

Towards more and better EU Aid: the 2006 aid effectiveness package

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PURPOSE : to present a general framework to enable beneficiary countries to receive EU aid more rapidly and efficiently.

CONTEXT: in the light of limited progress towards the Millennium Development Goals, in particular in sub-Saharan Africa, the EU took the political lead in development policy in June 2005. The Union agreed an ambitious initiative for more aid to the developing world (0.56% of GNI by 2010 or an extra of approx. **20 billion EUR/year by 2010**), for an increase of the efficiency of its aid through coordination and harmonisation between Member States and for a focus on Africa stating that the African continent should receive at least 50% of the aid increase.

In December 2005, the European Union agreed also to a revised Development Policy Statement, the “European Consensus”. It formulates, for the first time in EU’s history, common strategic objectives for development policy shared by the whole EU.

This document intends to deliver on the EU’s and OECD’s commitments of 2005 and follow logically from the “European Consensus”.

CONTENT: in the general context of the implementation of the Millennium Development Goals and the UN Summit of September 2005, the donor community committed, at the High Level Forum of Paris in March 2005, to radically change its practices and thereby improve the impact of its activities and help realise the qualitative jump needed to achieve the MDGs. The European Union signed up to ambitious objectives, both as individual donors and as a collective group. Determined to move the international agenda forward and to assume its share of the effort, the EU gave increased aid effectiveness a central role in its own development strategy, and concretely committed itself to increase the effectiveness of its aid. This set of decisions presents an exhaustive list of detailed and concrete measures to be developed and implemented by 2010. Based on lessons learnt from the field, good practices and expectations from the partner countries, they are rooted in the principles of harmonisation, ownership, alignment, and management by results of the Paris Declaration. These commitments now need to be translated into concrete actions, and the EU has to focus on their implementation on the spot while facing the reality of country specificities.

This communication lays down in a single and comprehensive document the concepts of the **9 time-bound deliverables** on which the EU as a group has now to deliver. It also includes an Action Plan presenting the first 4 immediate deliverables that have already been developed and are ready for immediate adoption and implementation in a selected number of partner countries. Lastly, it describes the five remaining deliverables that have to be developed during 2006 and implemented in the field by 2010.

It should be noted that two of the immediate deliverables of this Action Plan are presented in further detail in two specific Communications (Communication on Financing for Development and Aid Effectiveness - see COM(2006)0085 and the Communication on a Joint Programming Framework - see COM(2006) 0088). As such, these three documents form a “**package on aid effectiveness**” put forward to the Council and the Parliament.

Commitments on aid effectiveness can be split into three inter-connected axes, which respectively address:

1. a transparent and knowledge-based mapping and monitoring of our activities;
2. the implementation of our collective commitments adopted by the Paris Declaration on harmonisation and alignment;
3. the execution of the aid effectiveness pillar of the new EU strategy framework, as defined by the New Development Policy Statement (the “European consensus”) and the EU Strategy for Africa.

AXIS 1: casting a glance at EU aid: a constant review of activities is an essential pre-condition for a knowledge-based analysis of successes and failures. In this context, account should be taken of successes and failures so that rational and optimal redeployment of activities and methods can be proposed.

1) Refining the mapping of our aid: an EU Donor Atlas exists. In order to further develop its analysis into operational principles on how to better organise and improve the division of labour, the Donor Atlas needs to be refined into more precise and specific assessments - while keeping a visible profile for public awareness.

2) Reviewing EU development rules: the primary objective of this exercise is to give our partner countries, as well as other development actors, a readily available overview of all of MS’s current rules and procedures. Such a consolidation of EU Member States’ donor systems will be fused into various compendiums. They are conceived as comprehensive and operational tool books to facilitate the work of any operator (be it a partner country official, a SME, or a NGO) that needs to understand our rules. By identifying the various building blocks, the compendiums could also serve as a basis to trigger future progress on harmonisation and simplification.

3) Monitoring our promises: in the Paris Declaration donors and partner countries agreed to set up a monitoring mechanism, without creating a parallel “monitoring industry”. In order to keep the momentum on the reforms and the pace of delivery, the EU gave its full support to a strong but realistic

monitoring process both at the international level for the objectives that the donor community collectively has agreed upon, and at the EU level for our own additional commitments and contributions.

AXIS 2: taking immediate action: the EU contribution to the UN Millennium Summit in September 2005 represents a crucial endorsement of international aid effectiveness efforts undertaken over the last two years, and formally adopted through the Paris Declaration (PD) on harmonisation and alignment of February 2005.

4) Supporting local coordination processes: the “Roadmap” identifies concrete harmonisation issues (from a provided menu of actions) that require implementation by all EU donors active in a given country. Roadmaps are not meant to be substitutes for the country-led action plans on harmonisation and alignment, but rather to be an instrument to identify areas in which EU donors could help strengthening existing local processes, be they government-led or donor-led, or creating them if necessary by going further than existing initiatives.

5) Developing a Joint Multi-annual Programming Framework (JPF): the spirit of the JPF is to create a mechanism, compatible with existing national documents and cycles, open to other donors, and which offers a framework for regrouping the duplicating building blocks of Member States systems and thereby reduce the transaction costs of our programming. The Framework would contain elements such as the factual description of country profile, a common analysis of the situation, donor matrixes, and the analysis of EU policy mix. It should offer, over the medium term, the possibility for donors to establish a collective strategic response to the challenges raised in the joint country analysis, and in the long term pave the way for a potential joint programming.

6) Developing Joint Local Arrangements: the Joint Financial Arrangements (JFAs) strive to promote a single dialogue, disbursement and reporting mechanisms at country level - between the donor community and the partner country, through the adoption of a formal document. The objective is to develop a joint template that will be adapted to country specificities.

AXIS 3: boosting the European consensus: the New Development Policy Statement - the “European Consensus on Development” emphasises EU Aid effectiveness as a crucial element of its shared vision. The EU Strategy for Africa endorsed by the European Council at the same time also calls for a fast and steady implementation of the aid effectiveness agenda in Africa. As such, this new political framework calls for: a better division of labour - aiming at greater complementarity, as well as ensuring a minimum EU presence in fragile countries and “aid orphans” in particular; more joint actions through a more intensive use of co-financing - capitalising on new MS’ experiences, while facilitating their gradual emergence as new donors; strengthening of the EU input and impact, along the principles and the issues

highlighted by the European Consensus.

7) Enhancing the division of labour: reinforcing the complementarity of activities is key to increasing aid effectiveness. The objective is therefore to reinforce the division of labour - both at country- and cross-country/regional levels, which imply challenges of different nature. They need to be carefully addressed - in terms of political pressure, lack of visibility and loss of opportunities.

8) Increasing joint EU activities: this initiative intends to define a strategic approach to co-financing, which will give a catalytic role to a substantial part of the EC funds in promoting the development of more joint EU activities. Moreover, the projected scaling up of aid over the next couple of years will mainly increase the flows of bilateral aid. In addition to defining an “active EC offer” (where EC funds could co-finance joint activities), it is also important to define a “passive EC offer” - whereby national funds could be administratively channelled through the Commission and lead to co-financing operations linked to nationally-owned and decided activities. Lastly, the new Member States are increasingly developing their own activities in this field. The proposed structured cofinancing approach should aim at supporting their expansion.

9) Strengthening the EU vision on development assistance: the objective of this deliverable is to strengthen the EU’s political and analytical role by concrete measures. It aims at stimulating the European debate on development and promoting best practice.

Horizon 2006 : it is essential that promises quickly turn into field implementation and show subsequent impact by 2010. In order to live up to these promises and the expectations they have created, this Action Plan therefore presents - for each of its 9 deliverables – indicative, pragmatic, and realistic outcomes for 2010, as well as mid-term targets for 2008.

Axis 1: Casting a glance at EU aid:

- § Donor Atlas (deliverable 1: immediate)
- § Compendium EU (deliverable 2: short term)
- § Monitoring mechanisms (deliverable 3: immediate)

Axis 2: Leading the Paris agenda:

- § Roadmaps (deliverable 4: immediate)
- § Joint Programming (deliverable 5: immediate)

§ Joint Arrangements (deliverable 6: short term)

Axis 3: Boosting the EU Consensus:

§ Division of labour (deliverable 7: short term)

§ Co-financing (deliverable 8: short term)

§ EU vision (deliverable 9: short term).