the focus on the poorest countries with a specific focus on Africa. Appropriate attention will be given to MICs, particularly to lower-middle-income countries many of which face similar problems to LICs.

<sup>16</sup> The Commission proposal to the Council and the Parliament is based on three policy-driven regulations: the European Neighbourhood and Partnership, Development Cooperation and Economic Cooperation, and Pre-accession to the EU and three horizontal instruments: for Humanitarian assistance, Stability and Macro-financial assistance.

### 3. Responding to the needs of partner countries

#### 3.1 The principle of concentration while maintaining flexibility

67. The principle of concentration will guide the Community in its country and regional programming. This is crucial to ensure aid effectiveness. The Community will apply this principle in all its country and regional programmes. It means selecting a strictly limited number of areas for action when Community aid is being programmed, instead of spreading efforts too thinly over too many sectors. This selection process will be done at country and regional level in order to honour commitments made in regard of partnership, ownership and alignment.
68. These priorities will be identified through a transparent and in-depth dialogue with partner countries on the basis of a joint analysis and in such a way as to ensure complementarity with other donors, in particular with Member States. Programming should allow for sufficient flexibility to also enable a rapid response to unforeseen needs.
69. The harmonisation agenda means that donors must work together to support partner countries' general and sectoral policies. The Community will support partner countries in being the leading force in the preparation and coordination of multi-annual programming of all donor support to the country. MDG-oriented poverty-reduction strategies or equivalent national strategies will be the starting point for this kind of work.

### 3.2 Areas for Community Action

70. The particular role and comparative advantages of the Community point to focusing the Community's contribution in certain areas, where it has comparative advantages. Therefore the Commission will further develop its expertise and capacity in these areas. Particular attention will be paid to building the necessary capacity and expertise at the country level, in line with the deconcentration process and ownership of partner countries.
71. Responding to the needs expressed by partner countries, the Community will be active primarily in the following areas, a number of which will be considered its comparative advantage.

#### Trade and regional integration

72. The Community will assist developing countries on trade and regional integration through fostering, equitable and environmentally sustainable growth, smooth and gradual integration into the world economy, and linking trade and poverty reduction or equivalent strategies. The priorities in this area are institutional and capacity building to design and effectively implement sound trade and integration policies, as well as support for the private sector to take advantage of new trading opportunities.
73. The specific operations will depend heavily on the characteristics of the partner countries. The poorest countries, especially LDCs and small, landlocked and insular countries require special emphasis on the supply side and increasing the competitiveness of the private sector.
74. Barriers are often highest between developing countries themselves. Regional

integration can lower these barriers. In the case of the ACP, this also helps to prepare Economic Partnership Agreements. For many countries, but especially those for which the EU is the largest trading and investment partner, approximation of the EU single market regulations is beneficial.

### **The environment and the sustainable management of natural resources**

75. The Community will support the efforts undertaken by its partner countries to incorporate environmental considerations into development, and help increase their capacity to implement multilateral environmental agreements. The Community will give particular attention to initiatives ensuring the sustainable management and preservation of natural resources, including as a source of income, and as a means to safeguard and develop jobs, rural livelihoods and environmental goods and services. To this end it will encourage and support national and regional strategies; it will also take part in and contribute to European or global initiatives and organisations. A stronger support to the implementation of the United Nations Convention on Biological Diversity will help to halt biodiversity loss and promote biosafety and sustainable management of biodiversity. As far as desertification control and sustainable land management are concerned, the Community will focus on the implementation of the United Nations Convention to Combat Desertification through effective mainstreaming of sustainable land management issues in developing countries' strategies. As regards sustainable forest management, the Community will support efforts on combating illegal logging and will give particular attention to implementation of Forest Law Enforcement, Governance and Trade (FLEGT).
76. With regard to climate change, the Community will focus its efforts on the implementation of the EU Action Plan on Climate Change in the context of development cooperation, in close collaboration with the Member States. Adaptation to the negative effects of climate change will be central in the Community's support to LDCs and small island development states. It will also seek to promote the sustainable management of chemicals and waste, particularly by taking into account their links with health issues.

### **Infrastructure, Communications and transport**

77. The Community will promote a sustainable transport sectoral approach. This approach will be based on the principles of partner country ownership and prioritisation through poverty reduction or equivalent strategies, meeting partner countries' needs, ensuring transport safety, affordability, efficiency and minimising negative effects on the environment. It applies a strategy for delivering transport that is economically, financially, environmentally and institutionally sustainable.
78. The Community will respond within the budgets available to the growing demand, particularly from African countries, for the increase of donor funding to infrastructure, including economic infrastructure in support of efforts to eradicate poverty. The Community will provide support at various levels. The point of departure will be the national level with the major bulk of the assistance being channelled through partner countries' strategies, securing an optimal balance between investment and maintenance. At regional and continental level the Community will launch a Partnership for Infrastructure, which will work together with regional economic communities, and

other major partners, including the private sector. Partnership with the private sector will be supported.

79. The Community will also support an increased use of information and communication technologies to bridge the digital divide. It will also increase its support to development-related research.

### **Water and energy**

80. The Community 'integrated water resources management' policy framework aims at ensuring a supply of sufficient, good quality drinking water, adequate sanitation and hygiene to every human being, in line with the MDGs and the targets from Johannesburg. Further, it aims at establishing a framework for long term protection of all water resources, preventing further deterioration and promoting sustainable water use.
81. The EU Water Initiative contributes to these policy objectives. Its key elements are to: reinforce political commitment to action; raise the profile of water and sanitation issues in the context of poverty reduction efforts and sustainable development; promote better water governance arrangements; encourage regional and sub-regional cooperation on water management issues; and catalyse additional funding.
82. Large sectors of the population in developing countries have no access to modern energy services and rely on inefficient and costly household energy systems. Community policy therefore is focused on supporting a sound institutional and financial environment, awareness raising, capacity building, and fund-raising in order to improve access to modern, affordable, sustainable, efficient, clean (including renewable) energy services through the EU En-

ergy Initiative, and other international and national initiatives. Efforts will also be made to support technology leapfrogging in areas like energy and transport.

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

83. Agriculture and rural development are crucial for poverty reduction and growth. To re-launch investment in these areas, the Community will support country-led, participatory, decentralised and environmentally sustainable territorial development, aimed at involving beneficiaries in the identification of investments and the management of resources in order to support the emergence of local development clusters, while respecting the capacity of eco-systems. For results to be sustainable it is essential to promote a coherent and conducive policy environment on all levels.
84. The Community will continue to work to improve food security at international, regional and national level. It will support strategic approaches in countries affected by chronic vulnerability. Focus will be on prevention, safety nets, improving access to resources, the quality of nutrition and capacity development. Particular attention will be paid to transition situations and to the effectiveness of emergency aid.
85. In relation to agriculture, the Community will focus on access to resources (land, water, finance), the sustainable intensification of production (where appropriate and in particular in LDCs), competitiveness on regional and international markets and risk management (in countries dependent on commodities). To ensure that developing countries benefit from technological development, the Community will support global agricultural research.

### **Governance, democracy, human rights and support for economic and institutional reforms**

86. Progress in the protection of human rights, good governance and democratisation is fundamental for poverty reduction and sustainable development<sup>17</sup>. All people should enjoy all human rights in line with international agreements. The Community will on this basis promote the respect for human rights of all people in cooperation with both states and non-state actors in partner countries. The Community will actively seek to promote human rights as an integral part of participatory in-country dialogue on governance. Fostering good governance requires a pragmatic approach based on the specific context of each country. The Community will actively promote a participatory in-country dialogue on governance, in areas such as anti-corruption, public sector reform, access to justice and reform of the judicial system. This is essential to building country-driven reform programmes in a context of accountability and an institutional environment that upholds human rights, democratic principles and the rule of law.
87. With a view to improved legitimacy and accountability of country-driven reforms, the Community will promote a high level of political commitment to these reforms. It will, as part of this, also support decentralisation and local authorities, the strengthening of the role of Parliaments, promote human security of the poor, and the strengthening of national processes to ensure free, fair and transparent elections. The Community will promote democratic governance principles in relation to financial, tax and judicial matters.

88. The Community will continue to be a key player, in co-ordination with the Bretton Woods Institutions, in supporting economic and institutional reforms, including PRS, by engaging in dialogue and providing financial assistance to governments engaged in these programmes. The Community will continue to pay close attention to the impact of reforms, in terms of growth, improved business climate, macroeconomic stability and the effects on poverty reduction. By putting results at the centre of its dialogue, the Community will promote real country ownership of reforms. Particular emphasis will also be placed on improvements in public finance management, as fundamental to combating corruption and promoting efficient public spending.

### **Conflict prevention and fragile states**

89. The Community, within the respective competences of its institutions, will develop a comprehensive prevention approach to state fragility, conflict, natural disasters and other types of crises. In this, the Community will assist partner countries' and regional organizations' efforts to strengthen early warning systems and democratic governance and institutional capacity building.. The Community will also, in close cooperation and coordination with existing structures of the Council, improve its own ability to recognize early signs of state fragility through improved joint analysis, and joint monitoring and assessments of difficult, fragile and failing states with other donors. It will actively implement the OECD principles for good international engagement in fragile states in all programming.

<sup>17</sup> 2003 Communication on Governance and Development set out the EC's definition and approach to governance.

90. In difficult partnerships, fragile or failing states the Community's immediate priorities will be to deliver basic services and address needs, through collaboration with civil society and UN organisations. The long-term vision for Community engagement is to increase ownership and continue to build legitimate, effective and resilient state institutions and an active and organised civil society, in partnership with the country concerned.
91. The Community will continue to develop comprehensive plans for countries where there is a significant danger of conflict, which should cover policies that may exacerbate or reduce the risk of conflict.
92. It will maintain its support to conflict prevention and resolution and to peace building by addressing the root-causes of violent conflict, including poverty, degradation, exploitation and unequal distribution and access to land and natural resources, weak governance, human rights abuses and gender inequality. It will also promote dialogue, participation and reconciliation with a view to promoting peace and preventing outbreaks of violence.
95. MDG-related performance indicators will be strengthened to better link sector and budget support to MDG progress and to ensure adequate funding for health and education.
96. The Community aims to contribute to 'Education for All'. Priorities in education are quality primary education and vocational training and addressing inequalities. Particular attention will be devoted to promoting girls' education and safety at school. Support will be provided to the development and implementation of nationally anchored sector plans as well as the participation in regional and global thematic initiatives on education.

### Human development

93. The Community human development policy framework for health, education, culture and gender equality aims at improving peoples' lives in line with the MDGs through action at global and country level. It will be driven by the principle of investing in and valuing people, promoting gender equality and equity.
94. The MDGs cannot be attained without progress in achieving the goal of universal sexual and reproductive health and rights as set out in the ICPD Cairo Agenda. To con-

### Social cohesion and employment

97. In the context of poverty eradication, the Community aims to prevent social exclusion and to combat discrimination against all groups. It will promote social dialogue and protection, in particular to address gender inequality, the rights of indigenous peoples and to protect children from human trafficking, armed conflict, the worst forms of child labour and discrimination and the condition of disabled people.

98. Social and fiscal policies to promote equity will be supported. Priority actions will include support for social security and fiscal reforms corporate social responsibility, pro-poor growth and employment.
99. Employment is a crucial factor to achieve a high level of social cohesion. The Community will promote investments that generate employment and that support human resources development. In this respect the Community will promote decent work for all in line with the International Labour Organisation (ILO) agenda.

### 3.3 A strengthened approach to mainstreaming

100. Some issues require more than just specific measures and policies; they also require a mainstreaming approach because they touch on general principles applicable to all initiatives and demand a multisectoral response.
101. In all activities, the Community will apply a strengthened approach to mainstreaming the following cross-cutting issues: the promotion of human rights, gender equality, democracy, good governance, children's rights and indigenous peoples, environmental sustainability and combating HIV/AIDS. These cross-cutting issues are at once objectives in themselves and vital factors in strengthening the impact and sustainability of cooperation.
102. The Commission will relaunch this approach, making systematic and strategic use of all resources at its disposal<sup>18</sup>. Foremost it will ensure that its services develop capacity to implement this policy. It will

intensify the dialogue with its partner countries to promote the mainstreaming of these issues in national policies and PRS. It will also facilitate setting up networks of expertise and technical support.

### Democracy, Good Governance, Human rights, the rights of children and indigenous peoples

103. Democracy, Good Governance, Human rights and the rights of children will be promoted in partnership with all countries receiving Community development assistance. These issues should be systematically incorporated into the Community's development instruments through all Country and Regional Strategy Papers. The key principle for safeguarding indigenous peoples rights in development cooperation is to ensure their full participation and the free and prior informed consent of the communities concerned.

### Gender equality

104. Equality between men and women and the active involvement of both genders in all aspects of social progress are key prerequisites for poverty reduction. The gender aspect must be addressed in close conjunction with poverty reduction, social and political development and economic growth, and mainstreamed in all aspects of development cooperation. Gender equality will be promoted through support to equal rights, access and control over resources and political and economic voice.

### Environmental sustainability

105. The Community will support the efforts by partner countries (governments and

<sup>18</sup> Strategic environmental assessments and gender-equality impact assessments will be carried out on a systematic basis, including in relation to budget ('greening the budget') and sectoral aid.

civil society) to incorporate environmental considerations into development, including implementation of multilateral environmental agreements<sup>19</sup>. It will also help increase their capacity for doing so. Protection of the environment must be included in the definition and implementation of all Community policies, particularly in order to promote sustainable development.

#### HIV/AIDS

106. In all countries, the fight against HIV/AIDS is defined as an effort cutting across sectors and institutions. There remains a need to mainstream HIV/AIDS into many activities that are not directly concerned with the issue and into the work programmes of specific sector support.

#### 3.4 Support for global initiatives and funds

107. The Commission will continue to contribute to global initiatives that are clearly linked to the MDGs and to global public goods. Global initiatives and funds are powerful instruments for launching new political measures or reinforcing existing ones where their scope is insufficient. They are capable of generating public awareness and support more effectively than traditional aid institutions. This kind of aid should be aligned with national strategies, contribute to the dialogue with countries and aim at the integration of funds into their budget cycles.
108. The added value of global initiatives and funds will have to be assessed on a case-by-case basis after Commission consultation with Member States and, where appropriate, with the European Parliament as regards budget provision. The Commission

will draw up criteria for Community participation in global funds and contributions to them. It will give priority to initiatives that will help achieve the MDGs and increase the availability of global public goods.

#### 3.5 Policy coherence for development (PCD)

109. The Commission and Member States will prepare a rolling Work Programme on the implementation of the May 2005 Council conclusions on PCD. This Work Programme will propose priorities for action; define roles and responsibilities of Council, Member States and Commission and set out sequencing and timetables, with the aim of ensuring that non-aid policies can assist developing countries in achieving the MDGs. The Commission will reinforce its existing instruments, notably its impact assessment tool and consultations with developing countries during policy formulation and implementation, and considering new ones where necessary in support of a strengthened PCD.
110. Notwithstanding making progress on other PCD commitments, urgent attention will be given to commitments and actions on migration. In this respect, the Commission will aim to include migration and refugee issues in country and regional strategies and partnerships with interested countries and to promote the synergies between migration and development, to make migration a positive force for development. It will support developing countries in their policies of management of migratory flows, as well as in their efforts to combat human trafficking, in order to make sure that the human rights of the migrants are respected.

<sup>19</sup> Climate, biodiversity, desertification, waste and chemicals

#### 4. A range of modalities based on needs and performance

111. The Community has a wide range of modalities for implementing development aid which enable it to respond to different needs in different contexts. These are available to all geographical and thematic programmes and reflect a genuine Community added value.
112. Community assistance, whether it is project, sector programme, sector or general budget support, should support partner countries' poverty reduction or equivalent strategies. Decisions on what modalities of Community aid are the most appropriate for each country will be made at the programming stage, which must be increasingly coordinated with the process of formulating sectoral policies and implementing national budgets.
113. Where conditions allow, the preferred modality for support to economic and fiscal reforms and implementation of PRS will be budget support, for specific sectors or for the general public spending programme. It will enable recipient countries to cope with growing operating budgets, promote harmonisation and alignment on national policies, contribute to lower transaction costs and encourage results-based approaches. Such programmes will normally require the support of the International Financial Institutions, with which the Community's support will be coordinated. The value added of the complementary Community contribution, and any additional conditionality should be clearly defined. The financial management capacities of the beneficiary countries will be strengthened and closely monitored.
114. The provision of direct budget support will respect the recommendations made in the OECD/DAC Good Practice Guidelines on budget support, in particular in terms of alignment, coordination and conditions. Guidelines for the provision of budget support should be adopted will apply to all the partner countries and will be reinforced with the setting of clear benchmarks and the monitoring of indicators set up to check the effectiveness of this aid modality.
115. The Community will consistently use an approach based on results and performance indicators. Increasingly, conditionality is evolving towards the concept of a "contract" based on negotiated mutual commitments formulated in terms of results.
116. The micro-finance approach has been a major innovation in the last few years. It will continue to be developed with an emphasis on capacity building and organisations with relevant expertise.
117. Debt reduction, which is comparable to indirect budget support, with low transaction costs and a tendency to promote coordination and harmonisation between donors, could where necessary and appropriate help countries to reduce their vulnerability to external shocks.
118. The majority of Community aid will continue to be provided in the form of grants, which is particularly suitable for the poorest countries and for those with a limited ability to repay.
119. In order to guarantee a maximum impact for the beneficiary countries, there should be a strengthening of the synergies between the programmes supported by the European Investment Bank (EIB) and other financial institutions and those financed by the Community. The EIB is playing an increasingly important role in the implemen-

tation of Community aid, through investments in private and public enterprises in developing countries.

120. In order to enhance the effectiveness of multilateral aid, the Community will also enhance its cooperation with the UN system, International Financing Institutions and other relevant international organisations and agencies where such cooperation provides added value.
121. The Community will make progress in defining a set of guidelines for intervention in countries in crisis or as they emerge from a crisis, by ensuring that it adjusts both its procedures for allocation of resources and its modalities of intervention, with the concern to be able to respond rapidly and flexibly, with a varied range of interventions.

## 5. Progress in management reforms

122. In 2000, the Commission launched a reform programme which aimed to speed up implementation of Community's external assistance and to improve the quality of aid delivery. It brought about: (i) improved programming within a coherent project cycle with a focus on poverty eradication; (ii) the creation of one single entity – EuropeAid – responsible for the implementation of assistance; (iii) a completed devolution process with 80 delegations now responsible for aid management; (iv) the strengthening of human resources to speed up implementation; (v) improved working methods through harmonised and simplified procedures, better information systems and better trained staff; (vi) improved quality through a process of quality support and monitoring of the different stages of project management; and finally (vii) speedier implementation of assistance.

123. Improvements are still needed and continue to be made. Externally, the coordination and harmonisation agenda with other donors will have a major positive impact on aid delivery. Internally, the Commission will continue to streamline procedures, push for more devolution to delegations, clarify interaction between delegations and headquarters and improve information systems. Within this framework, quality of projects and programmes at entry will receive more attention through a reinforced quality support process. This will also require a clearer focus on a limited number of areas (and a limited number of activities within the targeted areas) per partner country. During implementation better use should be made of monitoring tools and at closure of programmes, evaluations should result in a clearer input into the programming and identification process.

## 6. Monitoring and evaluation

### Lessons from evaluation of 2000 DPS

124. The assessment of the 2000 European Community Development Policy and its impact on Community aid highlighted a number of important lessons. These included the need to reflect recent international development commitments, such as those made at UN conferences, and advances made in development best practice, such as budget support and the Paris Declaration. The DPS also needed to have higher levels of ownership by all parts of the Commission and be widely accepted in the European Parliament. It should be applied consistently in Community development programmes in all developing countries. These lessons have been drawn upon in agreeing the new Statement and will be taken fully into account in future implementation of EC aid in all developing countries.

**Monitoring future implementation**

125. The Commission should develop a set of measurable objectives and targets for implementing this Policy and assess progress against this on a regular basis, in the Annual Report for implementation of the European Community Development Policy.
126. The Commission will ensure that all its services and delegations managing programming and implementation of Community development assistance use this European Community Development Policy as the key reference for the Community's objectives and principles for implementation of all development cooperation.

**Annex II****Declaration by the Council and the Representatives of the Governments of the Member States meeting within the Council**

In the event that any Member State wishes to review the country applicability of this Statement subsequent to the OECD/DAC decision of April 2006, the Council will consider this.

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