

# Financing instrument for development cooperation 2007-2013

2004/0220(COD) - 18/12/2006 - Final act

**PURPOSE:** the establishment of a financing instrument for development co-operation.

**LEGISLATIVE ACT:** Regulation (EC) No 1905 of the European Parliament and of the Council establishing a financing instrument for development cooperation.

**BACKGROUND:** with the adoption of the [financial perspectives for 2007 -2013](#), a new framework for planning and delivering external assistance to third countries has been adopted the purpose of which is to make the Community's assistance more effective and streamlined. This new framework repeals a plethora of existing legislative acts and replaces them with more concise, focused legislation. The other recently approved Instruments are:

- [An Instrument for Pre-Accession](#)
- [The European Neighbourhood and Partnership Instrument](#)
- [An Instrument for development co-operation](#)
- [An Instrument for Stability](#)
- [An Instrument for the promotion of democracy and human rights world-wide](#)
- [An Instrument for co-operation with industrialised and other high income countries and territories](#)

To recall, in September 2004, the Commission tabled a proposal for a Regulation of the European Parliament and of the Council establishing a financing instrument for development cooperation and economic cooperation. After trilateral consultations between the Commission, the European Parliament and the Council, however, it was decided to split that proposal into three separate texts: i) the present Regulation establishing a financing instrument for development co-operation; ii) a Regulation establishing a financing instrument for the promotion of democracy and human rights world wide ; and iii) a Regulation establishing a financing instrument for cooperation with industrialised and other high-income countries and territories based on Article 181 of the TEU.

**CONTENT:** the purpose of this Regulation is the establishment of a financing instrument specifically for development co-operation. Total financing will amount to EUR 16 897 million between 2007 and 2013. The Community's policy in the field of development is based on a number of objectives namely, poverty reduction, sustainable economic and social development, the general integration of developing countries into the world economy and political dialogue. One major plank of this policy is guided by the Millennium Development Goals (MDGs) (such as the eradication of extreme poverty and hunger) adopted by the United Nations in September 2000. The Regulation specifies and emphasises in its opening recitals that a political environment which guarantees peace and stability, respect for human rights, fundamental freedoms, democratic principles, the rule of law, good governance and gender equality is fundamental to long-term development.

Based on the above the overall purpose of this Regulation is to offer Community financial assistance that supports cooperation with the developing countries, territories and regions. These countries and regions will be defined as the list of aid recipients of the OECD/DAC. The exact list of partner countries and regions can be found in Annex to the Regulation. The following countries and regions have been listed:

- Latin America (Brazil, Bolivia, Uruguay etc.)
- Asia: (Afghanistan, Bangladesh, China, Vietnam etc)

- Central Asia: (Mostly ex-Soviet States such as Kazakhstan, Tajikistan etc.)
- Middle East (Iran, Iraq Yemen, Saudi Arabia etc.) and
- South Africa.

Under the objectives and general principles heading of the Regulation, the overarching objective of cooperation will be the eradication of poverty in partner countries and regions as well as the promotion of democracy. Cooperation will, therefore, focus on consolidating and supporting democracy, the rule of law, human rights and fundamental freedoms, good governance and gender equality; it will foster sustainable development; encourage developing countries integration into the world economy; preserve and improve the quality of the environment; and lastly seek to strengthen the relationship between the Community and partner countries/regions.

In implementing the Regulation, a differentiated approach will be adopted depending on the development contexts and needs to be pursued so that partner countries or regions are provided with specific, tailor-made cooperation, based on their own needs, strategies, priorities and assets. Least developed countries and low income countries will be given priority in terms of overall resource allocation. The actual financial assistance will be channelled through geographic and thematic programmes. In brief they can be described as follows:

**Geographic programmes:** Cooperation will be determined on a geographical basis and will be given to the countries of Latin America, Asia, Central Asia, the Middle East and South Africa. The types of actions foreseen under geographic programmes include: poverty eradication; achieving the Millennium Development Goals; addressing population needs in the field of health and education; social cohesion and employment; governance, democracy, human rights and institutional support; trade and regional integration; environmental sustainable development; water and energy development; infrastructure and transport; and post crisis situations in fragile states. The Regulation then singles out each of the regions (South America, Asia etc) focusing on their unique pace of development.

Implementation of the geographic programmes will be based on strategy papers and a multiannual indicative programme for each partner country or region drawn up by the Commission. These strategy papers form the basis for annual action programmes.

**Thematic programmes:** The thematic programmes will be subsidiary to the geographic programme and more specific in nature. For example, they will focus on activities that could be of interest to a group of partner countries but which is not determined by geography (such fighting HIV/Aids). Actions will be of a multi-regional nature or could be cross-cutting actions such as pilot project or actions where there is no geographic programme. The Regulation goes on to list a number of specific actions that could apply to thematic programmes such as: Investing in people (gender mainstreaming; good health, culture); Environmental and sustainable management of natural resources including energy; non-State actors and local authorities; food security; migration and asylum; and ACP Sugar Protocol countries. (A list of countries eligible to benefit from the ACP Sugar Protocol can be found in Annex III to the Regulation)

In the case of thematic programmes the Commission will be responsible for drawing up thematic strategy papers and to adopt action programmes accordingly. Provisions are also foreseen for exceptional circumstances, in which case the Community may offer support in the form of special measures not covered by the strategy papers or multiannual indicative programmes.

For implementation purposes the following entities will be eligible for funding: the partner countries, regions and their institutions; decentralised bodies such as municipalities, provinces etc.: international organisations; EU agencies; Community bodies; local authorities; companies, firms and private organisations; financial institutions that promote private investment; non-State actors and natural persons;

NGO's; and scientific organisations. The type of funding foreseen includes projects and programmes though funding will also be given in the form of sectoral support. Funds will also be made available to the EIB or other financial intermediaries and could take the form of interest-rate subsidies or debt-relief.

To conclude, the Commission will be responsible for evaluating the development cooperation instrument and will be expected to monitor and review the programmes regularly. It will also be responsible for preparing annual reports.

ENTRY INTO FORCE: 28 December 2006.

APPLY: 1 January 2007 – 31 December 2013.

REPEALED: With the adoption of this Regulation some thirteen legislative acts will be repealed.