Basic information

2006/2208(INI) INI - Own-initiative procedure	Procedure completed
Towards more and better EU Aid: the 2006 aid effectiveness package **Subject** 6.30 Development cooperation	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
DEVE Development	HUTCHINSON Alain (PSE)	21/03/2006

Committee for opinion	Rapporteur for opinion	Appointed
AFET Foreign Affairs	The committee decided not to give an opinion.	
INTA International Trade	VAN DEN BERG Margrietus (PSE)	19/04/2006
BUDG Budgets	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date
General Affairs	2800	2007-05-14

European Commission

Commission DG	Commissioner
Development	MICHEL Louis

Key events

Date	Event	Reference	Summary
02/03/2006	Non-legislative basic document published	COM(2006)0087	Summary
28/08/2006	Vote in committee		
07/09/2006	Committee referral announced in Parliament		

12/09/2006	Committee report tabled for plenary	A6-0270/2006	
28/09/2006	Decision by Parliament	T6-0382/2006	Summary
28/09/2006	Results of vote in Parliament		
28/09/2006	Debate in Parliament		
28/09/2006	End of procedure in Parliament		
14/05/2007	Debate in Council		Summary

Technical information	
Procedure reference	2006/2208(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Stage reached in procedure	Procedure completed
Committee dossier	DEVE/6/38321

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE376.352	26/06/2006	
Committee opinion	INTA	PE374.232	13/07/2006	
Amendments tabled in committee		PE376.585	14/07/2006	
Committee report tabled for plenary, single reading		A6-0270/2006	12/09/2006	
Text adopted by Parliament, single reading		T6-0382/2006	28/09/2006	Summary

European Commission

Document type	Reference	Date	Summary
Document attached to the procedure	COM(2006)0085	02/03/2006	Summary
Non-legislative basic document	COM(2006)0087	02/03/2006	Summary
Document attached to the procedure	COM(2006)0088	02/03/2006	Summary

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

2006/2208(INI) - 02/03/2006 - Non-legislative basic document

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 art 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).

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

2006/2208(INI) - 02/03/2006 - Document attached to the procedure

PURPOSE : to present a Commission communication on increasing the impact of EU aid. It sets out a common framework for drafting the country strategy papers (CSPs) and joint multiannual programming.

CONTENT : the programming framework for Community CSPs was adopted in 2000 as part of the RELEX reform, as a multiannual programming tool. It was intended as a basic structure on which to model all Community CSPs and a source of information for the Member States when drawing up their strategy papers.The objective was to improve the coherence and quality of external aid programming, to make it more reliable and effective and to promote greater complementarity with what Member States were doing in the field of development cooperation. The Commission put the framework into effect without delay in programming the first generation of CSPs and RSPs (2002-06) and mid-term reviews (2004) for all developing countries receiving support from the European Development Fund and the ALA, Meda, Tacis and Cards programmes.

Progress reports on implementation of the CSP framework showed that rigorous use of CSP/RSPs was an effective and satisfactory way of improving the quality of its programming.

This document updates the 2000 CSP framework setting out the basic elements to be included and the various stages of drafting CSPs.

The revised framework is divided into three sections:

- the 1st highlights the guiding principles for programming;
- the 2nd summarises the nine essential components of future CSPs;
- the 3rd outlines the main stages of the procedure for drawing up future CSPs and arrangements for joint multiannual programming.

Principles of effective programming : certain underlying principles have a guiding influence on the structure of the CSPs. The essential elements within them are described below:

• The **partnership framework.** Strategies must be based on the cooperation and partnership agreements and must be consistent with regional strategies.

• Compatibility with the **objectives of the European consensus**.

• **Consistency.** The strategy and the programming documents must be exhaustive and must take account of the objectives of development policy and other policies that define relations with the partner country.

• **Differentiation** is required in view of the diverse nature of the EU's partners and the challenges facing them. The concept must be applied to general policy and to cooperation programmes.

• **Cross-cutting themes** must be borne in mind, in line with the European Consensus (democracy, good governance, human rights, children's rights and the rights of indigenous peoples, gender equality, a sustainable environment and HIV/AIDS).

• The effectiveness of aid will also depend on other important factors such as **division of labour, complementarity and harmonisation.** Everything must be geared towards maximising the sharing of information between all concerned and complementarity with the activities of Member States, other donors and multilateral agencies.

• **Budget support**, general or sectoral, should be used for implementation wherever possible: this is the golden rule if aid is to be made more effective, and it should be reinforced.

• **Focus** (with flexibility) means selecting a limited number of areas for inclusion when programming Community aid.

• **Ownership by the partner country and alignment**. The partner country's agenda will be at the heart of preparations for the strategy and programming, and these will gradually be aligned with the agenda.

• **A results-based approach.** Programming, implementation and evaluation must always include key indicators for measuring the impact of aid.

• **Involvement of civil society and other actors.** Partnership must be extended to include non-state actors and the private sector, which should be involved in discussing policy, drawing up the cooperation strategy and implementing programmes. Other players, particularly local authorities and parliaments, should also be involved.

• **Learning from the past and reviews.** Lessons learned from the past experience of the partner countries and of donors (field workers and headquarters), and the results of external and internal evaluations should all be taken into consideration and should inform the choices made at the programming stage. Furthermore, CSPs are effective only if their performance is regularly evaluated and strategies adjusted in the light of the findings.

The nine essential components for country strategies: the proposed new CSP framework retains intact the same tried and tested basic approach developed for the 2000 framework. However, it is updated to take account of new practices that have emerged on the international scene and of the EU's new commitment. A strategy document should include the following essential components:

1) the framework for relations between the donor and the partner country;
2) an analysis of the political (internal and external), economic, commercial, social and environmental situation;
3) the partner country's agenda, including the development strategy;
4) an analysis of the viability of current policies and of medium-term challenges, based on the analysis of the country's situation and its agenda;

5) an overview of past and present cooperation with the donor (lessons and experience), taking account of all external aid instruments, complementarity with other donors' programmes and consistency with other external aid and policy instruments;

6) a description of the state of the partnership with the country, including political dialogue and progress towards harmonisation;

7) the donor's cooperation strategy and specific objectives, the consistency of the strategy with other external aid instruments and policies, and complementary with other donors;

8) on the basis of the elements above, a work programme or National Indicative Programme (NIP) stating measurable objectives, with performance indicators, the contribution to be made by the various donors and the nature and scope of the most appropriate support mechanisms;

9) annexes: a summary table for the country, a short environmental profile, a prospective donor matrix, a migration profile (where necessary) including the international protection aspect, an account of consultations with non-state actors and a harmonisation road map where there is one.

The Commission plans to draw up its CSPs using these nine essential components and the proposed format for expanding on them which is set out in the annex.

3) Procedure for drafting a country strategy paper with joint multiannual programming in mind: the new CSP framework should make it easier for the Commission, Member States and perhaps other partners to start joint multiannual programming. In this context, joint programming must be a flexible, gradual and open process, with the partner country playing a leading role, and emanating from the bottom up.

The various stages of joint multiannual programming:

- Stage 1: Joint analysis : experience and analyses both show that, whatever models are used, there are a number of elements common to the various donors for a given country. These elements are seen as essential for drawing up a cooperation strategy. In order to reduce transaction costs for the partner country, these elements must be shared and pooled. The elements include evaluation of the global political situation, appraisal of the country's macroeconomic, social and environmental background (with a list of macroeconomic and poverty-related indicators harmonised on the basis of the government's agenda), formulation of the partner country's priorities, analysis of lessons from cooperation in the past, analysis of consistency with the partner country's other policies, analysis of complementarity between different partners' activities and setting out of the harmonisation agenda.

- Stage 2: Beyond a joint analysis to a joint strategic response: a joint response strategy comprises the following elements: joint setting of cooperation objectives with the partner country; selection of focal areas, with a division of labour between the partners (donor matrix); outline financial allocations and risk analysis, and commitments by the partner countries on the basis of a joint agreement. Performance indicators will be agreed on, where possible on the basis of the relevant country strategy papers. The indicators will be discussed with the government. There will also be a joint approach to monitoring and evaluation, and joint annual reviews of results and of implementation of the poverty reduction strategy.

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

2006/2208(INI) - 28/09/2006 - Text adopted by Parliament, single reading

The European Parliament adopted, by 521 votes in favour to 20 against with 8 abstentions, a resolution based on the own-initiative report Alain **Hutchinson** (PES, BE) on the 2006 EU aid effectiveness package. It pointed out that, whilst the EU supplies more than half of all public aid in the world and is thus the world's largest aid provider, this position does not translate into effective leadership capable of making a difference on the world stage. Member States and the Commission together must make every effort to ensure that the European Union speaks with one voice, in order to establish and sustain a leadership based not only on the size of the amounts allocated to development cooperation but also on increased effectiveness. Aid effectiveness must be pursued through a two-pronged approach: focusing on process issues such as coordination, complementarity, harmonisation and alignment, but also on content and substance. Parliament stressed that issues such as the fight against corruption, capacity-building linked to serious efforts to prevent the brain drain and disaster risk reduction are key areas in this context. Better coordination should go hand-in-hand with greater complementarity of action involving a better division of work between the Member States themselves and between Member States and the Commission. The focus must be at country level and with partner countries in the lead, in order to tackle the problem of orphan countries and sectors. EU aid effectiveness policy should include coherence between trade, development cooperation and the common agricultural and fisheries policies in order to avoid direct or indirect adverse effects on the economies of developing countries.

For EU aid and action against poverty to be effective:

- a much larger proportion of the ODA granted by international donors should be channelled as a priority towards the poorest countries and populations;

- sufficient policy space must be guaranteed for developing countries and aid effectiveness should be assessed in terms of concrete progress made towards achieving the MDG;

- the Commission and all Member States must scrupulously abide by the objectives and principles established in the European Consensus on Development, particularly the essential objective of combating poverty;

- every possible effort must be made to support the implementation of the Paris Declaration on aid effectiveness within the DAC. In addition, members of the OECD's DAC must set targets for 2010 against the twelve indicators established in the Paris Declaration - in particular with regard to conditionality, mutual responsibility and predictability - and set up an effective monitoring mechanism.

Parliament called on the Member States concerned not to delay in making the budgetary increases required in order to honour the undertakings they have repeatedly made to meet the ODA target of at least 0.56% of GNI by 2010 and 0.7% of GNI by 2015 - without any creative accounting. The EU must note, however, that the fact that increasing ODA volumes will be meaningless unless it goes hand-in-hand with a significant improvement in terms of the effectiveness and quality of such aid. Parliament called on each Member State to draw up on an annual basis a detailed list making a clear distinction between the sums directly allocated to development aid and those earmarked for other measures that do not come directly within its scope, such as debt relief, on the basis of a common reference document drafted by the Commission. Such sums should be specifically excluded from calculations of total expenditures of development aid.

The Commission and Member States were urged to identify performance indicators geared to the MDG indicators, in particular with regard to budgetary aid, so that national parliaments and local civil society, as well as the European Parliament, can trace back the results of EU contributions.

Parliament went on to regret that, unlike the Commission, some Member States have failed to make satisfactory progress in honouring their undertakings progressively to untie development aid, despite the fact that this is eagerly awaited by local producers and the general population in southern countries. Member States should immediately to untie food aid for the least-developed countries (LDCs), as recommended by the OECD.

Lastly, Parliament expressed its concern that the EU budget support policy for developing countries is increasingly subject to the conditionalities of international financial institutions (IFIs). This forces these countries to fulfil International Monetary Fund (IMF) conditions in order to secure EU development aid. Such centralised conditionality is in contradiction with beneficiary countries' ownership policy.

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

2006/2208(INI) - 14/05/2007

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.

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

2006/2208(INI) - 02/03/2006 - Document attached to the procedure

PURPOSE : to present the Commission’s communication on the financing of development and aid effectiveness - the challenges of scaling up EU aid 2006-2010.

CONTENT : in the run-up to the UN Millennium Review Summit in September 2005, the EU took historic new commitments to accelerate progress to achieve the Millennium Development Goals (MDG). The new commitments will further reinforce the EU’s position as the world’s biggest aid donor. They comprise new targets for Official Development Assistance (ODA): **through progressive ODA increases the EU will collectively provide0.56% of its GNI by 2010, as an intermediate step to achieving the UN target of 0.7% by 2015**. This commitment is combined with the promise to provide fifty percent of increased aid volumes to Africa; additional commitments concerning innovative sources of financing for development further debt relief and

International Public Goods; better coordinated and more effective aid at EU level as well as implementation of the Paris Declaration on Aid Effectiveness, including more predictable aid mechanisms, notably budget support, mitigation of exogenous shocks, aid untying and reform of the international financial institutions; trade-related assistance (TRA), for which the Council further specified commitments prior to the WTO Ministerial in Hong Kong.

The Council invited the Commission to monitor the implementation of these commitments and to report progress annually on the financing and effectiveness of aid, including for Africa. This Communication provides the first such assessment of the implementation of the extended set of EU commitments and is based on the Member States' contributions in the annual monitoring survey of late 2005. The main issues can be summarised as follows:

- Commitment to increase financial resources for official development assistance (ODA): in 2005 the EU increased the initial ODA targets set for 2006 by those Member States that participated in the "Barcelona commitments" (EU15: 0.33% ODA/GNI individual baseline target to ensure an EU collective average of 0.39%). In order to achieve the 0.7% UN goal by 2015, all 25 Member States, including the countries that joined the EU in 2004 (EU10) subscribed to new commitments: the EU15 promised to reach, by 2010, an individual baseline of 0.51% - the EU10 of 0.17% - ODA as a percentage GNI; corresponding to a collective result of 0.56% ODA/GNI. The acceding countries Bulgaria and Romania aligned themselves with these commitments.

Preliminary estimates show that the majority of Member States have introduced the necessary measures to attain the 2010 ODA targets: six Member States will provide 0.7% or more of their GNI as ODA, with Sweden keeping its ODA at 1.0% of GNI and Luxembourg endeavouring to attain that level. A further four Member States will allocate around 0.6% of their GNI for development aid and others foresee progressive year-on-year increases to reach 0.51% ODA/GNI. This commitment is combined with the promise to **provide fifty percent of increased aid volumes to Africa.** The Commission invites the Council to call on other donors to commit more substantially to ensuring proper financing for the MDGs, notably in Africa.

- Commitment on innovative sources of financing: in 2005, the Council considered the most promising options for innovative sources of financing for development. As a result of this process, two proposals received the support of some Member States: i) the International Finance Facility (IFF) for Immunisation (IFF-Im), launched in September 2005 by France, Italy, Spain, Sweden and the UK as a mechanism to bring forward in time resources already pledged to partner countries for immunisation programmes, involves a EUR 3.3 billion commitment over ten years; first disbursements are expected in 2006; ii) a solidarity levy on airline tickets to facilitate the financing of existing ODA commitments. Against this background, the Commission proposes that the Council should continue to consider innovative sources of finance, including by monitoring the implementation of current initiatives.

- **Commitment on debt relief:** the main event on debt in 2005 was the G8 proposal for the cancellation of the IMF, World Bank (WB) and African Development Bank debt remaining in countries having reached the HIPC Completion Point. This Multilateral Debt Relief Initiative (MDRI) was endorsed by the September 2005 Annual Meetings of the International Finance Institutions and is now being operationalised by the three institutions concerned. The countries benefiting from this additional debt reduction will thus probably reach long term debt sustainability.

- Commitment on aid effectiveness: since 2004, both the EU and the donor community at large - together with beneficiary countries - agreed to concrete aid effectiveness deliveries. A comprehensive Action Plan on the effectiveness of EU aid brings together nine deliverables that the EU will have to further develop in 2006 and implement in the field until 2010 (see COM(2006)0087).

- Commitment to creating more predictable, less volatile aid mechanisms: for the best performing developing countries, a rolling multi-year framework and less frequent verification of conditionality are key elements to achieving greater predictability in budget support disbursements. However, while a number of Member States mentioned budget support as their preferred aid instrument, only Portugal and the UK seem willing to move to multiannual budget support with a less than annual review of conditionality in the sense indicated by the Council Conclusions of May 24, 2005. The Member States agreed on the importance of ensuring more predictable aid and expressed interest in the ideas put forward by the Commission for a multi-annual "MDG contract" that should focus on well performing countries and offer greater assurances of predictable funding in exchange for enhanced planning, monitoring and performance by beneficiaries with respect to the MDG. The Commission will further analyse this issue, including through informal working groups with experts from interested MS, like-minded donors and relevant international organisations.

- Mitigation of the impact of exogenous shocks: through the European Development Fund (EDF), the Commission has earmarked EUR 25 million in support of the Global Index Insurance Facility (GIIF), under preparation by the WB during 2005. The GIIF will include a re-insurance facility allowing insurance coverage for indexable price risks related to weather, disaster and commodities in developing countries and is expected to be operational by mid-2006. Following discussions with the ACP group on an EU-ACP Natural Disaster Facility the Commission is now also processing a financing proposal for capacity building in disaster prevention/preparedness in the ACP regions, budgeted at EUR 12 million from the 9th EDF. The Commission invites the Council to contribute to supporting the Global Index Insurance Facility (GIIF) in order to facilitate the access of developing countries to market-based insurance instruments.

- Commitment on untying of aid: in December 2005, the EC adopted two regulations that open access to all EC external assistance. The Commission recommends that the Council should continue its efforts to promote the further untying of food aid and food aid transport, in line with the negotiation mandate adopted in view of the revision of the London Convention.

- **Reform of the international financial institutions:** the vast majority of MS are in favour of more systematic joint statements by EU Member State representatives on the Governing Boards of IFIs and of a more formal coordination mechanism among EU Member States for World Bank issues of strategic importance to the EU.

- Trade and development: Following the Council of May 2005, the EU further deepened its commitments concerning Trade-Related Assistance (TRA). At the G8 Summit Commission President Barroso pledged to increase EC aid for trade to EUR 1 billion p.a. In December 2005, the Council agreed that Member States will strive to collectively increase their TRA to EUR 1 billion p.a. by 2010. The combined EU contribution should thus reach EUR 2 billion. The Member States and EC also pledged to provide adequate and predictable funding of an enhanced and strengthened Integrated Framework (IF), EUR 10 million has been earmarked as EC contribution to the enhanced IF. The Commission is ready to examine possibilities for pooling Member

States and EC funds to enhance the effectiveness of TRA, and will review, in future editions of this report, the delivery of the Commission and Member States on these commitments.

Conclusion: the EU, albeit with some difficulties, gives signs to be prepared to meet its intermediate ODA targets 2006. Working towards the 2010 targets will require supplementary efforts and credible action supported by public opinion. The Communication on EU development activity should be strengthened. Some Member States are introducing innovative sources of financing, whereas the Multilateral Debt Relief Initiative responds to the EU's concern pertaining to debt sustainability of poor countries. Concrete deliverables on aid effectiveness must now be agreed, e.g. the joint EU framework for country strategies and the Action Plan.