

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

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The Council discussed the effectiveness of development aid as regards "*complementarity and division of labour*", namely the complementarity of aid activities and the division of tasks amongst member states.

The EU has committed itself to improving both the volume and the efficiency of development aid, both internationally, at the 2002 UN conference at Monterrey, and internally, within the "European consensus on development policy" adopted by the EU in 2005. In 2006, the Council agreed general principles as a first step towards concrete action aimed at improving the overall impact of aid on development targets, reducing poverty and reducing transaction costs that have no positive impact on development efforts.

The Council adopted conclusions on a **voluntary code of conduct**, to be applied immediately and progressively by the member states and the Commission, building on existing systems.

The Council agreed that the complementarity of donor actions, together with a better division of labour among donors, would strengthen the ownership of actions by partner countries, as well as their capacity to take over responsibility for coordinating donor activities. It agreed that the EU should be a driving force for these efforts on a global basis and that its approach should be open to all donors.

On the three dimensions to division of labour:

- **in-country complementarity**: the code of conduct recommends that donor countries limit their activities to three sectors in each partner country;
- **cross-country complementarity**: the code recommends that donors work to correct imbalances between countries that are relatively neglected by aid programmes - such as fragile states - and countries that are relatively well-served by aid programmes;
- **cross-sectoral complementarity**: the code recommends that donors analyse their strengths and comparative advantages in order to guide future policy.

The code establishes further principles on matters such as how freed-up resources could be redeployed and on how lead donors could coordinate all donor activity in a particular sector. It provides that EU donors should aim at a long-term engagement (of 5 to 7 years) in a particular sector. It also envisages that a donor establishes a delegated cooperation/partnership arrangement with other donors with authority to act in the administration of funds or to conduct sector policy dialogue with the partner government.

In implementing the code, which will be complemented by first experiences in the field, the EU will also promote broad discussions with partner countries and other donors on complementarity and division of labour. The outcome of those discussions will feed into the OECD development assistance committee partnership and a high-level forum on aid effectiveness that will take place in Accra, in 2008.