



COUNCIL OF  
THE EUROPEAN UNION



## **Council Conclusions: Speeding up progress towards the Millennium Development Goals (MDGs)**

*2870th EXTERNAL RELATIONS Council meeting  
Brussels, 26 and 27 May 2008*

The Council adopted the following conclusions:

**"I. 2008: A CRUCIAL YEAR FOR DEVELOPMENT AND THE ACHIEVEMENT OF THE MDGs**

1. The year 2008 should mark a turning point in enhancing the collective efforts to eradicate poverty in the context of sustainable development, in order to ensure that by 2015 all the Millennium Development Goals (MDGs) will be achieved worldwide. In light of progress made in some countries and areas, the EU is convinced that all MDGs can still be attained in all regions of the world, provided that concerted action be taken immediately and in a sustained way until 2015. However, the EU is seriously concerned about the trend in many countries and regions, in particular sub-Saharan Africa, in terms of achievement of the MDGs.

**Providing more, better and faster aid**

2. The EU will keep on playing a leading role as the world's largest donor and will make all necessary efforts to ensure an ambitious action-oriented response before, during and after the key events to be held in the second half of this year: the III High Level Forum on Aid Effectiveness -HLF-3 (Accra, 2-4 September), the UN High Level Event on the MDGs (New York, 25 September) and the International Conference on Financing for Development (Doha, 29 November-2 December).

# **P R E S S**

3. In this context, the Council welcomes the Commission's Communication 'The EU - a global partner for development - Speeding up progress towards the Millennium Development Goals' and its accompanying Staff working papers as a basis for the preparation of an ambitious EU contribution to the key development events of 2008 and in reply to the request made by the European Council in December 2007.
4. In order to provide a strong collective EU response to the global development challenge, in particular of attaining all MDGs, the EU:
  - Strongly reaffirms its commitment to achieve a collective ODA target of 0,56% GNI by 2010 and 0.7% GNI by 2015, as set out in the May 2005 Council Conclusions, the June 2005 European Council Conclusions and the European Consensus on Development. These commitments should see annual EU ODA double to over EUR 66 billion in 2010. At least half of this collective increase will be allocated to Africa. The Council strongly encourages Member States to establish, as soon as possible and mindful of the Doha Review Conference, rolling multi-annual indicative timetables that illustrate how Member States aim to reach, within their national budget procedures and within existing competences, their respective ODA targets. The Council calls on the Commission to include information on the establishment and the implementation of these timetables in the regular Monterrey reporting.
  - Will undertake radical reforms to improve aid effectiveness, building on the full implementation of the 2005 Paris Declaration on Aid Effectiveness, the 2005 European Consensus on Development and the 2007 EU Code of Conduct on complementarity and division of labour. In Accra HLF-3, the EU will focus on the following areas which are complementary to the core issues identified by the partner countries: division of labour, predictability of aid, enhanced use of country systems and mutual accountability for development results. The EU will further engage with civil society and local stakeholders to ensure transparency, strengthen democratic ownership<sup>1</sup> and ultimately increase the impact of aid.
  - Will continue improving policy coherence for development (PCD) in the twelve areas identified in 2005. Furthermore it will ensure that the PCD principles are part of the international agenda for the MDGs and aid effectiveness.
  - Will fully implement the 2007 EU Strategy on Aid for Trade (Aft). The EU will strive to achieve its collective target of EUR 2 billion spending on EU trade-related assistance (TRA) annually by 2010 (EUR1 billion from the Member States and EUR1 billion from the European Community) and to increase overall Aft in coherence with increases in overall ODA. In the range of 50% of the increase in the collective EU TRA will be available for ACP countries.
5. With the objective of accelerating the implementation and effective delivery of the above mentioned commitments and with a view to the forthcoming international meetings, in particular the UN High Level Events on the MDGs and the development needs of Africa in September 2008, the EU will prepare an EU Agenda for Action on the MDGs for the European Council in June 2008. The intention of the Presidency is to identify in this agenda specific milestones and actions within time frames in key areas like education, health, gender equality, water, agriculture, growth and infrastructure that will contribute to ensure the achievement of the MDGs by 2015.

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<sup>1</sup> "Democratic ownership" is a large interpretation of ownership that includes, in addition to Governments, a broad range of relevant stakeholders such as Parliaments, civil society and the private sector.

6. The EU will strongly promote and support cross-cutting issues that are core elements of the EU development agenda and are essential to the achievement of the MDGs, such as human rights, democracy, good governance, gender equality and environmental sustainability.
7. The EU underlines that a strong and inclusive economic growth and the development of the private sector are key conditions for poverty reduction and the achievement of the MDGs.

### **New challenges for development: climate change and food prices**

8. The EU is particularly concerned by new issues which pose additional challenges to development, in particular the effects of climate change and the steep rise in food prices. Therefore, the EU is determined to increase efforts to provide an effective collective response to these new challenges, in the framework of partner countries' own policies and strategies.
9. The EU is determined to help where relevant developing countries, particularly poor developing countries most vulnerable to climate change to move towards sustainable economic growth and to adapt to climate change, in line with the agreement reached in Bali to launch negotiations aimed at getting a global agreement on climate change in Copenhagen in 2009. To this end, the EU will work for the effective implementation of the 2007 Global Climate Change Alliance between the EU and poor developing countries most vulnerable to climate change and will explore ways to mobilize new financial resources to tackle climate change and combat its negative impact. In this respect, the EU will work *inter alia* on the basis of the Commission proposal for a global financial mechanism.<sup>2</sup>
10. The EU is seriously concerned by the high level of food prices in the world, as well as by the volatility of prices in food markets, caused by a combination of factors. This situation is putting great strain on developing countries and particularly on the weakest sections of their societies. The EU is committed to give a collective response to the food prices challenge, addressing a combination of short-, medium- and long-term issues<sup>3</sup>.

## **II. ACCELERATING THE ACHIEVEMENT OF THE MDGS**

11. The Council takes the view that, with seven years remaining to meet the MDGs, the strong political commitments made by governments need to continue to be delivered, sound policies need to be adopted, investment strategies need to be stimulated and increasing domestic resource allocations in partner countries and support from the international community needs to be galvanized. Good governance at all levels and the respect for human rights and rule of law are essential commitments.

### **State of play**

12. The Council takes the view that the MDGs could still be achieved in all regions, including Africa, as long as all development partners take immediate and well-targeted steps to accelerate progress. The Council welcomes progress - albeit uneven - in reaching the MDGs targets in Asia, Middle East, Latin America and North Africa and with regard to some key targets, such as primary education enrolment rates and reduction in child mortality, also in sub-Saharan Africa.

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<sup>2</sup> Joint World Bank/European Commission Issues paper of 15 April 2008 on a Global Climate Financing Mechanism (GCFM) - International Finance Facility for Climate Change (IFFCC)

<sup>3</sup> See Section VII (Food Prices).

13. The Council expresses particular concern regarding the situation in sub-Saharan Africa, which lags behind on all MDGs, making it the region with the largest proportion of people living in extreme poverty, with high ratios of maternal mortality and with a proportion of under-fives who are under weight that has barely declined. The EU remains concerned by the fact that inequality, including gender inequality, poverty and environmental problems persist even in low- and middle-income countries.

### **Joint responsibility**

14. The EU stresses that achieving all 8 MDGs is a joint responsibility: all partners should respect the commitments they have made.
15. The MDGs must continue to guide and mobilize political effort on development and poverty reduction. The EU appreciates and supports the efforts taken so far by partner countries to attain the MDGs by integrating them into their national development strategies and PRSPs and by implementing relevant pro-poor policies.
16. The Council acknowledges that the MDGs monitoring framework may require occasional amendments to accommodate new challenges. The EU encourages country level ownership on targets and indicators, and appreciates the efforts of partner countries to strengthen the monitoring and progress reporting system at national level, including the provision of reliable and sex disaggregated data. The EU will support partner countries' efforts to this end.
17. The EU emphasizes that the MDGs cannot be achieved without economic growth and a fair distribution of its revenues. As the private sector can play a key role in generating broad-based pro-poor growth and in achieving sustainable development, the EU encourages a greater involvement of the private sector in the international and national efforts towards the MDGs, while striving to reach the goal of decent work for all.
18. The EU supports and welcomes the involvement of civil society organisations in policy consultations and in the implementation of development programmes, as they are integral to building accountable and responsive States as well as often best able to provide services to more remote parts of society.
19. The EU will improve collaboration with local authorities and support their increased role in development cooperation. The EU furthermore underlines the important role of the parliaments, in development cooperation.
20. The EU will further explore possibilities for cooperation with the private sector, civil society organizations and local authorities, in order to be more effective in reaching the MDGs.
21. The Council welcomes the UN Secretary General's initiative to host a high level event on MDGs in New York in September 2008 and encourages all MS to attend this meeting at the appropriately high level.

## **Gender equality**

22. Achieving the MDGs also requires all parties to give priority to achieving gender equality and the empowerment of women and girls. The EU and its partner countries must deliver on their commitments, take bold steps to empower women economically and politically, to include them in decision-making processes at all levels and to combat discrimination and violence against them. The EU, in partnership with developing countries, will carefully monitor progress in this regard. Gender equality is instrumental in achieving progress towards the achievement of all MDGs and therefore will be integrated fully into EU development cooperation strategies.

### ***III. THE MONTERREY PROCESS ON FINANCING FOR DEVELOPMENT – THE EUROPEAN UNION’S CONTRIBUTION TO DOHA AND BEYOND***

#### **Introduction**

23. As the world's largest donor of development assistance and the world's largest trading partner, the EU has particular responsibility to play a leadership role in the 2008 Doha Follow-up International Conference on Financing for Development.
24. The EU remains fully committed to the implementation of the Monterrey Consensus. The EU will continue to play an active and positive role in the global partnership established in Monterrey with a view of reaching the internationally agreed development goals, including the Millennium Development Goals.
25. The EU underscores the importance of maintaining the integrity of the Monterrey Consensus that reflects the core challenges of financing for development in a balanced way. The EU considers that the Doha conference has the following objectives regarding the implementation of the Monterrey Consensus:
  - to assess progress made, reaffirm goals and commitments, share best practices and lessons learnt and identify obstacles and constraints encountered, actions and initiatives to overcome them and important measures for further implementation as well as new challenges and emerging issues.<sup>4</sup>
26. The Doha Review Conference should take into consideration the outcome of the Accra High Level Forum on Aid Effectiveness and the UN High Level Event on Millennium Development Goals and the development needs of Africa in September 2008, and agree on a date for further review.
27. The outcome of the Doha Review Conference must not reopen the Monterrey Consensus and should reflect in a balanced way the respective responsibilities and commitments of both developed and developing countries, taking fully into account the primary responsibility of partner countries for their own development. An enabling domestic environment is vital for mobilising domestic resources, increasing productivity, reducing capital flight, encouraging the private sector, and attracting and making effective use of international investment and assistance.

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<sup>4</sup> Paragraph 2 of UNGA 62/187.

28. The EU actively contributes to the preparatory process drawing from the relevant EU policies, initiatives and actions since 2002 and lends its full support to the UN Secretary General and his Special Envoys for the Doha Review Conference.

### **Keeping our promises: reaffirming commitments**

29. While the EU has made historic commitments in 2002 and 2005 to contribute to the progress and success of the international financing for development process, the European Union is seriously concerned about the decrease in collective ODA volume in 2007.
30. The EU strongly reaffirms its long-term financial commitment with developing countries to achieve a collective ODA target of 0,56% GNI by 2010 and 0.7% GNI by 2015, as set out in the May 2005 Council Conclusions<sup>5</sup>, the June 2005 European Council Conclusions and the European Consensus on Development. These commitments should see annual EU ODA double to over EUR 66 billion in 2010. At least half of this collective increase will be allocated to Africa<sup>6</sup>.
31. The EU recalls that fulfilling the EU financial commitments for 2010 may imply that the EU will account for a projected share of about 90% of the global aid increases of the OECD Members in the period 2006-2010. Moreover, the EU may mobilise 90% of the additional aid pledged to Africa by the G8 at the Gleneagles Summit in 2005. The EU therefore calls on other traditional and new non-EU donors to contribute, in a fair way, to the mobilisation of additional sources of financing for development and to the international burden-sharing. The Doha Follow-up Conference on Financing for Development will offer a good opportunity for dialogue with other donors.

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<sup>5</sup> This language is taken from the Council Conclusions of May 2005 (doc. 9266/05 including Annexes 1 and 2). Paragraph 4 reads:  
"Increased ODA is urgently needed to achieve the MDGs. In the context of reaching the existing commitment to attain the internationally agreed ODA target of 0,7 % ODA/GNI, the EU notes with satisfaction that its Member States are on track to achieve the 0.39% target in 2006 for ODA volumes contained in the Barcelona commitments. At present, four out of the five countries, which exceed the UN target for ODA of 0,7%, of GNI are member states of the European Union. Five others have committed to a timetable to reach this target. While reaffirming its determination to reach these targets, the EU agrees to a new collective EU target of 0,56 % ODA/GNI by 2010, that would result in additional annual EUR 20bn ODA by that time.

i. 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;

ii. 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;

iii. 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%."

<sup>6</sup> See also paragraph 4, 1st bullet point.

32. The EU commends Member States that are sustaining high ODA levels close to or above 0.7 % ODA/GNI, as well as Member States with considerable increases in their ODA, and encourages those Member States that are currently not on track to demonstrate strong political will to reach the respective individual commitments set for 2010 and 2015.
33. Referring to the ODA commitments agreed in 2005 the EU highlights the efforts of those countries that have joined the EU donor community after 2004 aimed at expanding their development cooperation activities in the regions where their added value is the greatest.<sup>7</sup>

### **ODA to Africa**

34. The EU notes with satisfaction that the share of programmable aid has increased, particularly to Africa, and reiterates the collective EU ODA commitment to the continent as stated in Council Conclusions of May 2005<sup>8</sup>. The EU is also pleased to note the strong support of Member States to individually contribute to this collective target.

### **Improving the predictability of aid**

35. The Council underlines the importance of stable, multi-annual predictable ODA flows. Given that predictability is one of the priority issues at the Accra HLF-3, it will be further dealt with in detail in the section on Aid Effectiveness.

### **New challenges call for innovative sources of financing**

36. The Council reiterates the need to further develop and implement innovative sources of financing in order to increase predictability and sustainability of financial flows and strongly encourages Member States to step up efforts to find new innovative sources and mechanisms.
37. The Council underlines that actions supported by innovative sources of financing should respect the principles of aid effectiveness in terms of ownership, alignment, harmonisation and accountability, should be cost-effective and should rely on existing development institutions and instruments.

### *Climate Change*

38. In recent years, climate change has emerged as an urgent challenge for all countries, particularly for the poorest countries that have contributed the least to the problem. However, current levels of ODA are likely to fall short of the funds needed to finance climate policies in partner countries. The EU will work for the effective implementation of the 2007 Global Climate Change Alliance and will in particular aim at mobilising a sufficient level of financial resources to combat the negative impact of climate change. In this respect, the EU will work, inter alia, on the basis of the Commission proposal for global financial mechanisms.

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<sup>7</sup> See also paragraph 50.

<sup>8</sup> The Council Conclusions of May 2005 (doc. 9266/05) paragraph 22 reads:  
"The EU will increase its financial assistance for Sub-Saharan Africa and will provide collectively at least 50% of the agreed increase of ODA resources to the continent while fully respecting individual Member States' priorities in development assistance."

## Debt relief

39. The EU recognizes that ensuring the debt sustainability of low income countries remains a challenge and commits to further implement the Debt Sustainability Framework of the World Bank and the International Monetary Fund. The EU invites development banks, other donors, export credit agencies and commercial and bilateral creditors to actively use the guidance offered by this framework.
40. The EU will continue to support the implementation of the Heavily Indebted Poor Countries and Multilateral Debt Relief Initiatives (HIPC/MDRI) to ensure that eligible countries receive the pledged debt relief, while adhering to the principle of additionality as stipulated in the Monterrey Consensus.<sup>9</sup>
41. The EU will take action to help restore and preserve debt sustainability in low-income countries, in particular by acting, where possible in a coordinated manner, to prevent unsustainable lending behaviour by lenders which have not contributed to alleviating the burden of poor countries, and to deter aggressive litigation by distressed-debt funds. The EU will apply existing guidelines in particular those of OECD Export Credit Group regarding sustainable lending and agrees not to sell claims on HIPCs to creditors unwilling to provide debt relief, and supports: i) dialogue with other creditors (bilateral, multilateral, commercial) and with borrowing countries; ii) technical assistance to strengthen the debt management capacities of low income countries and assist efficient debt negotiations; and iii) commercial debt buy-backs complementary to HIPC debt relief operations.

## Exogenous shocks

42. The EU agrees that compensatory finance schemes to respond to exogenous shocks remain relevant in development cooperation and acknowledges that FLEX (for the ACP countries) is currently the only system effectively compensating developing countries for part of losses caused by reduced export earnings. The current food price crisis reveals the urgency to explore a broader approach to compensatory finance. Against this background the EU encourages further work to explore the feasibility of extending the coverage of compensatory finance to other types of exogenous shocks (such as increased import prices, natural disasters) as well. The Commission is invited to report to the Council on the findings of the study.
43. The Council welcomes the efforts of the Commission and International Finance Corporation (IFC) to operationalise the Global Index Facility (GIF) and encourages Member States to set up their involvement in market-based risk management initiatives in developing countries.

## Global Public Goods

44. The Council calls on the Member States and the Commission to:
  - a. strengthen their action on global public goods through enhanced collaboration and alliance-building with developing countries that takes into account the human rights dimension of the use of global public goods, also for future generations;
  - b. enhance co-ordinated exchange of information and learning experience within the EU with a view to improve country level impact of aid provided through global funds and programmes.

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<sup>9</sup> Council Conclusions April 2006 and article 51 of Monterrey Consensus.

## **Reform of the international financial institutions (IFIs)**

45. The EU welcomes the reform package that has recently been agreed in the International Monetary Fund as well as the ongoing processes to reform the governance structure of the World Bank, taking into account the development dimension. A range of concrete options need to be considered with a view to reaching consensus on a comprehensive package by the 2009 World Bank spring meeting. The Council welcomes enhanced coordination and continuously improved quality of cooperation within the appropriate and informal mechanisms between representatives of the EU and their constituencies in International Finance Institutions, in particular the World Bank.<sup>10</sup>

## **Aid architecture**

46. A more effective and coherent aid architecture would allow faster progress towards achieving the MDGs by 2015. The EU will encourage all donors, including emerging donors to progressively increase the volume and improve the quality of their ODA, and will enhance efforts to explore and develop innovative sources of financing in order to increase predictability and availability of EU assistance.

## **The way forward**

47. The Council invites the Member States and the Commission to promote the discussion of these issues in the run-up to and at Doha as well as in other international fora, as and where possible.
48. In view of the further development of an EU position for Doha, the Council welcomes the intention of the Commission to submit further proposals, as soon as possible, in the light of the outcomes of Accra and in order to influence the negotiations which will start in September 2008.

## ***IV. AN EU AID EFFECTIVENESS ROADMAP TO ACCRA AND BEYOND - HASTENING THE PACE OF REFORMS***

49. The EU commends the progress made on the aid effectiveness policy framework since the adoption of the Paris Declaration in 2005<sup>11</sup>, particularly through the EU Code of Conduct on complementarity and the Division of Labour, the efforts at joint programming and co-financing. Nevertheless, progress is still too slow and fragmented in the field.

The common EU position in Accra HLF-3 must be rooted in past achievements as well as oriented towards future concrete results and deliverables.

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<sup>10</sup> Council Conclusions of May 2007 on Keeping Europe's promises on Financing for Development (doc. 9556/07).

<sup>11</sup> EU is above two of the PD targets (on untying and the use of a programme-based approach), and it is on track to reach a third target (reducing the number of programme implementation units). On four other targets, the EU was better than the average for all donors (i.e. the two targets on the use of country systems (PFM and procurement), the target on coordinated missions, and the target on coordinated analytical work).

50. With the aim to ensure its global presence, the EU should continue to be present in all developing countries and its Member States should, in accordance with the principles of division of labour, focus on those countries where their added value is the greatest in the fight for poverty eradication in the context of sustainable development. In the context of ongoing work within the EU on aid effectiveness and division of labour, the new mechanisms, such as co-financing, should allow for the widest participation possible, bearing in mind the unique experiences of Member States which joined the EU since 2004.

### **Time for further action: Speeding up implementation in priority areas**

51. Despite progress in the policy framework and at the field level evidence shows that much more needs to be done in the implementation. The Council underlines the need to speed up and improve systematic implementation in key areas such as division of labour, predictability of aid, use of country systems, and mutual accountability for results. For implementation, the starting point is partner country ownership and close cooperation among all donors, with the EU as a possible catalyst.

#### *Division of Labour*

52. Recognising that excessive fragmentation of aid impairs its effectiveness and undermines development outcomes, the Council strongly supports the process of rationalising aid delivery and fostering complementarity, in accordance with the principles of the Code of Conduct on Complementarity and Division of Labour. Donors should review procedures which act as constraints to participation in division of labour processes and should support partner countries to take a strong lead in this area. The Council also supports efforts to identify good practice principles on an international level.

#### *In-Country division of labour*

53. The Council recognises that the primary leadership and ownership of in-country division of labour should first and foremost lie with the partner country government. It should be achieved on the basis of the national development strategy. In this context, the Council calls for further efforts of the Commission and MS to speed up division of labour in partner countries. It takes positive note of activities already ongoing, like the EU fast-track initiative. It also looks forward to the intention of the Commission to give priority to the operationalisation of principles three and four of the Code of Conduct on Division of Labour including delegated cooperation and lead donor arrangements. The Council calls upon the Commission to immediately develop a Toolkit for implementation of division of labour together with Member States. Further to the Council Conclusions of May 2007, the Council reminds the Member States and the Commission of the need to continue working on the self-assessment of their comparative advantage and value added with a view to Accra HLF-3 and beyond.

#### *Cross-country division of labour*

54. Cross-country level process is required to reduce imbalances between “orphan countries”, including countries in situations of fragility where donors' policies need to be particularly conflict-sensitive, and “darling countries”, in order to fight poverty and promote sustainable development in all geographical regions. The Council invites the Member States and the Commission to conduct an EU-dialogue about future engagement and on strategic planning concerning their geographic concentration and country priorities, while recognising that Member States decisions on this issue are sovereign national decisions. With reference to the

Council Conclusion of May 2007, the Council invites the Member States and the Commission to operationalise, if possible before Accra, commitments on cross-country complementarity by an increased exchange of information on forward spending plans and future cooperation. The cross-country division of labour process will be informed by a dialogue within the EU, taking into account the broader donor engagement, and be carried out in dialogue with partner countries and with other donors.

### Co-financing

55. The new EC financial regulation creates an enabling legal environment for co-financing under the Community budget and the 10th EDF. Building on the experiences and good practices accumulated within the EU over the years, the Council calls on the Commission and Member States, within the existing competences, to step up co-financing in order to foster aid effectiveness.

### Use of country systems

56. The Council emphasises the importance of using country systems to strengthen ownership and alignment, and for their potential for reinforcing capacity development towards transparent and accountable state institutions and developing local markets. The Council welcomes the positive results achieved so far in channelling increasing amounts of aid through budget support and reaffirms its past commitments in this respect. In order to facilitate further progress, the Council calls upon Member States to systematically use country systems, where conditions allow, and adapt their aid modalities accordingly.

### Predictability of aid<sup>12</sup>

57. The Council recognises the need for greater predictability in aid flows, programming and disbursements.<sup>13</sup>
58. The Council calls for Member States and the Commission to continue to extend the use and coverage of multi-year country strategy papers, to include multi-annual commitments in those country strategy papers and to increase the number of jointly developed strategies; as appropriate, to develop and test innovative financing modalities to improve predictability; and to press for developing a measurable target for medium term predictability at the HLF-3 in Accra. The Council takes note of the concept to establish results and resources partnerships in every country that wants to establish one.

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<sup>12</sup> On this issue, see also section III.

<sup>13</sup> On this issue, see paragraph 35.

59. The efficiency of donors' commitment to improve predictability of ODA, and especially for GBS, will depend on the predictability and quality of budget allocation of the recipient countries. Thus, the quality of planning and implementation of national budget and its consistency with PRSP and MDGs should be related to the improvement of ODA predictability. In order to strengthen predictability and timeliness in disbursement, the Council calls on the Commission and Member States to step up action to provide full information at the country level on aid allocations, conditions and disbursements in time to meet partner countries' national budget cycles and their implementation. The Council recognises the need to implement a variety of more predictable aid mechanisms that focus on results in all developing countries. In this context, the Council takes positive note of the progress on the current initiative of the Commission on the MDG Contract, particularly for its potential to bring about more predictability in budget support provided by EDF<sup>14</sup>. Recalling its conclusions of 24 May 2005, the Council calls upon the Commission to finalise the design of the MDG contracts in order to put it into operation for the resources it manages. This mechanism is open to Member States on a voluntary bases. At the same time, there is a need for a broad range of actions and instruments, other than budget support, including the creation of a supporting and transparent environment in the area of public financial management of eligible partner countries, to increase the predictability of aid to less well performing countries, including states in situations of fragility.

#### Management for development results

60. The Council recognises the importance that partner countries and donors place on mutually agreed development goals and performance targets, as they are the basis for planning, implementation and monitoring of joint efforts as well as the respective mutual and domestic accountability.
61. The Council further recognizes that the donor community should reduce the number of unilateral conditionalities, while maintaining their quality, and calls on the Commission and Member States to agree to reform, streamline and harmonise the design and implementation of conditionality with a view to increasing transparent communication of conditions for utilization of aid resources, facilitating ownership and predictability, and supporting the achievement of all development results, including sectoral ones.
62. Given the need for donors to move beyond commitments on aid effectiveness to specific action, the Council calls on MS to commit to strengthening incentives on aid effectiveness, including leadership, staffing, policies and procedures, budgeting and reporting, and to regular assessment of progress.
63. The Council also underlines that donors should give a strong commitment to support gender sensitive development policies and strengthen capacities for their implementation.

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<sup>14</sup> In this context, other possibilities such as rolling contracts could be explored.

### Mutual accountability

64. The Council reaffirms the importance of implementing strengthened mutual accountability mechanisms at the country, regional and international level for ensuring more equal partnerships. It encourages the Commission and Member States to support efforts to include parliaments, civil society and other stakeholders, including marginalised groups in this process, in order to strengthen domestic accountability. It also calls on Member States to strengthen the participation of their own parliaments and citizens in the development agenda. The accountability mechanisms of donors and partner countries should be interlinked, aimed at achieving development results, in particular human rights, gender equality and women's empowerment, and environmental sustainability.
65. The Council further calls on donors and partner countries to take the necessary measures to provide timely and transparent public information with regard to allocation, use and impact of external and internal resources as well as their alignment with national development objectives and to commit to making the EU annual report on financing for development an example of best practice in transparency and accountability.
66. The Council recognises the need to strengthen existing international monitoring mechanisms and calls on the Commission and Member States to work with partner countries, civil society and other stakeholders, including marginalised groups, to reach agreement on ways to create a more collaborative, complementary and credible system for the mutual accountability of aid.

### Capacity development, civil society and emerging donors

67. While capacity development is an important driver of change for achieving results, the Council calls on the Commission and the member states to agree on and provide clear guidance on outstanding issues, in order to make capacity development support better coordinated, more need-driven and better integrated in the overall development programme framework, with special attention to country-led capacity development.
68. The Council welcomes the ongoing efforts of civil society, local authorities, the private sector and other private and public donors to become involved in the aid effectiveness agenda and acknowledges their distinctive contribution by virtue of their specificities. In this regard the Council notes especially the ongoing independent process taking place in the CSO community on the development effectiveness of CSOs. The Council recognises these stakeholders as legitimate development actors in their own right and invites them to play their role in achieving the MDGs by exploring ways to maximize their added value and complementarity.
69. The Council notes that, since the Paris Declaration, many emerging donors have started to play an important role and the number of vertical funds has increased. All stakeholders should be invited and encouraged to continue and intensify an open dialogue on how aid can be best delivered, in particular by signing up to and implementing the Paris Declaration. The Council calls on the Commission and the Member States to consider financing through existing financing mechanisms before creating new vertical funds. The Council invites the Commission and Member States to propose further strategies for engaging with these emerging actors in the aid effectiveness agenda, including in the preparations for the Accra HLF-3. The first ECOSOC Development Cooperation Forum (DCF) is an important opportunity for this.

## Untying of aid

70. The EU will promote further untying of aid going beyond existing OECD recommendations, especially for food aid. Despite the positive results achieved so far, more work remains to be done, within and beyond the EU. The Council supports the ongoing discussions at the international level on further untying aid, such as in the context of the 2001 OECD/DAC recommendations on untying aid to LDCs, in particular on the proposal to extend coverage of the 2001 recommendation to the non-LDC HIPC and the inclusion of provisions related to Corporate Social Responsibility within the 2001 recommendation. The Council invites all donors, including emerging donors, to adhere to this recommendation.

## **Way forward**

71. As the biggest donor, the EU is instrumental in ensuring success at the Accra HLF -3, as it was in Paris, and will work closely with other stakeholders for a political, ambitious, visionary, action-oriented and forward-looking Ministerial Statement in the “Accra Agenda for Action” (AAA). The EU is in favour of strong, precise and measurable commitments and a timetable for their implementation.
72. While preparing for Accra HLF-3, the EU needs to harmonise its approach, in particular with a view to the ongoing work in the framework of the WP-EFF hosted by OECD-DAC.
73. The Council takes positive note of the intention of the Commission to prepare a communication on overarching development goals and cross-cutting issues and calls on the Commission to also include clear reference to human rights and democratic governance, which is not addressed in the Commission's Staff Working Document on aid effectiveness.
74. With a view to preparing the EU position for Accra HLF-3 and the EU contribution to the AAA, the Council recommends that the AAA:
- Places aid effectiveness in its development context by referring to its impact on poverty reduction in the context of sustainable development, including the achievement of all 8 MDGs, and by stressing the importance of democratic governance and policy coherence for development.
  - Acknowledges that accelerating the implementation of commitments made in the Paris Agenda and formulating new actionable commitments is needed.
  - Highlights the leading role of partner countries, on the basis of strong domestic accountability and democratic ownership.
  - Recognises the important role of civil society.
  - Includes strong and actionable commitments to the implementation of overarching development goals and cross-cutting issues, such as human rights, democratic governance, gender equality and environmental sustainability, and concrete proposals to these ends.
  - Ensures ambitious and concrete commitments on promoting aid predictability, division of labour, results oriented management, mutual accountability and the use of country systems, including the two additional commitments on incentives for change in donor behaviour and capacity development, put forward by partner countries.
  - Includes a commitment to improve cross-country complementarity and division of labour addressing funding imbalances, e.g. for fragile situations and states.
  - Includes commitment to enhance in-country complementarity and division of labour under partner country leadership and the adoption of good practice principles on in-country division of labour.

- Includes an agreement on how to measure progress in medium-term predictability and division of labour.
- Address the new issues related to emerging donors, new actors, climate change and food security.

## V. **IMPLEMENTING THE EU STRATEGY ON AID FOR TRADE**

75. Aid for Trade (AfT) plays a key role in the fight against poverty by helping all developing countries, particularly LDCs, to implement and benefit from trade agreements, to better integrate into the rules-based world trading system and to more effectively use trade in order to achieve the MDGs. AfT is an important complement -but not a substitute- to trade negotiations, in particular WTO/DDA. The Council underlines the need to fully implement the 2007 EU Strategy on AfT and to ensure a wide geographical coverage of EU AfT in order to fulfil the role of the EU as a global partner<sup>15</sup>. The implementation of the EU AfT Strategy should be fully coherent with the 2005 Paris Declaration principles and the 2007 EU Code of Conduct on Complementarity and Division of Labour in Development Policy<sup>16</sup> and respond to partner countries' own trade and development related priorities in the context of poverty reduction strategies (PRS) and national development plans.
76. The Council notes that AfT ° significantly increased in 2005 and 2006, both in Trade-Related Assistance (TRA)<sup>17</sup> as well as in the wider AfT agenda<sup>18</sup> (particularly in productive capacity building and trade-related infrastructure)<sup>19</sup>. These records show that the EU commitment to increase its collective spending on TRA to EUR 2 billion annually by 2010 (EUR1 billion from the Member States and EUR1 billion from the European Community) is reachable, provided that efforts by the EC and Member States are sustained and increased. The EU should step up efforts to increase TRA volumes in order to achieve the collective targets for 2010. The Council recalls the EU commitment to promote an effective response to the AfT agenda, thereby striving to increase its total AfT in coherence with the gradual increases in ODA.
77. The Council welcomes the progress made in terms of AfT quality, especially as regards joint analysis and application of previous Council recommendations. Furthermore, by improving programming and delivery, the EU will enhance its efforts to improve predictability, which is very important to reaching the agreed target of TRA and to further step up efforts on the wider AfT agenda. This will help to maximize the benefits of EU AfT for partner countries and to avoid gaps ("AfT orphans").

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<sup>15</sup> Council Conclusions of 15 October 2007 (doc. 13070/07).

<sup>16</sup> Council Conclusions of 15 May 2007 (doc. 9558/07).

<sup>17</sup> TRA reached 640 million EUR for the EU Member States and 940 million EUR for the EC in 2006.

<sup>18</sup> The wider AfT reached 4.7 billion EUR for the EU Member States and 2.6 billion EUR for the EC in 2006.

<sup>19</sup> The EU Strategy on AfT covers 6 AfT categories, as identified in 2006 by the WTO AfT Task Force: (1) Trade policy and regulations (TPR); (2) Trade development (TD); (3) Trade-Related infrastructure; (4) Building productive capacity; (5) Trade-related adjustment; (6) Other trade-related needs. Categories (1) and (2) are usually referred to as TRA.

78. The EU Strategy on AfT establishes that in the range of 50% of the increase in the collective EU TRA will be made available for needs prioritised by ACP countries, including those related to Economic Partnership Agreements (EPAs)<sup>20</sup>. In this context, the Council especially emphasises the need for enhanced coordination and increased predictability of AfT contributions. To this end, the Council welcomes the Commission initiative for the joint design with our ACP partners of specific EU Regional AfT packages for the ACP, including accompanying measures of regional EPAs, building on the 10th EDF regional programming process.<sup>21 22</sup>
79. The Council emphasizes also that the need for enhanced EU coordination and complementarity and increased predictability are equally important in other regions.
80. The Council also welcomes the work carried out at EU level to start implementing agreed policies through concrete follow-up activities, as well as the establishment of monitoring indicators and baselines to facilitate future evaluation of progress. In order to deliver on the quantitative and qualitative commitments of the EU AfT Strategy, it is necessary to ensure an effective implementation in the field, in particular by:
- a) improving coordination, complementarity and coherence among the different EU players and other donors;
  - b) enhancing policy dialogue with partner countries at national as well as regional level;
  - c) in LDCs, supporting the Enhanced Integrated Framework (EIF) in order to make it operational as soon as possible; in non-LDCs, continue to engage in coordinated, country-led trade needs assessment, with particular attention to IDA-only countries<sup>23</sup>;
  - d) exploring the potential and using as appropriate joint responses and joint delivery, while paying attention to the issue of untying of aid;
  - e) improving awareness of the contribution of trade to development; and;
  - f) enhancing the pro-poor focus of AfT;
  - g) enhancing monitoring and evaluation in a participatory manner, based on locally-owned mechanisms and institutions wherever possible.
81. The Council underlines the need to improve the consistency and quality of EU AfT reporting, *inter alia* by harmonising reporting practices, clarifying AfT definitions and categories where necessary and improving the geographical tracking of AfT delivered through multilateral channels. This should be done in coherence with the OECD/DAC ODA data collection system and ongoing discussions in this framework, as well as the requirements of the OECD/WTO AfT review, in a manner that allows for reliable tracking of progress over time on a comparable basis. Joint work at EU level in this area should be a priority in 2008, with a view to facilitating the next Monterrey reporting exercise. The Commission is invited to assist those Member States that are facing difficulties in this regard by ensuring appropriate dissemination of joint work.

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<sup>20</sup> The full text may be found in doc. 14470/07, section 5 paragraphs (a) and (b), page 12.

<sup>21</sup> See Council Conclusions on EPAs, paragraph 9, doc. 9179/08.

<sup>22</sup> See also paragraph 75.

<sup>23</sup> International Development Association (IDA)-only is a country classification by the World Bank for countries with, for example, a low GDP per capita (USD 1,025 GDP/capita maximum). This classification is not entirely overlapping with the UN LDC-classification. There are therefore poor countries that are not LDCs, but are classified as IDA-only by the World Bank. These IDA-only countries are: Mongolia, Tonga, Vietnam, Albania, Armenia, Georgia, Kyrgyz Republic, Moldova, Tadjikistan, Guyana, Honduras, Nicaragua, Sri Lanka, Cameroon, Republic of the Congo, Cote d'Ivoire, Ghana and Kenya.

## ***VI. POLICY COHERENCE FOR DEVELOPMENT: LINKING DEVELOPMENT WITH CLIMATE CHANGE/ENERGY/ BIOFUELS, MIGRATION AND RESEARCH***

82. The Council emphasises the importance of policies other than development cooperation for accelerating progress towards the MDGs and reaffirms its commitments to an ambitious PCD agenda, which entails increasing synergies between European policies in the efforts towards achieving the MDGs through the application of the PCD principles and mechanisms at all levels.<sup>24</sup> To this end, measures such as impact assessments and dialogue across policy areas and with partner countries should be strengthened.

### **On Climate Change/Energy/Bio-fuels:**

83. The Council stresses its commitment to increase the use of renewable energy beyond 2010 in order to mitigate climate change. The EU will promote the production and use of renewable energies worldwide and will help developing countries to take advantage of the new opportunities offered by renewable energies markets to combat poverty. With regard to bio-fuel policies, the EU will closely monitor the impact of its policies on agricultural production, food prices, food security, land tenure, natural forests, working conditions and environment.
84. The Council notes that the production and use of bio-fuels have significant impact on environment, development and agriculture, presenting both risks and opportunities in terms of achieving the MDGs. The EU policy on bio-fuels must therefore be sustainable both in economic, environmental and social terms and take full account of its implications for developing countries, in particular on the above mentioned areas. To this end, the EU will maintain a comprehensive policy dialogue with partner countries.
85. The EU will support worldwide cooperation in the areas of climate change and renewable energies, while stressing the importance of agriculture for food security. As regards bio-fuels, the EU will support the development of specific research programmes and activities such as "second generation" bio-fuels.

### **On Migration, in particular "brain drain"**

86. The EU remains committed to ensure coherence between its migration and development policies in order to make them mutually reinforcing and will enhance efforts to fully implement the 2005 Global Approach to Migration in line with relevant European Council Conclusions<sup>25</sup>. In this context and among other important issues, the EU has identified "brain drain" as a pressing question to address.

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<sup>24</sup> As set out in the 2005 EU Joint Development Policy Statement: the European Consensus on Development (OJ C 46, 24.2.2006) and relevant Council Conclusions of November 2007 (doc. 15112/07), October 2006 (docs. 14072/06 and 14075/06), April 2006 (doc. 8387/06) and May 2005 (doc. 9266/05).

<sup>25</sup> European Council Conclusions of December 2005, December 2006, June 2007 and December 2007.

87. Recalling its conclusions of November and December 2007<sup>26</sup> as well as its European Programme for Action to tackle the critical shortage of health workers in developing countries (2007-2013)<sup>27</sup>, the Council underlines that "brain drain" affects the capacity of developing countries to achieve the MDGs, notably in areas such as health and education. In coherence with development policies, the EU will, in partnership with third countries concerned and without endangering individuals' rights, investigate and consider where and when appropriate concrete measures such as human resources strategies and the promotion of an attractive employment environment in countries of origin to address the "brain drain" challenges (like for instance investments in sensitive sectors, institutional governance, targeted training in affected sectors, facilitating exchange of expertise and distance training by the diasporas, facilitating reinstallation and topping up of salaries). In this context, the EU recognizes that incentives in the framework of public migratory policies in both countries of origin and destination are required to tackle "brain drain". To advance the "brain gain", the EU invites Member States, in partnership with the countries concerned, to facilitate voluntary return and reintegration in the country of origin in a holistic and coherent manner.
88. The Council notes the proposals made by the Commission for addressing "brain drain" from developing countries and see them as a valuable contribution to advancing the discussions on this issue. They refer to different means of addressing "brain drain", as appropriate to specific country circumstances, to be considered by Member States in the context of taking forward their national development programmes and in their discussions with countries of origin affected by "brain drain". The Council invites Member States as appropriate to, through enhanced dialogue with partner countries concerned, further exploring the possibility of circular migration initiatives for migrants and members of diaspora. In addition, the Council invites Member States to further explore the possibility of ethical recruitment and the protection of sensitive sectors with a view to better managing labour migration.

## On Research

89. Research policy can significantly contribute to achieve the MDGs, both in the areas of health, agriculture, food security, environment and climate change, water and migration, and by helping create an enabling environment, through the strengthening of international competitiveness and the promotion of sustained growth and social development. The Council therefore underlines that research is necessary for developing countries, including LDCs, to allow them to catch up technologically and to integrate them in the global economy.
90. The Council calls on Member States and Commission to improve their coordination, and to focus their efforts around five priority areas:
- promote research on MDG-related issues by increasing funding for research in areas directly relevant for development;
  - support application of research to developing countries' needs by facilitating access to the results of research including through better communication between the research and development community and, improved ICT connections, and addressing as appropriate issues related to intellectual property rights;
  - enable the participation of researchers and research institutes from developing countries in European research activities;

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<sup>26</sup> Conclusions on Coherence between EU Migration and development policies (doc. 15116/07) and Conclusions on Mobility partnerships and circular migration in the framework of the global approach to migration (doc.15873/07).

<sup>27</sup> Council Conclusions of May 2007 (doc. 7189/07).

- work towards a more balanced mobility of researchers which will also strengthening the knowledge base of developing countries; and
- contribute to strengthening the capacities of developing countries in the areas of research policy, infrastructure and human resources through development cooperation and lifelong learning policies and twinning and exchange programmes.

91. In this context, the Council looks forward to the forthcoming Commission communication on 'A Policy Framework for International S&T Cooperation' and the development of a flagship initiative to support the EU-Africa Strategic Partnership, particularly the 8th Partnership on Science, Information Society and Space as well as the proposal for an EU Strategy on Research for Development.

## **VII. FOOD PRICES**

92. The EU welcomes the establishment of the High-Level Task Force on the Global Food Security Crisis by the UNSG on 28 April 2008, with a mandate to put together a comprehensive and coordinated Plan of Action to cover immediate needs and longer term policies to contain the food crisis, alleviate its effects on the most vulnerable and lay the foundations of lasting solutions.

93. The EU support in this area will be provided in the framework of partner countries' own policies and strategies. In both short-, medium- and long-term responses, EC actions and Member State actions should respect the Paris Declaration principles and be in line with the Code of Conduct on complementarity and division of labour, in order to maximize the impact of the collective EU action. Particular attention will be paid to small-scale farmers in developing countries.

94. From a development and humanitarian assistance perspective, the EU response to the food prices challenge will address inter alia the following issues:

1) In the **short term**:

- the EU is already providing food aid and humanitarian assistance in many of the most critical areas and will mobilise resources to finance, beyond food aid, safety nets for poor and vulnerable population groups. The Commission has already allocated 283 million euros for food and livelihood support in 2008. Several Member States have either brought forward or increased their contributions;
- the EU is ready to increase as required financial contributions to the short term measures in order to meet the higher costs of existing safety nets and relief programmes and fund new ones.

2) In the **medium and long term**:

- the EU will support a strong agricultural supply response in developing countries providing in particular the necessary financing for agricultural inputs and assistance in using market-based risk management instruments;
- the EU will use policy dialogue with third countries in a transparent manner to discourage food export restrictions and export bans;
- the EU will enhance its support to public and private investments in agriculture, including rural infrastructure, energy supplies, agricultural research and extension, particularly in partner countries, as well as policy and institutional development;

- the EU will encourage and promote more investment in agriculture and rural development in LDCs, and especially in Africa, in the context of the EU-Africa Joint Strategy;
- the EU will encourage developing countries to develop better agriculture policies, especially to support food security and reinforce regional integration.

95. The EU will thoroughly review other possibilities for short, medium and long term actions also in other areas that can contribute to a reduction of imbalances in the food markets and resulting high prices. With regard to its further actions, the EU should present a coordinated position at the FAO High-Level Conference on World Food Security<sup>28</sup> and will take into account the outcome of this Conference in defining its further action.

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<sup>28</sup> FAO High-Level Conference on World Food Security: the challenges of climate change and bioenergy (Rome, 3-5 June 2008).

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