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**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL, THE
EUROPEAN PARLIAMENT AND THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE**

Speeding up progress towards the Millennium Development Goals

The European Union's contribution

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ANNEXES

1. THE EU MUST DO MORE

This year will be a crucial one if we are to achieve the Millennium Development Goals (MDGs): 2005 will be development year. The summit in September will bring together the Heads of State and Government at the UN Assembly to carry out inter alia a major review of the Declaration's implementation and a review of progress in achieving the MDGs.

The EU made specific commitments with a view to achieving these goals by 2015; at a time when the whole international community is gearing up to carry out the first review of the situation, the EU is keenly aware of the importance and urgency of the task ahead. At its meeting on 22 and 23 March 2005, the European Council called "on the Commission and the Council to step up their work, particularly on the various development components, so as to finalise our positions on the various topics and enable the European Union to play an active part in the discussions ahead".

Since 2000 the EU has advocated a process to bring about a review of progress, the adoption of guidelines on common security issues, agreements to improve the implementation of commitments made pursuant to the Millennium Declaration and the MDGs, and decisions on the organisational reforms needed to achieve the objectives¹.

This communication takes stock of the EU's contribution to development and identifies the measures that need to be taken to speed up achievement of the MDGs. The EU's consolidated report on the MDGs², which was drawn up by the Commission at the request of the Member States³, shows that the input of the Community and its Member States to the international community's efforts is substantial. The EU must now do even more.

At the 2000 Millennium Summit the international community adopted an ambitious strategy for tackling the main challenges facing us over the coming decades. The Heads of State and Government adopted the Millennium Declaration and thereby made commitments concerning poverty reduction, protecting our common environment, peace and security, good governance, democratisation and human rights, protection of the most vulnerable sections of the population, the special needs of Africa and strengthening the United Nations. According to the Secretary-General, this declaration sets out a model for achieving a more peaceful, prosperous and just world through common security and the global partnership for development.

Related to the Millennium Declaration there are eight Millennium Development Goals with specific targets: (1) eradicate extreme poverty and hunger; (2) achieve universal primary education; (3) promote gender equality; (4) reduce child mortality; (5) improve maternal

¹ Declaration of the EU representative at the UN General Assembly in November 2004.

² Internal working paper: EU consolidated report on the MDGs, April 2005.

In 2004 the EU Member States and the Commission published reports on their contribution to the MDGs. These reports formed the basis of the EU consolidated report for 2000-2004. We should make it clear, however, that this report is not intended to give the credit for progress on one or other MDG to the efforts of the individual Member States, the Community as such or the EU. This would be to overlook the interdependency between the different goals and would be contrary to the principles of ownership, coordination and complementarity that underpin – though not as extensively as they should of course – the implementation of development cooperation.

³ Council (General Affairs and External Relations) conclusions of April 2004.

health; (6) combat HIV/AIDS, malaria and other diseases; (7) ensure environmental sustainability; (8) develop a global partnership for development.

Since September 2000:

(1) The Community and most Member States have adapted or shifted their development aid policies to focus on achieving the MDGs and/or the Millennium Declaration's somewhat broader objectives.

(2) The EU has placed development at the heart of its trade policy at multilateral level, regional level and at the level of individual instruments, giving particular attention to the least developed countries and other vulnerable small economies including free access to the Community market for their exports in the framework of the 'Everything But Arms' initiative, and by increasing trade-related assistance. Trade has also been recognised as a key factor for inclusion in aid and development strategies.

(3) The EU as a whole and the individual Member States have set themselves intermediate targets for increasing their development aid by 2006. These targets will most likely be met.

(4) The EU has taken a series of measures to increase the impact and quality of aid, notably through improved coordination and harmonisation.

The need to speed up progress in achieving the MDGs is widely recognised. Some objectives will probably be achieved globally (primary education and education of girls). This, however, is not enough. In some cases there has even been a step backward as a result of problems such as the effects of communicable diseases, environmental damage and security threats. We must do more, and better. We cannot achieve these goals simply by going on with the same policies as before. This is especially true in sub-Saharan Africa where many countries are lagging well behind by many indicators (hunger, infant mortality, maternal mortality, communicable diseases, sustainable environment, etc.). Quite apart from the dictates of human solidarity, achievement of these goals is crucial for the security and prosperity of Europe and the world.

Nevertheless, it is worth reiterating that development and achievement of the MDGs is first and foremost the responsibility of the developing countries themselves. It is the developing countries that make, or do not make, progress towards the MDGs, not the donors.

The EU has taken on a leadership role in the fight against world poverty in becoming the largest aid donor (55% of global ODA). The EU's support for the MDG agenda is crucial and should encourage other developed countries to play a greater role. Development must be one of the pillars of the UN Summit.

Money is not the only thing needed to achieve the MDGs. The other basic factors include the type of governance adopted domestically and internationally; complying with international commitments, especially on human rights, gender equality; appropriate trade and investment rules; halting the spread of communicable diseases⁴; knowledge transfers; security; and other universal public goods.

⁴ Specific action to confront HIV/AIDS, Malaria and Tuberculosis in the developing countries, so as to reach the respective Millennium Development Goal, will be further defined in a separate specific Communication.

For the EU's contribution to the Event in September, and with a view to speeding up progress towards the MDGs, the Council asked the Commission to draw up ambitious proposals, focusing on three areas: financing for development, policy coherence for development and the focus on Africa⁵.

The Commission's proposals basically aim to:

- (1) set new intermediate targets for growth in official aid budgets by 2010 for both the EU as a whole and the individual Member States with a view to achieving the overall target of 0.7% of the gross national income (GNI) by 2015;
- (2) speed up reforms that will improve the quality of aid;
- (3) rethink the way that the EU, through its own model of sustainable development and its internal and external policies, influences the conditions for development;
- (4) ensure that Africa is the number one beneficiary of these new approaches and seize new opportunities for partnership between the two continents.

The proposals on development financing and policy coherence are set out in detail in two other communications⁶. Together these proposals are crucial in order to contribute to the three pillars of sustainable development (economic, social and environmental).

2. RESOURCES COMMENSURATE WITH THE TASK

2.1. More resources are needed

All recent reports, in particular the UN Millennium Project Report⁷ and the report of the UN Secretary-General⁸, show that it is vital to scale up resources in order to achieve the MDGs and highlight the many links between poverty, environmental damage and security. The EU played a key role at the Monterrey conference. It must again blaze the way by setting intermediate targets that will bring development aid up to 0.7% of GNI by 2015.

The Millennium Project Report estimates the total annual official development assistance (ODA) required to meet the MDGs in all countries at about USD 135 billion in 2006, rising to USD 195 billion by 2015. These figures correspond to 0.44 and 0.54% of the donor countries' GNI respectively. Taking account of additional ODA needs not directly related to the MDGs, the report recommends that donors commit themselves to reaching the target of 0.7% of GNI by 2015 at the latest.

Currently, four EU members have reached or exceeded the 0.7% target⁹ and six others¹⁰ have pledged to reach it before 2015. On current trends the EU may collectively reach 0.42% by 2006.

⁵ Council (General Affairs and External Relations) conclusions of November 2004.

⁶ Commission communications on "financing for development and aid effectiveness" - COM(2005) 133 - and "Policy coherence for development" - COM(2005) 134.

⁷ UN Millennium Project Report "Investing in Development: A Practical Plan to Achieve the Millennium Development Goals", January 2005.

⁸ Report entitled "In larger freedom: towards development, security and human rights for all".

⁹ Denmark, Luxembourg, the Netherlands and Sweden.

The European Council of December 2004 confirmed the EU's commitment to the MDGs and mandated the Commission to present to the Council "*concrete proposals on setting new and adequate ODA targets for the period 2009-2010 ...*".

The Commission suggests establishing two intertwined targets to be reached by 2010:

- (1) an individual threshold for Member States, differentiating between those which were already members of the EU in 2002 (Barcelona commitments-EU15) and those which joined later (EU10);
- (2) a collective average for all Member States.

These targets have to be sufficiently ambitious in order to credibly ensure that it is possible to **reach 0.7% by 2015**. In line with the Council request to set a "*new and adequate target*" this means **going halfway by 2010** bridging the gap. Based on the approach applied for the Barcelona commitments in 2002 the Commission proposes that:

- (1) Member States which took on the Barcelona commitments (**EU15**) and are still below the baseline increase ODA to the new **individual baseline of (0.51)%** of ODA/GNI.
- (2) Member States which joined after 2002 (**EU10**) reach an **individual baseline of (0.17)%** ODA/GNI in 2010, thereby reaching the midpoint towards the "Barcelona acquis" of 0.33% in 2015.

The figure of 0.51% in 2010 represents the midpoint between the individual Member State baseline of 0.33% in 2006 and 0.7% in 2015. The proposal will ensure fair burden sharing between the MS and result in a **collective average of (0.56)%** (EU25), triggering an estimated additional €20 billion by 2010.

Table: Proposal for new EU ODA targets 2006-2010

	2006 ODA €ml	%GNI	2010 ODA €ml	%GNI	GAP 2010-2015 ODA €ml	%GNI
"Old Member States" - individual target of 0.51% EU-15	45 788	0.43%	65 988	0.58%	16 525	0.12%
"New Member States" - individual target of 0.17% EU-10	474	0.09%	990	0.17%	816	0.16%
Collective target of 0.56% EU-25	46 262	0.42%	66 978	0.56	17 340	0.14

We need to find new sources of financing that are additional to the higher ODA allocations in national budgets for development expenditure. But discussions on such sources should in no circumstances serve as a pretext for postponing or scaling down the EU's commitments for the 2010 target. Such new sources, as well as being additional to aid budgets, should be permanent and predictable in the long term.

¹⁰ Belgium, Finland, France, Ireland, Spain and the UK.

The Commission is currently studying a number of proposals, including the International Finance Facility (IFF)¹¹ and tax instruments that could be applied in the Community. The IFF would pose a number of technical problems such as how to record loans in national accounts and the financial impact on post-2015 aid budgets. Various taxes are being considered.

If all the political and technical issues can be dealt with (on the basis of detailed assessment criteria), the Commission is ready to work to find an EU position in favour of a double strategy: increased ODA by 2010 plus innovative financing proposals.

New debt relief initiatives, notably multilateral initiatives, are also under discussion. Debt relief is a good instrument for implementing aid because it supplies long-term, predictable quasi-budgetary aid for a low transaction cost. But it does carry risks in terms of its “moral hazard” and the effect on resource allocation: the most indebted countries are not necessarily the poorest or the most deserving. Relief measures must therefore be appraised on a case-by-case basis.

The Council is thus asked to respond to this group of proposals and to:

- (1) support the devising and implementation of alternative, tailor-made options for post-conflict countries with external arrears that have been excluded from the HIPC initiative (this is apart from implementation of the next phase of the HIPC initiative);
- (2) explore the possibility of using a temporary relief facility, among other instruments, for debt servicing that would mitigate external shocks.

2.2. Better quality aid

As well as increasing the amount of international aid, we must also do more to improve the quality of aid and its impact on the MDGs. To do this, what is essential is international donor harmonisation and alignment on the partners’ own strategies. This calls for flexibility and determination on the part of donors, which will have to adjust their programming, review and operating processes in the interests of efficiency gains and lower transaction costs.

Progress in coordination and harmonisation remains well below what is possible. This lack of harmonisation imposes administrative burdens and needless costs on the partner countries. Strangely, although the EU has managed to adopt common strategies on some tricky or sensitive areas (the European Security Strategy, to name just one), it has not been able to do so in a policy area where it is one of the biggest players (supplying 55% of ODA) and where there is a comprehensive framework of multilateral commitments. The Council has adopted a number of recommendations that must now be translated into practice, notably by a process of open coordination. One important aspect will be to improve two-way co-ordination between Commission delegations and the diplomatic representations of Member States.

At the recent High-Level Forum on harmonisation the EU reiterated its determination to make rapid and substantial progress in a concrete, pragmatic approach by developing specific binding targets. The EU also undertook to initiate a strategic debate aimed at developing true operational complementarity between donors.

¹¹ UK proposal for front-loading ODA.

The EU's Water Initiative is a good example of coordination, where the leverage of initiatives taken at EU level is evident.

2.2.1. More predictable aid

Present aid implementation procedures do not give countries the flexibility and predictability they need in order to commit themselves to the investments and policies necessary to achieve the MDGs. Only the guarantee that it will enjoy several years of stable flows will induce a finance ministry to, say, recruit the teachers and doctors the country needs.

Neither project aid, debt relief nor budgetary support (which, however, is the most effective in encouraging the harmonisation of interventions and their alignment on national policies and priorities and MDG financing) will provide an amount that is large enough and flexible enough and can be used to finance current expenditure with medium-term predictability.

So existing instruments have to be topped up by new, more predictable and less volatile aid modalities in order to support the implementation of the structural reforms needed to achieve the MDGs.

Possibilities include budgetary aid that is secured for three to five years with no possibility of suspension¹², a contract that would assure a minimum level of aid in a medium-term perspective, plus performance-linked bonuses, or even rolling three-year commitments.

Obviously, such arrangements would only apply to the better performing countries. But with the EU's approach more attention should also be paid to countries performing less well and to prevention of situations putting states under stress. So we will also seek to improve aid modalities for such countries, putting emphasis on better coordination, support for good governance and on the balance to be struck between short-term fixes and longer-term support.

2.2.2. Responses to external shocks

External shocks of whatever sort undermine countries' reform policies, the sustainability of their debt and efforts to alleviate poverty in general. Action therefore has to be taken up- and downstream.

Upstream:

- putting in place market-based insurance schemes;
- devising mechanisms for temporary suspension of debt servicing.

Downstream:

- using and strengthening financing mechanisms such as those provided for in the Cotonou Agreement (Flex) to give short-term cover against the impact of such shocks on countries' revenue.

¹² Other than for violation of the “essential elements” clause contained in partnership and cooperation agreements.

3. TRADE AT THE SERVICE OF DEVELOPMENT

Development aid, essential though it is, is not enough to achieve the MDGs. More comprehensive and far-reaching measures are needed. In the long term, what we are talking about is controlling globalisation through public policy in the interests of a more just world order.

The important ways in which a range of public policies contribute to development objectives must therefore be reiterated. In drawing on its values and experience the EU has a major role to play.

In view of this, the Council asked the Commission to draw up proposals to improve the coherence of development policies. This means identifying how the EU's internal and external policies can make a contribution to inclusive globalisation that is beneficial for all in a context of sustainable development.

The aim here is to find additional contributions to development. Hence the proposal to explore the concept of policy coherence for development while keeping sight of the fact that the projection of the EU's internal and external policies adds considerable value to operations conducted at EU level (in such spheres as education, the environment, immigration and asylum policy, customs and taxation, employment and social policy).

Almost all EU policies impact on the developing countries, directly or indirectly. The communication on policy coherence for development identifies policies that can obviously make a contribution to the developing countries' efforts.

To ensure that such policies, where they result in bilateral cooperation programmes with developing countries, have maximum impact, they must be implemented in accordance with the "fundamental principles of development cooperation", that is to say, in the spirit of partnership and the partner countries' ownership of the policies and in compliance with international obligations.

With a view to promoting the development-oriented coherence of EU policies, the Commission will, mid-way between the current and next international reviews of the MDGs, draw up a report on policy coherence with specific regard to support for the MDGs.

The Council is asked to decide on the various Commission proposals¹³.

4. FOCUS ON AFRICA

All reports and analyses made by the EU and others, including the UN Millennium and the Commission for Africa¹⁴ reports, indicate that many parts of sub-Saharan Africa lag far behind the rest of the world in reaching the MDGs. Estimates show that many African countries will not be able to reach the MDGs by the target year of 2015¹⁵.

¹³ See footnote 7.

¹⁴ The Commission for Africa was established by the UK in 2004 and includes different African and European personalities.

¹⁵ 'Sub-Saharan Africa, most dramatically, has been in a downward spiral of AIDS, resurgent malaria, falling food output per person, deteriorating shelter conditions, and environmental degradation, so that

Yet signs of progress are visible, such as progress towards democracy, higher growth rates over the last three years (up to 4.5% on average in 2004, 6% excluding Nigeria and South Africa), real growth per capita (2%), and improving fiscal balances.

The Commission therefore proposes a special Focus on sub-Saharan Africa.

Firstly, the volume of resources should be increased by ensuring that a sufficient share of the rise in official development assistance goes to Africa.

Secondly, all the proposals made in this Communication on policy coherence and on quality of aid should be applied in Africa as a priority.

The aim is to formulate a European response involving Member State and Community actions. In this context this document identifies a number of actions to be undertaken by the Community. The Cotonou Agreement, as recently revised, represents a privileged but non-exclusive framework for the implementation of this approach.

In this context, the Commission proposes key commitments for action in a number of areas identified by the Africans themselves as crucial to their development, in particular in the framework of AU/NEPAD action plans. The ambition is a qualitative jump on key multipliers for development, i.e. elements decisive for sustainable development if they are met, but without which no lasting development is possible. The particular leverage of the EU in promoting these elements should be highlighted. These include¹⁶:

- (a) improving Africa's governance,
- (b) interconnecting Africa's networks and trade,
- (c) striving towards equitable societies, access to services, decent work and environmental sustainability.

These areas do not exclude, replace or compete with other forms of cooperation, which on the contrary need to continue. Rather, the objective is to fill the gap and catalyse other actors' actions in sectors where the EU has specific experience or comparative advantage and where it can deliver rapidly. In other words, it is all about frontloading efforts in key sectors where the EU is in a pivotal position to lead international action. A benchmark of its success will be its ability to act as catalyst for other donors' action and rally the largest possible support.

most countries in Africa are far off track to achieve most of the Goals'. [The region] 'has the highest rate of undernourishment, (...) the lowest primary enrolment rates, (...) [with the highest] gender disparity (...). The HIV/AIDS crisis is devastating much of the continent (...). The region also has the highest TB incidence in the world and the highest maternal and child mortality ratios. (...) Progress in access to safe drinking water, though more promising, is still too slow to achieve the MDG targets. Without sustained support, Sub-Saharan Africa is unlikely to meet any of the Goals'. UN Millennium Project Report January 2005.

¹⁶ Annex 1 provides further details on each of the areas and EU commitments.

4.1. Improving Africa's governance

(a) *The governance challenge*

Good governance and full respect for human rights are a fundamental prerequisite for development but are not yet secured in many African countries. The EU has supported Africa's efforts to improve governance for many years at country, regional and continental levels and bolster its capacity to promote respect for human rights, as set out in key international and regional instruments, across the continent.

But the EU must bring more decisive support to African efforts to strengthen Africa's governance and should consider the following commitments:

(1) Providing financial support¹⁷ to **develop the African Union's (AU) capacity** and especially its Commission. Through this support, the EU will help the AU to live up to the expectations of its commitments. The EU will accompany the AU in transforming its institutions into the central reference institution for Africa's governance and bolster its capacity to promote respect for human rights, as set out in key international and regional instruments, across the continent.

(2) To be strong and effective, our partnership with Africa must be broad. The EU institutions should seek **twinning partnerships** with their AU counterparts, such as the Pan African Parliament, the Economic, Social and Cultural Council (ECOSOCC) or the Peace and Security Council. These partnerships should serve as a catalyst for linking all European and African stakeholders, from universities, municipalities, businesses and industries to trade unions, civil society networks or cultural institutions.

(3) The EU is ready to support African efforts to build more effective states in Africa. To give a decisive incentive to the reform of governance in Africa, the EU, the Commission and the Member States should put into place a joint financial mechanism¹⁸ with AU/NEPAD to support the reforms triggered by the **Africa Peer Review Mechanism (APRM)**. These efforts will be fully coherent with national strategies and PRSPs.

(b) *Promotion of Peace and Security*

In recent years, Africa has established an institutional architecture for peace and security, with the AU Peace and Security Council at its centre, to deal with conflict prevention, management, and resolution.

Under the Cotonou Agreement and the EU's Rapid Reaction Mechanism, the EU has provided substantial support for a broad range of peace-building activities. At the request of the African leaders, the EU has also set up the Peace Facility for Africa (250M€) to support African peacekeeping efforts.

In the future, the EU should also provide the AU and sub-regional organisations with the necessary financial means to resolve conflicts. To this end, the EU will conclude the

¹⁷ The Commission proposed support of up to EUR 50 million as part of the "conditional billion".

¹⁸ The intra-ACP resources will provide an initial amount. Other possibilities within the EDF are being identified.

replenishment of the Peace Facility before the end of 2005¹⁹, initially by topping up of the current budget through allocating a proportional share from the South African European Programme for Reconstruction and Development (EPRD) as was requested by the AU Summit in Maputo.

4.2. Connecting Africa: infrastructure and trade

(a) Creating and sustaining regional infrastructure networks and services

Few sub-Saharan African networks provide services that are comparable with other developing regions.

Ongoing efforts to create and sustain sub-Saharan Africa's infrastructure networks and services must accelerate for economic growth and trade to become competitive and for Africa's exporters to find their place within a global market. In this respect, the Commission proposes to set up a **Europe-Africa partnership on Infrastructure**²⁰. The Partnership, based on the AU/NEPAD strategies, will help to establish sustainable cross-border infrastructure essential for interconnectivity and knowledge-sharing on the continent and to bridge the digital divide. Finance provided will leverage private sector investment. In the first phase, the Partnership will build on the examples of the Water and Energy Facilities and focus on sub-Saharan Africa. In a second phase, the Partnership will trigger input from other donors, including the EU Member States, to increase their aid budgets.

(b) More and better trade for sub-Saharan Africa

Trade cooperation has figured prominently for many years in EU-ACP relations, primarily through preferential access for their products to the EU market.

But preferences alone are not sufficient. A more comprehensive process is needed to create pro-investment conditions and efficient regional markets, improve trade facilitation, develop statistical services, address supply side constraints, foster product and market diversification.

For these reasons, ACP states and the EU agreed in the Cotonou Agreement to launch negotiations for six regional **Economic Partnership Agreements (EPAs)**, four of which are in Africa. These are not traditional free-trade negotiations but focus on trade and regional integration as instruments for development. They will enter into force in 2008.

In this context, the following **focal areas of action** have been identified:

- Economic governance
- Trade-related assistance
- Targeted support measures in key areas such as cotton, sugar and textiles

¹⁹ Possibilities within the EDF are currently being identified.

²⁰ As for institutional and financial modalities, the EU will build on the rich experience gained through the Water and Peace Facility. Eligible are all Public Private Partnership, sub-regional organisations, or pan African structures (such as AMCOW) who submit a proposal of intra-regional or continental nature. In order to increase both continental coherence and ownership, every proposal would require the political endorsement of the AU. Until end 2007 financing is foreseen under the 9th EDF.

- Identification of resources to support adjustment measures
- Support for an ambitious trade facilitation agenda

4.3. Striving towards equitable societies which promote access to services, decent work for both men and women and environmental sustainability

Globalisation and liberalisation have brought growth and prosperity to the world as a whole, but not to all its parts. Some parts of Africa have prospered, others have fallen back.

Efforts to **promote social cohesion**, notably improved access to basic services, are crucial. Equitable economic growth, access to productive employment and decent work for all and realisation of equality between men and women are crucial for sustainable development and eradicating poverty. The EU will support initiatives in this respect. Environmental sustainability must also be built into development if the poor are to have better lives by 2015.

In this respect, the EU will, together with its African partners, further develop participatory approaches for local, national and regional planning and budgeting of resources. Local, integrated approaches will be set up to boost the role of secondary centres as development hubs for their surroundings. These can take the form of **centres of services** where people have direct access to a set of services such as primary and secondary school, professional training, including specific training opportunities for young people, medicines and health care, and basic social and public services.

The EU needs to support those countries with a commitment to equity and environmental sustainability. To this end, the EU will provide **incentives** to promote of equitable societies and environmental protection in Africa. It will also take account of concrete policy measures to improve equity and environmental sustainability as part of the **criteria to determine aid** allocations for ACP countries²¹. This will ensure that additional resources are available for countries that show that they are willing and able to address issues of inequality and marginalisation, environmental degradation and social cohesion.

5. CONCLUSION: TOWARDS A NEW EU DEVELOPMENT STRATEGY

In the face of major development challenges, Europe, as a global player, has special responsibilities to shoulder and must fully take on its political role in order to increase the resources for development and the effectiveness of cooperation, and to give adequate support to sub-Saharan Africa, which is behind on progress to many goals.

The consolidated EU report on the MDGs and the report on the follow-up to the Barcelona commitments have highlighted the importance of the efforts made so far. This communication, together with the specific proposals on financing for development and policy coherence for development, sets out guidelines for future action.

Africa, too, can change. Africa has given proof of its willingness to assume responsibility for its political and socio-economic development. A number of countries have embarked on the transition to democracy, peace is returning in many parts of the continent, and economic

²¹ This will be done in the framework of the allocations within the new financial perspectives and notably with the Development Cooperation and Economic Cooperation Instrument.

growth is picking up. The emergence of the African Union and the NEPAD initiative has given birth to an ambitious institutional structure and a charter that places governance and freedom at the heart of development. This year, 2005, could be Africa's year. Europe must show that it is up to dealing with these developments and playing a leading role in supporting Africa; most importantly this includes giving Africa priority for financing, so helping to fulfil the commitments made by the G8 in 2002²². Africa's road to sustainable development and achievement of the MDGs is a long and hard one. A new dynamic must now be set in motion, the EU and Africa can and must work together to make it happen.

This communication, together with the communications on financing and coherence and related reports, forms the framework of the EU's contribution to the UN High-Level Event in September this year on the subject of development and synergies with other policies. On this basis, the Commission asks the Council to finalise the EU's proposals and commitments with a view to speeding up progress to the Millennium Development Goals.

In addition to this, the process now under way should also pave the way for a new declaration on EU development policy designed to lay down a true European Development Strategy.

²² At the Kananaskis Summit (2002) the G8 pledged to allocate at least 50% of additional ODA to Africa. If this pledge were made at EU level and if current trends continue (keeping of Barcelona commitments for 2006), this would mean an additional allocation of more than EUR 6.5 billion a year for Africa.

ANNEX 1: THE MILLENNIUM DEVELOPMENT GOALS, TARGETS AND INDICATORS

Millennium Development Goals (MDGs)	
Goals and Targets (from the Millennium Declaration)	Indicators for monitoring progress
GOAL 1: ERADICATE EXTREME POVERTY AND HUNGER	
Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than less than one dollar a day	1. Proportion of population below \$1 (PPP) per day 2. Poverty gap ratio [incidence x depth of poverty] 3. Share of poorest quintile in national consumption
Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger	4. Prevalence of underweight children under-five years of age 5. Proportion of population below minimum level of dietary energy consumption
GOAL 2: ACHIEVE UNIVERSAL PRIMARY EDUCATION	
Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	6. Net enrolment ratio in primary education 7. Proportion of pupils starting grade 1 who reach grade 5b 8. Literacy rate of 15-24 year-olds
GOAL 3: PROMOTE GENDER EQUALITY AND EMPOWER WOMEN	
Target 4: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015	9. Ratios of girls to boys in primary, secondary and tertiary education 10. Ratio of literate women to men, 15-24 years old 11. Share of women in wage employment in the non-agricultural sector 12. Proportion of seats held by women in national parliament
GOAL 4: REDUCE CHILD MORTALITY	
Target 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	13. Under-five mortality rate 14. Infant mortality rate 15. Proportion of 1 year-old children immunised against measles
GOAL 5: IMPROVE MATERNAL HEALTH	

Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio	16. Maternal mortality ratio 17. Proportion of births attended by skilled health personnel
GOAL 6: COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES	
Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS	18. HIV prevalence among pregnant women aged 15-24 years 19. Condom use rate of the contraceptive prevalence rate 19a. Condom use at last high-risk sex 19b. Percentage of population aged 15-24 years with comprehensive correct knowledge of HIV/AIDS 19c. Contraceptive prevalence rate 20. Ratio of school attendance of orphans to school attendance of non-orphans aged 10-14 years
Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases	21. Prevalence and death rates associated with malaria 22. Proportion of population in malaria-risk areas using effective malaria prevention and treatment measures 23. Prevalence and death rates associated with tuberculosis 24. Proportion of tuberculosis cases detected and cured under directly observed treatment short course DOTS (Internationally recommended TB control strategy)
GOAL 7: ENSURE ENVIRONMENTAL SUSTAINABILITY	
Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	25. Proportion of land area covered by forest 26. Ratio of area protected to maintain biological diversity to surface area 27. Energy use (kg oil equivalent) per \$1 GDP (PPP) 28. Carbon dioxide emissions per capita and consumption of ozone-depleting CFCs (ODP tons) 29. Proportion of population using solid fuels
Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation	30. Proportion of population with sustainable access to an improved water source, urban and rural 31. Proportion of population with access to improved sanitation, urban and rural
Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers	32. Proportion of households with access to secure tenure

GOAL 8: DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT	
Target 12: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system Includes a commitment to good governance, development and poverty reduction – both nationally and internationally Target 13: Address the special needs of the least developed countries Includes: tariff and quota free access for the least developed countries' exports; enhanced programme of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction Target 14: Address the special needs of landlocked developing countries and small island developing States (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly) Target 15: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term	<i>Some of the indicators listed below are monitored separately for the least developed countries (LDCs), Africa, landlocked developing countries and small island developing States.</i> <u>Official development assistance (ODA)</u> 33. Net ODA, total and to the least developed countries, as percentage of OECD/DAC donors' gross national income 34. Proportion of total bilateral, sector-allocable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation) 35. Proportion of bilateral official development assistance of OECD/DAC donors that is untied 36. ODA received in landlocked developing countries as a proportion of their gross national incomes 37. ODA received in small island developing States as a proportion of their gross national incomes <u>Market access</u> 38. Proportion of total developed country imports (by value and excluding arms) from developing countries and least developed countries, admitted free of duty 39. Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries 40. Agricultural support estimate for OECD countries as a percentage of their gross domestic product 41. Proportion of ODA provided to help build trade capacity <u>Debt sustainability</u> 42. Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points (cumulative) 43. Debt relief committed under HIPC Initiative 44. Debt service as a percentage of exports of goods and services
Target 16: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth	45. Unemployment rate of young people aged 15-24 years, each sex and total

Target 17: In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries	46. Proportion of population with access to affordable essential drugs on a sustainable basis
Target 18: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications	47. Telephone lines and cellular subscribers per 100 population 48. Personal computers in use per 100 population Internet users per 100 population

ANNEX 2: EU FOCUS ON AFRICA

This annex will further develop the proposals of the Communication on the three areas mentioned in the Chapter 'Focus on Africa'.

1. Improving Africa's governance

a. The governance challenge

The EU has supported African efforts to address the governance challenge at three levels: country, sub-regional and –more recently- continental. At **country level**, the EU has made major efforts to support the building of legitimate, transparent and viable states. Through different programs the EU is supporting Africa's efforts to improve the quality of public service, to enhance parliamentary control, to empower civil society and to promote a more long-term outlook favouring sustainable development. Positive signs can be seen: 10 legislative elections took place in 2004 (such as South Africa and Ghana; Malawi and Mozambique – in both of which European Observation Missions were offered) and 10 are scheduled in 2005 (for example Burundi, CAR, Ethiopia, Senegal, RDC, Mauritius, Côte d'Ivoire).

The work to redress fragile states remains critical. To put those countries back on track, the EU is developing, on a case-by-case basis, long-term strategies capable of addressing both short-term needs and the long-term development agenda. The experience in Burundi shows us that the EU can play a key role in ensuring a smooth transition from conflict to development. The experience in Burundi also demonstrates that the EU should tackle all parts of the chain: the financing of the AU peacekeeping mission, post-conflict reconstruction and the financing of elections.

The EU is equally supporting the capacity of the **sub-regional organisations** as actors of governance. The EU welcomes the bold positions taken recently by the ECOWAS and SADC in favour of the Rule of Law and democratic principles. The EU, based on its own experiences of regional integration, believes that fully effective and reliable RECs will be crucial in creating sub-regional trade markets and the first building blocks in the process towards continental integration.

Recently, a **continental level** of governance has emerged with the establishment of the African Union in July 2002, succeeding to the Organisation of African Unity (OAU). The AU aims to develop and integrate the continent through the promotion of peace and good governance on the basis of African-owned strategies. The AU/NEPAD agenda provides a common framework for new initiatives in Africa. The EU has given its full support to this young political organisation, which, only two years after its establishment, has made considerable progress and earned international respect as a credible and legitimate continental political interlocutor for Africa. The EU will translate this political commitment into tangible support to reinforce the AU's capacities and launch twinning partnerships between the EU and AU, between European and African institutions.

But the EU must bring more decisive support to African efforts to strengthen Africa's governance and respect for human rights. Through the African Peer Review process, African countries will undergo, through different phases, a comprehensive review of the human, civil,

political, economic, cultural and social rights in the country. The EU must support the African Partners as they table concrete proposals on all areas of the Review, for example on judicial reform, the fight against corruption, public service or social reforms. The EU will support this African-led political process and will provide financial support to reforms.

Good governance will also need to take into consideration environmental sustainability. The EU will also work to move environmental concerns into the mainstream of policy making by promoting work with the relevant national ministries, sub-regional organisations and the AU/NEPAD on the cost of non-environment.

b. Promotion of Peace and Security

The AU has shown that it is both willing and able to assume responsibility and leadership for the African peace and security agenda in close cooperation with the UN (e.g. Burundi, Côte d'Ivoire, Liberia, and Sudan, RCA, DRC/GLR) while the EU has developed instruments able to respond on time and efficiently to these efforts.

The EU was able to provide important support for a broad range of peace building activities such as mediation, negotiation and reconciliation efforts, and for demobilisation and reintegration of former combatants and child soldiers.

Addressing MDG 7 is also important for Peace and Security. Climate change is likely to lead to further drying of the drought-prone regions of Africa. Without adaptation measures, this could result in substantial movements of population threatening security. Insufficient access to or illegal exploitation of natural resources, can create or fuel conflict. Peace efforts benefit from taking better account of environmental issues in conflict prevention resolution and post conflict.

The EU has, at the request of the African leaders in Maputo, set up the Peace Facility for Africa (€250 million) to support African peacekeeping efforts. Rapidly, this instrument has become the financial backbone of the emerging African Peace and Security architecture. The Peace Facility has already been used to finance peace support missions in Darfur (Sudan) and the Central African Republic as well as to provide capacity building support for the AU Peace and Security Directorate. For the future, coherence needs to be maintained between the developmental approach of the Peace Facility for Africa on the one hand and support measures foreseen in the framework of the European Security and Defence Policy (ESDP) on the other.

In the future, the EU should continue to be able to provide the African Union and the sub-regional organisations with the necessary financial means to resolve conflicts. To this end, the EU should ensure sufficient financing of the Peace Facility.

2. Connecting Africa: infrastructure and trade

(a) Creating and sustaining regional infrastructure networks and services

High transport costs handicap Africa's capacities to compete within a global market. Inland transport costs are twice as high in Sub Sahara Africa countries than in Asia and international maritime costs are three times higher. Higher costs are due to a combination of factors, including lower road quality, time-consuming port procedures and practices, a complexity of documentation and in some countries insufficient competition between service providers.

The EU, working together with the Africa Union and in the context of the NEPAD Infrastructure Short-Term Action Plan, will focus on improving trade facilitation – including in relation to the development of transparent and simplified import, export and transition procedures and statistical services – and addressing the missing links of regional and intra-regional networks for interconnectivity across sub-Saharan Africa creating a Trans-African Network.

Together with the AU,²³ the EU will continue developing research infrastructures in the developing countries and will focus on the means to develop further infrastructure-related knowledge, and to ensure a fair access to this knowledge, in order for the infrastructure projects to become a foundation for technological innovation.

The Commission proposes a Europe-Africa partnership on Infrastructure, including research and statistical infrastructures, sustainable transport, Information and Communication Technologies, satellites, water and sanitation, energy that will fill this existing gap. In doing so, this Partnership will act as a catalyst for other donors. The Commission proposes to agree on a map of strategic African networks, agreed with the AU, to which priority will be given.

(b) More and better trade for sub-Saharan Africa

Trade cooperation between Europe and sub-Saharan Africa has been based mainly in exemptions from MFN customs duties and tariff quotas granted to the ACP countries for promoting the access of their products into the European market. While firmly placing the EU as Africa's top trading partner, such preferences have not always delivered the expected developmental results. In fact, preferences alone are not sufficient to trigger exports, economic growth and development if there is not sufficient investment in Africa and hence production of exportable goods or if the goods do not correspond to the demand and requirements in the importing markets.

At present, too many local markets remain over-protected, tiny and unattractive, providing little incentive for domestic or foreign investment. It is not only important to develop a more comprehensive process but also to improve trade. For its traditional trade flows, Africa is overwhelmingly dependent on Europe. Therefore, it is equally important to improve **trade within Africa by building efficient African markets** as it is to increase trade with the EC and other trading partners. In a nutshell, African countries have to integrate in the global economy in a way that corresponds to their development needs.

This is the very reason behind the launching of the negotiations of six regional **Economic Partnership Agreements (EPAs)**, four of which are in Africa.

²³ In the context of the NEPAD African Forum for Science and Technology and in line with the Millennium Goals Project Report Promoting Innovation to Improve Lives in Developing Nations,

Economic Partnership Agreements

*EPA negotiations and implementation are closely linked with **development cooperation** with a view to improving economic governance, fostering competitiveness and building supply side capacity in a manner consistent with sustainable development objectives. In addition, it is also necessary to ensure effective access of African goods to EU and other markets by addressing the problems African countries are encountering in the area of, among others, rules of origin, technical regulations and standards, by taking account of the external effects of EU legislation and by supporting the efforts of the countries concerned to deal with them.*

***Trade will be at the service of development**, leaving a high degree of flexibility to take account of the development challenges in Africa. **Market-building will precede market opening**. Flexibility will be applied as regard asymmetry and progressiveness of ACP tariff reductions, taking into account the level of development of the economies concerned. The transition period opening toward EU goods from 2008 onwards may be extended beyond 10 years to address ACP regional development needs. Appropriate safeguard and food security clauses will be included.*

The transition to new trading arrangements requires assessing any risks of temporary or structural difficulties or losses for certain countries. Given the flexibility and duration of the transitional period, such negative effects would be diluted over a reasonable time scale. Nevertheless, these issues must be carefully taken into account and for this purpose Sustainability Impact Assessments (SIAs) have been launched and are currently under way.

*EPA will ensure compatibility and build synergies with multilateral trade negotiations under the **Doha Development Agenda (DDA)**, as well as with the African Union long term project of consolidating the **continental market**, for which they would become regional “building blocs”.*

The following focal areas of action have been identified:

- **Economic governance:** EPAs supports triggering and locking-in reforms in key areas such as customs and trade facilitation, taxation, investment, employment social and environmental policies.
- **Trade-related assistance** should be stepped up as discussed in the related Communication on Financing and should address sensitive areas such as sanitary and phytosanitary requirements, regional integration, technical regulations, support to national statistical services and customs cooperation.
- **Targeted support measures** are being adopted in key areas such as cotton, sugar and textiles to increase competitiveness and promote diversification where possible of African producers in sensitive sectors.
- Identify adequate and timely available resources to prevent or remedy any major risk signalled by impact assessments and support economic adjustment measures in particularly protecting the weakest and worst-affected economies and social groups, essential public services and social policies.

- Support an ambitious Trade Facilitation agenda to eliminate trade barriers between countries, including burdensome import, export and transition procedures (as is being discussed in the framework of the DDA WTO negotiations).

3. Strive towards equitable societies which promote access to services, employment, decent work for both men and women

Sustained growth is an essential condition for poverty eradication but not a sufficient one. Access to sustainable basic services and to full and productive employment and ensuring decent work for both men and women are a necessary condition for any long term sustainable development and is key in all strategies to reach the MDGs.

Efforts targeted to promote social cohesion, and notably the improvement of access to basic services, are crucial: drinking water and sanitation, investment in human resources, including primary education, gender equality at all levels of education, employment and social protection services, the reduction of child and maternal mortality, improved basic health services including sexual and reproductive health and rights, including struggle against HIV/AIDS, malaria and other major diseases.

If progress on the other MDGs is to be maintained over the 10 years to 2015, more attention will need to be paid to environmental sustainability. The framework for doing so already exists in the NEPAD environment initiative, a strategy prepared by African Ministers themselves.

Poverty eradication, gender equality, improving child and women's health and removing barriers to access to education all have strong links with environment and the sustainable management of natural resources. The poor in Africa mostly depend on the environment for their livelihoods. To ensure progress, capacity for the management of natural resources needs to be strengthened and the costs of not protecting the environment have to be understood by Finance Ministries and donors alike.

Similarly, regional, decentralised development creates social cohesion and solidarity among its citizens. Local development allows children and old people to have their place in the society. It creates a social safety net and limits on migration. Local, integrated approaches will be set up to reinforce the role of secondary centres as development hubs for their surroundings (**centres of services**). Local and regional initiatives need to be supported by adequate and complementary policy measures at national level. In addition to access to basic services, the EU will support the promotion of jobs and decent work for all as a global goal. It also recognises the need to address the importance of post primary education and training in particular in national strategies and is prepared to work jointly with partner countries, regional organizations and donors on ways to best address it. It is also important to increase skills of young African workers to increase productive employment opportunities and to address the informal economy.

In addition, African countries that are ready to take specific and ambitious actions to improve equity in their societies deserve Europe's bold support. Additional financial assistance should be offered to those who engage in this process. Such support should be provided in full alignment with the Poverty Reduction Strategies and the budget cycle.

SUMMARY OF COMMITMENTS

EU commitment to Africa (1)

In the short term, the EU will consider the following commitments: providing financial support²⁴ to **develop the African Union's capacity** and especially its Commission. Through this support, the EU will help the African Union to live up to the expectations of its commitments. The EU will accompany the African Union in the transformation of its institutions to become the central reference institution for Africa's governance.

EU commitment to Africa (2)

To be strong and effective, our partnership with Africa must be broad. The EU institutions should seek twinning partnerships with their AU counterparts, such as the Pan African Parliament, the Economic, Social and Cultural Council (ECOSOCC) or Peace and Security Council. These partnerships should serve as a catalyst for linking all European and African stakeholders, from Universities, Municipalities, Businesses and Industries to Trade Unions, Civil Society networks or Cultural institutions.

EU commitment to Africa (3)

The EU is ready to support African efforts in building more effective states in Africa. In order to give a decisive incentive to the reform of governance in Africa, the EU, the Commission and the Member States should put into place a joint financial mechanism²⁵ with AU/NEPAD to support the implementation of reforms that the Africa Peer Review Mechanism (APRM) will trigger. These efforts will be done in full coherence with the national strategies and PRSPs.

EU commitment to Africa (4)

The EU will conclude the replenishment of the Peace Facility before the end of 2005²⁶, including in a first stage with the topping up of the current budget through allocating a proportional share from the South African European Programme for Reconstruction and Development (EPRD) as was requested by the AU Summit in Maputo.

²⁴ The Commission proposed a support of up to EUR 50 million in the framework of the so called "Conditional Billion".

²⁵ The intra-ACP resources will provide an initial amount. Other possibilities within the EDF are being identified.

²⁶ Possibilities within the EDF are currently being identified.

EU commitment to Africa (5)

The Commission proposes to set up a Europe-Africa partnership on Infrastructure²⁷. The Partnership, based on the AU/NEPAD strategies, will support the establishment of sustainable cross-border infrastructure essential for interconnectivity and knowledge-sharing on the continent. Finance provided will leverage private sector investments. In the first phase, the Partnership will build on the examples of the Water and Energy Facilities and focus on sub-Saharan Africa. In a second phase, the Partnership will trigger input from other donors, including efforts by the EU Member States to increase their aid budgets.

EU Commitment to Africa (6)

The EU will provide **incentives** to the promotion of equitable and sustainable societies in Africa. To this effect, the EU will take account of concrete policy measures to improve equity and environmental sustainability as part of the **criteria to determine the aid** allocations of ACP countries²⁸. This will ensure that there will be additional resources available for countries that show that they are willing and able to address issues of inequality and marginalisation, environmental degradation and promote social cohesion.

²⁷ As for the institutional and financial modalities, the EU will build on the rich experiences gained through the Water and Peace Facility. Eligible are all Public Private Partnership, sub-regional organisations, or pan African structures (such as AMCOW) who submit a proposal of intra-regional or continental nature. In order to increase both the continental coherence and the ownership, every proposal would require the political endorsement of the AU. Until end 2007 financing is foreseen under the 9th EDF.

²⁸ This will be done in the framework of the allocations within the new financial perspectives and notably with the Development Cooperation and Economic Cooperation Instrument.