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EU Aid: Delivering more, better and faster

INTRODUCTION

In the run-up to the UN Summit of September 2005, the donor community committed, at the High Level Forum of Paris in March 2005, to radically change its practices and thereby improve the impact of its activities and help realise the qualitative jump needed to achieve the Millennium Development Goals. As a result, the European Union (Member States and Commission, including 10 new Member States as emerging donors) signed up to ambitious objectives, both as individual donors and as a collective group. Determined to move the international agenda forward and to assume its share of the effort, the EU gave increased aid effectiveness a central role in its own development strategy, and concretely committed itself to increase the effectiveness of its aid.

This set of decisions presents an exhaustive list of detailed and concrete measures to be developed and implemented by 2010. Based on lessons learnt from the field, good practices and expectations from the partner countries, they are rooted in the principles of harmonisation, ownership, alignment, and management by results of the Paris Declaration. These commitments now need to be translated into concrete actions, and the EU has to focus on their implementation on the spot while facing the reality of country specificities.

Part I of this Action Plan summarizes, per memoria, in a single and comprehensive document the concepts of the nine time-bound deliverables on which the EU as a group has now to deliver.

Part II of this Action Plan presents the first four immediate deliverables that have already been developed and are ready for immediate adoption and implementation in a selected number of partner countries.

Part III of this Action Plan describes the five remaining deliverables that have to be developed during 2006 and implemented in the field by 2010.

It should be noted that two of the immediate deliverables of this Action Plan are presented in further detail in two specific Communications (i.e. the Communication on Financing for Development and Aid Effectiveness and the Communication on a Joint Programming Framework). As such, these three documents form a “**package on aid effectiveness**” put forward to the Council and the Parliament.

Table 1. Synoptic Table

Axis 1 <u>Casting a glance at EU aid</u>	Axis 2 <u>Leading the Paris agenda</u>	Axis 3 <u>Boosting the EU Consensus</u>
<i>Donor Atlas</i> (Immediate deliverable)	<i>Roadmaps</i> (Immediate deliverable)	<i>Division of labour</i> (Short term deliverable)
<i>Compendium EU</i> (Short term deliverable)	<i>Joint Programming</i> (Immediate deliverable)	<i>Co-financing</i> (Short term deliverable)
<i>Monitoring mechanisms</i> (Immediate deliverable)	<i>Joint Arrangements</i> (Short term deliverable)	<i>EU vision</i> (Short term deliverable)

PART I TRACKING OUR COMMITMENTS

Our commitments on aid effectiveness can be split into three inter-connected axes, which respectively address:

- (1) a transparent and knowledge-based mapping and monitoring of our activities;
- (2) the implementation of our collective commitments adopted by the Paris Declaration on harmonisation and alignment;
- (3) the execution of the aid effectiveness pillar of the new EU strategy framework, as defined by the New Development Policy Statement (the “European consensus”) and the EU Strategy for Africa.

AXIS 1: CASTING A GLANCE AT EU AID

A constant review of our activities is an essential pre-condition for a knowledge-based analysis of our successes and failures, from which we can derive rational and optimal redeployment of our activities and methods. Such a candid scrutiny of our development assistance is not only an obligation of transparency to our constituencies and the public opinion, but also an essential basis upon which to form our strategic thinking.

Refining the mapping of our aid

The first edition of the EU Donor Atlas showed two trends: (i) a concentration of aid in certain “attractive” countries and sectors, creating “orphan” or forgotten countries and sectors, and (ii) a fragmentation of activities in “darling” countries/sectors, with a multiplication of actors and small-scale projects.

In order to further develop its analysis into operational principles on how to better organise ourselves and improve our division of labour, the Donor Atlas needs to be refined into more precise and specific assessments - while keeping a visible profile for public awareness.

Reviewing EU development rules

The international aid effectiveness agenda is increasingly promoting the emergence of joint activities and synergies between development actors.

The primary objective of this exercise is to give our partner countries, as well as other development actors, a readily available overview of all of MS’s current rules and procedures. Such a consolidation of EU Member States’ donor systems will be fused into various compendiums. They are conceived as comprehensive and operational tool books to facilitate the work of any operator (be it a partner country official, a SME, or a NGO) that needs to understand our rules. By identifying the various building blocks, the compendiums could also serve as a basis to trigger future progress on harmonisation and simplification.

Monitoring our promises

In the Paris Declaration donors and partner countries agreed to set up a monitoring mechanism, without creating a parallel “monitoring industry”. In order to keep the momentum on the reforms and the pace of delivery, the EU gave its full support to a strong but realistic

monitoring process - both (i) at the international level for the objectives that the donor community collectively has agreed upon, and (ii) at the EU level for our own additional commitments and contributions.

AXIS 2: TAKING IMMEDIATE ACTION

The implementation of our collective contribution to the UN Millennium Summit in September 2005 represents a crucial endorsement of international aid effectiveness efforts undertaken over the last two years, and formally adopted through the Paris Declaration (PD) on harmonisation and alignment of February 2005. This package of EU commitments was based on the initial recommendations of the Ad-Hoc Working Party on Harmonization (ADWPH) Report, formally adopted through the conclusions of the General Affairs Council of November 2004.

Supporting local coordination processes

The “Roadmap” identifies concrete harmonisation issues (from a provided menu of actions) that require implementation by all EU donors active in a given country. Roadmaps are not meant to be substitutes for the country-led action plans on harmonisation and alignment, but rather to be an instrument to identify areas in which EU donors could help strengthening existing local processes, be they government-led or donor-led, or creating them if necessary by going further than existing initiatives.

Developing a Joint Multi-annual Programming Framework (JPF)

The spirit of the JPF is to create a mechanism, compatible with existing national documents and cycles, open to other donors, and which offers a framework for regrouping the duplicating building blocks of Member States systems and thereby reduce the transaction costs of our programming. The Framework would contain elements such as the factual description of country profile, a common analysis of the situation, donor matrixes, and the analysis of EU policy mix. It should offer, over the medium term, the possibility for donors to establish a collective strategic response to the challenges raised in the joint country analysis, and in the long term pave the way for a potential joint programming. Discussions on this item already have a long history - as the Council established the principles, the content and the calendar for the JPF process in November 2004, in April and in November 2005 respectively.

Developing Joint Local Arrangements

These arrangements - referred to as Joint Financial Arrangements (JFAs) in the Council’s conclusions - strive to promote a single dialogue, disbursement and reporting mechanisms at country level - between the donor community and the partner country, through the adoption of a formal document. Partial and interesting examples exist in the field - i.e. in Zambia and Mozambique - mainly built around Budget Support and SWAPs operations. These existing products have proven to be very effective in (a) reducing the transaction costs and burden put on the partner country, (b) creating good and sustainable working relations between donors, as well as (c) helping the division of labour. The objective is to develop a joint template that will be adapted to country specificities.

AXIS 3: BOOSTING THE EUROPEAN CONSENSUS

The New Development Policy Statement - the “European Consensus on Development” - adopted in December 2005 emphasises EU Aid effectiveness as a crucial element of its shared

vision. The EU Strategy for Africa endorsed by the European Council at the same time also calls for a fast and steady implementation of the aid effectiveness agenda in Africa. As such, this new political framework calls for:

- (i) a better division of labour - aiming at greater complementarity, as well as ensuring a minimum EU presence in fragile countries and “aid orphans” in particular;
- (ii) more joint actions through a more intensive use of co-financing - capitalising on new MS’ experiences, while facilitating their gradual emergence as new donors;
- (iii) strengthening of the EU input and impact, along the principles and the issues highlighted by the European Consensus;

Enhancing the division of labour

The excessive fragmentation of development assistance has led to dispersion, duplication and even contradiction in aid activities, reducing its potential impact through accumulation of unnecessary administrative costs and increased burden put on the partner countries. Reinforcing the complementarity of our activities is key to increase our aid effectiveness. Through the Paris Declaration donors have agreed to make full use of their respective comparative advantage, while respecting the ownership of the partner country on how to achieve increased complementarity.

The objective is therefore to reinforce the division of labour - both at (i) country- and (ii) cross-country/regional levels, which imply challenges of different nature. They need to be carefully addressed - in terms of political pressure, lack of visibility and loss of opportunities. In this context, the emerging donor activity of the new Member States deserves a special attention.

Increasing joint EU activities

The EU has agreed to develop more joint actions. This initiative intends to define a strategic approach to co-financing, which will give a catalytic role to a substantial part of the EC funds in promoting the development of more joint EU activities. Moreover, the projected scaling up of aid over the next couple of years will mainly increase the flows of bilateral aid. This will impose some difficult administrative management challenges on Member States. In this context, it is essential to avoid creating unnecessary additional administrative structures.

In addition to defining an “active EC offer” (where EC funds could co-finance joint activities), it is also important to define a “passive EC offer” - whereby national funds could be administratively channelled through the Commission and lead to co-financing operations linked to nationally-owned and decided activities. Finally, the new Member States are increasingly developing their own activities in this field. The proposed structured co-financing approach should aim at supporting their expansion.

Strengthening the EU vision on development assistance

The political and intellectual impact of EU’s financial contributions in the area of development is not yet fully recognised and deployed. The objective of this deliverable is to strengthen the EU’s political and analytical role by concrete measures. It aims at stimulating the European debate on development and promoting best practice. The EU has the potential to serve as an intellectual cornerstone, through the reinforcement of the collective input and of the perception of a specific EU donor community.

2006: A MOMENT OF TRUTH

It is essential that our promises quickly turn into field implementation and show subsequent impact by 2010. Moreover, like other donors, the EU has agreed to meet and assess its progress on the implementation of its respective contributions to the harmonisation agenda at a third High Level Event to be held in Ghana in 2008. It is therefore important that a relevant mass effect of results has been achieved by this horizon. In order to live up to these promises and the expectations they have created, this Action Plan therefore presents - for each of its 9 deliverables – indicative, pragmatic, and realistic outcomes for 2010, as well as mid-term targets for 2008.

Creating another pilot process will just be another excuse for not moving the agenda forward. When adopting world-wide processes, it is nevertheless important to implement them in a realistic manner taking into account local specificities. The Action Plan will therefore propose to support and monitor the implementation of the relevant deliveries - in a limited, but relevant number of countries, thereby giving the reality of our commitments a face and a name.

PART II TAKING IMMEDIATE ACTIONS

This second part of the Action Plan refers to four deliveries that are already ready for an immediate adoption in 2006. They correspond to the parallel proposals being put forward to the Council and the Parliament in spring 2006. This Action Plan does not go into the details of their content, but rather focuses on the targets for their progressive implementation.

Deliverable 1 – the Donor Atlas

The revised EU Donor Atlas II has been developed along five components:

(i) An EU Annual Report

In order to raise public awareness on EU development assistance, this EU annual report will present our collective challenges, as well as our joint and/or individual, but coordinated, responses. It will, in a visible and positive manner, highlight projects activities from each of the EU donors (Member States and Commission). It will be published annually from 2006 onwards.

(ii) An improved Donor Atlas

In a Volume I, the existing Atlas will be revised and updated in collaboration with the Member States and the OECD/DAC by mid-2006.

(iii) An additional regional focus

In a Volume II, a first regional focus on Western Africa will be added to the Atlas, as a follow-up to the EU Strategy on Africa. It will be sufficiently detailed to allow a real debate on division of labour, and it will support deeper and more specific analysis in the context of emerging regional processes. Additional Volumes, with other regional focuses will be added each six months, in order to cover the entire development world over the medium term.

(iv) Mapping at country level

It is important that aid mapping is carried out at country level, covering all the donors active in that country. In order to do so, models have been developed in three of the four EU Pilot countries: a partner-led model in Nicaragua, a donor-led model in Mozambique and an EU-led model in Vietnam. Such practices will be extended to all the signatories of the Paris Declaration by 2008.

(v) Emerging donors

New actors are emerging. They impact on the development community as we know it. An ongoing study is reflecting upon the activities of the major emerging donors (the BRICS countries - i.e. Brazil, Russia, India, China and South-Africa). The EC proposes to launch an EU development dialogue with these countries by 2006.

Deliverable 2 – Monitoring the EU and the DAC processes

The monitoring has to cover two sets of commitments. First, the international objectives and targets agreed by all participants, donors and recipients in Paris, including the more ambitious additional objectives that the EU has committed itself to¹ Second, the EU contributions in terms of concrete EU operational deliverables as a group.

(i) The first set of commitments

These commitments will be monitored through the mechanisms currently being set up by the OECD/DAC Joint Venture on Monitoring (JVM). The monitoring covers all donors and partner countries, and will be based on country driven surveys measuring progress against the Paris Declaration. The survey indicators to be used are to be field tested in 2006 in Cambodia, Ghana, Nicaragua, Senegal, South Africa and Uganda. To avoid further delays, the EU has to push for a fast and steady implementation of the Paris Declaration.

(ii) The second set of commitments

From 2006 onwards the implementation of the EU concrete operational deliverables will be monitored through the Annual Report on the Follow-up of Monterrey, which takes stock of the fulfilment of promises at EU level - both in terms of volume and effectiveness of aid.

This deliverable is the subject of a specific Communication and Staff Working Paper being put forward in parallel to this Action Plan to the Council and the Parliament.

Deliverable 3: Roadmaps

Existing Roadmaps ensure a relevant coverage of development countries. The Roadmaps vary in nature, but the majority of them show a positive momentum and high expectations. The responses can be grouped in the four following country categories:

¹ (i) provide all capacity building assistance through coordinated programmes with an increasing use of multi-donors arrangements; (ii) to channel 50% of government-to-government assistance through country systems, including by increasing the percentage of our assistance provided through budget support or sector wide approaches; (iii) to avoid the establishment of any new project implementation units; (iv) to reduce the number of un-coordinated missions by 50%.

- (1) where a roadmap does not add value,
- (2) where a roadmap is not yet adopted,
- (3) where a local process and/or an EU roadmap is being initiated
- (4) where a local process and/or an EU roadmap is launched

A first analysis indicates that several processes will have to be boosted. It is important to reflect quickly, with the partner countries and other donors, on how to upgrade the roadmap process, how to strengthen and share monitoring responsibilities and how to handle the increasing ODA at regional level. The establishment of Roadmaps should be achieved by 2006. The completion of all Roadmap objectives should be reached by 2010.

It is therefore proposed that from 2006 onwards, technical seminars be organised on a regular basis to assess the processes, organise a division of labour on the operational follow-up, set up qualitative targets for implementation. In addition a system for steady support and monitoring should be set up in the 12 countries where solid Roadmaps are either established or are on the verge of being launched (i.e. Bangladesh, Burkina Faso, Ethiopia, Ghana, India, Jordan, Kenya, Mali, Mozambique, Nicaragua, South-Africa and Vietnam).

This deliverable is the subject of a specific report.

Deliverable 4 – Joint Programming Framework (JFP)

A first study analysed a compendium of national programming documents, identifying duplications and common building blocks. A second study analysed the lessons from the existing field cases, mainly the Joint Assistance Strategy (JAS) developed in Uganda, Tanzania and Zambia. A third study focused on the current programming in Uganda, and intended to show what a future joint programming framework could look like in a given country. It allowed visualising the potential outcomes and gains, while keeping in mind the local challenges and specificities. The findings of these studies were shared and discussed with Member States in 2005, and subsequently formed the basis upon which the Commission developed its proposal for a Multi-annual Joint Programming Framework.

While its adoption should be achieved by mid-2006, the JFP should be implemented in a pragmatic, progressive and “opportunistic” manner - i.e. the fact that the programming cycle of twelve donors in Mozambique are currently converging, represents a unique opportunity. Therefore, while keeping a world-wide approach, we suggest focusing on implementation in a limited number of countries by using the following simple selection criteria:

- (1) Countries where there is a national poverty strategy;
- (2) Countries where at least two EU donors will start new programming in 2006-2007;
- (3) Countries where there is sufficient local coordination capacity;

This would lead to a tentative list of countries (Bangladesh, Burkina Faso, Ethiopia, Ghana, Haiti, Mali, Mozambique, Nicaragua, Rwanda, Senegal, South Africa, Tanzania, Vietnam, Uganda and Zambia), where we could suggest starting implementing the JFP by 2008. Eleven are African countries and this corresponds to the immediate implementation of the Aid effectiveness agenda in Africa, requested by the EU Strategy for Africa. An additional country, Haiti, is suggested for linking this process with the specificities of a fragile state. In

countries where donor joint assistance strategy has already been initiated (i.e. Tanzania, Uganda and Zambia), it is important that the JPF inserts itself and support these processes.

A further extension of the JPF to all remaining ACP countries, as well as to all countries that have signed the Paris Declaration, should be reached by 2010.

This deliverable is the subject of a specific Communication being put forward in parallel to this Action Plan to the Council and the Parliament.

PART III COMPLETING THE AGENDA

This third part of the Action Plan refers to the five remaining deliverables that need to be further developed before the end of 2006.

Deliverable 5 – Operational complementarity

The report of the Ad Hoc Working Party on Harmonization provided a guidance in the form of a menu of steps on how to develop an operational EU strategy towards complementarity. The Commission proposes that the Council by mid-2006 endorse **a few guidelines** for such an operational strategy, based on the lessons learned from the revised Donor Atlas. The Commission could then propose to the Council **a set of pragmatic operational principles** on how to boost our division of labour, for adoption by the end of 2006.

Once adopted, it is proposed to unroll these principles in the field in connection with the future regional chapters of the revised Donor Atlas, and thereby to cover one region every six months until full world coverage is achieved by 2010.

This deliverable will be the object of a specific Communication put forward later to the Council and the Parliament.

Deliverable 6 – Increasing joint activities: a catalytic role for EC co-financing

The Commission will propose a structured co-financing mechanism for EC funds before the end of 2006. A two-headed proposal for both an “active” and a “passive” offer will address the principles, criteria and operational conditions for a structured co-financing mechanism. The objective would be to develop co-financing activities by with Member States by 2010.

It should be noted that this delivery implies the completion of the ongoing revision of all impediments to co-financing currently existing within the EC rules. It includes changes in the Financial Regulations, the Annex IV of the Cotonou Agreement and the insertion of updated rules in all future regulations for which the Commission is seeking the Council support. It is essential that all impediments be abolished by 2008.

This deliverable will be the subject of a specific Communication put forward later to the Council and the Parliament.

Deliverable 7 – Strengthening the EU vision

The “European Consensus on Development” has highlighted the potential of shared analysis and debate at the European level, with a view to promote an EU intellectual core of excellence on development issues. The following elements will help to build this core:

(i) A network of development research centres

While European centres of excellence in the area of development have produced strong academic contributions, they nevertheless seem scattered in nature. This lack of “unified” European research and academic works has hampered our impact on the general thinking in this field. It is therefore important to better connect these centres, in a flexible network and on a pro-active basis. Such a network should be established by 2006 to commission strategic studies that would feed our own thinking and strengthen our academic input to global thinking. It should allow by 2008 a comprehensive EU prospective and analytical capacity supporting the vision shaped in the European Consensus.

(ii) The European Development Days

There is at present no event or moment that symbolises the analytical contribution of the EU in the development arena, nor an event or a moment that gathers all EU actors. Most political parties, unions or organisation have a moment of “cohesion”, for prospective thinking such as ‘summer universities’ or “weeks of their core theme”. Such an event or moment could serve to develop intellectual dynamism and confrontation, and gather various community actors in a sense of collectiveness around a common agenda.

Starting in 2006 and onwards, it is therefore proposed to create annual “*European Development Days*”, as part of the strengthening of our collective input and the effectiveness of our actions.

(iii) The multiplication of joint training

The “European Consensus” has also underlined common operational objectives and methods that correspond to pragmatic modalities. Both the Commission and the Member States have developed vocational training programs for development practitioners. It is therefore proposed to develop a European training map, regrouping relevant training tools from both the Commission and the Member States, to be offered in the future to any EU member. Such system should be tested at the occasion of the first European Development Days in 2006, and be further exponentially developed by the end of 2008.

Deliverable 8 – Joint Local Arrangements

Flexible joint local arrangements that allow for adaptation to local specificities will have to be quickly developed jointly by the Commission and the Member States, and adopted before the end of 2006.

By 2008, such arrangements should be proposed for all the 14 countries that have signed the Rome Declaration on Harmonization. (i.e. Bangladesh, Bolivia, Cambodia, Ethiopia, Fiji, Kyrgyz Rep., Morocco, Mozambique, Nicaragua, Niger, Senegal, Tanzania, Vietnam and Zambia), who were the subject of the 2004 DAC survey on harmonisation, and therefore have a solid country situation baseline.

Deliverable 9 – Overview of EU development rules: compendiums

The four following compendiums will be drafted

- (1) Compendium of EU rules for programming;
- (2) Compendium of EU rules for procurement;

- (3) Compendium of EU rules and principles for NGOs;
- (4) Compendium of EU rules for subsidies;

They will all be developed by the end of 2006. They will be later revised in 2008 pending on further simplification and harmonisation of rules.