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Subject : Keeping Europe's promises on Financing for Development
- Conclusions of the Council and the Representatives of the Governments of the Member States meeting within the Council

At its meeting on 14 May 2007, the General Affairs and External Relations Council and the Representatives of the Governments of Member States meeting within the Council, adopted the Conclusions set out in the Annex to this note.
CONCLUSIONS OF THE COUNCIL
AND OF THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER
STATES MEETING WITHIN THE COUNCIL

KEEPING EUROPE'S PROMISES ON FINANCING FOR DEVELOPMENT

Scaling up of EU ODA and improving the effectiveness of EU aid

1. The Council took positive note the Commission Report on the progress made by Member States in implementing the commitments the EU made in the context of the Monterrey Consensus. The Council notes with satisfaction that despite the decline of overall aid flows from OECD countries, the EU collectively exceeded, before time, its first landmark target by increasing Official Development Assistance (ODA) to 0.42% of their combined Gross National Income (GNI) and by disbursing, in 2006, a record high of €48 billion.

   Member States committed in 2002 in order to collectively provide, by 2006, at least 0.39% of the EU GNI as ODA, to increase their ODA. Those with ODA of 0.7% ODA/GNI committed to maintain the high levels; all other Member States committed to achieve at least 0.33% ODA/GNI.

2. Noting that the EU will contribute most of the planned scaling up of ODA worldwide, providing collectively at least fifty percent of this increase to Africa, the Council reconfirms the EU's continued commitment to operationalising 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. Keeping the focus on Least Developed Countries (LDC) appropriate attention should be given to Middle Income Countries particular lower Middle Income Countries, many of which face similar problems to LDCs.
3. The Council notes with satisfaction that in 2005 Africa received almost half of the EU aid as a continent being farthest behind in reaching the Millennium Development Goals (MDG). Overall one third of EU ODA was used for social and administrative infrastructure to fight poverty and 10% for humanitarian assistance.

4. The Council reaffirms its determination to reach the next EU targets, agreed on 24 May 2005 concerning the commitment to increasing ODA volume to individually achieve 0.51% ODA/GNI for those Member States which joined before 2002, to strive to achieve 0.17% for those Member States which joined after 2002 within their respective budget allocation processes, and collectively achieve 0.56% ODA/GNI by 2010. This represents an intermediate step towards achieving the UN target of 0.7% by 2015. Meeting these targets is crucial for the credibility of EU.

5. The Council commends Member States that are sustaining high ODA levels close to or above 0.7% ODA/GNI as well as Member States with considerable increases in their ODA.

6. The Council encourages those Member States that have not reached the target for 2006 or are not on track to achieve the respective individual baseline set for 2010 to make all efforts to reach those targets.

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1 Taken from the Council Conclusions of May 2005 (doc. 9266/05 including Annexes 1 and 2). Paragraph 4 read: Increased ODA is urgently needed to achieve the MDGs. In the context of reaching the existing commitment to attain the internationally agreed ODA target of 0.7% ODA/GNI, the EU notes with satisfaction that its Member States are on track to achieve the 0.39% target in 2006 for ODA volumes contained in the Barcelona commitments. At present, four out of the five countries, which exceed the UN target for ODA of 0.7%, of GNI are member states of the European Union. Five others have committed to a timetable to reach this target. While reaffirming its determination to reach these targets, 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%.
7. Underlining that this issue falls within the competence of Member States, the Council welcomes the Commission's proposal on national timetables and encourages Member States concerned to work on such national timetables, by the end of 2007, to increase aid levels within their respective budget allocation processes, towards achieving the established ODA targets.

Taking into account that the final decision on ODA eligibility is taken by OECD/DAC, the Council invites the Commission to provide forward looking data on estimates for Community expenditures on ODA.

8. The Council invites the Commission to support the communication efforts of Member States, especially those which joined after 2002, aimed at securing sustained public support for higher aid volumes taking into account Member States’ best practices.

9. The Council notes that measures such as debt relief and post-tsunami aid contributed to the rise in EU-ODA, created fiscal space for development in the countries concerned and contributed to their economic stabilisation. In light of the fact that these measures are one-off, for the EU-ODA targets to be reached, additional efforts will be required in the framework of the EU Monterrey commitments\(^2\).

10. The Council calls on Member States to adhere to their ODA reporting obligations and calls on the OECD/DAC to implement its outreach strategy for emerging EU donors that are not yet OECD or OECD/DAC members accordingly. As part of its overall capacity building support to Member States that joined the EU after 2002 the Commission can assist in this domain.

\(^2\) See footnote 1.
11. The Council acknowledges Member States' and Commission's commitments to prepare for efficient and effective use of rising aid volumes in accordance with the Paris Declaration on Aid Effectiveness; by the timely and practical application of the forthcoming EU Code of Conduct on Division of Labour in Development Policy; by aligning aid with national development plans of partner countries and supporting them through capacity building.

12. The Council recalls the EU commitment to more predictable and less volatile aid mechanisms which are crucial for effective planning to progress on the MDGs and acknowledges that speedier progress is required for its implementation. Where circumstances permit, the use of general or sectoral budget support as one instrument among others should increase as a means to strengthen the ownership, support partners’ national accountability and procedures to finance national poverty reduction strategies and to promote sound and transparent management of public finances.

13. The Council stresses the importance of developing countries creating an environment that provides for sustainable economic growth and allows for an effective use of the external support provided.

14. The Council encourages all donors to adhere to a high standard of transparency of their aid and to follow internationally shared principles, such as the Paris Declaration. It welcomes the ongoing process of the Paris Declaration survey and encourages Member States and the Commission to assess their progress to implement the principles and commitments, and to meet the targets of the Paris Declaration and the additional EU commitments.
Innovative Financing Instruments

15. As one means among others, with the view to finding predictable and sustainable sources of financing, the Council welcomes some Member States’ initiatives to implement innovative sources of financing of which the International Finance Facility for Immunisation (IFFIm), the air ticket solidarity levy which finances UNITAID and Advance Market Commitment (AMC) may serve as examples and invites Member States to continue analysing the effectiveness of such innovative sources.

Remittances

16. The Council underlines 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

17. The Council recognizes that ensuring debt sustainability of low-income countries remains a long-term challenge and underlines that the debt sustainability framework of the World Bank and International Monetary Fund provides an important tool in this regard. The IMF should be the lead agency in securing its application. The Council asks all the Multilateral Development Banks, bilateral donors, export credit Agencies and commercial creditors to adhere to this framework.

18. The Council welcomes the current debate on responsible lending and borrowing in the relevant international fora, underlines the necessity to promote dialogue with new lenders on this issue and encourages initiatives to improve developing countries' debt management.
19. The Council welcomes the participation of the EU Member States and the Community in the
debt relief operations, including the HIPC and, if relevant, Multilateral Debt Relief Initiative
(MDRI), and encourages continued participation while adhering to the principle of
additionality as stipulated in the Monterrey Consensus.\[^3\]

**Exogenous Shocks**

20. The Council urges Member States and the Commission to strike a new balance between ex-
post natural disaster responses and ex-ante risk reduction strategies, with a stronger emphasis
on the latter, within a coordinated approach to disaster prevention and preparedness and on
which developing countries and donors need to intensify efforts to reduce vulnerability
against exogenous shocks in line with the Hyogo Framework for Action. In that regard it
welcomes the implementation of an exogenous shock facility within the IMF framework.

**Untying of aid**

21. The Council calls on the Member States to support a further extension of the OECD/DAC
Recommendations that focus on the access for developing countries and promote local
preferences.

22. The Council calls upon the donors that have not yet untied their aid to make efforts in this
direction and reiterates that the EU has agreed on further advancing, within the relevant
international fora, untying of food aid and food aid transport.

23. The Council recalls the EU Directive on Government Procurement and underlines the
importance of its implementation in this context.

\[^3\] Monterrey Consensus, Paragraph 51: "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".
International Finance Institutions

24. The Council welcomes enhanced co-ordination and continuously improved quality of co-operation within the appropriate and informal mechanisms between representatives of the EU and their constituencies in International Finance Institutions, in particular the World Bank.

25. The Council encourages Member States, through their representatives in the World Bank and regional development banks, to continue their efforts for improved informal co-ordination, where necessary, and with participation of the Commission, inter alia, through improved exchange of information and joint statements, where appropriate. This could include country strategies of these institutions, in particular in cases where improved harmonisation at country level is already in place in accordance with the Paris Declaration or where the EU has taken considerable financial engagements.

26. The Council welcomes the ongoing processes to reform the governance structures in the International Monetary Fund and the World Bank.

Global Public Goods

27. The Council calls on the Member States and the Commission to strengthen their action on global public goods (GPG) through enhanced collaboration and alliance-building with developing countries.

Follow-up

28. The Council invites the Commission to prepare next year's Monterrey report timely with special regard to the EU’s participation in the 2008 3rd High-Level Forum on Aid Effectiveness in Accra and the Financing for Development conference in Doha.
REFERENCES

1. UN Millennium Review Summit of September 2005 ¹.


¹ UN doc. A/60/L1.
² UN doc. A/RES/55/2.
³ UN doc. A/CONF.198/11
⁴ Doc. 7176/02.
⁵ Doc. 9266/05, including Annex I and Annex II.
⁷ Doc. 15142/04, doc. 14821/05.
⁸ Doc. 15791/05.
⁹ Doc. 8388/06.
¹¹ Doc. 8451/07 DEVGEN 59 RELEX 244 FIN 179 + ADD 1.