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Subject : Financing for Development and Aid Effectiveness: Delivering more, better and faster
- Conclusions of the Council and the Representatives of the Governments of the Member States meeting within the Council

At its meeting on 10/11 April 2006, the General Affairs and External Relations Council, in its formation of Development Ministers, and the Representatives of the Governments of the Member States meeting within the Council, adopted the Conclusions set out in Annex, including the format for a common framework for drafting country strategy papers (CSPs) and principles towards joint multi-annual programming set out in the Annex to the Conclusions.

CONCLUSIONS OF THE COUNCIL AND OF THE REPRESENTATIVES OF THE
GOVERNMENTS OF THE MEMBER STATES MEETING WITHIN THE COUNCIL

**On Financing for Development and Aid Effectiveness:
Delivering more, better and faster**

THE COUNCIL AND THE REPRESENTATIVES OF GOVERNMENTS OF THE MEMBER
STATES MEETING WITHIN THE COUNCIL

1. RECALLING the UN Millennium Review Summit of September 2005 and welcoming the confirmation of the Millennium Declaration and the Millennium Development Goals as the galvanising framework for development;
2. RECALLING the Monterrey Consensus on Financing for Development of 2002¹ and the EU “Barcelona commitments” adopted in March, 2002², and the new EU commitments, adopted in May 2005³.
3. RECALLING the High Level Forum on Harmonization held in Paris, March 2005 and the adopted Paris Declaration⁴;
4. RECALLING the Council Conclusions of November 2004 and November 2005 on the effectiveness of EU external action⁵, and of December 2005 on Aid for Trade⁶,

¹ UN doc. n° A/CONF.198/11.

² Doc. 7176/02.

³ Doc. 9266/05.

⁴ www.oecd.org/dac.

⁵ Doc. 15142/04, Doc 14821/05.

⁶ Doc. 15791/05.

5. RECALLING the adoption of the European Consensus for Development on 20 December 2005⁷,
6. HAVING REGARD to the three Commission Communications on financing for development and aid effectiveness⁸, namely 'EU Aid: Delivering more, better and faster', 'The challenges of scaling up EU aid 2006-2010', and 'Increasing the Impact of EU Aid: A common framework for drafting country strategy papers and joint multi-annual programming'.
7. NOTING that the EU will contribute about 80% to scaling up of ODA worldwide, providing collectively at least fifty percent this increase to Africa.

Have adopted the following Conclusions:

- A) ON MONITORING OF PROGRESS ON FINANCING FOR DEVELOPMENT AND AID EFFECTIVENESS
8. RECONFIRM the EU's continued commitment to operationalising the "Barcelona Commitments", the EU commitments of May 2005, and the Monterrey Consensus to make progress on both the quantity and the quality of Financing for Development and underlines the close links between the promised scaling up of EU aid and aid effectiveness.

⁷ O.J. C 46 of 24.02.2006, p.1.

⁸ Docs n° 7067/06, 7066/06 + ADD 1, and 7068/06.

Scaling up of EU ODA

9. WELCOME the Commission Communication on the progress made by the EU Member States in implementing the Monterrey Consensus. NOTE with satisfaction that the EU is well on track in meeting its commitments made in Barcelona in March 2002 to increasing aid volumes by 2006⁹, namely to individually reach 0,33% ODA/GNI and collectively reach 0,39% ODA/GNI.
10. REAFFIRM their determination to reach the new EU targets, agreed on 24 May 2005¹⁰, concerning the commitment to increasing ODA volume to individually achieve 0, 51% ODA/GNI and collectively achieve 0,56% ODA/GNI by 2010. This would result in additional € 20 bn ODA annually and represents an intermediate step towards achieving the UN target of 0.7% by 2015. Collectively, at least 50% of increases in aid volumes will be dedicated to Africa. PARTICULARLY WELCOME in this respect the efforts and commitments made by the new Member States, namely to strive to increase their ODA to reach 0, 17% ODA/GNI by 2010 and 0,33% ODA/GNI by 2015.

⁹ Barcelona commitments: *"In pursuance of the undertaking to examine the means and timeframe that will allow each of the Member States to reach the UN goal of 0.7% ODA/GNI, those Member States that have not yet reached the 0.7% target commit themselves – as a first significant step – individually to increasing their ODA volume in the next four years within their respective budget allocation processes, whilst the other Member States renew their efforts to remain at or above the target of 0.7% ODA, so that collectively an EU average of 0.39% is reached by 2006. In view of this goal, all the EU Member States will in any case strive to reach, within their respective budget allocation processes, at least 0.33% ODA/GNI by 2006."*

¹⁰ Document 9266/05 of May 2005 including annexes 1 and 2. May 2005 new commitments: *"...the EU agrees to a new collective EU target of 0, 56 % ODA/GNI by 2010, that would result in additional annual € 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%."*

11. NOTE WITH SATISFACTION that several Member States have achieved or are planning to achieve and sustain higher ODA levels close to or above 0,7/% ODA/GNI.
12. ENCOURAGE those Member States that are not on track to achieve the respective individual baselines set for 2006 and 2010 to make all efforts to reach those targets.
13. COMMEND the Member States that are sustaining substantially higher ODA levels than most non-EU OECD/DAC donors, remaining well above the DAC average of 0,33% ODA/GNI.
14. CALL ON other donors to commit more substantially to mobilising adequate financing for the Millennium Development Goals and other internationally agreed development objectives, notably in Africa, in the medium- and long-term.
15. NOTE that increasing aid budgets may require the adaptation of aid systems of some Member States and of the European Community alike.
16. TAKE NOTE in this context of the Commission's intention to propose new methods or adapted instruments aimed at harmonised, efficient implementation of strategies agreed at EU level, while building on comparative advantage and providing added value.

More predictable, less volatile aid mechanisms

17. RECALL the EU commitments to more predictable, less volatile aid mechanisms and explore ways of adapting aid modalities.

18. SUPPORT further work by the Commission with Member States, relevant international organisations and other donors towards the creation of a long-term, flexible and harmonised tool to support the achievements of the Millennium Development Goals and particularly towards harmonising aid modalities and conditionality rules. This harmonised tool should be aligned to recipient country systems.

Exogenous shocks

19. EMPHASISE the importance of a co-ordinated donor response to exogenous shocks, including through the FLEX¹¹, market based instruments like the Global Index Insurance Facility, Exogenous Shocks Facility and other relevant instruments, determined on a case by case basis, and making full use of existing instruments.
20. SUPPORT the forthcoming work to review the FLEX mechanism to improve its speed of delivery and the anti-cyclical impact in view of a joint decision by the ACP-EC Council of Ministers. Moreover, NOTE the Commission's intention to explore options to transform the FLEX into a common tool open for funding by the European Community (10th EDF) and by voluntary contributions of Member States.

Innovative sources of financing

21. WELCOME innovative finance mechanisms introduced and supported on a voluntary basis by Member States, especially those initiatives, already under implementation (solidarity contribution on air tickets, IFF-Im) or envisaged (i.e. IFF, and transaction levy) by some Member States with a view to mobilise increased stable sources of finance. Such initiatives should be undertaken in accordance with the principles for aid effectiveness established in the Paris Declaration and be based on existing mechanisms for aid delivery to the extent possible.

¹¹ Art. 68 of the Cotonou Agreement.

Remittances

22. UNDERLINE the importance of remittances, as a complement of Financing for Development, and recognises that there is a need to address and to promote conditions for cheaper and safer transfers of remittances in both source and recipient countries, and to facilitate the impact on the development of recipient countries.

Debt

23. WELCOME the work on the implementation of the Multilateral Debt Relief Initiative, resting on the two pillars of deepening debt relief to HIPCs and safeguarding the long-term financial capacity of the IFIs. In this respect appropriate monitoring mechanisms and capacity building are needed to assist countries in reaching and maintaining sustainable debt levels, based upon the WB/IMF debt sustainability framework.
24. UNDERLINE the need to ensure that debt relief efforts remain in keeping with the spirit of the Monterrey Consensus¹², the EU commitments as well as with the OECD/ DAC criteria on accountable ODA amounts.

Untying of aid

25. UNDERLINE the adoption of two regulations in 2005 on access to Community external assistance that establishes an unprecedented level of untying of community aid. CALL UPON the donors that have not yet untied their aid to make efforts in this direction.
26. WILL CONTINUE their 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. In the context of the DDA, the Council invites the Commission to promote untied food aid. In that perspective, the Council recalls that all food aid should be absolutely on grant terms only, completely untied, based on systematic evaluation of needs and delivered in cash.

¹² From paragraph 51 of the “Monterrey Consensus” :”...*We encourage donor countries to take steps to ensure that resources provided for debt relief do not detract from ODA resources intended to be available for developing countries...*”

27. SUPPORT a further extension of the “OECD/ DAC recommendations of untying to Least Developed Countries” of 2001.

International Public Goods

28. LOOK FORWARD to the pending release of the final report from the Task Force and the contribution it can make to the discussion on International Public Goods.

International Finance Institutions

29. SUPPORT the strengthening of informal coordination mechanisms between European Union Members of the Board of Regional Development Banks, where collective EU shareholding is significant, with participation of the Commission. The coordination shall be inspired by the established good practices between the EU Executive Directors and the Commission on World Bank issues. This mechanism shall also ensure that EU coordination meetings take place systematically, prior to important decisions to be taken by the Boards of those Institutions.
30. COMMIT themselves to further improving where necessary existing EU coordination in the IFIs in this respect, with the participation of the Commission, notably through improved exchange of information, common statements, where appropriate, better follow-up on agreed common positions and early involvement in decision-making processes, inter alia in order to ensure coherent measures.

Trade Related Assistance

31. CALL ON the Commission and the Member States to implement their collective ODA volume commitments concerning “aid for trade”¹³ as part of the general scaling up of EU aid.

¹³ Doc 15791/05.

32. REQUEST Commission and Member States to strengthen the integration of trade related assistance into donor policies and programming and poverty reduction and development strategies. In this context the Council reaffirms the importance of supporting an enhanced Integrated Framework and credible assistance to trade adjustments as important elements.
33. CALL ON the Commission and the Member States to improve EU coordination efforts at headquarters and field level, namely by ensuring regular exchange of information and best practices; at field level the enhanced IF or, where applicable, trade needs assessments should include a strong coordination mechanism;
34. INVITE the Commission and Member States to reflect on possible tools of an EU collective contribution to the aid for trade agenda. Moreover, CALL ON the Commission and the Member States to support effective monitoring and evaluation of aid for trade at global, regional and country levels, and provide timely and full reporting on TRA commitments to the Doha Data Base.

Fragile states

35. REAFFIRM their commitment to focusing particular also on fragile states or countries in post conflict situations with a view to considering new approaches to making a more effective contribution to the MDGs in these countries.

B) ON DELIVERING ON AID EFFECTIVENESS

General

36. WELCOME the Commission's efforts in its communications to take stock of work on aid effectiveness and to bring attention to the implementation of the agreed aid effectiveness commitments with a view to reaching concrete results prior to the International Review Summit on Harmonisation planned for early 2008 in Ghana (HLF III). In this respect, the Council reaffirms its conviction of aid effectiveness being an essential and integral part of the fight against poverty in its multidimensional aspects in the context of sustainable development.

37. RECONFIRM their commitment to the UN High Level Summit in September 2005 as well as the commitments to the Paris Declaration and the four additional commitments by the EU¹⁴ made at the Paris High Level Forum in March 2005 and the recommendations in the Council Conclusions of November 2004 on advancing coordination, harmonisation and alignment, that were prepared as the EU contribution to the High Level Forum.
38. STRESS the importance of implementing without delay the recommendations from the UN Summit in September 2005, the commitments and principles as set out in the Paris Declaration (ownership, alignment, harmonisation, management for results, and mutual accountability), the four additional EU commitments and within this context, the recommendations as formulated in the report of the Ad Hoc Working Party on Harmonisation – Advancing Coordination, Harmonisation and Alignment; the contribution of the EU.¹⁵
39. REAFFIRM their commitment to applying the common principles agreed in the Joint Development Policy Statement – The European Consensus on Development.
40. RECALL that the recommendations of the Ad Hoc Working Party on Harmonisation were made in close collaboration between the Commission and Member States reflecting the principles for furthering the aid effectiveness agenda: to focus on a country-based and country-led approach to harmonisation and alignment; to avoid duplication and to work in a complementary way; to focus not on exclusivity but on donor-wide initiatives; to aim for a wide coverage of aid modalities and procedures; to use agreed guidelines on coordination; and to focus on implementation.

¹⁴ From the EU Statement at Paris HLF: "In the meantime the EU commits itself to work towards the following overall targets:

- To provide all capacity building assistance through coordinated programmes with an increasing use of multi-donors arrangements;
- To channel 50% of government-to-government assistance through country systems, including by increasing the percentage of our assistance provided through budget support or Swap arrangements;
- To avoid the establishment of any new PIUs;
- To reduce the number of un-coordinated missions by 50%."

¹⁵ Document 14670/04 Report of the Ad Hoc Working Party on Harmonisation – Advancing Coordination, Harmonisation and Alignment, the contribution of the EU.

41. EMPHASISE the need for a strong and continuous monitoring process with the active participation of both the Commission and the Member States, within existing EU¹⁶ and OECD/DAC mechanisms, as an essential tool to keep track of the pace of reforms and their results.
42. EXPRESS the following views as regards operational deliverables based on the aforementioned points:

Roadmaps

43. WELCOME the Commission's report on the status of local processes on aid effectiveness. CONSIDER that the EU has a real added value in promoting processes at country level and in supporting and encouraging in-country initiatives.
44. WELCOME that it in a number of cases EU roadmaps have been developed including non-EU actors as part of a wider process; and emphasise that such a comprehensive process should as far as possible include other donors, especially where this is requested by partner countries.
45. NOTE that progress in establishing roadmaps has been steady but slow. HIGHLIGHT the diversity and specificity of each local process. In going forward it is essential to support roadmaps processes where they have locally been deemed feasible and appropriate as a mean to ensure the attainment of the commitments made.

¹⁶ Para 33 of May 2005 Council Conclusions: "The Council invites the Commission to monitor and regularly report on the implementation of these EU commitments on MDGs, including annual reports on the follow up of the EU commitments on financing and on the effectiveness of aid, and a biennial report on Policy Coherence for Development."

Joint Programming Framework

46. UNDERLINE that the partner country has primary responsibility for its own development and shall play a leading role. The Joint multi annual programming will be aligned with country led strategies, policy analysis and budget cycle. The EU will support partner countries to be the leading force in the preparation, coordination and monitoring of CSPs and of joint multi-annual programming of all donor support to the country. Preparation and coordination should be based on, and aligned with, the partner country's Poverty Reduction Strategy or similar strategy and budget cycle. Member States should, within their respective competences, ensure flexibility in their own procedures to meet the alignment principle.
47. WELCOME the Commission's proposal and AGREE to develop a two step approach towards joint multi-annual programming, consisting in a joint analysis of the country situation and, gradually, a joint response strategy, duly taking into account the competences of the Community and of Member States.
48. UNDERLINE that this process should be flexible, gradual and open, building upon existing analyses, processes and arrangements and, to the maximum extent possible include donor-wide participation. Whenever the development of common strategies is already under way, such as Joint Assistance Strategies or similar processes, joint programming should complement, strengthen, and whenever possible be part of these existing processes, in order to avoid unnecessary parallel processes.
49. RECOGNISE the need for the Commission and Member States to increase their participation in joint multi-annual programming based on partner countries' development strategies and preferably led by the partner country, as a key element to promote more effective aid. This should progressively apply to all European official development assistance as soon as Member States' situations permit. Joint multi-annual programming will pave the way for coordination of policies, harmonisation of procedures and opportunities and decisions relating to complementarity.

50. NOTE WITH SATISFACTION that the joint analysis will immediately be initiated in the ACP countries for the programming of the 10th EDF between the Commission and interested Member State and other interested donors. It will include an analysis of the political, economic, social and environmental situation of the country as well as a description and analysis of poverty, the partner country's priorities, lessons from cooperation in the past, complementarity between different donors' activities and the setting out of the harmonisation agenda. This approach will be gradual and be applied to countries of other regions as soon as possible.
51. INVITE the Commission and interested Member States to initiate a joint response strategy to the joint analysis, in countries selected on the basis of the following criteria a) the existence of a PRS or equivalent, b) the existence of a sufficient number of active EU donors, revising their programming, c) the existence of local coordination processes, d) specific considerations for fragile states, and e) a positive field assessment. Joint multi-annual programming must be guided by the principles of effective programming and the essential components of Country Strategies, as reflected in the annexed Common Framework for Country Strategy Papers (CFCSPs).
52. INVITE the Commission and the Member States to initiate these first steps towards joint programming, gradually and voluntarily, on the basis of the annexed Common Format for CSPs as a pragmatic tool.
53. ASK the Commission and Member States to review the CFCSPs in the light of experience in its use, by 2009.

Joint Financing Arrangements

54. RECALL the need to develop a flexible format for joint financing arrangements and invites the Commission to make a proposal along these lines before the end of 2006.

Complementarity

55. RECALL that partner country-led joint multi-annual programming will pave the way for improved coordination, harmonisation of procedures and opportunities and decisions relating to complementarity. NOTE in this context with interest the ongoing work of many Member States on developing and applying complementarity principles.
56. REAFFIRM their intention to further progress on donor complementarity, as it is a key objective of the Paris Declaration.
57. COMMIT themselves to discuss concrete steps towards the development of operational principles on how to better organize the division of labour both at country and cross country level before the end of 2006, while duly taking the competences of the Community and Member States into account. INVITE the Commission and the Member States to jointly reflecting on existing good practices, such as the guidelines developed and used by some Member States and to address principles such as comparative advantages based on presence, resources, experiences and roles developed in the field as well as modalities such as lead donors or delegated co-operation. Pending the adoption of such a set of principles, INVITE the Commission and Member States to take into account, as soon as possible, the division of labour in their programming and for the Commission and participating Member States in implementing the CFCSPs.

Co-financing/rules

58. WELCOME work on co-financing and joint financing arrangements as concrete steps to more joint actions, and UNDERLINE the need to properly reflect ongoing work on co-financing in the Financial Regulations and instruments that are currently being revised.
59. RECOGNISE the urgent need to revise some of the existing EC rules, in order to put them in line with the requirements of the Paris Declaration - in particular regarding joint EU co-financing activities, as well as co-financing with other donors.

60. SUPPORT the Commission's intention to adapt its own rules favouring co-financing and to develop a methodological framework, in close co-operation with the Member States, by June 2006, to allow enhanced financial co-operation addressing all Member States adequately, and in particular the growing donor capacity of the new Member States. In this regard, HIGHLIGHT the specific opportunity raised by the forthcoming "scaling up of aid".

Decentralisation

61. WELCOME the recent achievements made by the Commission in its decentralisation process. INVITE the Commission and the Member States to further decentralise authority to the field.
62. UNDERLINE that decentralised aid management is an important assumption for any donor playing a lead role in aid coordination at field level.

Donor Atlas

63. WELCOME the Donor Atlas II of 2006, developed in close collaboration with the OECD/DAC secretariat, as a useful means of providing statistical material for the purpose of information sharing within and outside the EU facilitating discussion on-enhanced planning and coordination. The Donor Atlas should continue to be developed in close collaboration with the OECD/DAC secretariat.
64. CONFIRM the trends of creating orphans or forgotten countries and sectors as well as fragmentation of activities in darling countries/sectors. CALL UPON the Commission and Member States to address this issue with other donors within a coordinated approach.

C) EUROPEAN DEVELOPMENT DAYS AND DEVELOPMENT RESEARCH CENTRES

European Development Days

65. WELCOME the organisation of the first “European Development Days” in 2006 - as an opportunity to reflect on their collective input and strengthen the European vision highlighted by the “European Consensus for development”, while keeping a visible profile and transparency towards their constituencies and public opinion.

Network of Development Research Centres

66. WELCOME the Commission’s proposal to promote a European network of research centres on development issues and looks forward to further elaboration of this initiative.

ANNEX TO THE CONCLUSIONS

Format for a common framework for drafting country strategy papers (CSPs) and principles towards joint multi-annual programming

INTRODUCTION: PRINCIPLES TOWARDS JOINT MULTIANNUAL PROGRAMMING

- The CSP should be compatible with the objectives of the European consensus. The primary overarching objective of the EU development cooperation is the eradication of poverty in the context of sustainable development, including pursuit of the MDGs, as well as the promotion of democracy, good governance and respect for human rights. At the community level, these objectives will be pursued in all developing countries and applied to the development assistance component of all Community cooperation strategies for cooperation with third countries.
- The revised common framework for CSPs should be used as a guideline ensuring that it becomes a useful tool for both drafting CSPs and for joint multi-annual programming. It should allow for enough flexibility, complement ongoing work, and encourage country-level, donor-wide initiatives to the greatest extent possible in order to avoid unnecessary parallel processes.¹⁷
- Joint multi-annual programming will pave the way for coordination, harmonisation of procedures and opportunities and decisions relating to complementarity. The Commission and Member States shall coordinate closely, notably at field level.
- The EU will support partner countries to be the leading force in the preparation, coordination and monitoring of CSPs and of joint multi-annual programming of all donor support to the country. Preparation and coordination should be based on, and aligned with, the partner country's Poverty Reduction Strategy or similar strategy and budget cycle. Donors should, within their respective competences, ensure flexibility in their own procedures to meet alignment principles.

¹⁷ This format is not necessarily used in all cases.

- Only where a partner country is currently not able to coordinate a joint multi-annual programming process donors should coordinate such an approach aligned with emerging (e.g. fragile states) or existing (e.g. middle income countries) priorities and planning cycles.
- Joint approaches to monitoring and evaluation should be included using to the maximum extent possible the monitoring and evaluation systems, including defined indicators, of the partner countries, working to strengthen them where needed.
- Division of labour between donors can relate to cooperation across sectors, to agreements on preferred aid modalities, to approaches to aid delivery and to multi-annual programming. In any case, division of labour should be based on the principles of comparative advantages and delegated cooperation.
- Differentiation is required in view of the diverse nature of the partners and the challenges facing them. The concept should be taken into account in the definition of development policy and, in particular, in each regional cooperation program.
- Partnership must be extended to include non-state actors and the private sector, which should be involved in discussing policy, drawing up the coordination strategy and implementing programmes. Other players, particularly local authorities and parliaments, should also be consulted.

PART 1: THE ANALYSIS/JOINT ANALYSIS FOR THE COUNTRY STRATEGY

1. CHAPTER 1: FRAMEWORK FOR RELATIONS BETWEEN THE PARTICIPATING DONORS¹⁸ AND THE PARTNER COUNTRY

For participating MS, the EC/EU and in the context of joint multi-annual programming for all participating donors (EU and non-EU).

1.1. General objectives of the donors' external policy

1.2. Strategic objectives for cooperation with the partner country

Strategic objective should be to assist a partner country in implementing its PRS (or equivalent) in pursuit of the MDGs.

At the same time, for MS and the EC/EU, CSPs must reflect the policy guidelines set out in the "European Consensus on Development". They must also reflect the EU's commitments with regard to the effectiveness of aid (Paris Declaration, additional EU commitments).

They will also set out the donors' main objectives in their dealings with the partner country in the regional context.

1.3. Main bilateral agreements

Describe the association and partnership agreements (e.g. the Economic Partnership Agreements – EPAs) binding the donor and the partner country, stating the fields covered and the objectives pursued.

¹⁸ This framework relates both to drafting CSPs for one and for several donors.

2. CHAPTER 2: COUNTRY DIAGNOSIS

2.1. Analysis of the political, economic, social and environmental situation in the partner country

This analysis should include all major domestic policy developments and issues and all significant external factors, including development potentials in the respective areas. To the extent possible, the analysis should be based on existing analyses and eventually improve those, and be comprehensive.

2.1.1 *Political situation*

The CSP should analyse the country's political, institutional and security situation in a broad context, including governance, progress towards democracy, the rule of law and observance of human rights. A link should be made to the poverty analysis. The analysis must be concluded in the full respect of the competences of the Member States and the Council, and should be kept brief. Taking into account that regional context should be specifically addressed under 2.1.4 "the country in the international context", this section should examine the following aspects:

- The main obstacles at national level to progress towards a situation in which human rights are respected, protected and promoted. The analysis will identify the priorities and objectives permitting progress towards respect for fundamental human rights in all circumstances.
- The content and any shortcomings of the partner country's plans/policies concerning social cohesion, employment and gender equality; the gender representativeness of the administration. Special attention should be paid to child labour, illegal migration, trafficking of human beings in general and to trafficking and violence against women and children. The protection afforded for the rights of minorities and indigenous peoples should also be examined.
- Observance of democratic principles, including in particular an assessment of the electoral process and public participation in the democratic process (free elections by universal suffrage, multiparty system, equal access to political activity, participatory decision-making process, the role of the media, civil society and other non-state actors.

- The organisation of government, including where appropriate the effectiveness of decentralisation and the interaction between central, regional and local authorities. The main constraints faced by key institutions in fulfilling their mandates (adequacy mandates/resources), including the capacities of the national statistical system to provide statistics and indicators in the different domains, institutional transparency and accountability for the management of public resources and affairs; the institutional capacity to draw up and implement measures against corruption, money laundering, fraud and tax avoidance; It should also be assessed whether the legislative and institutional framework is conducive to an independent and performing judicial system. The role of parliaments in their dual function of making law and overseeing the executive should be examined, as should the degree to which civil society is involved in the political debate.
- The security system, including the division of powers between the different agencies,¹⁹ and the decision-making procedure and democratic and civilian oversight over the security system.
- Any evidence pointing to a fragile state, e.g. the incapacity to perform the basic functions of government (security, basic social services, human rights); identify support measures, such as government reform.
- The overall security situation. Insecurity and violent conflict are amongst the biggest obstacles to achieving the MDGs. Security and development are important and complementary aspects of EU relations with third countries. Within their respective actions, they contribute to creating a secure environment and breaking the vicious cycle of poverty, war, environmental degradation and failing economic, social and political structures. Potential factors for conflict, the risk of national or regional conflict breaking out, continuing or flaring up again, and key cultural and social factors directly influencing the political process (e.g. ethnic tensions or migratory flows).

¹⁹ The OECD-DAC defines the security system as the body of institutions and other agencies involved in maintaining the security of the state and its citizens. *Security System Reform and Governance, Policy and Practice*, DAC Guidelines and Reference Series (Paris: OECD 2004).

This analysis should serve to identify the type of partnership: efficient, difficult/fragile state, post-conflict. Accordingly, in fragile states, post-conflict countries and specific cases of countries that have yet to achieve “structural stability” or are showing signs of increasing instability, greater attention should be given to analysing measures taken to ensure security and stability, including conflict prevention and management, the range of post-conflict, transition and LRRD²⁰ intervention strategies and the introduction of the rule of law and democracy (including broader participation of civil society and a more equitable distribution of power).

A chronology of recent events and the national and regional agenda will be annexed as basic information.

2.1.2. Economic situation

The CSP should include an analysis of macroeconomic performance, covering both the public and the private sectors, an analysis of structural change and of important sectoral changes. It should also include an analysis of the structure of the country’s trade at bilateral, regional and multilateral levels, including the foreseeable impact of economic partnership agreements.

It should analyse issues of good governance in the financial, tax and legal fields. The aim is to gauge the extent to which the country is implementing international recommendations on transparency and the effective exchange of information to prevent and counter financial and corporate malpractice, including in the tax field.

Economic situation, structure and performance

This part should analyse the partner country’s economic performance in a manner permitting comparison with other countries. It will identify the principal economic sectors contributing to gross domestic product and assess trends in their competitiveness. Particular attention should be given to analysing the respective roles of the private sector.

The analysis should also highlight the potential sources of macro-economic instability in order to make the planning process flexible enough to deal with such instability if and when it occurs.

²⁰ Linking Relief Rehabilitation and Development.

A table with key macroeconomic indicators will be annexed to facilitate and structure the overview of the situation and any forecasts for the years ahead.

Structure and management of public finances

This section will examine the state of public finances and the external debt (where relevant, a Debt Sustainability Assessment prepared by the IFIs can be annexed), analyse the quality of public finances and the structure of budget revenue and expenditure, point out any imbalances and indicate whether measures have been taken to remedy them. Where the national systems (such as PRS and MTEF)²¹ do not provide sufficient monitoring information, jointly agreed indicators should be used (e.g. Paris indicators and commitments, PEFA²² indicators, etc.).

Assessment of the reform process

The assessment should check the overall consistency and the impact of the policy pursued and identifies possible weaknesses and inconsistencies. In this context, the impact of reforms aimed at increasing transparency, effective information exchange and international administrative and judicial cooperation in the field of services, especially financial services, will also be examined, among others, in relation to the fight against money laundering, fraud and tax avoidance and corruption.

Particular attention should be given to reforms in the fields of political, administrative and fiscal decentralisation and issues relating to regional planning, given their potential impact on poverty, especially in rural areas.

Trade policy and external environment, in particular regional cooperation agreements

²¹ PRS – Poverty Reduction Strategies, MTEF – Medium-Term Expenditure Framework.

²² PEFA – Public Expenditure and Financial Accountability.

The country's trade policy should be analysed, especially the country's openness (tariff and non-tariff) and the regulatory framework's consistency with the country's commitments. Consistency with the country's development aims and foreign trade agreements, especially regional integration schemes involving the country, the impact of such schemes on the economy and actual progress towards the creation of a regional market will also be examined.

Particular attention should be paid to the demands of economic transition, regional convergence and trade opening. The assessment of reform should take such undertakings or obligations into account. It should include an analysis of the country's economic performance in the framework of the regional integration process to which it belongs (e.g. macroeconomic convergence criteria) and its influence on the country's economy.

2.1.3. Social situation, including decent work and employment

CSPs should analyse the situation, trends and progress or delays in the social sectors and in terms of food security. They should therefore cover demographic factors (population growth, breakdown by age, relationship between rural and urban population and trends, the existence and nature of migratory flows) and such sectors/fields as education, research, health (including sexual and reproductive health, HIV/AIDS, malaria and tuberculosis), social protection, including social security networks, support programmes for disadvantaged and vulnerable groups, including the disabled, employment opportunities and working conditions and housing, rural development and access to agricultural markets. All these aspects, and in particular employment policy and the fairness of the tax system, are crucial to achieving a satisfactory level of social cohesion.

The employment situation will be studied with particular attention to equal economic opportunities for men and women.

A major part of the analysis will relate to highlighting sources of social instability and involve reviewing the fairness of access to services and their use for disadvantaged and vulnerable groups, such as children, women and indigenous peoples, and determining whether the policies pursued address the concerns of these groups, gender equality or HIV/AIDS issues and the needs of indigenous communities.

2.1.4. *The country in the international context*

Where relevant, this section will refer to any regional or international developments that might affect cooperation between the donor and the country concerned.

These include the country's political relations in the region, and in particular international and/or regional agreements, regional policies and any progress towards regional integration, or the existence of armed conflicts in the region.

References will be made to government's position with regard to the key international conventions, especially those concerning the human rights, environment, gender equality, refugees, labour law, the International Criminal Court, terrorism, organised crime including the trafficking in human beings and the smuggling of migrants by land, air and sea, readmission and corruption. Its position with regard to international commitments on gender equality. Commitments and compliance under international conventions concerning children's rights should also be described (listing all relevant international conventions in a tabular format in the annex).

It is also important to highlight the role actually or potentially played by the country in the regional and multilateral context (beacon, pole of stability), its capacity to play a leading role in the provision of public goods (e.g. peacekeeping, managing water resources in cross-border water basins to protect the environment, etc.) and its capacity to take part in international cooperation in terms of insecurity and violent conflicts.

2.1.5. *Environmental situation*

This chapter will be based on an analysis of the environmental conditions in the country and the recommendations made in the "Country Environmental Profile", a summary of which will be annexed.

This section will give an overview of trends in the availability and use of environmental/natural resources and in pollution in the country and, possibly, the region that directly affect or influence poverty reduction (link with MDG 7) and food security. It will show clearly the main environmental challenges facing the country and the main obstacles to be overcome. Particular attention should be given to problems and needs arising from climate change or factors causing climate change.

The country's institutional situation and its specific capacities in the area of managing the environment and natural resources will be described along with the legislative framework. The CSP will also examine the existence or lack of regulatory reforms in the area. Lastly, the environmental impact, if any, of national sectoral policies will be described.

Achievements in the area of the environment and the management of natural resources will be examined, either as cross-cutting issues in major cooperation programmes (including their environmental impact) or as specific projects or programmes.

Stock will be taken of the country's accession to international agreements in the different domains (climate change, biodiversity, desertification, chemical products, etc.) and the measures actually taken to apply them. The country's specific needs in the matter will also be indicated. The "Country Environmental Profile" will take account of vulnerability to natural disasters (risk profile) accompanied, where appropriate, by a specific analysis identifying needs and measures in relation to prevention and preparedness, etc.

2.2. Poverty Reduction Analyses

In this section the complex reasons behind poverty and the inter-linkages between the various dimensions of poverty should be explored. The following questions may be raised: What is the poverty profile of a country? Where do poor people live (e.g. rural areas, slum areas, areas where people have resettled due to displacement, etc.) and how do they strive to make living? How is poverty manifested: in different parts of the country and among different cultural and socio-economic groups, and taking into account differences in terms of gender, age and disability? This integrated analysis is necessary in order to be able to formulate a donor strategy responding to the particular manifestations of poverty in the country.

The CSPs will examine the country's progress towards eradicating poverty in terms of the PRS (where applicable) and the MDGs. The CSP will analyse the reasons for the trends observed, in particular with regard to gender aspects of poverty and development, and review the main challenges and issues, their magnitude and their breakdown (by age, sex and geography).

To facilitate and structure this overview, a table setting out the key development indicators will be annexed. This table will include at least the 10 key indicators chosen for monitoring the MDGs, which gauge the country's performance and progress in the matter of poverty reduction and human development. Where possible, it will provide data for the reference year 1990, data for the most recent years, estimates for the years ahead and intermediate and final objectives for 2015. These indicators can be supplemented by other indicators monitored in the PRSP.

Comments should be made on the quality of data and the frequency with which it is updated. To ensure comparability in time, data sources should be used as consistently as possible and any change in indicators and/or sources accounted for.

2.3. Development strategy of the partner country

This section should provide a summary of the aims and objectives of the government of the country concerned, as defined (a) in the official documents presenting the range of policies implemented, (b) in any national plan, reform strategy or medium- or long-term development programme (PRSP or equivalent strategy) and (c) in any sectoral development programme. This statement should be supplemented by an indication of how the government proposes to achieve these objectives.

This section should review the country's commitments under the framework of the regional integration process of which it is a member (e.g. creation of a customs union, economic convergence, common market, sectoral policies, including those relating to security matters, partnership with the EU) and multilaterally (e.g. African Union, WTO, etc.).

Particular attention should be given, where relevant, to the policies pursued by the country to develop ties with the diaspora and foster its involvement, to channel remittances, to promote economic emigration or to limit the impact of the brain drain.

2.4. Analysis of the viability of current policies and the medium-term challenges also in relation to sustainable development issues

In the light of the analysis of the country's situation and political agenda, and especially its poverty reduction strategy (PRS), a critical summary will be provided of the viability of the country's current policies and medium-term prospects, showing both strengths and weaknesses. The analysis should also explore whether the PRS (or equivalent) fully addresses the country's needs.

This section will help clearly identify future needs and challenges facing the government and the budgets it will be making available to tackle them.

In the case of low-income countries, e.g. those eligible for IDA, especially the HIPC initiative, the national agenda will be linked to, or treated as, a poverty reduction strategy paper (PRSP). Under the principle of ownership, the CSP will support the partner country's PRSP and its strategy of development or reforms in pursuit of the MDGs and align itself as far as possible on the systems and procedures of the country's other partners. This principle of ownership should be adapted in the event of difficult partnerships or post-crisis situations in particular, and alternative approaches should be sought (shadow alignment, work with civil society, etc). Where this foundation exists, donors will harmonise their cooperation aid as far as possible.

3. CHAPTER 3: OVERVIEW OF COOPERATION AND POLITICAL DIALOGUE, COMPLEMENTARITY AND CONSISTENCY

3.1. Overview of the donors' past and present cooperation (lessons learned)

In the event of joint programming, each donor will draw up a separate chapter providing an overview of its cooperation with the partner country.

The CSP should contain a summary of the results of the donor's past and present cooperation with the partner country and of the lessons learned in order to update knowledge and incorporate best practices. It is important that this statement should cover the most important external aid instruments for the country, including regional cooperation, thematic programmes, global initiatives and humanitarian aid.

The previous CSP's sectors of intervention should be evaluated in the light of the results obtained so far on the basis of progressive qualitative and quantitative performance indicators, with due regard for the requisite flexibility.

Account will be taken of general recommendations specifically made in evaluations of strategies by the partner country, if there are any, evaluations of specific sectors and projects and annual reports.

3.2. Information on the programmes of other donors (complementarity)

This section should provide as accurate and comprehensive a picture as possible of the programmes of the Member States and other donors, indicating how they complement each other. Specify as far as possible the amounts involved and their breakdown by intervention sector and region. Where they exist, the partner country's analytical instruments (PRSP, etc.) will be used.

This section should also discuss what type of instruments and aid modalities the donors are using in their cooperation and whether there is a sectoral or regional focus to their efforts.

A retrospective and prospective financial matrix of all participating donors will be annexed for detailed information.

3.3. Description of the political dialogue between the donor and the partner country

This section will cover the development of the political dialogue between the government and the donor, in particular concerning aspects such as the human rights situation, good governance, the rule of law, the fight against illegal migration and the trafficking in human beings and the fight against corruption, etc.

3.4. Description of the state of the partnership with the partner country and progress towards harmonisation and alignment

The CSP should describe progress towards improving the coordination of policies, the harmonisation of procedures for programming rounds and the alignment on the partner country's budget cycles, systems and procedures. This analysis will be based inter alia on the progress indicators laid down in the Paris Declaration.

More specifically, this section will report on the progress of a participation in any coordination/harmonisation/alignment process in the country, and in particular at European level on the dialogue between the Commission and the Member States and the existing coordination system, briefly describe the guidelines in the "road map", where roadmaps have proven to be feasible and appropriate on the EU's harmonisation and alignment in the partner country, describe the application of the common framework at European level and explain the stage/type of joint programming chosen for the country. It will state the future guidelines and implementation plan for joint programming. Where relevant, describe the harmonisation process.

This section will provide information on the donors' initiatives to align on the partner country's multi-annual programming rounds (poverty reduction strategies and budget processes).

It will describe the role, attitude and position of the partner country in the harmonisation and alignment process and its capacity/willingness to play a leading role.

3.5. Analysis of policy coherence for development

It is widely recognised that development policy alone will not enable the developing countries to progress.

Policies other than aid policy are at least as important in so far as they contribute or affect developing countries in their efforts to achieve the Millennium Development Goals. This holds for both the EU's and other donors' policies.

Analysis from an EU perspective²³

The EU shall take account of the objectives of development cooperation in all policies that it implements which are likely to affect developing countries, analyse them and promote possible synergies between EU policies and development policy in the response strategy.

This section should, where relevant, summarise the main concerns of the country and the EU donors as regards policy coherence for development, notably in the following areas: trade, environment, climate change, security, agriculture, fisheries, social dimension of globalisation, employment and decent work, migration, research and innovation, information society, transport and energy with a view to ensuring policy coherence for development.

Analysis from a wider donors' perspective

The response strategy should also analyse how non-EU donors' non-aid policies, notably in the aforementioned areas, are likely to affect the partner country.

PART 2: THE DONORS' RESPONSE STRATEGY

CHAPTER 1: THE DONOR'S RESPONSE STRATEGY- STRATEGIC CHOICES

The donors' response strategy should be based on the analyses made keeping in mind the overarching objective of poverty eradication in the context of sustainable development in its multi-dimensional aspects. This section should set out the strategic choices for cooperation in the partner country on the basis of its needs, strategies, priorities and resources and according to the evaluation of:

- the partner country's development strategy and the viability of interventions in the light of the country's political and institutional, economic, trade, social and environmental situation;
- the objectives of the donor's development policy, other aspects of external action and other policies;

²³ Treaty, Art. 178 and DPS, item 35.

- the country’s needs and progress towards the MDGs and its commitment to achieving them, referring where possible to indicators and statistics delivered by the national statistical system;
- the relative magnitude of the financial and administrative resources to be made available and their potential impact (for example, in terms of improved country economic performance and poverty reduction);
- the comparative advantages of participating donors in relation to complementarity/the division of labour between the donors.
- where relevant, the results of the analysis of the coherence between the donors’ other policies and the development objectives;
- any risks associated with the strategy that could jeopardise its success (political, economic, security, environmental impact).

The programming process should be guided by the principle of concentration, i.e. on a limited number of sectors or areas.

Development assistance can be provided through different modalities that can be complementary (project aid, sector programme support, sector and general budget support, humanitarian aid and assistance in crisis prevention, support to and via the civil society, approximation of norms, standards and legislation, etc.) according to what will work best in each country. Where circumstances permit, the use of general or sectoral budget support should increase as a means to strengthen ownership, support partner’s national accountability and procedures, to finance national poverty reduction strategies (PRS) (including operating cost of health and education budgets) and to promote sound and transparent management of public finances.

For each selected focal area, the CSP should define overall and specific objectives.

If there is a joint response strategy, this section should contain a division of labour between development partners. An annex “prospective financial matrix of participating donors” should be added. If not, it should provide a specific justification of the value added by the EC as compared to other donors.

Cross-cutting issues will be mainstreamed in each priority area: i) democracy, good governance, human rights, the rights of the child and the rights of indigenous peoples; ii) gender equality; iii) environmental sustainability; iv) HIV/AIDS. These issues should be systematically incorporated into CSPs.

The partner country's commitments, drawn up in cooperation with the government, will be listed and the risks of the response strategy analysed.

In order to determine whether the priority sectors have a potential environmental impact, a reference will be made to a clear commitment to carry out a strategic environmental assessment.

CHAPTER 2: THE IMPLEMENTATION – THE WORK PROGRAMME

The implementation of the donors' response strategy will be executed through work programs or equivalent strategies. Thus, all the aspects examined in the response strategy feed into such work programmes. The work programmes are essentially management tools. Different donors may have different management tools.

For Community aid it takes the form of a NIP²⁴ which is essentially a management tool covering a period of several years to identify and define, in a transparent manner, the selected areas/sectors of cooperation for financing and appropriate measures and actions for attaining the objectives set down. More specifically, it should set out the overall and specific objectives, the target groups, the expected results, the programmes to be implemented to achieve the objectives, the type of assistance to be provided and a calendar. The commitments agreed with the partner country will be reiterated.

Where appropriate, the work programme should also give an approximate idea of the resources allocated, the financing method (project aid, sector programme support, sector and general budget support) and the financial legal basis.

Performance indicators should be fixed for each sector in partnership with the partner country and the other partners. This should be done using the monitoring system laid down in the PRSP, which should be incorporated into the national budget cycle. These indicators should be confined to a few essential indicators of different types (inputs, direct achievements, results and impact). There should be a particular emphasis on results-based indicators, which have the advantage of increasing the partner country's ownership of the policies to be applied to achieve the objectives. The indicators should also be clearly defined and measurable. In this connection, the donors need to agree to use common indicators to assess performance in each sector against the objectives.

²⁴ National Indicative Programme.

ANNEXES

1. Summary table for the country

This table provides basic information on the country concerned. The tables showing the macroeconomic indicators and the 10 key poverty indicators will be included in it.

2. Summary of the country environmental profile or similar environmental analysis

This analysis of the environmental conditions in a country or sector includes the following information: a description of the natural and human environment, including the profile of vulnerability and exposure to the risk of natural disaster, the legislative and institutional framework, information on the links between the social, economic and environmental situations, key data on areas where environmental action is needed and recommendations for the future, an analysis of the cooperation from an environmental point of view as to its integration in programs and projects in other areas and/or as to its integration as focal sector. It includes also environmental sustainability in relation to poverty and poverty reduction strategies.

3. Retrospective matrix of donors and prospective financial matrix of participating donors

These annexes summarise the known interventions of all donors, including the EU and multilateral donors. They will transparently reflect at least the results of the local coordination/harmonisation referred to above. It will highlight, where relevant, the division of labour and/or complementarity. The matrix will be both retrospective and prospective.

This matrix will also be a useful contribution to the CDF²⁵/PRSP exercise if that is being developed in the partner country.

4. Country migration profile

A migration profile should be drawn up for every country in which migration (South/North or South/South) and/or asylum issues could influence development prospects.

²⁵ Comprehensive Development Framework.

It contains any information relevant to the design and management of a combined migration and development policy. It includes information on migratory flows (refugees and economic migrants), taking in gender issues and the situation of children. It also provides information on the country's skills needs, skills available in the diaspora and remittances to the country. The profile will analyse existing and possible routes taken by illegal migrants and the activities of people-trafficking networks.

5. Description of the CSP drafting process, stressing the involvement of non-state actors and local authorities

This involves, in particular, explaining how non-state actors and local authorities were involved in the programming discussions and, more generally, assessing the progress made and to be made towards consolidating the involvement of these actors in the development process (discussion of the country's development priorities in the framework of the PRSP, the participatory nature of the budgetary processes, the capacities, potential and constraints of different types of actors, etc.).

6. Harmonisation and alignment plan (where there is one)

This annex summarises local processes on harmonisation and alignment roadmaps or similar processes that support the national action plan designed to implement the Paris Declaration and/or a similar aid effectiveness agenda. Where relevant, it may include agreed country specific objectives in relation to harmonisation and alignment.

7. Table including partner country positions in relation to key international conventions

8. Debt Sustainability Analysis (if available from the IFIs; where appropriate)

