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**ANNUAL REPORT FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**Keeping Europe's promises on Financing for Development**

**Financing for development - from Monterrey 2002 to Doha 2008  
Progress report 2007**

**Is the European Union on track to meet its commitments by 2010?**

{COM(2007) 164 final}

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## Abbreviations

ABST	Access Basic Science Technology
ACP	African, Caribbean and Pacific States, party to the Cotonou Agreement
ADB	Asian Development Bank
AFD	Agence française de développement
AfDB	African Development Bank
AfDF	African Development Fund
AFT	Aid for Trade
AIDS	Acquired Immune Deficiency Syndrome
AMC	Advance Market Commitment
AT	Austria
BE	Belgium
BG	Bulgaria
BWI	Bretton Woods Institutions
CBI	Centre for the Promotion of Import (from developing countries)
CFCSP	Common Framework for Country Strategy Papers
CGIAR	Consultative Group of International Agricultural Research
CIDA	Canadian International Development Agency
CODEV	Working Party on the Development Cooperation at the Council
CRMG	Commodity Risk Management Group
CSP	Country Strategy Paper
CTT	Currency Transaction Tax
CY	Cyprus
CZ	Czech
DAC	Development Assistance Committee of the OECD
DDA	International Development Association

DE	Germany
DFID	Department for International Development of the United Kingdom
DK	Denmark
DRC	Democratic Republic of Congo
DRR	Disaster risk reduction
DRRP	Disaster Risk Reduction Prevention
DSF	Debt Sustainability Framework
EC	European Community
ECA	European Court of Auditors
ED	Executive Directors
EDF	European Development Fund
EE	Estonia
EFC	Economic and Financial Committee of the EU
EIB	European Investment Bank
EL	Greece
EPA	Economic Partnership Agreement
ES	Spain
EU	European Union
FAO	Food and Agriculture Organisation
FATF	Financial Action Task Force
FI	Finland
FLEX	The EU instrument to compensate African, Caribbean and Pacific (ACP) countries for short term fluctuations in export earnings
FR	France
FSF	Financial Stability Forum
G 8	Group of Eight (Summit of Canada, France, Germany, Italy, Japan, Russia, United Kingdom and United States)

G 20	G roup of 20
G 25	Group of 25
GAERC	The Council (General Affairs and External Relations)
GAVI Alliance	formerly known as the Global Alliance for Vaccines and Immunisation
GBS	General Budget Support
GDP	Gross Domestic Product
GIIF	Global Index Insurance Facility
GNI	Gross National Income
GPG	Global Public Goods
HIPC	Heavily Indebted Poor Countries
HIV	Human Immunodeficiency Virus
HLP	United Nations Secretary General's High Level Panel on Threats, Challenges and Changes
HOLIS	European Commission's Humanitarian Aid Department's internal data base containing the information about the EU Member States' contributions to humanitarian aid
HU	Hungary
ICTSD	International Centre for Trade and Sustainable Development
IDA	International Development Association
IDB	Inter-American Development Bank
IE	Ireland
IF	Integrated Framework
IFAD	International Fund for Agricultural Development
IFF	International Financial Facility
IFFIm	International Finance Facility for Immunisation
IFI	International financial institution
ILO	International Labour Organisation
IMF	International Monetary Fund

IO	International Organisations
IPG	International Public Goods
IT	Italy
ITC	International Trade Centre
JAS	Joint Assistance Strategies
JAST	Joint Assistance Strategy for Tanzania
JFP	Joint Programming Paper
LDC	Least Developed Countries
LT	Lithuania
LU	Luxembourg
LV	Latvia
MDG	Millennium Development Goals
MDRI	Multinational Debt Relief Initiative
MoU	Memorandum of Understanding
MS	Member States
MT	Malta
NGO	Non-Governmental Organisation
NL	The Netherlands
NPV	Net present value
ODA	Official development assistance
OECD	Organisation for Economic Cooperation and Development
ORET	Organisation Related Export Transactions
PL	Poland
PRCC	Program Reinforcing Trade Capacity
PRSP	Poverty Reduction Strategy Paper
PT	Portugal

RO	Romania
SAFEX	South African Futures Exchanges
SALW	Small arms light weapons
SBS	Sector budget support
SCIMF	Sub-committee on IMF, the Economic and Finance Ministers' Council sub-structure
SE	Sweden
SI	Slovenia
SK	Slovakia
TB	Tuberculosis
TF	Task Force
TRA	Trade Related Assistance
TRADE	Directorate General Trade of the European Commission
UK	United Kingdom
UN	United Nations
UNCHR	United Nations Commission on Human Rights
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNFPA	United Nations Funds for Population Activities
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNITAID	International Drug Purchase Facility
UNSC	United Nations Security Council
USAID	United States Agency for International Development
WB	World Bank
WFP	World Food Programme



WHO	World Health Organisation
WTO	World Trade Organisation

## 1. INTRODUCTION

### 1.1. Background

This Staff Working Paper complements the Communication ‘Keeping Europe's promises on Financing for Development’ COM(2007) 164 final of April 4, 2007. Whereas the Communication provides an overall assessment of EU progress on its commitments on financing for development and aid effectiveness together with policy recommendations to further improve the EU performance, this document is more analytical and factual.

The EU commitments cover ten issues, pertaining to the volume and sources of financing for development and the quality of aid. The 2002 and 2005 commitments on these issues - ODA volumes, innovative sources of financing, more predictable and stable aid mechanisms, debt relief, aid effectiveness, the untying of aid, the mitigation of exogenous shocks, aid for trade, the reform of the international Financial institutions and global public goods – are quoted at the beginning of the chapters that follow.

This is the Commission's fifth progress report on financing for development and aid effectiveness. The report evaluates the positions stated by Member States in the annual 'Monterrey' questionnaire, drafted by the Commission, and assesses progress on delivering on the commitments. It consists of two parts: the first is divided into ten chapters (2–11) corresponding to the respective EU commitments, and the second (chapter 12) contains profiles of all EU Member States drafted using their replies and publicly available DAC data.

### 1.2. Monitoring – mandate and methodology

In 2002 the Council mandated the Commission to monitor EU progress on the joint commitments on financing for development and aid effectiveness. When the Council agreed to extend and further develop the initial EU commitments of 2002, in 2005, it also reaffirmed the Commission's monitoring mandate, asking for annual progress reports to be submitted. The objectives of monitoring are to assess progress achieved, provide recommendations on overcoming any shortcomings and suggest how the EU could further contribute to advancing international financing for development.

Since 2002, the Commission has collected information on the performance and views of the EU Member States on the different commitment themes through a detailed **annual survey**. The Commission is pleased to note the **Member States' ever increasing ownership of and confidence in the monitoring process**, in terms of:

- **responsiveness**: as from the first questionnaire sent out in 2002, all Member States in the enlarging EU have responded;
- the **timeliness** of replies: overall, Member States have endeavoured to provide their contribution more promptly, with the help of close contacts and encouragement (‘help-desk’ type support) by the relevant Commission department and, as and when necessary, by the extension of initial deadlines;
- the **comprehensiveness and quality** of responses: Member States vary in their technical capacity to deal with the financing for development issues covered by the EU commitments, some of which are complex and technical. Capacity depends on the overall

size of Member States' development administration, the expertise available in the administration and their cumulative experience of development cooperation. While some Member States have a long tradition of development cooperation, others are emerging donors. Despite these disparities, all provide increasingly comprehensive replies, albeit necessarily diverging in quality. The Commission especially appreciates the efforts of those Member States that have joined the EU more recently with nascent development cooperation capacity. In some cases, a single task manager endeavours to provide a full picture of certain topics. The contributions of Member States with greater development experience reveal the involvement of a number of experts/services/ministries/agencies.

Over the years, the Commission has adapted the **methodology** applied in the **design of the annual questionnaire** and has also acknowledged that analysing the replies has turned into a substantially more time-consuming exercise for what are now 27 EU Member States. As a result, there has been a move away from too many 'open' questions, as it is more difficult to assess and compare 'open' replies, to more 'semi-open' questions – where a range of pre-defined answers is offered (multiple choice questions, including options to rank answers) – or 'closed' questions (requiring yes/no answers). The introduction of 'compulsory' answers in online questionnaires has triggered more complete responses. There are questions on all thematic commitments, organised in chapters that each include a free space for comments so that Member States can contribute as they wish.

The **latest survey was sent to the Member States at the beginning of November 2006**; the last reply was received by the end of January 2007. For the first time, Member States were asked to assess the format of the questionnaire. Most of them agreed that the focus was right, i.e. ODA volumes, joint programming, aid for trade and global public goods (GPG). However, nine Member States felt that questions were unclear or more background information was needed. Only four Member States believed there were too many questions, and a single Member State complained that the questions were too difficult.

## 2. ODA VOLUMES

The survey endeavoured to track:

- **current ODA volumes, including 2006**, although the initial deadline for receiving replies was prior to the end of 2006 – for that reason, the Commission asked Member States to update their ODA indications provided for 2006, in line with their preliminary ODA reporting to the OECD/DAC (deadline March 2007);
- **generic ODA forecasts on overall aid levels** (either in absolute terms or as a percentage of GNI) up to 2011, with a view to allowing the Commission to do a plausibility check on whether Member States can be considered 'on track' to achieve their 2010 individual ODA targets;
- **ODA forecasts for specific purposes** (2006–2008), i.e. for aid for trade and mitigation of exogenous shocks.

Member States' statements give a mixed picture of their ability or willingness to provide forecasts:

- The Union's best performers, e.g. those that have already achieved/exceeded the 0.7% ODA/GNI target, generally confirmed their willingness to maintain or even increase their high ODA levels.
- Some Member States provided clear year-on-year data on future ODA developments for a five to six-year period.
- Other Member States indicated short-term planned ODA volumes, but could not specify medium-term developments.
- Yet other Member States could give at least a 'range' (minimum/ maximum ODA/GNI for a given year) for the period 2007–2011.
- But there are some Member States that – since the beginning of the survey exercise in 2002 – have never been able to provide any forecast figure, although they may regularly confirm their commitment to achieving the individual minimum baseline by the respective target years, i.e. 2006 and 2010.

Against this background it seems that a number of Member States – despite their repeated expressed commitment to move to the EU baseline targets or their higher national ODA targets – may not have a 'medium-term expenditure framework' for development assistance.

The experience of the past several years' surveys also reveals that Member States have difficulty providing conclusive information on the aid to be devoted to specific issues, such as aid for trade and the mitigation of exogenous shocks. It has become evident that more work needs to be done to clarify concepts and to provide good definitions – e.g. what is meant by 'trade-related assistance' or 'trade-related infrastructure', what is covered by support for 'ex ante disaster risk reduction' compared to overall humanitarian assistance following natural disasters, etc. This is a precondition for more exact and comparable forecast figures in the future. But also multi-annual strategic planning, recourse to more predictable aid arrangements, such as budget support, and operational division of labour between donors will facilitate more precise medium-term ODA planning in EU Member States.

## 2.1. ODA targets 2006

*EU commitment – ODA targets 2006:*

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

*(Council conclusions of 14.03.2002 on the UN Conference on Financing for Development (Monterrey))*

The EU exceeded, before time, the collective ODA commitment set for 2006. However, four Member States were not able to live up to their individual commitments, but promised to reach/ exceed 0.33% ODA/GNI in 2007 (EL, PT, ES) or 2008 (IT). Their delay also adversely affects their ability to achieve the intermediate EU individual ODA goals set for 2010. Moreover, this situation undermines the burden-sharing principle among Member States, which was a core element of the EU individual and collective ODA commitments made in 2002 and 2005.

*EU ODA levels 2004 – 2006*

	2004		2005		2006	
	ODA in million €	ODA in % of GNI	ODA in million €	ODA in % of GNI	ODA in million €	ODA in % of GNI
<b>Official Targets</b>						EU-15: 0.33
Austria	1175	0,50	1266	0,52	1205	0,48
Belgium	1178	0,40	1580	0,52	1568	0,50
Bulgaria	NA	NA	NA	NA	2	0,01
Cyprus	4	0,03	4	0,03	16	0,11
Czech Republic	87	0,11	109	0,11	124	0,12
Denmark	1639	0,83	1696	0,81	1780	0,80
Estonia	4	0,04	5	0,05	8	0,07
Finland	547	0,36	726	0,46	658	0,39
France	6820	0,41	8067	0,47	8324	0,47
Germany	6064	0,27	8112	0,36	8247	0,36
Greece	258	0,15	309	0,17	306	0,16
Hungary	56	0,07	80	0,10	96	0,12
Ireland	489	0,39	578	0,42	794	0,53
Italy	1982	0,14	4096	0,29	2926	0,20
Latvia	7	0,06	8	0,07	9	0,06
Lithuania	8	0,04	12	0,06	15	0,08
Luxembourg	190	0,86	206	0,86	232	0,89
Malta	8	0,18	7	0,17	7	0,15
The Netherlands	3384	0,67	4116	0,81	4343	0,81
Poland	95	0,05	165	0,07	239	0,09
Portugal	830	0,59	303	0,21	312	0,21
Romania	NA	NA	NA	NA	3	0,00
Slovak Republic	23	0,07	45	0,12	44	0,10
Slovenia	25	0,10	30	0,11	35	0,12
Spain	1962	0,24	2428	0,27	3028	0,32
Sweden	2191	0,78	2706	0,94	3161	1,03
UK	6339	0,36	8662	0,47	10049	0,52
<b>EU 15 TOTAL</b>	35047	0,35	44852	0,44	46932	0,43
<b>EU 10 TOTAL</b>	316	0,07	467	0,09	592	0,10
<b>EU 25 TOTAL</b>	35364	0,34	45318	0,42	47524	0,42
<b>EU 27 TOTAL</b>					47529	0,41

*ODA in € million at current prices*

*Source: Coloured cells contain information supplied by Member States, other cells are Commission data or calculations.*

*EU12 total and EU27 total GNI and ODA figures in 2004 and 2005 do not include the GNI of BG and RO*

## Methodology applied for the ODA tables

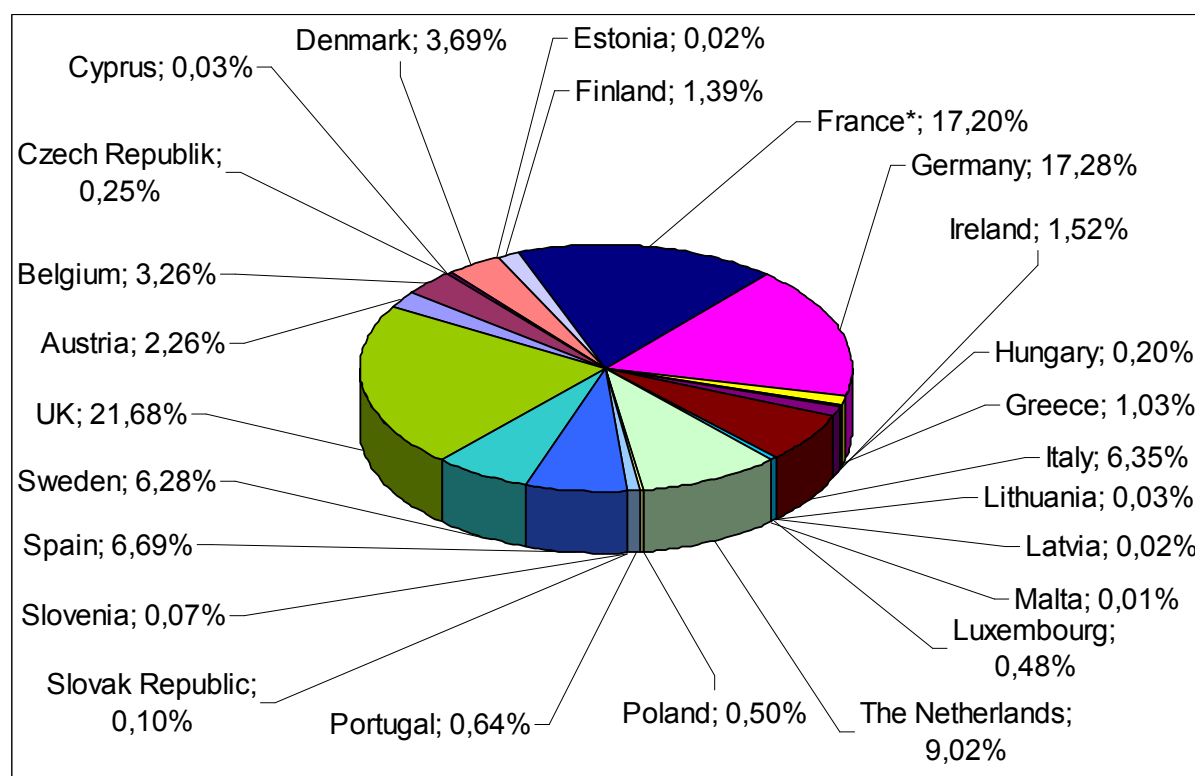
Figures on Official Development Assistance (ODA) are in current prices and were taken from the OECD Development Assistance Committee (DAC) for the years 2005 and 2006 for those Member States that are OECD members.<sup>1</sup> For non-OECD members and for all Member States in subsequent years ODA figures were taken, as far as available, from Member States' replies as indicated by yellow-coloured fields. All non-coloured fields are Commission data or calculations. For Member States which gave ODA figures in national currencies (BG, CY, CZ, DK, EE, HU, LV, PL, RO, SI, SE, UK) the Commission's annual average exchange rates of the respective years were applied to convert them into euro. Nominal exchange rate stability is assumed beyond 2008 which means that each country's 2008 nominal exchange rate against the euro is applied afterwards. Where a Member State presented only the ODA/GNI ratio, ODA was calculated by multiplying it with the Commission's GNI figure. Where a Member State gave both the ODA figure and the ODA/GNI ratio, preference was given to using the ODA figure as this gives a better indication of where the achievement of ODA/GNI targets is sensitive to differing assumptions on GNI. Missing information on both ODA and ODA/GNI ratio was calculated by assuming that the ODA/GNI targets for 2006 (0.33% for EU-15), 2010 (0.51% for EU-15 and 0.17% for Member States that joined the EU after 2002) and 2015 (0.7% for EU 15 and 0.33% for Member States that joined the EU after 2002) would be achieved and by multiplying them with the Commission's GNI figures to derive the ODA figures. The missing ODA figures for the remaining years were calculated by distributing the absolute difference between the ODA volume of the latest year for which information was provided (or, if the latest available year is before 2006, the 0.33% target for EU-15 countries) and the ODA volume required to meet the 2010 and 2015 targets equally over these years.

Figures for Gross National Income (GNI) in current prices are outcome for 2005, estimates for 2006 and from the Commission's autumn 2006 forecast and February 2007 interim forecast for the years 2007 and 2008. GNI figures for the years 2009 to 2011 are calculated by applying the Commission's country-specific projections of nominal GDP growth rates. The Commission's projections are based on potential output growth estimates until 2013 which were also used for the purpose of budgetary calculations in the context of the EU financial framework 2007-2013.<sup>2</sup> The GNI growth rates applied for the years 2014 and 2015 are assumed to equal the 2013 growth rate respectively.

<sup>1</sup> Marginal differences in the ODA/GNI ratios for some countries in the Commission calculations compared to the OECD DAC calculations are due to minor differences in the applied exchange rates and GNI estimates.

<sup>2</sup> The Commission estimates Member States' potential output growth on the basis of the production function approach. For further technical details see Cécile Denis, Kieran Mc Morrow and Werner Röger (2002), "Production function approach to calculating potential growth and output gaps – estimates for the EU Member States and the US" *Economic Papers* No. 176, European Commission, Brussels, September 2002, and Cécile Denis, Daniel Grenouilleau, Kieran Mc Morrow and Werner Röger (2006), "Calculating Potential Growth Rates and Output Gaps - A revised Production function approach ", *Economic Papers* No. 247, European Commission.

Percentage share of MS' ODA in EU total ODA (2005)

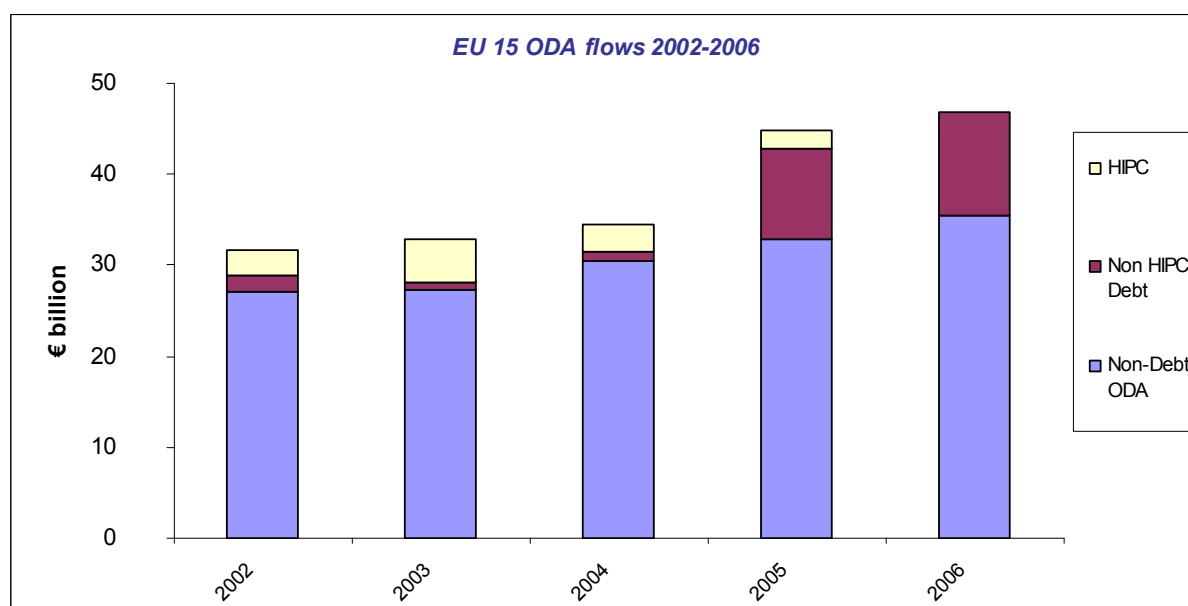


Source: OECD/ DAC statistics and replies from MS to Monterrey questionnaire

## 2.2. EU ODA and debt relief

The exceptional debt relief efforts undertaken by the donor community, i.e. the Multilateral Debt Relief Initiative of 2005 (MDRI), which complements the earlier debt reduction initiative for Heavily Indebted Poor Countries (HIPC), and the special debt reduction operations in favour of Iraq and Nigeria, contributed substantially to the EU's overall impressive ODA performance to 2006. The reporting of debt relief is in line with the OECD/DAC definition of 'ODA'; but the strong focus on debt relief as part of scaling-up is not exactly what one might have expected, because the mobilisation of more programmable aid that is also required is lagging behind. Some Member States may also be on the verge of breaching the promise they made at the Monterrey International Conference on Financing for Development in 2002, reiterated by the Council in April 2006, i.e. "to ensure that resources provided for debt relief do not detract from ODA resources intended to be available for developing countries". In 2005, net ODA volumes – excluding debt relief grants – of the three Member States which together represent 55% of the EU's total aid either decreased (DE – 5.5%, FR –0.7%) or only marginally increased (UK +0.9%). Such situations are also critical because they risk triggering liquidity problems for the implementation of bilateral aid programmes, as Member States cannot cut mandatory contributions to the EC and multilateral agencies.

## Share of debt relief in EU scaling up 2002–2006



Source: OECD/ DAC statistics and replies from MS to Monterrey questionnaire  
For 2006, the share of HIPC debt relief in total debt relief is not yet available

The country profiles (see chapter 12) include graphs illustrating the share of debt relief in the ODA volumes of the 15 EU Member States that are also DAC members.

### 2.3. EU ODA to Africa

To monitor the EU commitment of 2005 to provide collectively half of the aid increases that are supposed to come on top of the ODA result achieved by 2006, the Commission will establish a baseline chart against which the future EU allocations for Africa can be assessed.

### 2.4. EU ODA targets 2010

#### *ODA targets 2010/2015:*

*“...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%.”*



*ODA for Africa:*

*“EU will increase its financial assistance for Sub-Saharan Africa and will provide collectively at least **50% of the agreed increase of ODA resources to the continent, while fully respecting individual Member States priorities’** in development assistance.”*

*(European Consensus on Development with reference to Council conclusions of 24.05.2005)*

The EU frontrunners in the scaling up process are the nine Member States – so far – that have either achieved the 0.7% target or decided to reach it prior to 2015. They are also instrumental to ensuring that the EU achieves the collective objective of 0.56% ODA/ GNI, by 2010.

*ODA commitments of EU Member States  
to achieve or maintain an ODA/GNI ratio of at least 0.7% prior to 2015*

<i>Member State</i>	<i>ODA/ GNI target</i>	<i>Target year</i>
Belgium	0.7%	2010
Denmark	0.8%	Already achieved/ will maintain
Finland	0.7%	2010
France	0.7%	2012 ("between 0.5 and 0.7%" during 2008–2011)
Ireland	0.7%	2012
Luxemburg	0.88% achieved 1.0%	2012
The Netherlands	0.8%	Already achieved / will maintain
Sweden	1.0%	Achieved in 2006 / will maintain
United Kingdom	0.7%	2013

*[Spain has committed itself to reaching 0.5% ODA/GNI by 2008 [Master Plan for Cooperation for 2005–2008]*

*Source: Member States' replies to the Annual Monterrey Survey; Millennium Project Report by J. Sachs: Investing in Development, 2005*

The graph below, providing a ‘high case’ and ‘low case’ scenario for scaling-up for 2010, illustrates that the EU is collectively on track to move to the next intermediate targets; but also shows that the efforts of the EU-25 need to be enhanced and sustained to effectively maintain the EU’s credibility in the process.

*EU ODA scenarios 2010*

		Amount in € billion	ODA as % of GNI
Collective commitments for 2010 (€20 billion/year more than in 2006)	EU-25 [EU-27]	67	0.56
	EU-10 [EU-12]	1	0.17
'High case' scenario <sup>3</sup>	EU-27	78.9	0.57
	EU-15	77.3	0.60
	EU-12	1.6	0.17
'Low case' scenario <sup>4</sup>	EU-27	73.8	0.54
	EU-15	72.3	0.57
	EU-12	1.5	0.16

*Commission simulation – based on replies of Member States to the Monterrey questionnaire*

The following table shows that some Member States are not yet set to meet their individual baseline targets by 2010. These are Cyprus (CY), Estonia (EE), Hungary (HU), Latvia (LV), Lithuania (LT), who have yet to demonstrate how they will 'strive to achieve' the 2010 ODA goals, and Portugal (PT).

Greater predictability of aid flows is widely accepted as a prerequisite for achieving the MDGs. While some Member States are acting upon national plans to ensure a gradual scaling up of their aid, ODA flows of other Member States are more volatile, in terms of variations in quantity or in composition. In order to improve predictability of aid on the recipient side, additional indications regarding which regions and countries are to benefit from increased aid levels would be desirable.

While overall simulations of EU ODA developments up to 2015 are not yet reliable and need to be underpinned by more concrete forecast figures in future surveys and confirmed by GNI growth in the EU, the table below provides a very preliminary sketch of the EU volumes that could be mobilised by 2015.

<sup>3</sup> Based on the assumption that FR and UK will gradually increase their ODA levels between 2008–2012 (FR) and between 2008–2013 (UK) and attain, by 2010, higher levels than the 0.56% ODA/GNI EU collective target, i.e. FR 0.63% and UK 0.61% and ODA as reported/assumed in the other MS. In reply to the survey FR indicated that a result between 0.5–0.7% ODA/GNI is foreseen during the 2008–2011 period to achieve, by 2012, the national 0.7% ODA/GNI target. UK that has set 2013 as the target date for achieving ODA volumes corresponding to 0.7% ODA/GNI indicated, in response to the survey, that detailed spending plans for UK ODA for the period of 2008/09 and beyond were not yet available.

<sup>4</sup> Based on the assumption that UK and FR will achieve, by 2010, only the individual EU baseline target of 0.51% ODA/GNI like all other EU-15 still below that target.

Scaling up of EU ODA 2006 – 2010 - 2015

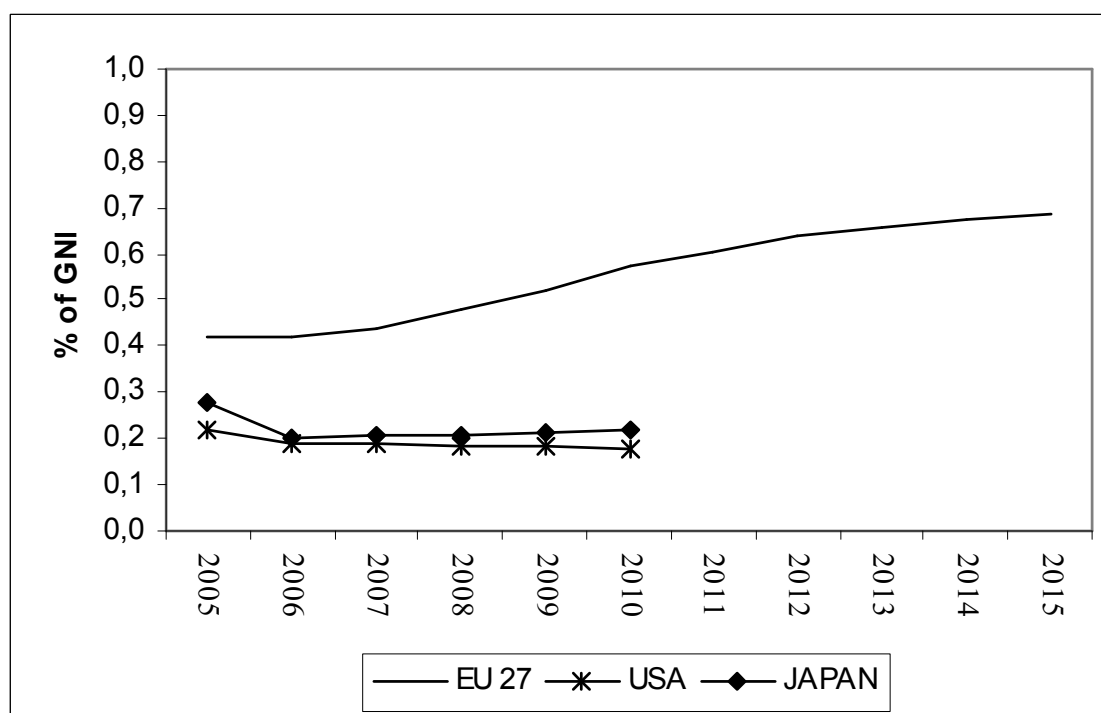
	2006		2010		2015 (commitments)	
	ODA in million €	ODA in % of GNI	ODA in million €	ODA in % of GNI	ODA in million €	ODA in % of GNI
<b>Official Targets</b>		EU-15: 0,33		EU-15: 0,51 EU-10: 0,17		
Austria	1205	0,48	1512	0,51	2539	0,70
Belgium	1568	0,50	2561	0,68	3228	0,70
Bulgaria	2	0,01	60	0,17	166	0,33
Cyprus	16	0,11	19	0,10	79	0,33
Czech Republic	124	0,12	230	0,17	593	0,33
Denmark	1780	0,80	2152	0,80	2659	0,80
Estonia	8	0,07	15	0,07	109	0,33
Finland	658	0,39	1395	0,70	1659	0,70
France	8324	0,47	13383	0,63	18121	0,70
Germany	8247	0,36	12963	0,51	20172	0,70
Greece	306	0,16	1262	0,51	2241	0,70
Hungary	96	0,12	148	0,14	439	0,33
Ireland	794	0,53	1199	0,60	1957	0,70
Italy	2926	0,20	8730	0,51	14300	0,70
Latvia	9	0,06	19	0,07	156	0,33
Lithuania	15	0,08	40	0,11	182	0,33
Luxembourg	232	0,89	336	0,95	516	1,00
Malta	7	0,15	9	0,17	21	0,33
The Netherlands	4343	0,81	5136	0,80	6303	0,80
Poland	239	0,09	574	0,17	1392	0,33
Portugal	312	0,21	768	0,44	1518	0,70
Romania	3	0,00	228	0,17	659	0,33
Slovak Republic	44	0,10	95	0,17	253	0,33
Slovenia	35	0,12	64	0,17	162	0,33
Spain	3028	0,32	7676	0,62	11323	0,70
Sweden	3161	1,03	3730	1,00	4492	1,00
UK	10049	0,52	14324	0,60	20846	0,70
<b>EU 15 TOTAL</b>	46932	0,43	77126	0,60	111874	0,72
<b>EU 12 TOTAL</b>	596	0,08	1499	0,16	4211	0,33
<b>EU 27 TOTAL</b>	47529	0,41	78626	0,57	116085	0,69

ODA in € million at current prices

Source: Coloured cells contain information supplied by Member States, other cells are Commission data or calculations

EU12 total and EU27 total GNI and ODA figures in 2004 and 2005 do not include the GNI of BG and RO

## The EU scaling up 2006 – 2015 compared to the USA and Japan



Source: OECD DAC statistics and replies from MS to Monterrey questionnaire

### 2.5. ODA to Least Developed Countries (LDC)

Following up the Monterrey Consensus and the UN World Summit of 2005, the EU-15 either already allocate a minimum of 0.15% ODA/GNI to LDC (BE, DK, FI, IE, LU, NL, PT, SE and UK) or plan to attain that level by 2010 (AT, DE, EL, FR, IT, ES). Moreover, six of the Member States that joined the EU since 2004 have stated that they would agree to allocate a minimum percentage of ODA to LDCs by 2010, i.e. HU, LT, MT, PL, RO and SI. In the light of these statements, the EU is coming close to delivering on a UN goal which has not been underpinned by a specific individual or collective EU target.

## 3. INNOVATIVE SOURCES OF FINANCING

*EU commitment:*

*“The Council will continue to consider the most promising options for innovative sources of financing for development, in order to increase the resources available in a sustainable and predictable way.”*

*(Council conclusions of 24.05.2005)*

### 3.1. Progress

Following intensive discussion in the EU in 2005 on the various options for innovative sources of financing for development, some Member States made progress in implementing an **airline ticket tax**, the **International Finance Facility for Immunisation (IFFIm)** and **Advance Market Commitments (AMC)**.

France and the United Kingdom have an **air ticket tax** with revenues devoted to development. France introduced a solidarity contribution on air tickets on 1 July 2006. **In France**, the tax is payable by air transport companies for each commercial flight taking off. It is progressive (according to destination and travelling class) and passengers on connecting flights are exempted. Most of the revenues collected (about 90%) will be used to finance the purchase of drugs for the poorest countries for malaria, tuberculosis and AIDS via the **International Drug Purchase Facility (UNITAID)** and the rest will be used to finance the IFFIm. France gave no new estimate, in response to the questionnaire, of the revenues actually collected in 2006, but previously forecast that about €200 million would be collected annually. For several years, the **UK** has had an air ticket tax – the Air Passenger Duty – which is levied on all passengers departing from the UK (domestic or international). The tax applies different rates for European and non-European destinations, and for economy and business classes. The UK has made a financial commitment to use part of the revenues collected to support UNITAID. An annual contribution of €20 million has been committed for 2007, which may gradually increase to €60 million by 2010 in total or per year, subject to a joint assessment of UNITAID's performance.

The **German Parliament** voted against motions from opposition parties on the introduction of an air ticket tax, but has not excluded the introduction of an innovative source of financing at a later stage to help achieve the ODA targets.

The basic concept of the **IFFIm** is to frontload funding for immunisation programmes in developing countries through capital markets. Six European countries (UK, France, Italy, Norway, Spain and Sweden) made legally-binding long-term budgetary commitments which allow the IFFIm to raise a total US\$4 billion over the next ten years to support the programmes of the **GAVI Alliance**<sup>5</sup>. A first five-year bond raising US\$1 billion was placed on the markets in November 2006. The IFFIm is meant to be a pilot project for a larger International Finance Facility (IFF) that would frontload larger amounts of ODA funding.

Following earlier discussions in the G8, the UK and Italy, together with Canada and with the assistance of the World Bank and experts such as GAVI, further pursued the implementation of a **pilot AMC**. The idea of an AMC is to provide additional financial incentives for the market introduction of a new vaccine in developing countries in order to help intensify research and development efforts. After many technical discussions, a vaccine for pneumococcal disease was found to be a suitable candidate for a pilot AMC, while malaria was also considered a good candidate for a second AMC at a later stage. In February 2007, the UK and IT plus Canada, Norway, Russia and the Bill & Melinda Gates Foundation committed themselves to contributing together the required estimated total of US\$1.5 billion to launch the first **AMC** to speed up the development and market introduction of a new vaccine for pneumococcal disease in developing countries.

### 3.2. Result of the survey

In the **questionnaire**, Member States were asked whether they had implemented or were planning to implement a selection of innovative sources of financing. The Commission had

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<sup>5</sup> The GAVI Alliance (formerly known as the Global Alliance for Vaccines and Immunisation) is a public-private partnership focused on increasing children's access to vaccines in poor countries. Partners include the GAVI Fund, national governments, UNICEF, WHO, The World Bank, the Bill & Melinda Gates Foundation, the vaccine industry, public health institutions and nongovernmental organizations (NGOs).

selected those which were being implemented or prepared in 2006 (airline ticket tax, IFFIm, AMC) or were still being discussed (airline ticket contribution, IFF, global lottery).

With regard to global public goods (GPG), Member States were also asked whether they would agree to adopting specific innovative financing mechanisms for GPG and, if so, which ones. Carbon taxes, a Tobin tax, and global bonds were also mentioned. Belgium remains the only Member State that has established the legal framework for the introduction of a currency transaction tax (Tobin tax).

**Austria's** new Government programme contains a reference to exploring the possible introduction – at EU level – of a currency transaction tax that should serve supranational tasks, e.g. the financing of the EU itself and development cooperation.

The replies confirm that the great majority of Member States neither apply nor plan to implement any of these innovative sources of financing for development. Although many report general interest and ongoing consideration, in practice these ideas are still limited to the same small group of Member States. **France** and the **United Kingdom** show ongoing interest in the IFF and are the main supporters, together with **Italy**, of the IFFIm and the AMC. France would only consider taking part in an AMC on malaria, i.e. not the current pilot AMC for a pneumococcal vaccine.

**Sweden** and **Spain** also contribute to the IFFIm and are considering a contribution to the pilot AMC. However, both countries also referred to the high transaction costs of these instruments in terms of administrative work, technical complexity and legal procedures for making long-term budgetary commitments. **Luxembourg** is considering the introduction of a voluntary airline ticket contribution. Member States showed little interest overall in a global lottery or the other ideas referred to for funding Global Public Goods.

With regard to the Council conclusions of April 2006 and in the light of progress achieved the following observations can be made:

- A small group of EU Member States has taken the lead on all existing instruments of innovative sources of financing and made considerable efforts to implement them. Some non-EU countries have also joined the initiatives, but have not driven the process. However, the majority of EU Member States are not considering taking part in the foreseeable future, whether for development purposes or for Global Public Goods.
- The cases of the air ticket tax, IFFIm and AMC demonstrate that although these can indeed provide stable and predictable sources of development finance, their main advantage, i.e. locking in long-term budgetary commitments, is at the same time a potential source of high transaction costs which might divert administrative and political resources from other important priorities of financing for development.
- Most revenues from innovative sources are to be delivered through existing channels and together with organisations which are well established and experienced in working in the health sector of developing countries (the GAVI Alliance, World Bank, WHO, and others). This avoids setting up new parallel structures and is in line with the main principles of the Paris Declaration on Aid Effectiveness. Furthermore, the health sector is an area where managing for results is less difficult than elsewhere. However, implementing the resources from these new initiatives in a way that is well aligned with partner countries' health strategies will remain a challenge.

#### 4. MORE PREDICTABLE AND STABLE AID MECHANISMS

*EU commitment:*

*“Partner countries need stable aid for effective planning. The EU is therefore committed to more predictable and less volatile aid mechanisms.”*

*(European Consensus on Development)*

*In order to better respond to the need for stable resources and in view of the expected increases in ODA flows, the EU will develop new, more predictable and less volatile aid mechanisms. Such mechanisms could consist in the provision of a minimum level of budgetary aid secured in a medium term perspective and linked to policy performance in the partner countries, in particular in relation to the commitment towards achieving the MDGs in national poverty reduction strategies.”*

*(Council conclusions of 24.05.2005)*

Rolling multi-year frameworks and less frequent verification of conditionality with lagged and graduated responses to performance slippages are key to achieving more predictable budget support disbursements, and more effective use of aid.

Despite substantial support for multi-year commitments only two Member States report the use of rolling agreements. Most Member States concerned indicate that they do *not* intend to move away from annual assessments to less frequent reviews of conditionality.

The survey suggests no change in the number of Member States willing to embrace budget support. Thirteen (AT, BE, FI, DE, DK, EL, FR, IE, NL, PT, SE, SP, UK, NL) stated that programme aid in the form of budget support was one of their two most favoured forms of aid<sup>6</sup>. Within this group, the willingness to provide general budget support (GBS), rather than sector budget support (SBS), appears to have increased. Ten Member States either favoured GBS or expressed no preference. Only two seem to clearly prefer SBS, whereas last year only six were ready to provide GBS and ten indicated a preference for SBS<sup>7</sup>.

There also seems to be **substantial support for making multi-year commitments**: 12 of the 13 Member States that are in favour of budget support either already make multi-year commitments, or intend to move in this direction<sup>8</sup>. However these arrangements were primarily of a fixed duration; only IE and the UK reported the use of rolling agreements.

<sup>6</sup> FI and SP stated a clear intention or policy decision to increase programme support overall, although this question had not directly been asked.

<sup>7</sup> PT only provides GBS, while the NL suggested that GBS was preferred in principle. Seven MS stated that the choice between GBS and SBS would be determined by the country context, with no a priori targets or preferences. BE and EL mention a preference for SBS, AT is also understood to prefer SBS.

<sup>8</sup> Seven MS (BE, DK, DE, FI, NL, SE, SP) reported that they already make multi-year BS commitments, whereas others (EL, IE, PT) indicated that they intended to move in this direction: FR and UK reported already using multi-annual commitments in many (UK) or some (FR) countries. Only AT stated that constraints imposed by its legal system prevent it from moving to multi-year commitments.

The survey also revealed that there is little enthusiasm overall for moving from annual assessments to less frequent reviews of conditions: 10 Member States wrote that they do *not* intend to move in this direction. Nevertheless, the UK emphasised that failure to meet progress benchmarks should not lead automatically to interruption of aid flows, and SP and SE claimed to practise less than annual checks of conditions already, while EL also expressed the intention to move into this direction<sup>9</sup>.

The European Commission continues to favour budget support and expects to increase the share of budget support. Following the Council request of 2005 to draft proposals for a new long-term budget support mechanism, the Commission convened a technical workshop with Member States on a possible "MDG contract" in February 2006. However, divergent views on design features and the way forward remained. These responses represent some, albeit limited, progress since 2006, when only 2 Member States (PT and UK) were inclined to move towards multi-annual budget support with reviews of conditionality at intervals of less than one year. However, neither UK nor PT confirmed this intention in reply to the latest questionnaire. This could mean that they interpret the issue differently now or that the concepts are still not mature. This also implies that replies to the survey on this particular subject need to be treated with some caution.

## 5. DEBT RELIEF

*EU commitments:*

*"The EU remains committed to finding solutions, in cooperation with International Financial Institutions (IFIs), to unsustainable debt burdens, and is committed to full implementation of the enhanced HIPC initiative. It will be vital to agree on the scope and modalities for further multilateral debt relief in order to secure the long term debt sustainability on a case by case approach."*

*(Council conclusions of 24.05.2005)*

*"Debt reduction ... provides predictable financing. The EU is committed to find solutions to unsustainable debt burdens, in particular the remaining multilateral debts of HIPCs (Heavily Indebted Poor Countries), and where necessary and appropriate, for countries affected by exogenous shocks and for post-conflict countries."*

*(European Consensus on Development)*

### 5.1. The Heavily Indebted Poor Countries (HIPC) Initiative

**The context of the HIPC Initiative:** 2006 marked the tenth anniversary of the HIPC Initiative which, following a G7 invitation, had been proposed by the WB and the IMF in 1996 as a coordinated approach to reducing poor countries' external debt to sustainable levels. The initiative involves bilateral and multilateral official creditors, together with commercial creditors. At the 1999 Cologne Summit, G7 leaders agreed to a revised framework, an enhanced HIPC Initiative, providing faster, deeper and broader debt relief. The HIPC initiative has multiple dimensions, emphasising debt relief but linking it to poverty reduction,

9 These responses represent some, if limited, progress since 2006, when only 2 MS (Portugal and UK) were inclined to move towards multi-annual budget support with reviews of conditionality at intervals of less than one year. However, it is notable that neither the UK nor Portugal reported an intention to move towards less frequent reviews of conditionality in this latest survey, suggesting that questions are being interpreted differently each year, and that results need to be treated with some caution.



structural adjustment and social policy reform, in particular the health and education sectors, enshrined in an agreed Poverty Reduction Strategy Paper (PRSP).

Initially intended to be a two-year action, the Initiative has since been extended four times (in 1998, in 2000, 2002 and in 2004) The final so-called 'Sunset Clause' took effect on December 31, 2006, but countries that are assessed (or that will be assessed) to have met the income and indebtedness criteria based on end-2004 data will be "grandfathered" and could still become eligible late for HIPC assistance.

**Implementation of the HIPC initiative.** Forty countries have either already qualified or are currently considered eligible or potentially eligible for debt relief under the HIPC Initiative. Of these, thirty countries have reached 'Decision Point'. Twenty-one of these 30 countries have reached Completion Point, making them eligible for irrevocable relief, while nine countries are between decision and completion point (interim HIPCs) – being thus eligible for the receipt of interim relief.

Four of the **nine interim HIPCs** advancing with the implementation of their IMF-supported programs (Chad, the Gambia, Guinea and Sao Tome & Principe) have already completed a full PRSP. Moreover, Sao Tome & Principe is satisfactorily implementing its macroeconomic policy programs, has finalised its PRSP and made substantial progress in fulfilling the completion point triggers. Five further countries are expected to follow by the beginning of 2007.

**Ten pre-decision-point HIPCs** that have been assessed to meet the Initiative's income and indebtedness criteria at end-2004 and might wish to be considered for debt relief; Kyrgyz Republic and Central African Republic are making progress towards reaching their decision point.

The latest WB Staff cost estimate of debt relief assistance under the HIPC initiative was **\$41.3 billion** in net present value terms (NPV) at end-2005 and included the 29 countries that had reached Decision Point prior to September 2006 (thus excluding Haiti). This represented a 10% increase over the previous estimate (\$38.2 billion in 2004 NPV terms). Total costs for the 40 potentially HIPC-eligible countries have been estimated to be **\$63.2 billion** in end-2005 NPV terms. These costs are almost equally divided between bilateral and multilateral creditors.

The **HIPC initiative** has shown **some encouraging concrete results**, even if it has become clear by now that it is only a first, though important, step towards long term debt sustainability. So far, the debt stocks of the 29 post-decision-point HIPCs are projected to decline by almost 58% under traditional debt relief and HIPC Initiative assistance. Also, in average terms, their debt service as a percentage of exports has declined from nearly 14% in 2000 to around 4% in 2005. Savings deriving from debt relief seem to have been channelled towards more poverty-reducing expenditures, which have increased from 6.7% of GDP in 1999 to 9.3% of GDP in 2005, while debt service paid, on average, has declined by about 2% of GDP between 1999 and 2005. Prior to HIPC, eligible countries spent, on average, slightly more on debt service than on health and education combined. Now, on average, such spending is more than five times the amount of debt-service payments.

The **HIPC Trust Fund** was created to help multilateral organisations finance their participation in the HIPC initiative. According to the latest WB/IMF reports, the additional costs of HIPC will be fully financed in the short-term but the Trust Fund has recently

presented a new estimation of funding requirements, showing a total **financing gap of US\$463**, which includes the funding needs of the International Fund for Agricultural Development, the last institution to have gained access to the Fund. **Filling this gap will be a new challenge for the donor community in 2007.**

## **5.2. The Multilateral Debt Relief Initiative (MDRI)**

Aimed at further reducing the debt of HIPC and at providing additional resources to help them reach the Millennium Development Goals (MDG), the MDRI provides 100% multilateral debt cancellation of **IDA (WB)**, **African Development Fund** (African Development Bank) and **IMF** debt stocks for HIPCs that have reached, or will reach, Completion Point. To date, all 21 post-completion-point HIPCs have qualified for MDRI debt relief from IDA, the IMF, and the AfDB. They have already benefited or will benefit from MDRI debt relief from IDA and the IMF and are expected to receive MDRI assistance from the AfDB shortly. The other 19 HIPCs would qualify for debt relief under the MDRI once they reach their completion points under the HIPC Initiative. Participating creditors are the IDA, AfDB and IMF only. The remaining outstanding loans from **EDF** resources have not been included in the initiative.

In January 2007, the Committee of the Board of Governors of the **Inter-American Development Bank** discussed terms for granting full debt relief to the Latin American HIPC countries: Bolivia, Guyana, Haiti, Honduras and Nicaragua. The Committee's recommendations must be ratified by a vote by the IDB's 47 member countries.

## **5.3. Summary of survey results**

The questions regarding the EU debt relief commitment concerned the full implementation of the enhanced HIPC initiative and the MDRI proposed in June 2005 by the G8, as elaborated and implemented by the IMF, the WB and the African Development Bank.

The responses confirm EU Member States' commitment to fully finance the HIPC initiative and the more recent MDRI (with the exception of some EU Member States that are not members of IDA and the African Development Bank).

Some Member States seem to consider there is scope for new international coordinated action for future cases of unsustainable debt in low-income countries, although they did not specify the kind of undertaking that could be warranted. However there was a mention of the use of debt swaps as a successful means to finance education projects in non-HIPC countries.

As regards the possibility that **debt relief** would **cross-subsidise non-concessional lenders** (the "free rider issue") most answers refer to ongoing discussions in different international fora, such as the OECD, and to the coordinated use by all creditors of the Debt Sustainability Framework of the IMF/WB. Reference was also made to the need to strengthen debt management capacity in countries benefiting from the HIPC initiative and MDRI to improve borrowing behaviour. Some Member States proposed to involve new creditor countries such as India and China in these discussions.

## **6. AID EFFECTIVENESS – THE INITIAL EXPERIENCE WITH EU JOINT PROGRAMMING**

*EU general commitment:*

*“In preparation for the Paris High Level Forum, the Council has adopted, on 22 November 2004, a comprehensive EU response with the report on ‘Advancing coordination,*

*harmonisation and alignment'. The EU will ensure implementation of the concrete recommendations contained therein, including a more effective framework for development assistance at the EU level and division of labour and complementarity at country level in the context of joint, multi-annual programming based on the partner country's poverty reduction strategies.*

*The EU is fully committed to a timely implementation and monitoring of the Pari Declaration on Aid Effectiveness including setting monitorable targets for 2010 and of the EU specific commitments adopted at the Paris Forum."*

*(Council conclusions of 24.05.2005)*

*"The EU is committed to promote better donor coordination and complementarity by working towards joint multi-annual programming, based on partner countries' poverty reduction or equivalent strategies and country's own budget processes, common implementation mechanisms including shared analysis, joint donor wide missions, and the use of co-financing arrangements."*

*(European Consensus on Development)*

*Joint Programming:*

*The Council of April 2006, recognising "the need for the Commission and Member States to increase their participation in joint multi-annual programming [...] as a key element to promote more effective aid", agreed "to develop a two step approach towards joint multi-annual programming, consisting in a joint analysis of the country situation and, gradually, a joint response strategy, duly taking into account the competences of the Community and of Member States."*

*On this basis, the Council defined the following mandate for follow-up on joint programming:*

*To initiate immediately "joint analysis [...] in the ACP countries for the programming of the 10th EDF between the Commission and interested Member State and other interested donors". "To initiate a joint response strategy to the joint analysis, in countries selected on the basis of the following criteria, e.g. the existence of a) a Poverty Reduction Strategy or equivalent, b) a sufficient number of active EU donors, revising their programming, c) local coordination processes, as well as d) specific considerations for fragile states, and e) a positive field assessment."*

*With reference to these issues, the Council stated that:*

*"Joint multi-annual programming must be guided by the principles of effective programming and the essential components of Country Strategies, as reflected in the annexed Common Framework for Country Strategy Papers (CFCSPs)."*

*"Whenever the development of common strategies is already under way, such as Joint Assistance Strategies or similar processes, joint programming should complement, strengthen, and whenever possible be part of these existing processes, in order to avoid unnecessary parallel processes."*

*(Council conclusions of 11.04.2006)*

This chapter mainly assesses experience to date with Joint Programming, following the adoption of the EU Common Framework for Country Strategy Papers in 2006 (chapter 6.1). Joint programming was also the focus of the last 'Monterrey' questionnaire, to collect the views and experience of the Member States. This chapter also reviews the implementation of

the aid effectiveness Action Plan that the Commission presented to the Council and the European Parliament in 2006<sup>10</sup>.

## 6.1. Joint programming – state of play

- *Introduction*

Joint multi-annual programming is a fundamental tool of the EU's contribution to meeting the commitments on aid effectiveness made at the Monterrey Conference on Financing for Development (March 2002) and the two subsequent High Level Forums on Harmonisation held in Rome (February 2003) and Paris (March 2005). Its major objectives include: strengthened national ownership and leadership of the development processes, improved donor coordination, harmonisation of their processes and procedures, increased complementarity in the division of labour and alignment with the partner countries' agendas and programming cycles (systems and processes). These aims are crucial to providing more effective and efficient assistance to partner countries in pursuing the objectives set in their national development strategies.

The EU started joint multi-annual programming recently. Since 2004, several EU decisions have prompted the launch of joint multi-annual programming<sup>11</sup>. On 11 April 2006, the GAERC<sup>12</sup> adopted general principles and a common format for joint programming documents (Common Framework for Country Strategy Papers – CFCSP), and invited the Commission, EU Member States and other interested donors to initiate the joint programming exercise in ACP countries, where the ongoing 10th EDF programming process provides a unique opportunity to test the process.

As the 10th EDF programming process is now coming to an end, initial conclusions can be drawn. The "Monterrey survey" provided interesting feedback from Member States that, together with the Commission's overall assessment of the experience so far, highlights the difficulties in implementing such a process. This has been demonstrated by the limited number of ACP countries and EU Member States involved, and by the mixed results so far achieved. Many problems still need to be solved, such as insufficient communication and exchange of information among donors and practical issues (e.g. the format, programming calendar, nexus joint programming – Joint Assistance Strategies (JAS), and the division of labour).

The conclusions are provisional, however. The joint programming exercise started only recently, and is an innovative and, by definition, progressive and dynamic process that will not end when the 10th EDF programming is over. On the contrary, the experience in the ACP countries represents a first step in a process that is meant to be gradual and should be constantly improved and adjusted to pursue more ambitious and higher levels of development cooperation. To deliver the objectives of this demanding and complex exercise, joint programming requires time, effort and willingness by donors to adjust their internal

<sup>10</sup> COM (2006) 87final of 02.03.2006 'Delivering more, faster and better'.

<sup>11</sup> Report "*Advancing Coordination, Harmonisation and Alignment: The Contribution of the EU*" of the Ad-Hoc Working Party on Harmonisation (November 2004), the "*European Consensus on Development*" (November 2005), the *Aid Effectiveness Package* (March 2006).

<sup>12</sup> Conclusions of the Council (GAERC) on Financing for Development and Aid Effectiveness: Delivering more, better and faster, adopted on 11 April 2006.

procedures to help converge planning approaches and divide labour optimally based on comparative advantage.

Moreover, despite the difficulties encountered, most Member States have shown great interest in continuing with or moving to joint programming and remain firmly committed to going ahead and enlarging the range of countries involved.

- *Background: the Council conclusions of April 2006*

In recent years, the EU has adopted several decisions promoting joint multi-annual programming as a fundamental instrument for achieving improved aid effectiveness, an essential objective of the EU agenda to face the new challenges ahead in development cooperation:

- The report "**Advancing Coordination, Harmonisation and Alignment: The Contribution of the EU**" from the Ad-Hoc Working Party on Harmonisation (adopted by the GAERC in November 2004) calls for concrete action on meeting those commitments and requests the Commission to develop an EU Action Plan.
- The "**European Consensus on Development**" (November 2005), the EU's common vision guiding the development cooperation actions of the EU both for Member States' and for the Community as a whole, reaffirms the intention to adopt joint multi-annual programming.
- The **Aid Effectiveness Package** (March 2006) proposed concrete measures to improve the effectiveness of EU external assistance. In this context the Commission presented an action plan including a joint EU framework for programming development aid, as outlined in its Communication "*Increasing the impact of EU aid: A common framework for drafting country strategy papers and joint multi-annual programming*" (COM(2006)88) of 02.03.2006.

This framework set the basis for discussion at the Council that led to the adoption on 11 April 2006 of the "**Conclusions on Financing for Development and Aid Effectiveness: Delivering more, better and faster**". The Council Conclusions represent a fundamental document for joint multi-annual programming as the Commission and the EU Member States agreed the basic principles for implementing the exercise. This implementation involves a very complex exercise aimed at harmonising the donors' programming processes with a view to adopting a single document agreed by all.

*Main difficulties: the donors' planning and programming processes vary widely in terms of scope, frequency, timing, content and format of country strategies. Consequently the process requires time as well as effort, availability and procedural preparedness of donors to adjust gradually their internal requirements in order to come to an harmonised process.*

Bearing in mind these challenges, the Commission developed a proposal for an EU multi-annual joint programming framework. This proposal, later discussed at the Council, led to the adoption of Council Conclusions that:

- identify the basic principles of joint multi-annual programming;

- propose a way of implementing the exercise: the **Common Framework for Country Strategy Papers (CFCSP)**. The idea was to put in one document the sections that are common to the programming documents of individual donors, i.e. a first section on the joint analysis and a second section on the joint response strategy<sup>13</sup>. Each donor is supposed to then complement these two sections with its specific country work plan.
- *Fundamental principles of joint multi-annual programming*

Generally speaking, joint programming can be defined as a collective effort through which the EU and national partners work together to prepare and implement activities aimed at supporting the achievement of national priorities, including Poverty Reduction Strategy Papers (PRSPs) and equivalent national strategies within the framework of the MDGs. It is meant to simplify and harmonise programming at country level, maximise synergies among the partners and the EU in terms of the regulatory framework and technical expertise and thus guarantee better coordination and division of labour and ultimately bring down transaction costs for aid delivery. Joint programming is therefore a unique opportunity to make EU external assistance to partner countries more coherent, efficient and effective. To do so, the joint multi-annual programming exercise should respect certain fundamental principles set out below<sup>14</sup>:

- **Flexibility:** the process can be implemented differently depending on the specific situation and needs of the partner country involved, local coordination capacities and the donors involved (political will and procedural readiness for harmonisation).
- **Gradualism:** in line with the above-mentioned principle, joint programming can make provision for gradual "integration" stages by taking into account the progress and pace of the country.
- **Openness:** rather than being limited to the Community and EU Member States, joint multi-annual programming should be open to all interested donors and encourage broad participation.
- **Being locally driven** rather than directed from remote Headquarters: in addition, the process must uphold the country ownership principle, i.e. the right and responsibility of the partner country to establish its own development agenda and set out its own strategies for poverty reduction and growth. First of all, the partner country should take the lead in preparing, coordinating and monitoring the joint multi-annual programming process. If the country does not have the capacity to do so, it must be given support to acquire it. Secondly, the joint programming process should be based on, and aligned with, the partner country's policy framework and its planning cycle. Thirdly, in delivering assistance, donors should progressively make more use of partner countries' own systems rather than establishing parallel systems of their own.
- **Complementing and strengthening any ongoing harmonisation process** in order to avoid unnecessary parallel processes: if a harmonisation and coordination process is

<sup>13</sup> The specific components to be included under each section are specified in the annex to the Council's Conclusions.

<sup>14</sup> The principles mentioned are set out in the Communication "*Increasing the impact of EU aid: A common framework for drafting country strategy papers and joint multi-annual programming*" (COM(2006)88), p. 10 and in the Conclusions of the Council (GAERC), see footnote 4, p. 9.

already under way, the common programming framework should be integrated into that process. Where Joint Assistance Strategy (JAS) initiatives are under way, they should serve as the basis for EU joint programming, which has the potential to feed into the JAS process and to give it new impetus through coordination and a common European vision.

- *Implementation of joint multi-annual programming*

The Council has envisaged a two-step approach, based on the gradual character of the process.

1. Planning should start with a **joint assessment and analysis of the country's situation**. This will include sections that are common to the country programming documents of EU Member States. In particular it will include an outline of the political, economic, social and environmental situation of the country plus a description and analysis of poverty, the partner country's policy agenda, lessons from past cooperation, complementarity between different donors' activities and the harmonisation agenda. This part serves to identify the main weaknesses and challenges for the partner country.
2. The next step is drawing up a **joint response strategy**. The response strategy should set out the strategic choices for cooperation in the partner country, i.e. a selection of focal areas on the basis of the needs and priorities of the partner country, as identified in the analysis of the country and its policy agenda. It will also detail the roles and responsibilities of partners in coordinating and managing the joint activities. This second step should start in countries presenting certain preconditions considered necessary to ensure a successful exercise, among them a positive field assessment, taking into account the capacity of the government (in terms of political environment, institutional capacities and the quality of national development policies) and the donors' capacities and attitudes, i.e. whether there are good local coordination mechanisms, political will and procedural readiness for harmonisation.

The analytical part, together with the response strategy, will form part of a **joint programming document, a single unified country strategy**, agreed by all participating donors, that will represent the comprehensive framework for managing development cooperation between the donors and the partner country. This document will considerably improve complementarity and coordination as it will replace the separate programming documents that each individual donor currently concludes with the partner country.

All donors will complement this document with their own country work plan in order to meet specific individual requirements and obligations. That part will outline the individual donor's sectors of intervention under the joint response strategy and the general objectives, the specific activities to be implemented in pursuit of these objectives, the type of assistance, the financial envelope, the risk analysis and the monitoring system.

Besides presenting the components of the joint document, the GAERC proposed one possible format for implementing the exercise, i.e. the Common Framework for Country Strategy Papers. The specific structure of the format is annexed to the GAERC conclusions.

- *State of play*

#### 6.1.1.1. ACP countries involved

A **joint programming exercise is being implemented in a number of ACP countries, namely: Dominican Republic, DRC, Ethiopia, Ghana, Haiti, Kenya, Mali, Sierra Leone, Somalia, South Africa, Tanzania, Uganda, and Zambia.**

While joint country analyses are intended to be widely initiated, it was decided to start with a limited number of countries to increase the chances of success and to encourage future exercises by:

- focusing joint support by the Commission and EU Member States, i.e.:
  - following the process more closely, verifying the risks and problems, and exploring possible solutions;
  - learning initial lessons and identifying best practice which can then be built into future exercises;
- conducting the exercise in a pragmatic and progressive way, i.e.:
  - launching it firstly in those countries where the programming cycles of EC and other donors are ongoing – in line with this principle, the Council conclusions of 2006 asked the Commission and EU Member States to initiate the process in the ACP countries where the 10th EDF provided a unique opportunity to test it;
  - selecting those ACP countries where the prospects for developing the process were good – the presence of certain favourable preconditions, as defined by the Council's Conclusions of April 2006, were then investigated: i.e. the existence of (a) a PRSP or equivalent; (b) a sufficient number of active EU donors revising their programming; (c) local coordination processes; (d) specific considerations for fragile states; (e) a positive field assessment.

In most of the joint programming countries, i.e. Ethiopia, Mali, Sierra Leone, South Africa and the first four countries to use a JAS (Ghana, Tanzania, Uganda, and Zambia), the harmonisation process was already advanced. This situation was crucial to facilitating dialogue among donors and between donors and the partner country leading to an agreement on needs, priorities and policies for the country and to a search for synergies between the Commission and EU bilateral cooperation. The process was also helped along if a good number of donors were revising their programming; if their programming timetables were compatible; if the capitals sent comprehensive instructions to the embassies/field offices; if field representatives were given room to manoeuvre and a mandate to engage in the process; and if the partner country actively encouraged the process. In some cases, special attention was given to fragile states (Haiti, Somalia and DRC), i.e. countries in crisis or a post-crisis situation with no or weak poverty reduction strategies, where donors considered it necessary to work together to have a real impact.

- *Results from the ongoing experience*

The experience of joint programming in the different countries varies greatly in terms of the progress, participation by donors and results achieved.



In **most countries**, joint programming led to the drafting of a **shared analysis and response strategy**, with the exception of Burkina Faso and Mali, where only a joint analysis has been produced. Donor participation varies: in some countries it was limited, in others a number of important donors were involved<sup>15</sup>. In general, it is **too early for an overall evaluation**. Not only did the joint programming exercise start only recently, but it is a very complex and, by definition, progressive and dynamic process that will not come to an end when 10th EDF programming is finished. However, it is useful to **draw some preliminary lessons** from the difficulties encountered **so that possible solutions can be investigated and best practice built into future exercises**.

Interesting feedback on this point was provided by EU Member States in their answers to the ‘Monterrey’ survey. Replies show that Member States define the concept of joint programming so broadly, that some of their answers are confused. For instance, the idea that efficient coordination processes provide the starting point for joint programming results in some Member States stating that they are taking part in joint programming exercise in countries where no joint analysis or common response strategy has been discussed.

Although not all EU **Member States took part in the process (11 out of 27 countries<sup>16</sup>)**, **most** of those Member States who did **gave positive evaluations of the joint programming exercise in general**. In particular, referring to the objectives of joint programming, Member States recognised that the exercise has contributed to improving the local coordination process, division of labour and alignment with the partner country strategy and budget cycle. Opinions varied with regard to cutting transaction costs: the process is initially costly in time and human resources; these costs tend to be borne in the first phase, working towards improved donor complementarity. Some Member States criticised the Commission’s approach to joint programming. These points must be carefully taken into account as they reveal sensitive problems that can emerge during the implementation of the exercise.

The most important issues are:

1. **A gap between the positions of the headquarter/ capitals and those expressed in the field**. This is mainly due to insufficient communication, in terms of concrete instructions, guidance and encouragement from the capitals to embassies/field offices. To overcome this problem, the Commission deemed it necessary to guarantee a stronger support from the HQs and therefore promoted:
  - The setting up in Brussels of an **technical experts’ group**, made up of representatives from the Commission and the Member States, to act as a link between the field-led exercise and headquarters/capitals.
  - **Technical assistance** to the Delegations to provide human resources and guidelines where necessary to help develop the exercise.
  - The organisation of **joint missions** by headquarters/capitals, where relevant. Recognising the fact that joint programming should be led mainly on the ground by local representatives and the partner government, the Commission and the Member States have agreed that **joint missions will be limited to cases where they can provide real added value**. One of these is fragile states, where strong

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<sup>15</sup> See annex 1 on this point.

<sup>16</sup> AT, DK, FI, FR, DE, IE, IT, SP, SE, NL and UK.

support from capitals was deemed necessary to launch the joint programming exercise. To this end, missions to **Somalia** (8-10 November 2006) and **Haiti** (20-21 November 2006) were organised.

**Recommendation:** Good communication among donors is essential to ensure progress and transparency. It is therefore advisable to strengthen the role of the technical experts' group and the exchange of information between headquarters/capitals and field representatives. A shared Commission/Member State system of monitoring joint programming could also be implemented with a view to:

- determining how joint programming is being used to contribute more efficiently and effectively to achieving national development results and national capacity building;
- learning from the experience and implementation of joint programming to inform the preparation of future exercises; and
- recording notable results or development impacts of joint programming.

Joint monitoring missions could also be organised for that purpose.

2. **Differences in the programming processes** in terms of scope, content, frequency and timing. Gradual adjustment of domestic requirements is therefore required to allow flexible processes, compatible with a joint programming approach. While the overall principles of a harmonised approach were clearly set out in the Council Conclusions of April 2006, a number of problems have been encountered in practice. The issues most relevant in this respect are:

- **The format of the programming document.** As stated in the Council Conclusions, the agreed EU CFCSP is one tool for joint programming. Most Member States taking part in the joint programming exercise (DK, FI, FR, NL, SE and UK) indicated in their response to the 'Monterrey' questionnaire that they will **not adopt this format**; CY and LU indicated that they will not participate in joint programming in the future and therefore **will not use the CFCSP**. Some Member States also clarified their position by stating the reasons for their decision, e.g. Cyprus stated that its bilateral cooperation is delegated and that it will refer to the programming procedure of the lead donor. FR and LU will continue to refer to their own documents, *le cadre de partenariat* for FR and the *multi-annual partnership agreements* for LU, as they have proven to be efficient tools. According to other donors (FI, DK and UK), the CFCSP will provide an important framework and will be adopted if the circumstances are appropriate in the country. However, a flexible model that can be accommodated in the process of a country is preferred to the adoption of a specific format. The UK also stressed the importance of concentrating on the process rather than on whether the final document adheres to one format or another.
- In practice, the **CFCSP was used as the format for joint programming in Burkina Faso, Mali, Haiti, Ethiopia, and South Africa**. In the other cases, the Commission accepted a different format, which was adapted to incorporate all the

topics covered by the framework adopted by the Council (this was necessary to comply with the internal procedures of the EDF Committee)<sup>17</sup>.

- **Donors’ programming timetables.** The duration of EU donors’ ODA financial commitments varies greatly. Only 8 Member States, (AT, DE, DK, FI, IE, NL, SE, UK) and the Commission have multi-annual commitments, which differ in the number of years (from 2 to 5<sup>18</sup>). The other Member States work within an annual budget framework.
- As suggested in the Council Conclusions of 2006, the problem of reconciling diverging timescales should be resolved through progressive alignment with the partner countries’ multi-annual planning cycles (PRSPs and budget processes). The idea behind this proposal is that timing must not be dictated by the time schedule of one particular donor to satisfy its internal requirements, but should be sufficiently flexible to allow better alignment with local processes and also to promote the ownership principle that is now one of the key principles of development cooperation. However, complete synchronisation is only feasible in the long term; in the meantime, other arrangements need to be agreed among donors where their programming timetables are incompatible.
- In their replies to the survey, a few Member States criticised the lack of flexibility of the Commission: in some cases, they felt there was a pressure to finalise the process in accordance with the timeline of the 10th EDF programming given by Brussels<sup>19</sup>. While in some cases problems are acknowledged to have arisen due to a late start and a subsequent attempt to accelerate the process to meet tight programming timetables, it is also true that in other circumstances the Commission has agreed to extend deadlines for 10th EDF programming to advance the joint programming exercise<sup>20</sup>. Moreover, joint programming is not a static, one-off exercise but should be conceived as a dynamic, interactive process which will be periodically updated in the light of annual and mid-term reviews and will thus give other donors an opportunity to join in according to their programming cycle.
- **The relationship between joint programming and JAS.** Some Member States have expressed doubts about the added value of EU-based joint programming compared to other harmonisation processes (in particular, JAS initiatives) and, above all, concerns about apparent inconsistencies between the two processes. In case EU joint programming exercises should duplicate or overlap with ongoing JAS processes, certain Member States asked the Commission to become actively involved in harmonisation processes currently under way and to accept the JAS document as a substitute for an EU strategy.

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<sup>17</sup> See box 1, p. 13 for an example.

<sup>18</sup> The Netherlands: up to 5-10 years; EC. With the 10<sup>th</sup> EDF cycle has been harmonised with the EC Budget (6 years), Denmark and Finland have a system with a 5-year commitments; Germany, Sweden, UK and Ireland: 3 year rolling plan; last, Austria has a biennial budget framework.

<sup>19</sup> In particular this issue was raised by Denmark with reference to the Uganda case.

<sup>20</sup> The majority of CSPs had to be finalised by the end September and early October; nevertheless the deadline for some CSPs been delayed until January and in other cases the programming process is still ongoing (Haiti, Somalia, DRC).

- The Commission reiterates that joint programming does not compete with or undermine existing or planned ongoing harmonisation processes: the intention is rather to strengthen and complement those processes. With regard to JAS, the Commission has always played a major role in advancing the process by fully participating in it, giving valuable contributions and trying, where feasible, to push it to a more advanced stage (for instance by encouraging political dialogue on governance).
- A good example of this is Tanzania, where the time frame of the JAST<sup>21</sup> programming coincided with that of EDF programming and the Commission accepted the joint analytical work and joint programming part as the EU joint document despite the fact that it does not strictly follow the format set out in Council's Conclusions (see box 1).

21

● \_\_\_\_\_  
Since mid-2004, the Government of Tanzania has led a process to develop a Tanzania Joint Assistance Strategy (JAS). Set in the global context of the Rome and Paris Declarations on aid effectiveness, this initiative is intended to deepen the impact of the relationship between GoT and its many development partners (DPs). In October 2006, the Joint Assistance Strategy for Tanzania (JAST) was approved by Cabinet, making the JAST official document for the Government of United Republic of Tanzania. The JAST was launched officially on 5th December 2007 with signing of a Memorandum of Understanding between Government and development partners and Development Partners.

**Box 1: Format of the CSP for Tanzania**

The assistance to the GoT is set out in four sections as specified below:

Part I summarises the Joint Assistance Strategy for Tanzania (JAST). The JAST outlines the principles and procedures behind aid effectiveness with a focus on harmonisation, alignment, increased use of government systems, increased aid predictability, open dialogue between government and domestic stakeholders, improved division of labour, and a move towards the government's preferred aid modalities.

Parts II and III contain the Joint Programming document drafted by development partners to complement the JAST and make it operational. The document consists firstly of an analysis of the situation and the developmental challenges facing Tanzania and secondly of a systemic and comprehensive overview of donors' existing and planned division of labour and engagement in Tanzania. The document was finalised on 15 November 2006.

Part IV: all donors have supplemented the above documents with their own work plan.

3. **Issues of complementarity:** The question of how to achieve a **division of labour** based on the **added value of each donor** is a core element of joint programming. This implies fewer donors per sector, better coordinated donors and improved coordination between donors and the beneficiary country's government. Following the country experiences, key division of labour issues need to be tackled in an open and transparent manner through intensive dialogue between donors and with the partner country. All these questions need to be answered by setting concrete reference criteria such as a EU code of conduct<sup>22</sup>.

*Overview: Current joint programming countries and participating donors*

COUNTRY	PARTICIPATING DONORS
1. Burkina Faso *	EC, Belgium, Denmark, France, Germany, the Netherlands, Austria, Sweden, Italy, Luxemburg, Canada, Switzerland.
2. DRC	Country Assistance Framework: EC, France,, Belgium, the Netherlands, Germany, Sweden, UK, Canada, IMF, United Nations, USAID, Japan, the World Bank.
3. Dominican Republic	EC, France, Germany, Spain.
4. Ethiopia	EC, Austria, Belguim, Bulgaria, Czech Republic, Denmark, Finland, Germany, France, Greece, Hungary, Ireland, Italy, the Netherlands, Poland, Portugal, Romania, Slovakia, Spain, Sweden and UK.
5. Ghana	GJAS: EC, Denmark, France, Germany, Italy, the Netherlands, UK, Spain, AfDB, Canada, IFAD, Japan, Switzerland, USA, the World Bank Group and the UN.
6. Haiti	EC, France, Spain, Germany, Sweden (the latter reported in the

<sup>22</sup> COM (2007) 72 final of 28.02.2007 "EU Code of Conduct, on Division of Labour in Development Policy"

	Monterrey survey that it took part in the JPE, but actually only participated in the joint mission to Port-au-Prince in November).
7. Kenya	KJAS:  EC, Denmark, , Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Sweden, the UK, the USA, the UN and the WB.
8. Mali	EC, Belgium, Denmark, France, Germany, the Netherlands, Sweden, Canada, Switzerland, the World Bank Group.
9. Sierra Leone	EC and UK
10. Somalia	EC, Denmark, Finland, Italy, Sweden and UK and Norway
11. South Africa	EC, Austria, Belgium, Denmark, Finland, France, Germany, Ireland, the Netherlands, Sweden and the UK. Italy -not one of the ten participating Member States - has since endorsed the Joint CSP.
12. Tanzania	JAST:  EC, Belgium, Denmark, , Finland, France, Germany, Ireland, the Netherlands, Sweden, Spain, UK, AfDB, Canada, Norway, Switzerland, Japan, USA, the World Bank.
13. Uganda	UJAS:  Austria, Denmark, Germany, Ireland, the Netherlands, Sweden, UK, AfDB, Norway, the World Bank and Belgium (signed the UJAS in January 2007).
14. Zambia	JASZ:  Denmark, EC, Finland, Germany, Netherlands, Ireland, Sweden, UK, (France and Italy signed the MoU), Canada, FAO, ILO, Japan, Norway, USAID, UNDP, UNFPA, UNCHR, UNICEF, UNECA, the World Bank.

\* Only joint analysis

- *Conclusions*

There are interesting achievements, but the first lessons learnt in implementing joint programming highlight the difficulties of the process. The limited number of ACP country cases and EU Member States involved so far, together with the mixed results, demonstrate that many challenges still need to be solved. Practical issues, namely communication between donors and the how to conduct joint programming (i.e. format, programming timetable, relationship between joint programming and JAS, division of labour) need to be solved to translate the commitments into field realities.

Joint programming is an innovative, progressive and dynamic exercise that needs to be improved during the coming years. The experience in ACP countries so far is a first step in a longer-term process based on the gradual approach promoted by the Council. Converging planning approaches and establishing an optimal division of labour based on the notion of comparative advantage is a demanding and complex process that requires the time, effort and availability of every donor involved.

These challenges have not led Member States to withdraw from the process, presumably in view of the important gains expected in terms of aid effectiveness.

On the basis of these expectations, in the future joint programming will be extended to cover other ACP countries and countries from other regions in which Member States have expressed an explicit interest in the Monterrey survey. First steps have been taken to develop the process for other EU partner countries, too.

## 6.2. The implementation of the Aid Effectiveness Action Plan

Progress in implementing the Aid Effectiveness Action Plan of 2006<sup>23</sup> since its adoption in 2006 is summarised in the table below.

<i>DELIVERABLES</i>	<i>SUBJECT</i>	<i>COMPONENTS</i>	<i>STATUS</i>
<i>1</i>	<i>Donor Atlas</i>	<i>1) National level</i> <i>2) Regional level</i> <i>3) National level</i>	<i>- done (February 2006)</i> <i>- draft for West Africa (March 2007)</i> <i>- done in MOZ (May 2006)</i>
<i>2</i>	<i>Monitoring the EU and the DAC processes</i>	<i>1) Monitor and push for fast and steady implementation of the Paris Declaration</i> through the mechanisms currently being set up by the OECD/DAC Joint Venture on Monitoring. <i>2) Monitor concrete EU operational deliverables</i> through the Annual Report on the Follow-up of Monterrey – both in terms of volume and effectiveness of aid.	<i>- EC actively involved in the OECD/DAC survey and the preparation of HLF III in Ghana.</i>  <i>- Being done</i>
<i>3</i>	<i>Roadmaps</i>	<i>1) Analysis of the status of the roadmap initiative</i> <i>2) a system for steady in-country support and monitoring</i>	<i>- done, report delivered (April 2006)</i>  <i>- Commission established specific support mechanism</i>

<sup>23</sup>

COM (2006) 87final of 02.03.2006 'Delivering more, faster and better'.

			<i>(training, seminars, etc.) for 46 countries that receive 80% of EC aid</i>
4	<i>Joint Programming Framework</i>	<p>1) <i>develop a Joint Programming Framework</i></p> <p>2) <i>start implementing in a pragmatic manner</i></p>	<p>- <i>done (April 2006)</i></p> <p>- <i>being implemented in a selected number of countries (see above)</i></p>
5	<i>Operational complementarity</i>	<p>1) <i>develop an operational EU strategy, including a:</i></p> <p><i>Code of Conduct on operational principles</i></p>	<p>- <i>COM adopted (February 2007)</i></p> <p>- <i>Code for adoption by Council (May 2007)</i></p>
6	<i>A structured co-financing mechanism for EC funds</i>	<p>1) <i>completion of the ongoing revision of all existing EC rules hampering co-financing</i></p> <p>2) <i>analysis of EC and Member State co-financing</i></p> <p>3) <i>develop a strategy/mechanism</i></p>	<p>- <i>completed (January 2007)</i></p> <p>- <i>launched (Feb 2007)</i></p> <p>- <i>to be done</i></p>
7	<i>Strengthening the EU vision</i>	<p>1) <i>a network of development research centres</i></p> <p>2) <i>European Development Days</i></p> <p>3) <i>multiplication of joint training</i></p>	<p>- <i>Set up (June 2006)</i></p> <p>- <i>First held (November 2006)</i></p> <p>- <i>Under way</i></p>
8	<i>Joint Local Arrangements</i>	<p>1) <i>Proposed for all the 14 countries that have signed the Rome Declaration on Harmonisation</i></p>	<p>- <i>to be done</i></p>
9	<i>Compendiums of EU development rules</i>	<p>1) <i>EU rules for programming;</i></p> <p>2) <i>Compendium of EU rules for procurement;</i></p> <p>3) <i>Compendium of EU rules and principles for NGOs;</i></p> <p>4) <i>Compendium of EU rules for subsidies</i></p>	<p>- <i>done (December 2005)</i></p> <p>- <i>done (March 2006)</i></p> <p>- <i>done (December 2006)</i></p> <p>- <i>to be done</i></p>



## 7. COMMITMENT ON UNTYING AID

Commitment:

[The Council will address] the challenge of untying of aid by adopting as soon as possible, on the basis of the Commission's proposal, a regulation on the access to EC external assistance; the EU will support ongoing debates at the international level on further untying of aid beyond existing OECD/DAC recommendations.

*(Council conclusions of 24.05.2005)*

The last "Monterrey survey" included a single question regarding the new steps taken by Member States to further untie their ODA. The replies of the Member States are summarised in the country profiles in chapter 12.

## 8. COMMITMENT ON EXOGENOUS SHOCKS

EU commitment:

"In order to mitigate the impact of exogenous shocks, including price vulnerability, on developing countries economies, the EU will support the operationalisation of market based insurance schemes and explore possibilities for temporary suspension of debt servicing on a case by case basis. Further, the EU will strengthen and improve access to existing 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."

*(Council conclusions of 24.05.2005)*

"Some developing countries are particularly vulnerable to natural disasters, climatic change, environmental degradation and external economic shocks. The Member States and the Community will support disaster prevention and preparedness in these countries, with a view to increasing their resilience in the face of these challenges."

*(European Consensus on Development)*

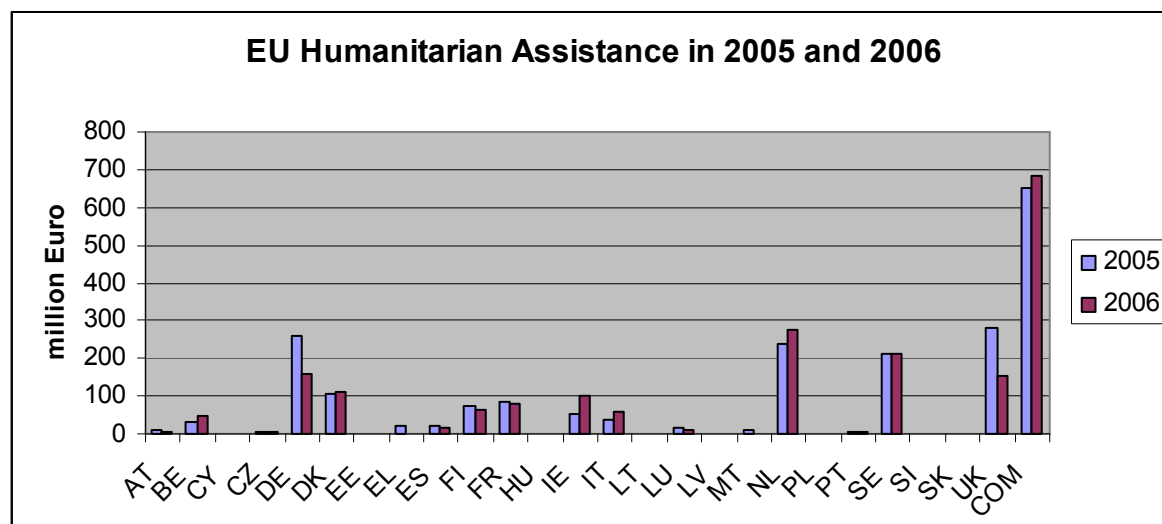
The EU has made two types of commitments related to exogenous shocks. On the one hand there is a general commitment to support disaster prevention and preparedness in order to increase the resilience of developing countries. On the other hand, there is a commitment to addressing price vulnerability, through the operationalisation of market-based mechanisms and through the improvement of access to financing mechanisms (like FLEX) that give short-term cover against the impact of external shocks on countries' revenue. The 2006 questionnaire focused on the former aspect. It addressed the relative balance between ex-ante (prevention, preparedness) and ex-post assistance (emergency response, reconstruction). Member States were asked to indicate how they balance their financial support, which aspects of disaster preparedness they have supported and whether there is a specific geographical focus to assistance.

The findings from the questionnaire are presented below. In addition, the progress on other ways of dealing with external shocks is outlined: price risk management, insurance applications and FLEX.

## 8.1. Natural disaster risk reduction (DRR)

Member States have significantly different approaches to (natural) disaster management. Some emphasise the continuum between prevention, crisis management, humanitarian aid, reconstruction and development (BE, DE, FI, FR, PT), while others emphasise (NL) or are solely engaged in post-crisis assistance (BG, IT, LV, MT), or have not taken policy positions on the balance between ex-post and ex-ante assistance (AT). Some have decided to allocate a specific percentage of the humanitarian aid budget to prevention and preparedness (LU 5%, from 2006 onwards; UK commitment of 10% of the value of disaster response), others will for the first time programme specific funds for ex-ante assistance (EL, SK), while in still other cases (BE) there is a general willingness to increase ex-ante assistance. DK is reviewing its disaster risk reduction strategy, while the EC is preparing a strategy paper in 2007.

From the answers provided by Member States it proved difficult to obtain an accurate picture of the amounts of financial assistance provided in 2005 and 2006 for ex-ante and ex-post assistance. There are methodological problems: (i) not all Member States could provide figures for both years; (ii) some included in their financial data their contributions to international organisations (like WFP, UNHCR and Red Cross), while others did not; (iii) some countries managed to give a correct breakdown into ex-ante and ex-post assistance, other did not; and (iv) in a few cases the data provided were obviously unreliable. As an alternative, the ECHO database on humanitarian assistance (HOLIS 14 points)<sup>24</sup> has been used as a source of information on ex-post assistance by the EC and the Member States<sup>25</sup>. The graph below provides an overview of the value of the humanitarian assistance provided in 2005 and 2006. It shows that while all Member States provided this type of assistance, the amounts involved vary greatly, with Germany, the Netherlands, Sweden and the UK topping the table. The European Commission was the largest contributor by far, providing 34% and 42% of overall EU humanitarian assistance in 2005 and 2006 respectively.



In total, the EU allocated €1.96 billion and €1.63 billion to humanitarian aid in 2005 and 2006 respectively, according to HOLIS figures. The questionnaire yielded comparable aggregate figures (though with some significant differences for individual countries). The relatively high

<sup>24</sup> A real-time database providing information about ECHO and Member States contributions to Humanitarian Aid.

<sup>25</sup> Bulgaria and Romania were not included in the ECHO database in 2005 and 2006.

level of emergency responses in 2005 was linked to two major disasters: the Pakistan earthquake and the South-East Asia tsunami. Sudan (Darfur) featured prominently as a target country for humanitarian assistance in both years.

Based on extrapolation of responses to the questionnaire and statements by a number of Member States, it is estimated that between 2% and 5% of total disaster-related assistance is allocated to ex-ante risk reduction support. Of the various aspects of disaster preparedness and prevention covered, a majority of Member States said they provided institutional support (see table xx below).

*Aspects of disaster preparedness that were supported by Member States in 2005  
(on the basis of 27 responses)*

Aspects	Number of Member States providing support	% of total respondents
Institutional support for disaster management	16	59.3%
Preparation of disaster management plans	10	37.0%
Infrastructure works for disaster preparedness	9	33.4%
Early warning systems	2	7.4%
(Livestock) disease prevention	1	3.7%
Insurance to cover disaster risks	1	3.7%
Education/awareness raising	1	3.7%
Food and pharmaceutical stocks	1	3.7%

Most Member States did not focus their disaster-related assistance on a specific region. Only three Member States said they did have a strong geographic focus: LU on West-Africa and Asia, PT on Sub-Saharan Africa and EL on South-East Asia and the Middle East.

In general, the EC and most Member States remain primarily geared to responding ex-post with humanitarian and reconstruction assistance. Interest in broader strategic approaches to disaster prevention and preparedness is increasing at different speeds among Member States. In FI and FR a strategic approach to DRR exists, while others (CZ, DK, EL, LU, SE,UK,) reported that they have recently developed or are developing policies on DRR. From EDF resources, an ACP-EU Natural Disaster Facility of €12 million has been approved; it will finance regional capacity-building programmes for disaster risk reduction in the six ACP regions, planned to start in 2007.

## **8.2. Price risk management**

Price vulnerability can be reduced through improved management of sales (exports) and purchase (imports) contracts. In 2006, renewed support was made available (by EC, NL) to scale up the work of the Commodity Risk Management Group (CRMG) in the World Bank, which has shown that it is feasible to use market-based instruments to reduce risks related to

external price movements. One example is the linkage made between price hedging and loans by local banks to cotton farmers in Tanzania, which not only provided better price risk coverage for cotton farmers, traders and banks, but also allowed a banks to resume lending to cotton farmers.

FR has also developed a number of price risk management initiatives for cotton exports. Through AFD, it has introduced loans to cotton companies in Cameroon and Burkina Faso with debt servicing levels indexed on the price of cotton. In conjunction with the World Bank, FR has also developed an integrated risk management mechanism for cotton in which several components (a smoothening fund linked to a second-layer loan facility, market-based instruments, and a safety net) come together. This mechanism is expected to be piloted in selected countries (Burkina Faso and Senegal) in 2007 through a joint donor approach.

On the import side, a striking example, in which CRMG played a major role, concerns a maize-import deal that was concluded in Malawi in 2005-06, when the country faced serious food shortages and inadequate private sector responses. The CRMG helped the Government of Malawi to construct and place a call option on the SAFEX commodity exchange (South Africa), which capped the price of maize imports. The purchase price of the option was paid for by the UK (DFID).

### **8.3. FLEX**

The EC is drafting proposals to amend FLEX, its system to safeguard macro-economic and sectoral reforms jeopardised by short-term fluctuations in export earnings. The FLEX mechanism has been criticised and its results have often been considered insufficient by ACP States and the Commission alike. Among the weaknesses identified are the speed of aid delivery (not being anti-cyclical), the availability of funds (particularly at the end of the 9th EDF), and the limited sensitivity of the mechanism. In response, the EC has drafted proposals that would allow FLEX assistance to be triggered earlier and more easily so as to make it more anti-cyclical. These proposals will be discussed and negotiated in the course of 2007.

### **8.4. Insurance applications**

In 2006, the EC commissioned a feasibility and formulation study on its proposed support to the Global Index Insurance Facility (GIIF). Depending on the results of the study, the initiative should become operational in 2007 (€25 million earmarked). The idea of a facility to spread index insurance more widely in developing countries was launched in 2005 and led to a range of discussions and proposals in the course of 2006. The main aim is to expand index insurance applications in ACP countries in order to improve coverage of risks relating to external shocks – mainly natural disasters like droughts, floods, hurricanes and earthquakes. Index insurance or parametric insurance refers to an insurance type that links pay-out on an occurrence to an objective and independently verifiable index (e.g. drought index, wind-speed index, flood index). It is regarded as promising for ACP countries as it would improve the speed of pay-out, reduce administrative costs and not be easily affected by fraud or moral hazard. On the other hand, it requires reliable databases and could result in basis risk (damage occurring without pay-out). The GIIF initiative, as currently proposed, is planned to consist of two interrelated windows: (i) a commercial window, consisting of a re-insurance company specifically targeted to index insurance in developing countries, and (ii) a development facility, supporting widespread capacity building on index insurance, and providing targeted premium subsidies. The entire initiative should be operational in the course of 2007, if the feasibility report is favourable.

In conclusion, the **EU has made clear progress on its commitments on exogenous shocks and is well on its way to achieving the cautious targets set.** Nevertheless, no integrated mechanism currently exists that would systematically anticipate and react to external shocks. It seems advisable to reflect on how the various tools being developed can work in conjunction to cover both price and weather-related shocks. Some further work will be necessary. For instance, it seems desirable to investigate whether a FLEX-like mechanism could be designed to react quickly on export price shocks or terms of trade shocks (e.g. through use of indices on commodity prices). For natural disasters, expanding the use of insurance instruments will need further piloting and assessment, followed by potential scaling up. Current (standard) development assistance instruments are not sufficiently quick and flexible in pay-out to provide a timely reconstruction response.

## 9. COMMITMENT ON TRADE AND DEVELOPMENT

EU commitments:

"Endorses the recommendations of the WTO AfT Task Force, and affirms the Member States' commitment to support the implementation of the AfT initiative"

"Invites the Member States and the Commission to prepare in 2007 a Joint EU AfT Strategy in relevant preparatory bodies to be adopted by the Council... The Strategy...shall: i) set a road map for the EU collectively to reach the EUR 2 billion target on trade-related assistance by 2010, ii) based on AfT needs as prioritised by partner countries, identify modalities for coordination and response at various geographical levels, iii) propose ways to strengthen EU capacity to deliver and to monitor AfT, and iv) address and set best practises on relevant effectiveness and quality issues. "

"Underlines the need to ensure that a substantial share of the Community and Member States' commitment to increase their trade-related assistance to EUR 2 billion by 2010, will be devoted to the ACP countries. This collective contribution of the Member States is additional to EDF resources.

*(Council Conclusions on Aid for Trade: 16/17 October 2006)*

"Call on the Commission and the Member States to implement their collective ODA volume commitments concerning "aid for trade" as part of the general scaling up of EU aid.

Request Commission and Member States to strengthen the integration of trade related assistance into donor policies and programming and poverty reduction and development strategies. In this context the Council reaffirms the importance of supporting and enhanced Integrated Framework and credible assistance to trade adjustments as important elements.

Call on the Commission and the Member States to improve EU coordination efforts at headquarters and field level, namely by ensuring regular exchange of information and best practices; at field level the enhanced IF or, where applicable, trade needs assessments should include a strong coordination mechanism;

Invite the Commission and Member States to reflect on possible tools of an EU collective contribution to the aid for trade agenda. Moreover, call on the Commission and the Member States to support effective monitoring and evaluation of aid for trade at global, regional and country levels, and provide timely and full reporting on TRA commitments to the Doha Data Base.”

*(Council Conclusions on Financing for Development and Aid Effectiveness, 11 April 2006)*

“Within their commitments to future increases in development assistance, Member States will strive to increase the EU’s collective spending on trade-related assistance [...] to [...] €1 billion per year by 2010, inclusive of spending on the enhanced Integrated Framework. This would bring the contribution of the EU as a whole, including the Community contribution, to €2 billion per year by 2010.”

*(Council Conclusions on TRA, 12 December 2005)*

**Trade Related Assistance** has been the subject of previous annual surveys in the context of the Monterrey reporting, albeit in less detail. This year's survey suggests an **increasing engagement** of MS in Trade Related Assistance (TRA) issues, with more detailed and qualitative responses. All 27 MS (EU 15, EU 10, Romania and Bulgaria) replied to this year's survey, although with different levels of detail. This may reflect the important attention that the EU Council paid to Aid for Trade over the year, in particular in October 2006.

The Member States are committed to collectively increase their TRA to € 1 billion annually by 2010. This commitment represents a substantial scaling up of MS efforts, and thus early efforts to ensure that the target can be reached would appear essential. In this spirit, the survey therefore explored whether MS had increased TRA volumes already in 2006. However, the responses show that **the majority of MS have not yet started to increase their TRA volumes in anticipation of reaching the 2010 target**. 9 MS (Belgium, Germany, Greece, Finland, Ireland, Luxembourg, Poland, Sweden and the UK) have increased their TRA allocations in 2006. 18 MS did not increase their spending.

The survey also sought to assess the foreseen **TRA spending for the period 2007 - 2010**, 2010 being the target date for the pledge. However, this proved difficult, as **only 7 MS** (Belgium, Cyprus, Denmark, Finland, Ireland, Luxembourg, Slovenia) **have indicated the amounts they intend to allocate to TRA**. 21 Member States do not/ cannot provide these specifications. Several MS explain in their response that it is impossible to predict these figures due to the nature of their programming and financial rules. However, this lack of data makes it **impossible to estimate whether the EU Member States will be in a position to reach their collective financial target by 2010**.

As far as the **future geographical focus of TRA is concerned, some patterns emerge although not very clearly**: MS seem to attach strong interest to Neighbourhood countries, in particular Eastern Europe, and to Africa as a continent. Asia and America attract little interest. The Caribbean and the Pacific attract virtually no interest for future TRA. The more detailed analysis by region is as follows:

- **Neighbourhood countries (Eastern Europe) receive considerable interest**, mainly from the new and smaller MS. 11 MS see the Neighbourhood countries, especially Eastern Europe as a first or second priority for their future TRA. However, since this concerns MS

with a relatively limited cooperation budget it remains to be seen whether this geographic focus will also be reflected in the future TRA volumes.

- **Asia receives little interest:** Only 4 MS consider Asia as first or second priority for their future TRA.
- Central and South America receive little interest with only 1 MS (Spain) putting first priority on the region for its future TRA.
- **Africa receives considerable interest from larger MS,** although with different sub-regional focus, namely in descending order East Africa, West Africa, Southern Africa and Central Africa. When taken as a continent, 13 MS consider Africa as a first or second priority for their future TRA. Since this concerns some of the MS with larger cooperation budgets, it is expected that a geographic focus on Africa will be reflected in future TRA volumes.
- **The Caribbean and the Pacific receive little interest.** No MS put Caribbean or the Pacific as first or second priority for future TRA.

The survey reveals a **certain convergence of views on the preferred channels of delivery for future TRA.** Most MS consider first the multilateral level and second the national level as most important channels to deliver future TRA. In terms of financing the **Enhanced Integrated Framework, a good number of MS plans to contribute to its predictable and secure financing.** 12 MS (Belgium, Czech Republic, Germany, Denmark, Finland, France, Ireland, Italy, Luxembourg, Sweden, Slovenia and the UK) indicated their plans to finance the IF. However, few MS indicate specific amounts yet. Based on the three indications already available in writing, contributions from MS would amount to 10 mio euro per year. This number will of course be much larger once the other 9 MS have allocated their amounts, especially since this includes MS with larger cooperation budgets. **10 MS have the intention to support a similar mechanism for IDA-only countries<sup>26</sup>.**

The survey also included a number of questions relating to the **wider Aid for Trade agenda** identified by the WTO Task Force in July 2006 (productive capacities, trade related infrastructure, and trade-related adjustment). 13 Member States indicated **intentions to finance such wider activities** – this figure must be taken with some caution, however, as there may not have been full clarity as regards the meaning of these different categories. 4 MS are planning **strategic conceptual work to support the wider Aid for Trade agenda** through studies and other means. Several MS consider their active participation in the informal EU Trade and Development Expert Group as a contribution to strategic work and express their willingness to be active partners in the debate.

Member States express a range of views on the desired focus of **joint EU activities on Aid for Trade with no clear priorities emerging.** Several MS commented they found it difficult to make a priority ranking among the options. However, the following actions are ranked in order of priority: (i) information sharing (ii) coordination in international fora (iii)

<sup>26</sup> The IDA-only countries are: Mongolia, Tonga, Vietnam, Albania, Armenia, Georgia, Kyrgyz Republic, Moldova, Tajikistan, Guyana, Honduras, Nicaragua, Sri Lanka, Cameroon, Republic of the Congo, Cote d'Ivoire, Ghana and Kenya.

development of joint EU programs joint positions for national and regional policy dialogue (iv) scaling up existing Community programs.

**Ten MS** (Cyprus, Germany, Denmark, Spain, Finland, Netherlands, Poland, Sweden Slovenia, UK) **have specific experience of joint donor initiatives**, most of them in the context of joint sector and programme approaches. Fewer have undertaken joint analysis of trade situations in beneficiary countries and joint programming.

The survey asked for the MS' assessment of the existing **coordination tools in Brussels on Aid for Trade**, such as the Council Working Groups on 'Development cooperation' the 'ACP' Group, the Art. 133 Committee, as well as the EU informal trade and development expert group. In contrast to replies of MS to the survey of previous years there is **now a clear agreement among MS that these groups are adequate and that coordination of EU positions in international fora is sufficient**. Nevertheless, MS made a number of useful proposals for further improvement:

- Austria proposes a stronger involvement of the trade and development expert group when preparing new trade rounds in order strengthen development expertise in future negotiations;
- Estonia proposes to improve EU coordination by bringing together all experts working on Aid for Trade under the lead of CODEV;
- Finland expresses its satisfaction with the work of the trade and development expert group and proposes its strengthening;
- Luxembourg proposes more joint meetings of Art. 133 Com and CODEV;
- The Netherlands propose more coordination at country level, also with non EU donors and multilateral agencies;
- Sweden sees the trade and development expert group as a natural forum for Aid for Trade. Its weakness is seen in the informal nature which implies a reduced weight to its recommendations as compared to other Council Working Groups. Hence Sweden proposes formalising the trade and development expert group;
- UK proposes specific improvements to the trade and development expert group: joint chairmanship by DGs TRADE and DEV; formalised mandate of the group; MS should have same voice as COM. In addition UK proposes changes to the ACP group when dealing with the EPA negotiations. In particular the representation within the group should be changed to integrate development expertise more strongly.

11 MS plan to enhance staff capacities on Aid for Trade in Headquarters and at field level through training, guidelines and other activities. Sweden for example plans to formulate a new plan in 2007 on how to work with TRA. Spain mentions that TRA is considered in their economic development policy.

## 10. REFORM OF THE INTERNATIONAL FINANCE INSTITUTIONS

EU commitment:
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“[The Council will promote] a joint European position on enhancing the voice of developing and transition countries and further improving the quality of existing EU coordination in the IFIs.”

*(Council conclusions of 24.05.2005)*

“The EU will also promote the enhancement of the voice of developing countries in international institutions.”

*(European Consensus on Development)*

The latest survey showed a **clear preference for more EU coordination** in the World Bank and IMF. A majority of 17 Member States is in favour of joint EU positions ahead of IMF/World Bank annual and spring meetings. An even larger group (19 Member States) believes it would be in the interest of European Board members to proactively discuss various options and possibly develop a joint position before meetings of the Board of Directors. Only three Member States declared that they were not in favour of extending at least one of these types of coordination (UK, the Netherlands and Sweden).

This follows the trend noted in last year's report, towards strengthening the EU profile in the IFIs. In this respect, a joint position by the EU Member States appears essential to increasing the EU's visibility and influence in the IFIs, with a view to moving towards a credible solution which honours the Monterrey commitment to developing countries. This was also stressed in the Council Conclusions on last year's report (April 2006), and in the Council discussions of October 2006.

Regarding the **method of cooperation**, most Member States expressed their **satisfaction with the current coordination mechanisms, which are mostly informal exchanges of views between EU Executive Directors and with the Commission** (with input from the Brussels based SCIMF for IMF matters).

A majority of Member States believe that coordination and information exchange improved in 2006, notably at the World Bank. However, according to Member States and the Commission, **further progress should be achieved on the number of common positions and joint statements at the IFIs**. Therefore, the Commission recommends that EU coordination meetings, with Commission representatives participating, take place systematically, prior to meetings of the Boards of IFIs (including regional development Banks), and lead to common positions where possible.

The survey also showed that the **Commission's contributions to the coordination among EU-Executive Directors could be further improved**. To improve information exchange, the Commission organised visits for EU EDs at the African, Asian and Inter-American development banks to Commission headquarters and the EIB in January 2007, and has organised annual visits for European EDs at the World Bank since 2004.

Furthermore, the Commission recommends that Board agendas and IMF and WB documents are transmitted to the Commission, to enable it to provide timely input on matters of strategic importance to the EU. Regarding regional development banks, this transmission could essentially be limited to documents with sizeable policy content, notably when policy shifts take place in these institutions.

Regarding **EU representation**, four member states declare that changes need to be considered (Germany, UK, Cyprus and Hungary). Two other countries are in favour of a single EU representation as the ultimate long-term objective (Austria and Lithuania).

On strengthening the **technical capacity** of executive directors of less well represented countries, notably African countries, a majority of Member States deem it an important issue to improve the voice of this group.

## 11. GLOBAL PUBLIC GOODS

Commitment:

“[The Council will examine], on the basis of the report of the Task Force on Global Public Goods, the possibilities to establish by 2006 an Action Plan at EU level on the provision of priority International Public Goods (IPGs) and agreeing to examine the financing modalities of the IPGs.”

*(Council conclusions of 24.05.2005)*

### 11.1. Introduction

The Report of the International Task Force on Global Public Goods – Meeting Global Challenges – was released during the Annual meeting of the IMF and the World Bank Group in Singapore on 18 September 2006. This formal launch was followed up by a few dissemination events. The Secretariat of the Task Force closed down in December 2006, leaving the impression that further communication and persuasion efforts may not be systemic and that the opportunity for enhancing the status of GPGs has not been fully grasped.

This chapter is divided into two sections: the first provides the Commission's assessment of the Task Force report; the second analyses the replies given by Member States to the annual survey, which focused on the major elements of the Task Force report.

### 11.2. Section I: Commission assessment of the Task Force report

- *Chapter 1: Missed opportunities and mounting risks*

The Commission shares the Task Force's view that the special challenges posed by global issues demand particular attention and action in view of their rising importance. The **report's analysis of the current political climate as regards international cooperation to address these global challenges provides a pessimistic, yet quite realistic, picture**: the support for international cooperation has been increasingly eroding, even though the EC considers that, in specific areas, successes have been achieved, such as in the field of conflict prevention. The preference for national sovereignty, related to diverging short-term national priorities, compounded by the weakness of international governance mechanisms and some inherent reasons for undersupply of global public goods<sup>27</sup> have often prevented the international community from grasping collective opportunities to reform the global system. Risks have consequently increased and are now amplified by the growing interdependence resulting from globalisation processes.

<sup>27</sup> "Free rider" problems, "weakest link" problems and "summation" problems.

The Commission shares the view that efforts have to be made by governments in order to address the current weakness of the international system and to strengthen multilateralism. It notes that the European Union, at regional level, has been able to achieve most for those policies where its Member States pooled their national sovereignty through the Community method.

- *Chapter 2: Global Public Goods: What they are and why many are in short supply*

The **definition** proposed by the Task Force is that GPG are **issues "broadly conceived as important to the international community that for the most cannot or will not be adequately addressed by individual countries acting alone"**. Applying the principles of non-excludability and non-rivalry that characterise public goods, this means that their benefits *"could in principle be consumed by the government and people of all states (...) and consumption by one state in no way reduces its availability to others"*. The Commission considers that this definition is helpful because it is focused on international cooperation needed to enhance the provision of GPG.

The Commission also appreciates the effort made in the report to clarify the relationship between development and public goods. It emphasises that the two agendas are complementary but nonetheless different, in particular because *"those who finance GPGs' supply also profit from their consumption"*, therefore **"financing for development and for global public goods should be distinguished from one another"**. The logical assumption is that more states should be involved in enhancing provision for GPGs, and that **resources devoted to financing GPGs should be additional to development assistance**. The Commission regards this last question as **conceptually difficult**. However, it shares the report's view that **resources devoted to financing GPG's should not automatically count as official development assistance**.

The features of GPGs transcend traditional divisions between states since *"supplying GPGs requires efforts by many or all states, and all states can share in their benefits"*. The Commission obviously agrees on the need for concerted action to fulfil mutual responsibilities. The report recognises the innovative role of the EU for the common good (*"organisations such as the European Union are altering our conceptions of sovereignty"*), however, it does not provide a detailed analysis of the added value of the Community method and instead concentrates on classic inter-governmental cooperation.

The Task Force argues in favour of catalytic leadership, which should emerge not because of imposition but as a natural outcome of assuming one's responsibilities. The Commission cannot but share this analysis, in view of the EU's own experience in leading by example in a number of areas, such as the Monterrey Consensus or the the global fight against climate change.

- *Chapter 3: Priority GPG – protecting the health of people – infectious diseases*

The Commission fully shares the view that confronting **infectious diseases** not only represents a global public good but also one of the most relevant development concerns due to the high costs of infectious diseases in terms of loss of human lives and lack of social development in partner countries. Infectious diseases, such as HIV/AIDS, tuberculosis, malaria and others are seriously hampering progress towards the Millennium Development Goals. In 2004, the Commission set up a policy framework to tackle communicable diseases through external action. This included a European Programme for Action providing a positive

and effective response to infectious diseases through national and global action in collaboration with all partners concerned. Prevention, treatment, care and support are all an integral part of the comprehensive EU strategy to confront these diseases in a sustainable manner.

**Strengthening national health systems and developing adequate national capacity to address infectious diseases is a key element** of a successful strategy. The EU is fully committed to supporting international action to address the shortage of health workers and the crisis in human resources for health in developing countries. The **Commission and EU Member States are developing a coordinated response, through country, regional and global action**. Support is provided through a variety of mechanisms ranging from general budget support to sector budget support, pooled financing, or through multilateral agencies or project funding.

The Commission does not share the view that disease-specific international programmes, established to raise funds to confront HIV/AIDS and other communicable diseases, have drained public health systems of needed human resources or diverted resources from sector-wide capacity building efforts. From its perspective, global programmes such as the Global Fund to Fight AIDS, TB and Malaria and others support country systems in a flexible and responsive way in order to enable them to address nationally defined priorities.

- *Chapter 4: Priority GPG – preserving the health of the environment: tackling climate change*

As the report acknowledges, the **EU is the world leader in taking action on climate change** and the Commission fully supports the **need for further strenuous efforts to tackle this global public ill**. Indeed the **Commission regrets that the report is so cautious and simply says that "its long-term consequences will likely be severe"**. Had the Stern Review<sup>28</sup> or the latest scientific report from the Intergovernmental Panel on Climate Change been available to the Task Force, it might have devoted more attention to the governance and financing challenges that impede international action to combat climate change.

Like the Task Force, the Commission has urged the case for carbon taxes beyond the national level, but the **proposal for an EU carbon tax did not find favour with Member States** and the **Commission concludes that the time is not yet right for this approach**. The Commission shares the report's recommendations on the need to widen the geographic coverage of emission trading schemes, invest heavily in clean energy, including renewable energy and energy efficiency, technologies and build capacity in developing countries. However, the recommendation on adaptation is too narrow. This is not simply a matter of seeds and breeds that are tolerant of climate variation; adaptation also concerns issues as diverse as water scarcity, flood defences, biodiversity conservation and major relocation of economic sectors such as tourism.

The timidity of the recommendations on climate change is not the only disappointment in this chapter of the report: the **Commission also regrets that the Task Force did not explore the aspects of the title "Preserving the Health of the Environment"**. Climate change is not the only environmental issue relevant to the GPG debate. As the Millennium Ecosystem Assessment, published in March 2005, makes clear, 15 of 24 key services mankind derives

28 [http://www.hm-treasury.gov.uk/independent\\_reviews/stern\\_review\\_economics\\_climate\\_change/sternreview\\_index.cfm](http://www.hm-treasury.gov.uk/independent_reviews/stern_review_economics_climate_change/sternreview_index.cfm).

from nature (fisheries, wood-fuel, waste purification, natural hazard regulation) are in decline and this is threatening the well-being of future generations. Yet **international dialogue on treating and paying for key ecosystems as global public goods is still in its infancy**. Combining climate change measures with biodiversity conservation provides better scope for poverty reduction and improved policy coherence.

Moreover, the report does not analyse the Global Environmental Facility even though it is one of the few GPG funds that has tackled the need to distinguish between GPG financing and traditional aid through its mandate to provide for the agreed incremental costs of global environmental benefits in its focal areas.

- *Chapter 5: Priority GPG – promoting global prosperity: financial stability & international trade*

The Commission agrees with the Task Force that **financial stability** is a precondition for economic prosperity and growth. In recent years, significant progress has been made to address the underlying macroeconomic and institutional causes of financial instability but further improvements are necessary. Given that financial stability is a public good, the existing challenges can only be addressed adequately at international level.

The Commission concurs with the report that the implementation of measures to prevent financial crises mostly fall under the responsibility of national authorities, and that efforts towards more sustainable policies need to continue. However, international cooperation on the institutional and regulatory framework has developed considerably in the last years, notably through the work of the Financial Stability Forum (FSF). The FSF seeks to coordinate efforts by national authorities responsible for financial stability in significant international financial centres, international financial institutions, international regulators and supervisors, and experts, in order to promote international financial stability, improve the functioning of markets, and reduce systemic risk. Thus, momentum for a broad-based multilateral agenda for strengthening financial systems and the stability of international financial markets has increased.

Like the Task Force, the Commission welcomes the IMF initiative at the Spring Meeting in April 2006 to supplement the IMF bilateral surveillance consultations with multilateral consultations, in order to underline global responsibility to address domestic macroeconomic policies that could lead to financial instability. This process seeks to identify and agree on collective policy actions to address vulnerabilities that affect the global financial system. The first multilateral surveillance exercise is dealing with global current account imbalances and involves the US, the euro area, Japan, China and Saudi Arabia. The main aim is to produce a common understanding on global imbalances and to promote domestic policies that contribute to reducing them. The Commission participates constructively in the discussion.

Concerning the fight against terrorism financing, the Commission agrees with the Task Force that broad participation is required in order to ensure an effective counter-regime. Further efforts by the Financial Action Task Force on Money Laundering (FATF) and other bodies to bring about more comprehensive legislative and regulatory reforms designed to counter the use of the financial system by criminals are warranted. The EU has accelerated the implementation of measures against the financing of terrorism in order to close legislative gaps and to improve the efficiency of measures, e.g. the asset freezing framework.

**In the Commission's view, the report gives an unbalanced view on international trade,** the World Trade Organisation and the Doha Development Agenda. The Commission disagrees with the statement that the WTO is inherently discriminatory. The Commission considers that the WTO is a member-driven institution and its functions could be seen as a process. The report's analysis of progress on the Doha Development Agenda is not completely objective. It is stated that "... *what was brought to the table even up to the very collapse of the talks would have accomplished little to open up agricultural markets and to temper the huge distortions caused in those markets by the high subsidies granted by OECD countries to their farmers*". This is not correct as current offers, particularly in agriculture, are well above what has ever been achieved in previous rounds even for manufacturing products. Previous rounds translated into around a one-third cut of industrial tariffs each, while proposals in the Doha Round were made for a cut of some 50% in agricultural tariffs. The Commission believes that the EU has fulfilled its responsibility in the present round. It has made a meaningful offer and regular moves towards a potential agreement. It is inappropriate to refer to the "Doha fiasco" at this moment.

The report further states that the EU, the US and Japan are the biggest beneficiaries of the multilateral trade system. For the Commission, that is a slightly old-fashioned opinion which does not take into account the enormous trade dividends in emerging economies such as China, India and Brazil.

- *Chapter 6: Priority GPG – peace and security: international terrorism, nuclear weapons and the use of force*

The report rightly acknowledges the importance of **peace and security** for international prosperity and development. In looking at the policy challenges ahead in this area, it emphasises three areas which it sees as relevant, namely: the need for a multidimensional strategy to combat international terrorism, the need for new efforts on nuclear proliferation and disarmament and the need to attempt to reach agreement on when the use of military force is legitimate.

While these areas are important issues which are high on the international political agenda, the Commission regrets that the report leaves out other key aspects and perspectives concerning global peace and security. It is argued that these have been covered by the UN High Level Panel on Threats, Challenges and Change and were subsequently also followed up sufficiently at the UN Millennium Summit in 2005. However, many other key issues covered in the High Level report were either not discussed or not endorsed at the Summit. One such aspect is conflict prevention and the ability of the international community to act in time to prevent human death and suffering and the enormous financial costs in terms of lost livelihoods, property and opportunities due to violent conflict. Another is the concept of security and the distinction between insecurity, violent conflict and terrorism.

In the Commission's view, insecurity and the lack of human security (which focuses not only on the physical security of the individual but also on their rights, in terms of human rights, political rights and social and economic rights – freedom from want, freedom from fear and the ability to take responsibility for their own lives) is not sufficiently reflected in the report.

The Commission considers that for the majority of mankind, and especially the poor and most vulnerable in the world, particularly in parts of Africa, Asia and Latin America, it is insecurity in terms of lack of respect for human right and rule of law, failed states, bad governance and risk of direct physical harm in terms of crime, violence and armed conflict that are the most

profound threats. For them, serious threats include the proliferation and widespread use of small arms and light weapons (SALW), the lack of a functioning and accountable security sector, criminality, lack of livelihood opportunities and inequitable access to natural resources and the distribution of power in general, which cause and fuel violent conflict and insecurity. These issues and ways of tackling them are missing from the report, when it might in fact be these issues that are especially important to focus on when looking at GPG and what constitute peace and security for the whole of mankind.

Experience has shown that it is not sufficient to address the expression of terrorism and terrorist activities per se, without addressing the causes within a broader framework of threats, security, and development, including among other things a well functioning security sector that can deal with the whole range of threats, including criminality and terrorism. Concerning the criteria for the use of force, the report points to the recommendations of the HLP and the fact that it is not sufficient to agree on a set of criteria but that it is important to look at the composition and the veto of the Security Council. The Commission agrees that this is critical; however, there are many other aspects of UN reform where international efforts should also be directed. Before and after the use of force might be necessary, there are other tools and means that the international community needs to refine and develop, not least in the early prevention of conflict and long-term peace building and how to more effectively address the root causes of violent conflict, crime and terrorism.

The Commission's conclusion is that the report, at least concerning this chapter, does not sufficiently focus on some of the most important issues for the future and that the analysis is far too narrow.

- *Chapter 7: A cross-cutting issue: knowledge*

The Commission shares the Task Force's opinion that knowledge, a key factor in development, is perhaps the clearest example of a public good. If left to market forces alone, there would generally be a tendency to under-invest in the generation of knowledge, or to invest in knowledge only for the benefit of developed countries.

The Commission shares the analysis of major trends in **knowledge creation and dissemination** in the last two decades, in particular the **tension between global opportunities for knowledge diffusion and the increasing role of intellectual property provision in restricting access to knowledge that is relevant to industrial production processes**, which particularly affects developing countries and emerging economies. The Commission strongly supports the view that all basic knowledge on the environment should be considered global common knowledge, in line with the **Aarhus Convention**.

In order to bridge the gap between industrialised and developing countries, the Task Force recommends that donor countries expand their financial commitments to enhance global research platforms through international partnerships to overcome crucial problems in the areas of food security, rural development, environment and health in the poorest developing countries. It is essential to ensure additional funding for the institutions already conducting research in these areas, such as the CGIAR and the various partnerships in the medical sectors; however, these resources have to be well targeted, mobilising existing capabilities of the partner countries and strengthening their capacity. The Commission considers that the mechanisms of such partnership should be revised to fit better with the local context of developing countries. Global programmes and traditional aid should reinforce each other in order to achieve development impact on the ground.

The second proposal put forward by the Task Force is to set up a multilateral agreement on open access to basic science and technology (ABST) that would facilitate the transfer of scientific knowledge and technological information to developing countries. The Commission feels this also deserves to be debated and it is willing to contribute to the discussion, which should take into account the specific needs of developing countries, in seeking a trade-off between the use of common knowledge and intellectual property.

The Commission notes that sub-sovereign voluntary collaboration is emerging among big and small players around the creation of global knowledge that goes well beyond traditional institutional and inter-state cooperation. The open access model, enabled by the internet, could be not only a viable alternative in some circumstances, but also complementary and beneficial to proprietary models in others. It should be noted that such voluntary collaboration harnesses a pool of expertise of unprecedented proportions and can give people who have traditionally been excluded a voice and access to information resources.

- *Chapter 8: Catalytic leadership and action: the case for a Global 25*

The Task Force Report proposes the creation of an informal "**Global 25**" forum based on an augmented Finance G-20 *"to play a catalytic role in generating a greater and more reliable supply of global public goods"*. It argues that the proposed need for a G-25 would arise from the limited membership, and thereby legitimacy, of the G-8 as an informal forum and the frustrations over cumbersome, sector-specific and malfunctioning existing international institutions. While making some pertinent and interesting points, the Commission is not convinced that establishing a G-25 would considerably improve the situation described.

The report further suggests that the G-25 could evolve in time to a more formal body with a Secretariat. In the Commission's view, this proposal is especially confusing and would seem to aim at creating something of a "mini-UN", but without the capacity to agree on global commitments.

Overall, the Commission considers that the case made by the report is not strong enough, while other plausible options are not considered. For instance, it might have been more realistic to recommend either the inclusion of a debate on global public goods within the existing G8 framework or a strong call for an enlargement of the current G8. An alternative, instead of devising another possibly under-performing body, would be to see how to use the existing international institutions, bodies and fora to resolve the shortcomings of global governance mechanisms. Reform processes are ongoing in all major international institutions. They can provide an opportunity to amend the functioning of global governance. This occasion for useful reforms should not be overlooked and the creation of a G-25 would seem to divert attention from the reforms that are really needed and which are better tackled in subsequent chapters of the report.

- *Chapter 9: Effective institutions: governance and accountability*

The report tackles UN reform together with the reform of the international financing institutions. It should be noted that while structural shortcomings in the two organisations are partly similar, there are also large differences in the governance structures of these organisations, which do not quite allow parallel analysis of the problems or the remedies. Lack of representation or democracy is not a problem as such in the UN system. It is a well-established and recognised problem in the UN Security Council, but on this issue the report does not bring anything new; it reiterates the recommendations proposed in 2005 by the UN



High Level Panel on Threats, Challenges and Change. It is unlikely that this will bring the UN or EU debate on this issue any further, but the Commission agrees that the lack of reform of the Security Council remains a major shortcoming, diminishing the legitimacy of the UN as a whole.

As regards **international institutions** in general, the report makes a point on the importance of the behaviour of governments, i.e. the members of the international institutions. The report states that GPG "require a combination of responsible leadership by those states that have extensive financial and political capacity to contribute, as well as a wider process of legitimisation, reflecting state preferences and coordinating interests". This implies that the main problem does not necessarily nestle in the international institutions and their governance structures (particularly in the case of the UN, excluding the UNSC). On the contrary, the responsibility for making the institutions work lies with their membership, the governments themselves. On the other hand, the report does not offer any solutions to this problem. The report makes sensible, if not new, recommendations on **UN system** reform, including establishing independent evaluation of the performance of UN agencies, funds and programmes and setting up or upgrading the monitoring capacities of the international institutions.

The Commission considers that these are useful proposals worth pursuing. The Commission concurs with the Task Force that an ambitious reform of the **International Monetary Fund** is necessary to enhance the legitimacy, credibility and governance of the IMF. In this respect, the Commission welcomes the approval of the comprehensive two-year reform programme at the Annual Meetings in Singapore in September 2006. The agreed initial round of ad-hoc quota increases for four countries addressed the legitimate claims of the most underrepresented members of the IMF. More fundamental issues are now on a clear and ambitious time track. Those measures that aim at improving the voice and participation of emerging market economies and low-income countries, including an increase in basic votes, are likely to find a broad majority in the IMF membership.

As for the **World Bank**, the report states that "*at the World Bank, the countries most affected by its policies – that is, the developing countries – should be more fully represented on its board.*" In acknowledgement of this point, the Commission would be in favour of strengthening the technical capacity of Executive Directors of less represented countries, notably Africa, to improve the voice of this group.

- *Chapter 10: Adequate and appropriate financing: Why? Who? How?*

The Task Force calls for stronger national engagement and leadership for the provision of GPG, including from the private sector. It presses national governments to increase expenditure on GPG, justified by the expectation of high returns and their coverage of critical needs. The Commission fully shares the analysis of the prospect for high benefit-cost ratios of investing in GPG. Even if a case-by-case analysis is necessary, the examples offered in the report are compelling. They show the potential savings resulting from the costs of the negative effects of the undersupply of GPG being much larger than the costs of financing them. The Stern Review on the economics of climate change published in October 2006 supports these views. It shows impressive results in terms of high costs for growth and development of no action against climate change as compared to the costs of the necessary investment to stabilise it.

The Commission considers the recommended strategy for financing GPG valuable, although it is disappointed that a calculated action plan was not provided. The Commission agrees that increased accountability and low corruption is the basis for better use of existing resources for financing GPG and that resource mobilisation can be improved through more predictable and sustained financing. However the Task Force struggles with defining the differences between ODA and GPG in a systematic way, including the monitoring of additional expenditure for GPG, which requires an adequate approach setting up reference levels. By mixing up strategies for providing development assistance with those for improving the supply of GPG, the report becomes inconsistent with the clear proposals made in the previous chapters on separate financing for GPG and for development assistance. The need to improve national systems for global financing is addressed. Concrete proposals are to improve budget mechanisms to allow for spending on GPG, to develop systems for tracking such spending and to ensure sufficient resources for development activities that are also critical for the provision of global public goods (e.g. health sector and capacity building). The report proposes harnessing the private sector by improving regulatory frameworks that provide more incentives for private investment, for example in cleaner energy.

The report reviews innovative sources of financing, focusing on the International Finance Facility for Immunisation, the airline ticket solidarity contribution and carbon taxes. The Commission considers that these are valuable examples of instruments that reconcile the financing of ODA and GPG without one crowding out the other.

To tackle the financing gap identified, the report proposes that the international community should fund GPG on their own merits, without eroding the development purposes of ODA, and by mobilising additional funds. The Commission agrees that GPGs deserve their own funding; however, this needs to be compatible with efforts to achieve the 0.7% of GNI goal for ODA by 2015, which remains a priority. In the Commission's view, while scaling up both ODA and financing for GPG is desirable, a balanced strategy to meet the agreed ODA commitments and include GPG issues in national development policies would be required. Increasing financing for GPG should not systematically draw resources away from those kinds of development assistance that meet priorities of developing partners but are not GPG (e.g. financing infrastructure).

### **11.3. Analysis of EU Member States' replies to the annual survey**

Almost all Member States are aware of the release of the Report of the International Task Force on GPG, but only a minority have started to examine it and, among those, very few consider that the Task Force has provided a valuable contribution to raising awareness of GPG. Moreover, 10 Member States will not study the document themselves, but wait for a possible follow-up by the Commission.

The Task Force's delay in finalising the report has been accompanied by decreasing interest in the GPG approach. Member States seem to have lost confidence in the work of the Task Force, with the perception that a good opportunity to make a strong case on these global issues may have been missed. The selection of priority GPG is not controversial and all are considered as important, although preference is for those related to health and the environment<sup>29</sup>.

• \_\_\_\_\_  
<sup>29</sup> The Report also made recommendations for reforms of the UN Security Council and of the International Financial Institutions, however the Commission decided not to ask specific questions on

- *Proposals for reforms of global governance and accountability mechanisms*

The new mechanism proposed to improve the provision of GPG is strongly criticised. The Global 25 informal forum to initiate action on upcoming global agendas is not seen as a potential useful option: only three Member States agree with it, and a small minority openly rejects it. The majority of Member States that do not take a position on setting it up do not express any views on its definition (mandate, membership, composition or role) either.

Proposals for reform of the UN system are made by the Task Force in line with the recent recommendations made by the High-Level Panel on UN System-wide Coherence. They aim at better accountability of the UN system through improved transparency of its operations, including promotion of evidence-based research on GPG, monitoring of state compliance with international agreements and setting independent evaluation systems of UN agencies and funds performance. These proposals are supported, either strongly or partially, by Member States, with no specific disagreements.

The Task Force report also makes proposals for reform of the UN Security Council but the Commission decided not to include questions on this point, since it considered that other fora were better placed to take this sensitive debate forward. Further proposed reforms of International Financing Institutions are addressed elsewhere in this staff working paper.

- *Proposals for financing of global public goods*

The Task Force makes a proposal for a financing strategy to enhance the supply of GPG. Member States agree to some extent on improving resource mobilisation by making funds more predictable, increasing the volumes of traditional development assistance and working better with the private sector and the markets. None of these proposals is substantially new and all can be considered as ongoing efforts of the international development community.

The proposals that seek to decouple financing of GPG from development assistance show that the majority of Member States are either reluctant or not yet ready to move beyond the classic linkages between GPG and development assistance. Basically, most Member States do not take a position and few Member States explicitly support the Task Force's recommendations for revising national budget mechanisms to allow greater flexibility in spending abroad, establishing dual-track budgeting systems to ensure GPG spending is not allocated to development budgets, or establishing a specific line for GPG spending in the OECD statistical system.

Most importantly, the majority of Member States do not seem to envisage specific financing for GPG through innovative sources of financing. Few express a preference for the source of financing that is supported by national policies (e.g. airline ticket solidarity contribution supported by France, the IFFIm supported by the UK).

Finally, Member States are equally split between those that would like to explore further the potential of some mechanisms (e.g. Tobin Tax, global lottery) and those that do not consider them realistic options.

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• the former, which in its view is to be debated elsewhere; the latter point is tackled in a different section of this Communication.

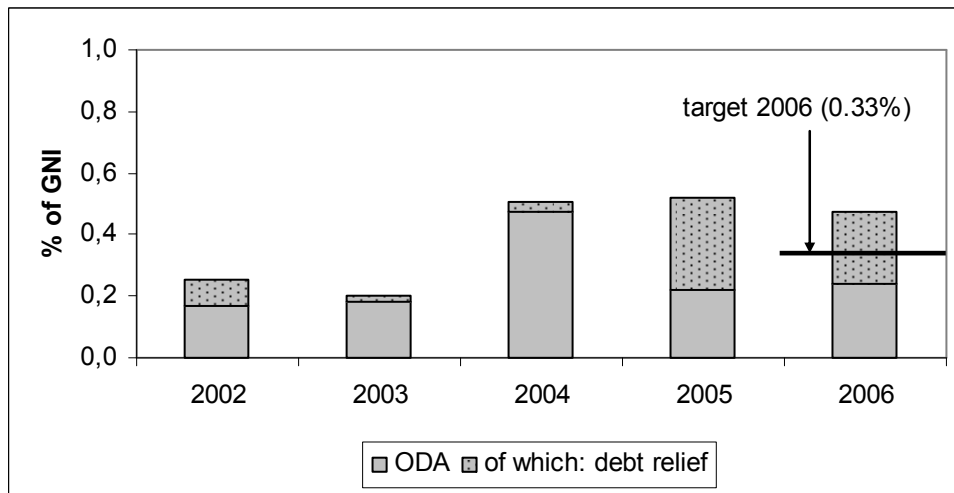
## 12. COUNTRY PROFILES OF EU MEMBER STATES

### AUSTRIA

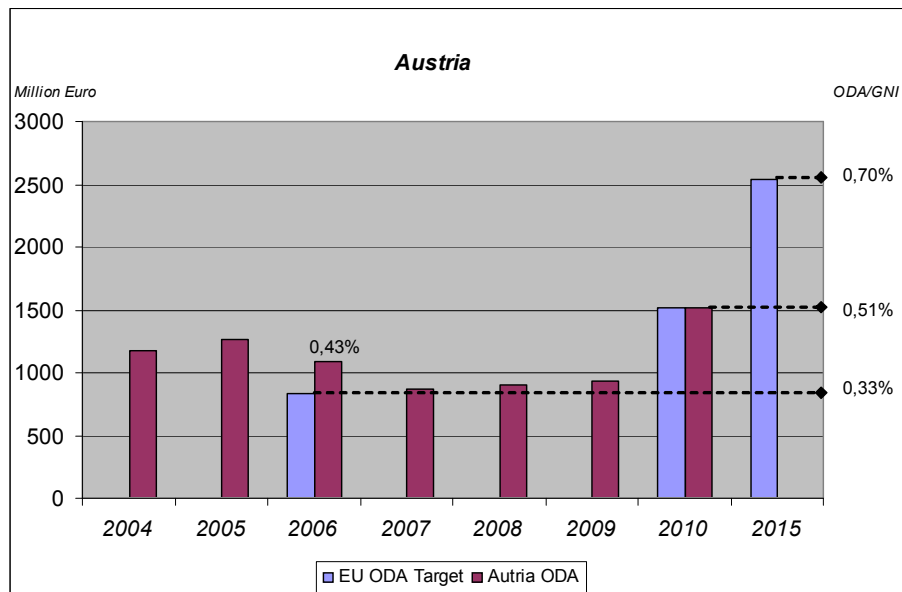
#### I. ODA volumes

AT currently allocates 0.43% of its GNI to ODA and thus exceeds the EU minimum aid target of 2006. In 2005, 69.4% of the AT's aid went to action related to debt.

Share of debt relief in ODA volumes:



#### Projected ODA:



**Approach to meet 0.7% ODA/GNI target:** gradual/ regular increase of ODA without a binding national plan for yearly increases and mainly through debt relief operations.

**ODA to LDCs:** AT has not yet met the 0.15% ODA/GNI baseline defined by the Monterrey Consensus and the UN World Summit Declaration but plans to attain that level by 2010. It will strive to expand its core programme and concentrates particularly on underprivileged population groups, especially in LDCs.

**Increased ODA to Africa:** three of the AT's seven key regions are situated in Sub-Sahara Africa.

## **II. Debt**

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**Multilateral Debt Relief Initiative:** AT has made provision to fulfil its financial commitments to WB and AfDB to compensate for foregone reflows.

**Free rider problem:** AT tackles issues by: (i) informing its ECA and urging them to cooperate at OECD level and (ii) supporting information sharing among donors.

**Regarding future cases of unsustainable debt in low income countries:** refuse further dialogue.

AT believes that institutional and capacity building in fiscal management is crucial to achieve country-owned sustainable debt strategies.

## **III. Innovative sources of financing / innovative aid mechanism**

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**Innovative sources of financing:** AT's new government programme reveals a more proactive position: "In pursuance to its previous initiatives within the European institutions, the Federal Government will assess the feasibility of a tax based on a minimum number of participating countries respectively on an EU-wide scale, such as a Currency Transaction Tax, and will promote concrete steps leading to a common implementation of that tax without jeopardising the Lisbon targets. Any proceeds should be channelled into an EU fund, which should serve, in a well balanced way, supranational tasks such as financing the EU itself, and development co-operation".

**Form of aid / innovative aid mechanism:** AT has a preference for budget support and debt relief. Due to limitations in its legal system, AT cannot make multi-year commitments.

## **IV. Participation in Joint Programming**

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The Austrian **experience of joint programming** has enabled better use of AT's comparative advantage. AT is not really satisfied with the overall process of joint programming; it would recommend choosing one relevant country per region and putting all energies in order to maintain a positive momentum. Nevertheless AT is considering taking part in future joint programming in Latin America and Africa.

## **V. Untying aid**

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In 2006, untied aid constituted by far the major share of Austrian ODA (88.7% in 2005). Last year, it increased its involvement in budget support initiatives (10-15% of its core programmes) and debt relief contributed to this improved record.

## **VI. TRA: How to advance on the Aid for Trade Agenda?**

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## **(1) Quantitative TRA allocation**

**TRA 2006:** no increase; **TRA 2007 – 2010:** N.A., although there are intentions to increase.

## **(2) Qualitative TRA**

**Regional focus:** Southern Africa, East Africa, Neighbouring countries/Eastern Europe.

**Preferred delivery levels (in order of priority):** multilateral, national, regional.

**Position regarding Enhanced Integrated Framework in 2007 – 2009:** does not support.

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** not in favour.

AT does not plan to **support other categories of "aid for trade" than "trade related assistance"**.

**Preferred modalities for joint EU "aid for trade"-related activities (in order of priority):** support for scaling up the existing Community programme, joint EU programmes, joint positions for national and regional dialogue.

**Assessment of existing EU coordination tools:** generally adequate, except for 'EU positions related to TRA in international fora'. AT advocates much deeper involvement of development experts in deciding EU positions, especially in the lead up to trade rounds and the draft phase (WTO, etc.) and in future negotiations and implementation.

## **VII. Exogenous shocks**

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No policy positions on the balance between ex-post and ex-ante assistance.

## **VIII. Global public goods (GPGs)**

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**Priority GPGs:** environment; health; peace and security.

**Governance:** No position on Global 25 Forum, however mainly agrees with the proposed reforms of the international organisations.

**Financing:** No position, except that if innovative sources of financing will finance GPGs, they should also be accountable as ODA.

## **IX. Position on the reform of the IFIs**

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**Regarding the institutional governance structure of IMF/ WB and increasing the influence of developing and transition countries:** (1) EU WB board members should proactively discuss options/ possibly develop a joint position; (2) in favour of strengthening the technical capacity of the Executive Directors of less represented countries, namely African EDs.

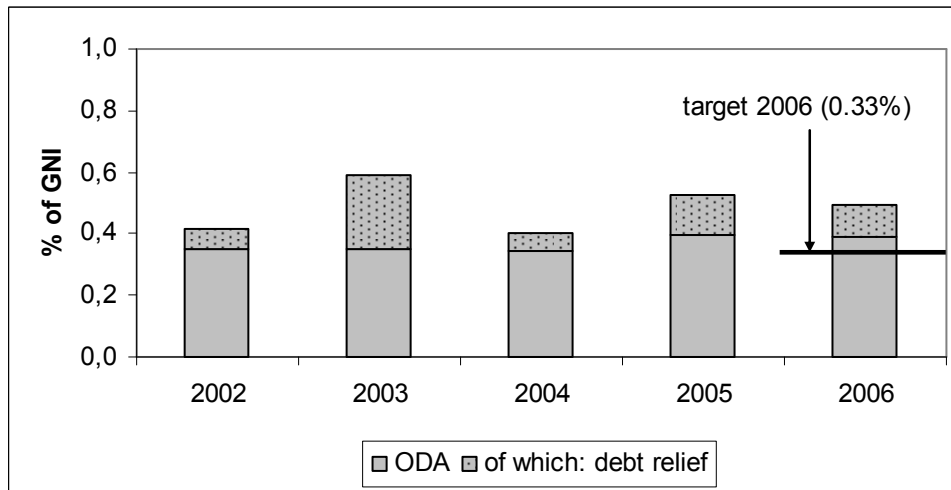
**EU coordination:** supports more effective EU coordination ahead of IMF/ WB Annual/ Spring meetings to agree on joint positions.

# BELGIUM

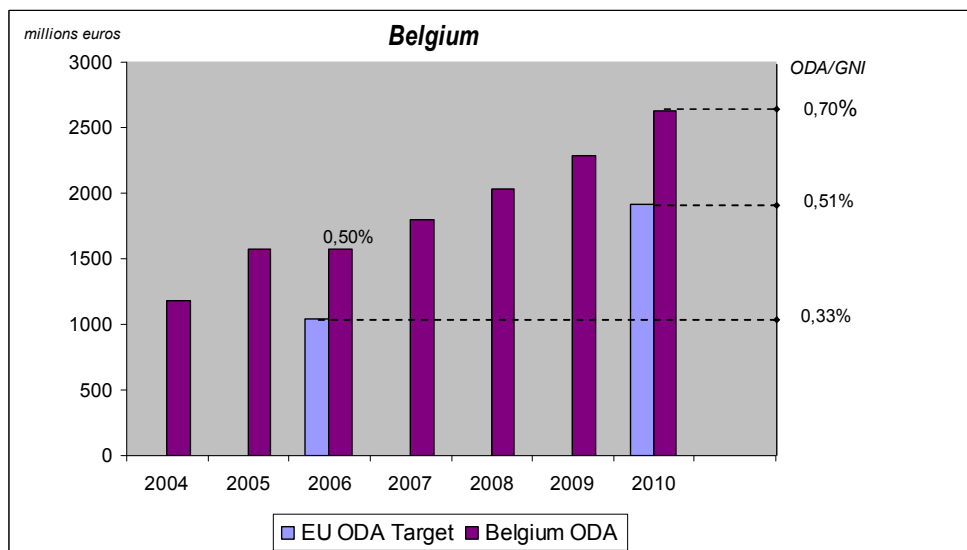
## I. ODA volumes

Following its national timetable BE will achieve the 0.7% ODA/ GNI target by 2010, based on gradual annual increases of its ODA budget.

### Share of debt relief in ODA volumes:



### Projected ODA:



**ODA to LDCs:** BE has already met the 0.15% ODA/GNI baseline defined by the Monterrey Consensus and the UN World Summit Declaration and will maintain that level.

**Increased ODA to Africa:** 13 out of 18 of BE's development partner countries are located in Africa.

## II. Debt

**Multilateral Debt Relief Initiative:** provisions introduced to fulfil the financial commitments to WB/AfDB to compensate foregone reflows.

**Position on the "free rider" issue:** (i) BE favours dialogue / coordinated action at multilateral level. IDA/ Paris Club advantages should not be offered to borrowers using cross-subsidised techniques without transparent conditions; (ii) in favour of dialogue with "free riders"; (iii) partner countries should improve public financial management and not allow 'free lunch policy'.

**Regarding future cases of unsustainable debt in low income countries:** open for further dialogue if necessary.

### **III. Innovative sources of financing / innovative aid mechanism**

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**Innovative sources of financing:** In 2004, BE adopted legislation to introduce a Currency Transaction Tax (CTT or "Tobin tax"); the application of this tax is subject to the participation of other EU Member States. CTT seeks to stop currency speculation during high market volatility.

Proceeds from the CTT would be used for an EU development fund and come on top of the 0.7ODA/ GNI aid volume mobilised through BE's budget. No plans to implement any other innovative sources of financing.

#### **Form of aid / innovative aid mechanism:**

BE has a preference for project aid & technical assistance and sector budget support. It is critical of Global Funds, arguing that they: (i) intervene too vertically, (ii) contravene the Paris Declaration options.

BE is already implementing two to three-years commitments. Before 2008 and the evaluation of its first sectoral aid budget test period, BE does not intend to make review of conditions less frequent, i.e. every three years or more.

### **IV. Participation in Joint Programming**

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Given that joint programming is an on-going process at an early stage of its implementation, BE is generally satisfied with it. It is therefore ready to pursue the experience and is planning overall participation with the 18 partner countries of Belgian cooperation (Rwanda, RDC, Burundi, Tanzania, Uganda, Mozambique, South Africa, Niger, Mali, Benin, Senegal, Morocco, Algeria, Palestine, Vietnam, Peru, Ecuador, Bolivia).

### **V. Untying aid**

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BE development aid is already almost 90% untied. No further untying measures adopted in 2006.

### **VI. TRA: How to advance on the "aid for trade" agenda?**

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(1) Quantitative TRA allocation

**TRA 2006:** increased, however, precise data is not available; **TRA 2007 – 2010:** N.A.



(2) Qualitative TRA

**Preferred delivery levels (in order of priority):** multilateral, regional, national.

**Position regarding Enhanced Integrated Framework in 2007-2009:** allocations could be made under BE's multilateral assistance programme for 2008-2010.

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** not in favour.

BE does not plan to **support other categories of "aid for trade" than "trade related assistance"**.

**Preferred modalities for joint EU "aid for trade"-related activities (in order of priority):** contribute to scaling up existing EC programme, coordination in international fora and development of joint EU cooperation programmes.

**Assessment of existing EU coordination tools:** adequate.

## **VII. Exogenous shocks**

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**Ex ante support for disaster preparedness/ prevention:** BE will reinforce the prevention aspect of its development and humanitarian assistance (i.e. 2006 humanitarian action plan); incorporate prevention in all rehabilitation and reconstruction activities.

## **VIII. Global public goods (GPGs)**

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**Priority GPGs:** health/ environment/ peace and security/ global prosperity.

**Governance:** Agrees to the creation of a "Global 25" forum and strongly agrees with the reforms of international institutions proposed by the TF.

**Financing for GPGs:** In general, BE strongly agrees with the financing mechanisms proposed by the Task Force. BE would partially support specific innovative financing for GPGs such as harmonised carbon taxes.

## **IX. Position on the reform of the IFIs**

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**Regarding the institutional governance structure of IMF/ WB and increasing the influence of developing and transitions countries:** (1) EU WB board members should proactively discuss options / possibly develop a joint position. (2) In favour of strengthening the technical capacity of the Executive Directors of less represented countries, namely African EDs.

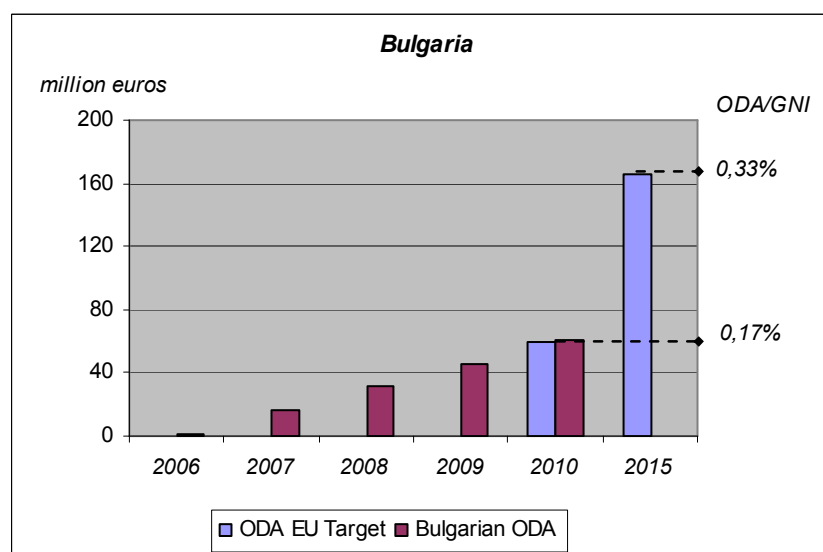
**EU coordination:** supports more effective EU coordination ahead of IMF/WB Annual/ Spring meetings to agree on joint positions.

## BULGARIA

### I. ODA volumes: committed to deliver on the EU commitments of 2005

BG's reply to the "Monterrey survey" reveal the country's commitment to deliver on the EU commitments of 2005, especially regarding the volume of aid. BG plans to allocate a share of 0.17% of its GNI to ODA by 2010. Nevertheless, to achieve this objective, BG will have to multiply its spending on development by 30. BG's future contributions to the EC budget and to the EDF will contribute to substantially increasing aid levels, but important further policy decisions are needed to demonstrate that BG is striving to achieve the 0.17% target.

#### **Projected ODA:**



**Approach to meet ODA/GNI targets:** gradual regular increase of ODA with yearly target.

**ODA to LDCs:** N.A.

**Increased ODA to Africa:** through targeted assistance to a priority country in Africa.

### II. Debt

**HIPC and Multilateral Debt Relief Initiative:** No provisions made.

**Free rider problem:** N.A.

### III. Innovative sources of financing / innovative aid mechanism

**1. Innovative sources of financing:** BG does not implement / plan to implement any innovative sources of financing.

**2. Form of aid / innovative aid mechanisms:** BG has a preference for project aid and technical assistance and debt relief grants.

## **IV. Participation in Joint Programming**

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BG is not yet considering taking part in future joint programming, but is ready to adopt the EU Common Format for Country Strategy Papers as its programming document.

## **V. Untying aid**

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No new measures adopted in 2006.

## **VI. TRA: How to advance on the "aid for trade" agenda?**

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(1) Quantitative TRA allocation: N.A.

(2) Qualitative TRA

**Regional focus:** Neighbouring countries/Eastern Europe.

**Preferred delivery levels (in order of priority):** multilateral, regional, national.

**Preferred modalities for joint EU "aid for trade"-related activities (in order of priority):** joint positions for the national and regional policy dialogue, coordination in international forums, information sharing.

**Assessment of existing EU coordination tools:** adequate.

## **VII. Exogenous shocks**

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BG provides post-crisis support.

## **VIII. Global public goods (GPGs)**

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BG counts on the Commission's assessment of the final report of the International Task Force (TF) on GPGs and recommendations regarding a possible EU follow-up.

**Priority GPGs:** environment; health; peace and security; knowledge as cross-cutting issue and global prosperity.

**Governance:** No position on the creation of a Global 25 Forum but strongly agrees with the reforms of international institutions proposed by the TF.

**Financing:** No position expressed.

## **IX. Position on the reform of the IFIs**

---

**Regarding the institutional governance structure of IMF/ WB and increasing the influence of developing and transitions countries:** EU WB board members should proactively discuss options/ possibly develop a joint position.

**EU coordination:** supports more effective EU coordination ahead of IMF/ WB Annual/ Spring meetings to agree on joint positions.

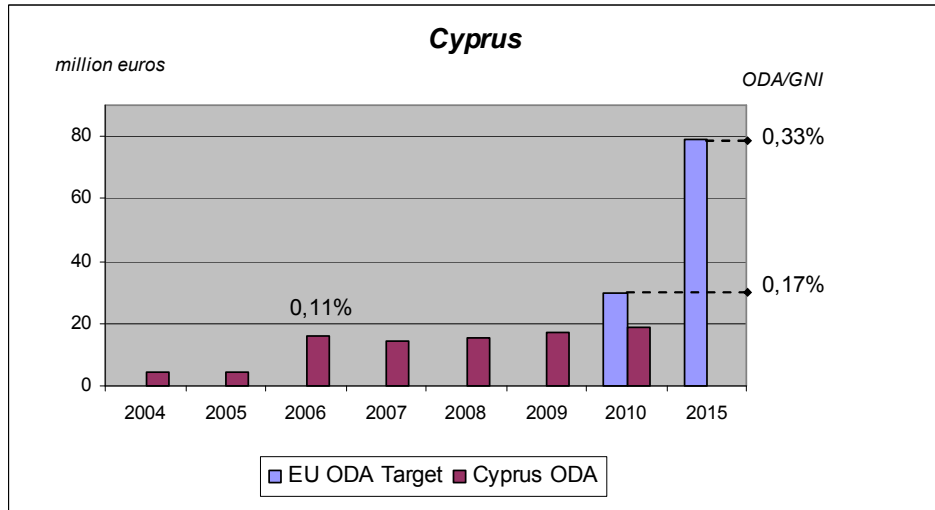
# CYPRUS

## I. ODA volumes: on track to attain the 2010 individual target?

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CY needs to reinforce its efforts toward the 0.17% ODA/GNI level by 2010.

### Projected ODA:



**Approach to meet ODA/GNI targets:** gradual regular increase of ODA with yearly target.

**ODA to LDCs:** CY allocates approximately 0.09% ODA/GNI to LDCs and agrees to provide a minimum of its ODA to LDCs in pursuance to the Monterrey Conference and the UN World Summit.

**Increased ODA to Africa:** CY plans to increase its bilateral aid in the three priority countries (out of six) which are located in Africa.

## II. Debt

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In September 2006, CY agreed with Iraq to jointly cancel the claims of CY on Iraq and of Iraq on CY stemming from the Saddam Hussein era.

## III. Innovative sources of financing/ innovative aid mechanism

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**Innovative sources of financing:** CY plans to participate in one or more of the available initiatives, but has yet to decide which option would be favoured. **Form of aid / innovative aid mechanism:** CY has a preference for project aid and technical assistance.

## IV. Participation in Joint Programming

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CY has no intention to participate in joint programming, as it uses the delegated cooperation mechanisms to provide assistance and depends on the programming procedures of the lead donor through which Cypriot aid would be channelled in the country of interest.

## V. Untying aid

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No new measures adopted in 2006.

## **VI. TRA: How to advance on the "aid for trade" agenda?**

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### (1) Quantitative TRA allocation

<b>Year</b>	<b>TRA in €</b>	<b>Major Programmes</b>
2006	265 726	<i>Scholarships targeted at private sector development subjects (entrepreneurship, small and medium-sized enterprises, management, MBA, etc) 100% Trade Development</i>
2007	410 067	<i>Idem</i>
2008	430 067	<i>Idem</i>
2009	452 099	<i>Idem</i>
2010	474 704	<i>Idem</i>

### (2) Qualitative TRA

**Regional focus:** Neighbouring countries/Eastern Europe; Central Africa, Southern Africa, Central Asia.

**Preferred delivery levels (in order of priority):** national, multilateral, regional.

CY does not support **Enhanced Integrated Framework in 2007-2009** nor to a similar mechanism for 'IDA only' countries.

CY is ready to support **other categories of "aid for trade" than "trade related assistance"**, namely "building productive capacity".

**Preferred modalities for joint EU "aid for trade"-related activities (in order of priority):** coordination in international forums, joint positions for national and regional dialogue, information sharing.

**Experience with joint donor activities:** in sector programmes approaches.

**Assessment of existing EU coordination tools:** generally adequate, except for the EU informal trade and development expert group.

## **VII. Exogenous shocks**

---

**Ex ante support to disaster preparedness/prevention:** With the exception of 2006, the ratio of ex ante to ex post support was two to one.

CY focuses on institutional support to disaster management, plus food and pharmaceutical supplies.

## **VIII. Global public goods (GPGs)**

---

CY is very supportive of the propositions of the International Task Force (TF).

**Priority GPGs:** health; environment; peace and security; global prosperity; knowledge as a cross-cutting issue.

**Governance:** Supports the Global 25 forum and strongly agrees with the reforms of international institutions proposed by the TF.

**Financing:**

Supports enhanced work with private sector and markets.

Strongly agrees that enhanced ODA allocations should finance development activities that are also critical for the provision of GPGs.

Partially agrees to adopt specific innovative financing for GPGs, such as an airline ticket solidarity contribution.

## **IX. Position on the reform of the IFIs**

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**Regarding the institutional governance structure of IMF/ WB and increasing the influence of developing and transitions countries:** (1) EU WB board members should proactively discuss options / possibly develop a joint position; (2) in favour of strengthening the technical capacity of the Executive Directors of less represented countries, namely African EDs; (3) consideration should be given to a change of representation at the WB Board (including EU representation).

**EU coordination:** supports more effective EU coordination ahead of IMF/WB Annual/ Spring meetings to agree on joint positions.

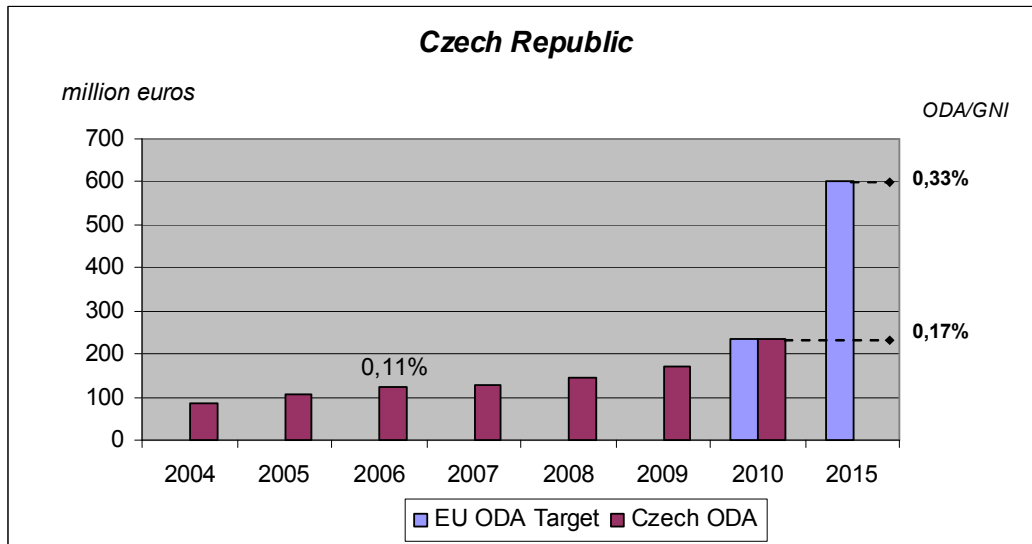
**Further reflections on possible IFIs reforms:** It is important to improve the decision making process and increase the representation of underrepresented countries. Quota/subscription shares of IMF members should be based more on their shares in international trade and financial flows. The executive boards of the IMF/WB should comprise non-resident directors travelling to Washington D.C. on key issues.

## CZECH REPUBLIC

### I. ODA volumes: efforts to scale up aid may need to be accelerated towards the end of the period 2007-2010

---

#### Projected ODA:



**Approach to meet ODA/GNI targets:** national plan with yearly target to increase the ODA with gradual and regular increase.

**ODA to LDCs:** CZ allocates approximately 11% of its total ODA to LDCs and would disagree to provide a minimum of its ODA to LDCs in pursuance to the Monterrey Conference and the UN World Summit, to a commitment.

**Increased ODA to Africa:** two out of eight of its priority countries are located in Africa.

## II. Debt

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**HIPC and Multilateral Debt Relief Initiative:** provisions made.

CZ is prepared to follow the EU commitments to go beyond the HIPC by providing officially 100% pre-cut off date debt cancellation for all claims.

**Free rider problem:** CZ tackles this issue by strengthening the reporting requirements on the planned non-concessional lending.

## III. Innovative sources of financing / innovative aid mechanism

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**Innovative sources of financing:** CZ does not implement / plan to implement any innovative sources of financing.

**Innovative aid mechanisms:** CZ has a preference for global funds, projects aid and technical assistance projects.

## **IV. Participation in Joint Programming**

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CZ has not yet participated in joint programming in any ACP countries but plans to take part in joint programming in Moldova and/or Mongolia. Moreover, CZ is ready to adopt the EU Common Format for Country Strategy Papers as its programming document.

## **V. Untying aid**

---

No new measures adopted in 2006.

## **VI. TRA: How to advance on the "aid for trade" agenda?**

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(1) Quantitative TRA allocation

**TRA 2005:** CZ provided €3.97 millions for economic infrastructure and production sectors (of which €2.21 million in the form of technical assistance). **TRA 2006:** no increase, however, no data yet available; **TRA 2007-2010:** N.A.

**Major programmes:** CZ contributes to the Global DDA/WTO Trust Fund (€ 1.2 million in 2006).

(2) Qualitative TRA

**Regional focus:** Neighbouring countries/Eastern Europe and Global.

**Preferred delivery level (in order of priority):** national, regional, multilateral.

**Position regarding Enhanced Integrated Framework in 2007-2009:** CZ agrees to provide a specific allocation, although amounts are still under consideration and as yet, no specific plans have been adopted.

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** in favour.

CZ plans to **support other categories of "aid for trade" than "trade-related assistance"** such as "trade-related assistance", "trade-related infrastructure" and "building productive capacity".

**Support a wider "aid for trade" agenda:** CZ plans to launch several studies on aid for trade and to hold discussions about the coherence of development and trade policies within its own parliament.

**Preferred modalities for joint EU "aid for trade"-related activities (in order of priority):** information sharing, joint position for the national and regional policy dialogue, coordination in international for a.

**Assessment of existing EU coordination tool:** adequate.

## **VII. Exogenous shocks**

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CZ is currently preparing a new strategy for humanitarian aid.



No regional focus although in recent years disaster assistance mainly focus to South Eastern Asia due to Tsunami.

## **VIII. Global public goods (GPGs)**

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CZ counts on the Commission's assessment of the final report of the International Task Force (TF) on GPGs and recommendations regarding possible EU follow-up.

**Priority GPGs:** environment/ health/ peace and security.

**Governance:** Refuses to take position on the Global 25 forum and partially agrees with the reforms of international institutions proposed by the TF.

**Financing for GPGs:** Strongly supports enhanced work with private sector and markets.

## **IX. Position on the reform of the IFIs**

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**Regarding the institutional governance structure of IMF/ WB and increasing the influence of developing and transitions countries:** (1) in favour of strengthening the technical capacity of the Executive Directors of less represented countries, namely African EDs; (2) the EU members should adopt a wait and see policy.

**EU coordination:** supports more effective EU coordination ahead of IMF/ WB Annual/ Spring meetings to agree on joint positions.

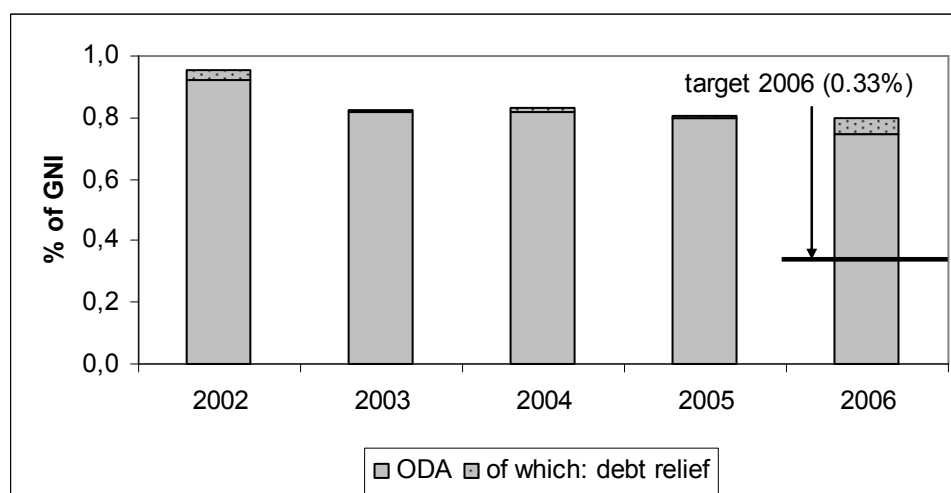
## DENMARK

### I. ODA volumes: DK already meets the EU ODA target of 2015

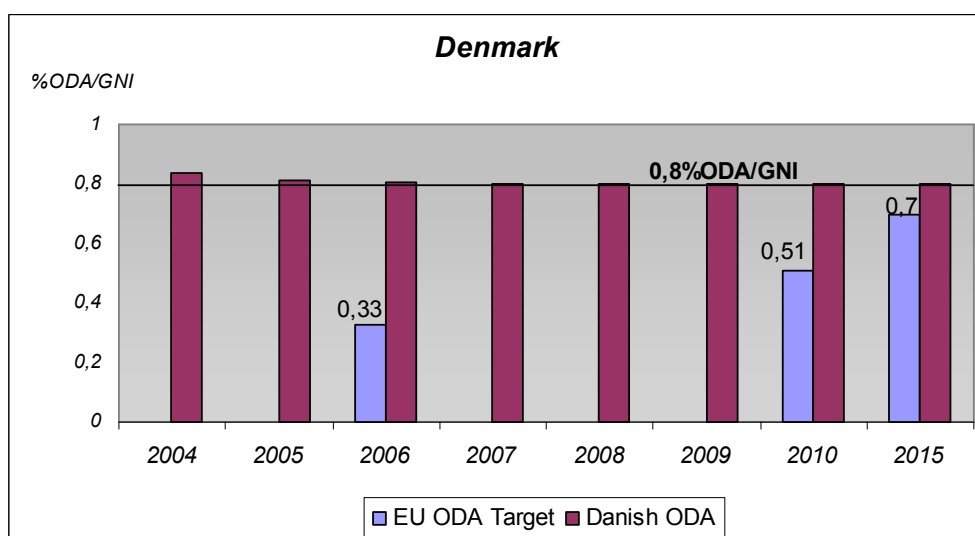
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DK surpasses by far the EU target for 2015 and currently allocates 0.81% of its GNI to ODA. DK is committed to maintaining a minimum of 0.8% ODA/GNI until 2015.

#### Share of debt relief in ODA volumes:



#### Projected ODA:



**ODA to LDCs:** In line with the Monterrey Consensus and the UN Brussels Programme of Action for LDCs, DK allocates at least 0.15% ODA/GNI to LDCs and plans to maintain that level.

**Increased ODA to Africa:** DK has identified Mali as a new partner country.

### II. Debt

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**Multilateral Debt Relief Initiative:** DK has made provisions to fulfil its financial commitments to WB and AfDB to compensate for foregone reflows.

**Free rider problem:** suggestion to i) enhance co-operation among relevant international institutions, including OECD Export Credit Group, IMF, The World Bank and the Bern Union; ii) make better use of IMF/WB Debt Sustainability Framework to avoid non-concessional credits to countries with a fragile debt situation; iii) decide on a common definition of concessionality and iv) include new creditor countries such as China and India in these negotiations/discussions.

An internationally coordinated action that aims at preventing that countries that have completed the HIPC process and obtained MDRI debt relief from falling back into a debt trap and moral hazard is necessary.

### **III. Innovative sources of financing / innovative aid mechanism**

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**Innovative sources of financing:** DK does not implement/ plan to implement any innovative sources of financing.

**Form of aid / innovative aid mechanism:** DK has a preference for project aid, technical assistance and budget support (depending on the country context, DK will choose to provide sectoral or general budget support).

DK is already making multi-year commitments of fixed duration (normally five years). It has yet not considered moving from an annual assessment of conditions to a less frequent review (every three years or more). Should DK switch to a different assessment system, it would do it together with other donors, not unilaterally.

### **IV. Participation in Joint Programming**

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Even though joint programming exercises have not been regarded as satisfying so far, Denmark is willing to take part in future "whenever that is possible and whenever the partner is interested".

The challenges of reconciling programming timetables related have been pointed out as needing to be addressed, in order to improve the results of a process that is still considered as too new to be comprehensively assessed.

### **V. Untying aid**

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In 2006 new measures were adopted: in accordance with the OECD recommendation all grants components of the Danish development assistance budget were fully untied. DK is, however, maintaining the exception that Danish mixed credits as a point of departure are tied.

Furthermore, DK is increasingly channelling its assistance through recipient country systems in accordance with the Nordic Plus Joint Procurement Policy, which favours the use of untied partner country procurement systems (where the procurement capacity of the partner is agreed to be satisfactory).

### **VI. TRA: How to advance on the "aid for trade" agenda?**

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(1) Quantitative TRA allocation

**TRA 2006/7:** no increase; **TRA 2008 – 2010:** N.A., however, increase is expected.

Year	TRA in €
2005	24 437 049 <sup>30</sup>
2006	5 362 577 (multilateral channels only)
2007	Between 5 361 643 and 7 372 259 (multilateral channels only)
2008	<i>Idem</i>
2009	<i>Idem</i>
2010	<i>Idem</i>

**Major Programmes:** Enhanced Integrated Framework.

(2) Qualitative TRA

**Regional focus:** East Africa, West Africa, Southern Africa, global.

**Preferred delivery levels (in order of priority):** national, multilateral, regional.

**Position regarding Enhanced Integrated Framework in 2007-2009:** supports, however, amount still under consideration

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** not in favour.

DK plans to **support other categories of "aid for trade" than "trade-related assistance"** such as "trade related infrastructure" and "building productive capacity".

**Preferred modalities for joint EU "aid for trade"-related activities (in order of priority):** information sharing, support for scaling up existing Community programmes.

**Experience with joint donor activities:** in sector and programme approaches.

**Assessment of existing EU coordination tools:** adequate.

## VII. Exogenous shocks

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**Ex ante support for disaster preparedness/ prevention:** main focus on ex-post crisis assistance/ decision in 2006 to strengthen DK support to ex-ante crisis assistance: as a first

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<sup>30</sup> 'Guesstimates' from all but one of the 15 countries with which Denmark has extensive development cooperation - i.e. Bangladesh, Benin, Bolivia, Burkina Faso, Egypt, Ghana, Kenya, Mozambique, Nepal, Nicaragua, Tanzania, Uganda, Vietnam, and Zambia, but not Bhutan. Based on the embassy reports on Danish bilateral trade-related assistance at country level, using similar but not necessarily identical categories of the WTO/OECD TCBDB for 2005, and adding a category for trade related infrastructure. This data includes (millions €): (1) Trade development support for the private sector: 10.2 ; (2) Trade related capacity building in the public sector: 5.9; (3) Trade related infrastructure: 8.2; (4) Total in 2005: 24.4.

step, DK has initiated a study (to be finalised in the beginning of 2007) on Disaster Risk Reduction and Disaster Prevention (DRRP) in Danish development and humanitarian assistance that will lead to the preparation of an action plan and tool kit for the application of DRRP in DK cooperation.

So far, DK focuses on institutional support to disaster management, infrastructural works in the framework of disaster preparedness and preparation of disaster management plans.

## **VIII. Global public goods (GPGs)**

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DK has not yet finished its analysis of the report (completed by 2007) and thus refuses to take a position on the report's added value or any of the proposals made by the Task Force.

## **IX. Position on the reform of the IFIs**

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**Regarding the institutional governance structure of IMF/ WB and increasing the influence of developing and transitions countries:** (1) EU WB board members should proactively discuss options/ possibly develop a joint position; (2) in favour of strengthening the technical capacity of the Executive Directors of less represented countries, namely African EDs.

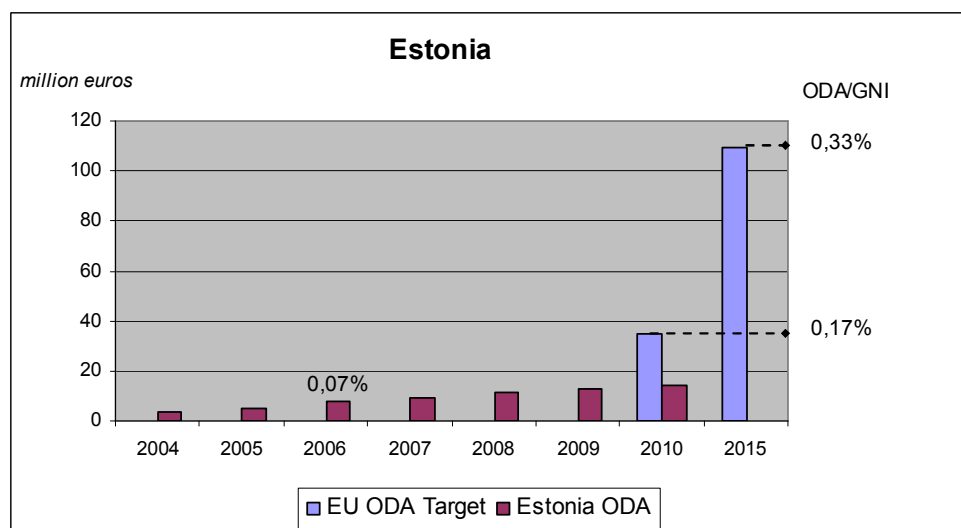
**EU coordination:** not in favour of more effective EU coordination to agree on joint positions ahead of IMF/ WB Annual/ Spring meetings.

## ESTONIA

### I. ODA volumes: on track to attain the 2010 individual target?

EE's ODA levels are still at very low levels and substantial efforts are warranted to better demonstrate how it strives to achieve the individual 0.17% ODA/GNI baseline by 2010.

#### **Projected ODA:**



**Approach to meet the ODA targets:** a national plan with yearly target.

**ODA to LDCs:** EE allocates 10% of its bilateral aid to LDCs. Although EE supports the international goal of increasing funding to LDCs, it would disagree with providing a minimum of its ODA to LDCs in pursuance to the Monterrey Conference and the UN World Summit.

**Increased ODA to Africa:** EE will indirectly increase its share to Africa through its contribution to the 10<sup>th</sup> EDF, the EU plan to increase support to Africa and multilateral organisation, funds or initiatives. Moreover, even if a major focus of bilateral assistance is directed to former Soviet Union and Afghanistan, EE is considering the possibility of providing assistance to countries in Sub-Saharan Africa.

### II. Debt

**HIPC and Multilateral Debt Relief Initiative:** provisions made

EE is prepared to follow the EU commitments to go beyond the HIPC by providing officially 100% pre-cut-off-date debt cancellation for all claims.

**Free rider problem:** not concerned nevertheless EE would support coordinated EU action, involving other major donors as well as emerging donors in coordinating the matter.

### III. Innovative sources of financing / innovative aid mechanism

**Innovative sources of financing:** EE does not implement / plan to implement any innovative sources of financing.

**Form of aid / innovative aid mechanism:** EE has a preference for project aid & technical assistance and humanitarian assistance.

#### **IV. Participation in Joint Programming**

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EE has not yet participated in joint programming in ACP countries. However, it plans to take part in such exercises in the future and is ready to adopt the EU Common Format for Country Strategy Papers as its programming document.

EE has not yet produced any CSPs due to limited administrative resources, but plans to develop them in the coming years primary for its priority countries (Ukraine, Georgia, Moldova, Afghanistan).

#### **VI. TRA: How to advance on the "aid for trade" agenda?**

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##### **(1) Quantitative TRA allocation**

**TRA 2006:** No increase. EE has allocated €9600 to the Doha Trust Fund; no other indication will be available before July 2007.

**TRA 2007 – 2010:** N.A.

**Major Programme:** Doha Trust Fund.

##### **(2) Qualitative TRA**

**Regional focus:** Neighbouring countries/Eastern Europe, Central Asia, global.

**Preferred delivery level (in order of priority):** national, multilateral, regional.

**Position regarding Enhanced Integrated Framework in 2007 – 2009:** does not support.

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** not in favour.

EE plans to **support other categories of "aid for trade" than "trade related assistance"** namely 'building productive capacity'.

In addition, EE will provide training for officials dealing with WTO issues and working on the further trade liberalisation within the framework of the WTO.

**Preferred modalities for joint EU "aid for trade"-related activities (in order of priority):** development of joint EU programmes, scaling up of existing Community programme, coordination in international fora.

**Assessment of existing EU coordination tool:** adequate, nevertheless they should be improved by bringing together all the experts from different working groups of EU dealing with aid for trade. The lead should be taken by the Codev.

#### **V. Untying aid**

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No new measures adopted in 2006.

## VII. Exogenous shocks

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**Ex ante support for disaster preparedness/ prevention:** EE balances its financial support between ex ante and ex post crisis assistance through its voluntary contribution to the international humanitarian aid organisations and contribution to EU humanitarian aid budget from which ex-ante activities for disaster preparedness are carried out. EE estimates its disaster relief accounts for about 10/15% of total ODA. EE focuses on institutional support for disaster management.

## VIII. Global public goods (GPGs)

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EE counts on the Commission's assessment of the final report of the International Task Force (TF) on GPGs and recommendations regarding possible EU follow-up.

**Priority GPGs:** environment, health, peace and security, knowledge as cross-cutting issue, global prosperity.

**Governance:** supports the reform of international institutions proposed by the TF, but has no position on the Global 25 forum, while it strongly agrees with all its features.

**Financing for GPGs:** in general, EE agrees with the strategy of the TF, except for the specific innovative financing for GPGs.

## IX. Position on the reform of the IFIs

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**Regarding the institutional governance structure of IMF/ WB and increasing the influence of developing and transitions countries:** EU WB board members should proactively discuss options/ possibly develop a joint position.

**EU coordination:** not in favour of formal coordination and more effective EU coordination on joint positions ahead of IMF/ WB Annual/ Spring meetings. EE is satisfied with the level of EU coordination in the Boards of the IFIs, especially, in IMF as EU coordination is supported by the formal coordination in the EFC. EE is also satisfied with the "Nordic Plus" coordination in the Bretton Woods institutions. For further EU coordination, the differences in the mandates of the WB and the IMF should be taken into account.

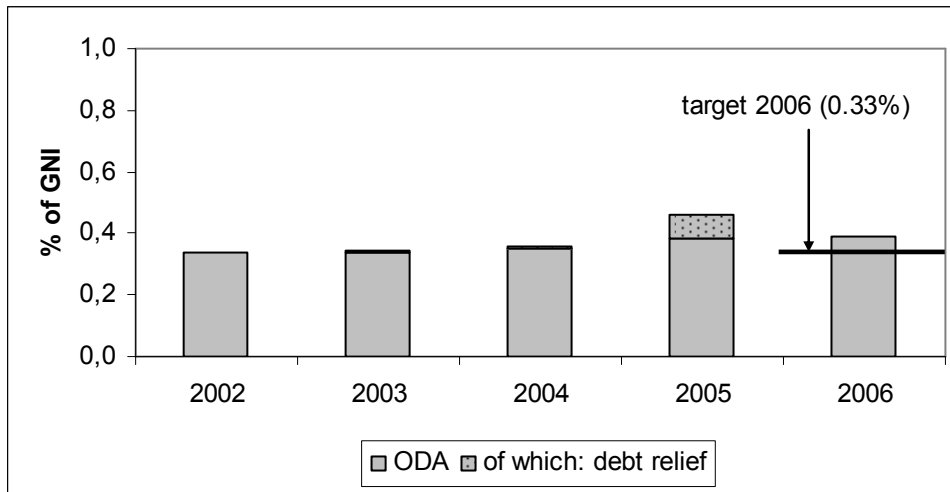


## FINLAND

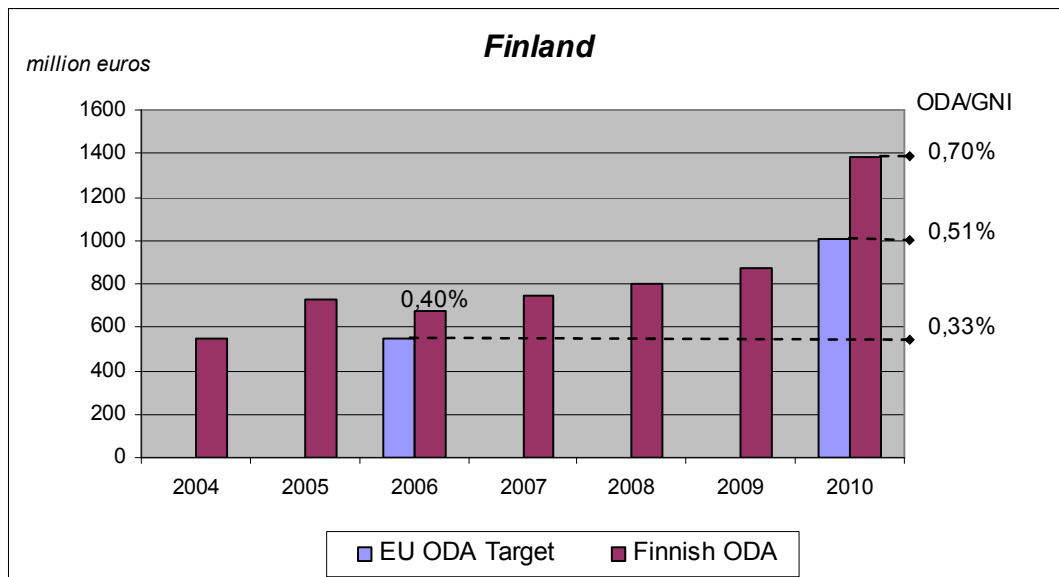
### I. ODA volumes: on track to meet 0.7% ODA/GNI by 2010

FI currently allocates 0.4 % of its GNI to ODA. Through a gradual regular increase of the ODA with yearly target, FI plans to meet the 0.7% ODA/GNI target by 2010. According to its forecast figures, FI will have to mobilise an extra €514 million between 2009 and 2010, which represents 37% of the assistance needed in 2010 to reach 0.7%.

#### Share of debt relief in ODA volumes:



#### Projected ODA:



**ODA to LDCs:** In line with the Monterrey Consensus and the UN Brussels Programme of Action for LDCs, FI allocates at least 0.15% ODA/GNI to LDCs and plans to maintain that level.

**Increased ODA to Africa:** The Finnish White Paper on development policy (that governs the allocation of ODA) provides for increasing the share of ODA to Sub-Saharan Africa. Thus, in

2006, in continuation of a six-year trend, FI commitments were higher than previous disbursements to sub-Saharan Africa. In addition, the Finnish ODA directed to Africa is increasing above the increase in the share of multilateral aid directed to Africa.

## II. Debt

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**Multilateral Debt Relief Initiative:** FI has made provision to fulfil its financial commitments to WB and AfDB to compensate for foregone reflows.

**Free rider problem:** (i) As the responsibility lies with the debtor country, importance given to actions related to improve capacity in developing countries: including TA, debt management, enhancement of parliamentary oversight, etc.; (ii) *Coherence among the creditor countries* should be improved: the BWI Debt Sustainability Framework should be used as a guide for decision making among lenders, including the multilateral sources (various IFIs), bilateral (including "emerging donors"), and export credit agencies and commercial banks. JAS processes can have an added value even in this respect. EU-wide coordination and coherence needs to include EIB lending. Coherence at national level among the various institutions directing lender institutions remains a challenge.

**Position on further internationally coordinated action:** (i) the HIPC and MDRI-programmes should be fully (re)financed in order to maintain the financial strength of the IFIs. In particular, the EU should undertake financially binding commitments and persuade others, especially the non-EU G7's to the same; (ii) the EU should consider supporting new international initiatives which might for example cover countries emerging from conflict or suffering from external exogenous shocks.

## III. Innovative sources of financing / innovative aid mechanisms

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**Innovative sources of financing:** So far, FI does not implement any innovative sources of financing but is currently considering it. FI is also considering joining the Leading Group on Solidarity Levies to Fund Development in order to participate to the discussion on the innovative financing mechanisms.

**Form of aid / innovative aid mechanism:** FI has a preference for project aid & technical assistance and budget support (policy to increase budget support but no specific decision on preferred budget support modalities).

FI is already making multi-year commitments of fixed duration that can be reviewed during the programming period.

## IV. Participation in Joint Programming

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The overall feeling toward Joint Programming is positive since the process is considered as having enhanced local coordination, division of labour and alignment with the partner countries in the two cases further assessed.

FI is therefore considering taking part in future joint exercises.

## V. Untying aid

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In 2005, 95.1% of Finnish aid was untied and no new measures were adopted in 2006. Debt relief including appropriate refinancing is considered a long-term, predictable and stable untied aid instrument.

**VI. TRA: How to advance on the "aid for trade" agenda?**

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(1) Quantitative TRA allocation

FI has made a policy decision to increase its TRA from a 2004 baseline - level of €5.8 million to at least €15 million by 2010.

**TRA 2006:** increased, however, precise data is not available yet. **TRA 2007 – 2010:** further increases planned.

<i>Year</i>	<i>TRA in million € - Only multilateral channels<sup>31</sup> (Trust Funds 65%/ Trade policy regulation 35%)</i>
2006	2.55
2007	2.65
2008	4
2009	7
2010	10

**Major programmes:** IF, ITC, UNCTAD, WTO.

(2) Qualitative TRA

Main goal of trade-related assistance is to promote export orientated production, within the framework of poverty reduction. Its objectives are to: (i) integrate developing countries, especially LDCs, into the world market; (ii) build their capacity; (iii) promote their market access; (iv) support a favourable investment environment and socio-economic infrastructure for private enterprises.

**Regional focus:** Global, Southern Africa, East Africa, Latin America. Not detailed plan at the moment but a general policy commitment through the EU AFT Conclusions agreed in the GAERC, October 2006.

**Preferred delivery levels (in order of priority):** multilateral, national, regional.

**Position regarding Enhanced Integrated Framework in 2007-2009:** planned allocations in following years - 2006: €750000; 2007: €800000; 2008: €1150000; 2009: € 1300000.

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<sup>31</sup> Total TRA not available due to the challenge of drawing the line between TRA and the broader scope of AFT

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** not in favour.

FI plans to **support other categories of "aid for trade" than "trade-related assistance"** such as "building productive capacity".

Moreover, FI is very active in international aid for trade related policy dialogue especially in the preparation of the EU AFT strategy (through the EU Trade and Development experts meetings, OECD AFT programmes). FI holds an Aid for Trade advocacy programme in cooperation with ICTSD, UNCTAD and Finnish University.

**Preferred modalities for joint EU "aid for trade"-related activities (in order of priority):** coordination in international fora, development of joint EU programmes, information sharing.

**Experience with joint donor activities:** in analysis of trade-related situations of beneficiary countries and in sector and programme approaches.

*Assessment of existing EU coordination tools:* adequate - especially good and productive AFT discussions and activities of the EU in 2006. This forum should be strengthened as the preparatory forum for EU AFT policies and activities and Member States should further engage in the WTO AFT work and discussions.

## **VII. Exogenous shocks**

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**Ex ante support for disaster preparedness/ prevention:** FI emphasizes the continuum between preparation, crisis management, humanitarian aid, reconstruction and development. FI focuses on preparation of disaster preparation management plans, institutional support for disaster management and infrastructural works in the framework of disaster preparedness.

## **VIII. Global public goods (GPGs)**

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FI has not yet finalised its analysis of the report of GPGs and thus, refuses to take any position.

## **IX. Position on the reform of the IFIs**

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**Regarding the institutional governance structure of IMF/ WB and increasing the influence of developing and transitions countries:** in favour of strengthening the technical capacity of the Executive Directors of less represented countries, namely African EDs.

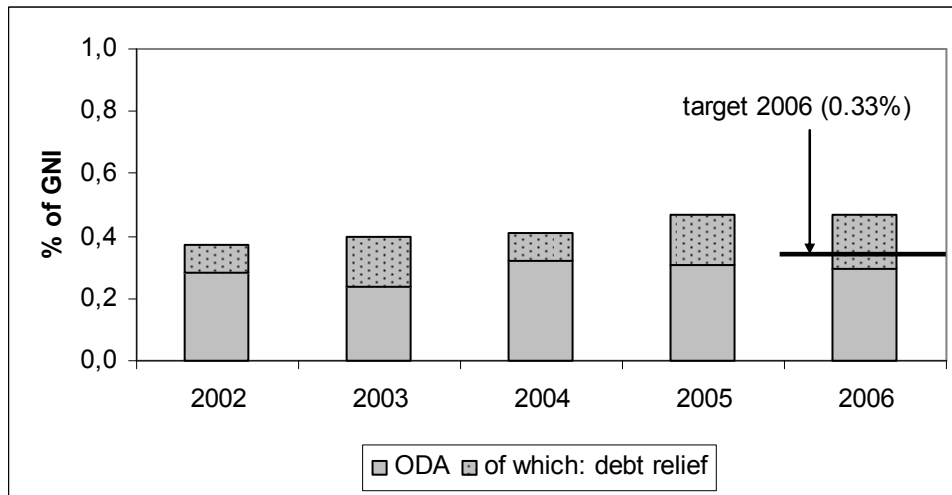
**EU coordination:** against formal coordination; not in favour of more effective EU coordination on joint positions ahead of IMF/ WB Annual/ Spring meetings. However, in pursuance to the spirit of European Consensus on Development, FI is in favour of improving the information sharing and potential elaboration of joint positions/ joint statements of the Board of Directors.

## FRANCE

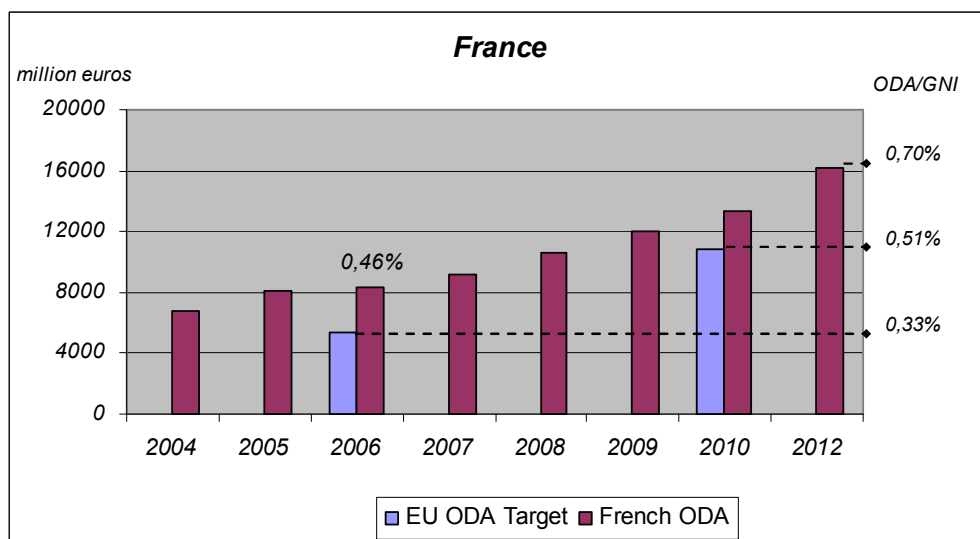
### I. ODA volumes: on track to meet the 0.7% ODA/GNI Target by 2012

FR currently allocates 0.47% of its GNI to ODA and seems well on track to meet its national deadline of 2012 for reaching 0.7% ODA/GNI and its intermediate target of 0.5% by 2007. As in previous years, FR forecasts provision of between 0.5 and 0.7% of its GNI for ODA 2011.

#### Share of debt relief in ODA volumes:



#### Projected ODA:



**Approach to 0.7% ODA/GNI target:** Gradual regular increase of ODA without a binding national plan for yearly increase.

**ODA to LDCs:** FR has not yet met the 0.15% ODA/GNI baseline defined by the Monterrey Consensus and the UN World Summit Declaration but plans to attain that level by 2010. This entails a particular challenge as the aid level to LDCs declined from 0.12% ODA/GNI in 2004 to 0.06% in 2005.

**Increased ODA to Africa:** In 2005, FR allocated 67% of its bilateral aid allocation to Africa (sub-Saharan and North Africa) and plans to maintain this level in 2006.

## **II. Debt**

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**Multilateral Debt Relief Initiative:** FR has made provisions to fulfil its financial commitments to WB and AfDB to compensate for foregone reflows.

**Free rider problem:** FR recommends that all private and public creditors use the Integrated Framework.

**Regarding future cases of unsustainable debt in low income countries:** not open for further dialogue on new internationally coordinated action. The international institutions should rather approach private creditors and bilateral creditors who are not part of the Paris Club to enhance their participation in the IF.

## **III. Innovative sources of financing / innovative aid mechanism**

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**Innovative sources of financing:** FR has implemented/ will participate in the International Financing Facility, IFF immunisation, the airlines ticket tax and Advanced Market Mechanisms (to speed up research on vaccines) but will not include them to raise its ODA to official targets. **Form of aid / innovative aid mechanism:** FR has a preference for project aid & technical assistance projects, global funds and budget support (the breakdown between sectoral and general budget support depends on each country context). FR is planning to make multi-year commitments, annually reviewed. Arrangements for disbursement are under discussions.

## **IV. Participation in Joint Programming**

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FR is satisfied with its experience in joint programming and is considering taking part in future joint programming in Madagascar, Senegal, Burkina Faso and Mozambique. One of the main outputs of the French experience of joint programming is the improvement of the division of labour and the local coordination process.

## **V. Untying aid**

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In 2005, 94.7% of French aid was untied. Since 2006, in line with the High Level meeting of December 2005, FR has applied a lower threshold for the application of the DAC Recommendation. FR has even gone further by untying the entire project aid of the French Development Agency.

FR is in favour of full untying of food aid. It rejects aid in kind but agrees with financial support. Moreover, it advocates forbidding food aid concession loans.

## **VI. TRA: How to advance on the "aid for trade" agenda?**

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### **(1) Quantitative TRA allocation**

**TRA 2006/7:** no increase due to the large increase in 2005 - €116 million, compared with TRA previous levels of around €80 million.

**TRA 2008-2010:** not decided yet although FR will follow the commitment decided by the international community.

**Major Programmes:** PRCC (Programme Reinforcing Trade Capacities).

## **(2) Qualitative TRA**

**Regional focus:** West Africa, Central Africa, global.

**Preferred delivery levels (in order of priority):** national, regional, multilateral.

**Position regarding Enhanced Integrated Framework in 2007 – 2009:** amount are still under consideration although a significant contribution is expected.

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** in favour.

FR does not plan to **support other categories of "aid for trade" than "trade-related assistance"**.

**Support for the wider "aid for trade" agenda:** through the PRCC and a wide variety of other projects FR has developed (in institutional or private sector, economic or specific sectors, in particular countries or specific regions, training, etc.).

**Preferred modalities for joint EU "aid for trade"-related activities (in order of priority):** information sharing, coordination in international fora.

**Assessment of existing EU coordination tools:** generally adequate, except the EU position related on TRA in international fora.

## **VII. Exogenous shocks**

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**Ex ante support for disaster preparedness/ prevention:** FR is currently increasing its allocation to provide for ex ante support; it is mainstreaming the 'prevention' aspect of all its global projects. In particular, FR is developing an instrument to limit the vulnerability of economies to exogenous shocks, especially, economic shocks.

FR focuses on preparation of disaster management plans, institutional support to disaster management, infrastructural works for disaster preparedness and insurance to cover disaster risks.

## **VIII. Global public goods (GPGs)**

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**Priority GPGs:** environment; health; peace and security; knowledge as cross-cutting issues; global prosperity.

**Governance:** FR partially agrees with the reform of international institutions but does not take any position on the Global 25 Forum proposal.

**Financing:** FR strongly agrees with the adoption of specific innovative financing for GPGs such as the airlines ticket solidarity contribution.

## **IX. Position on reform of the IFIs**

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**Regarding the institutional governance structure of IMF/ WB regarding increasing the influence of developing and transition countries:** (1) EU WB board members should proactively discuss options/ possibly develop a joint position. (2) In favour of strengthening the technical capacity of the Executive Directors of less represented countries, namely African EDs.

**EU coordination:** The present informal framework of EU coordination in WB has its limits, which are particularly visible when the views of capitals are divergent. Against this background, FR supports more effective EU coordination ahead of IMF/ WB Annual/ Spring meetings to agree on joint positions.

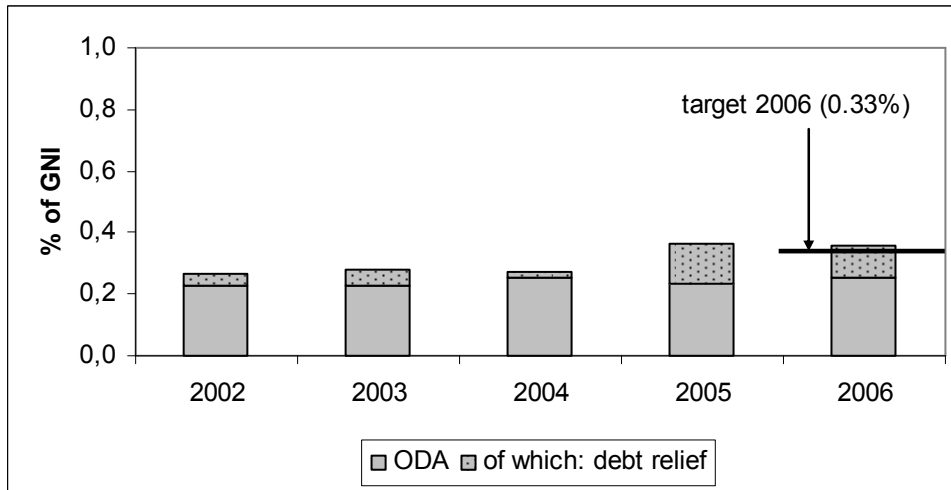


# GERMANY

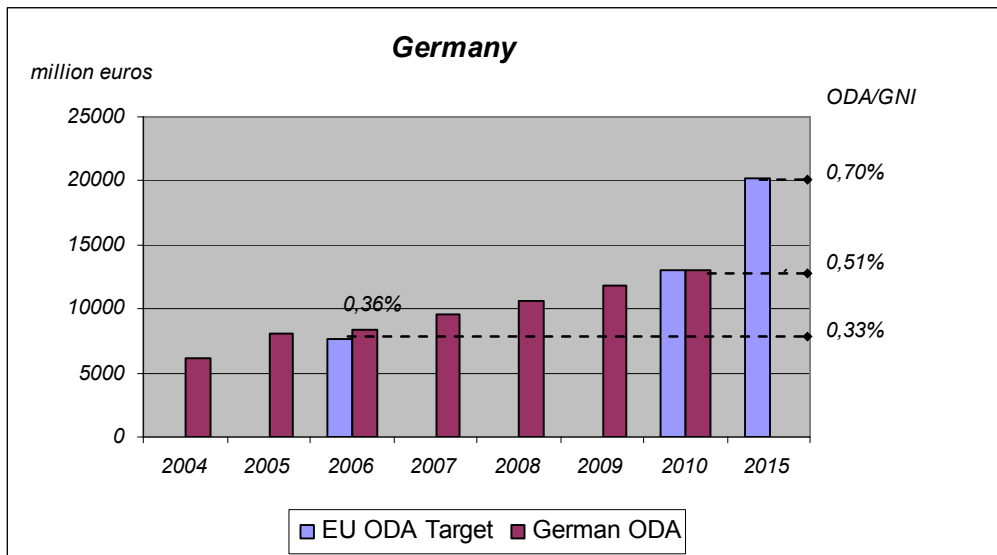
## I. ODA volumes

In reply to the "Monterrey survey", DE reiterated the commitment to reach the 0.51% ODA/GNI baseline target by 2010, albeit without making any indication on how aid levels are going to be increased year-on-year.

### Share of debt relief in ODA volumes:



### Projected ODA:



**Approach to 0.7% ODA/GNI target:** gradual regular increase of ODA without a binding national plan for yearly increase.

**ODA to LDCs:** DE has not yet met the 0.15% ODA/GNI baseline defined by the Monterrey Consensus and the UN World Summit Declaration but plans to attain that level by 2010.

**Increased ODA to Africa:** DE has already allocated above-average ODA increases to Africa and will continue to do so. Regarding German ODA commitments for Sub-Saharan Africa for 2006-2007, the bilateral portion alone, for example, will increase by 22%.

## **II. Debt**

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**Multilateral Debt Relief Initiative:** provisions introduced to fulfil the financial commitments to WB/AfDB to compensate foregone reflows.

**Position on the "free rider" issue:** advocates (i) increased transparency in lending and borrowing operations, (ii) better exchange of information and data collection, (iii) strengthening of debt management capacities in HIPC's, (iv) broadening the adherence of the DSF and (v) exploring further mechanisms (incl. incentives and disincentives) to prevent creditors from free riding and to discourage countries from irresponsible borrowing.

Regarding **future cases of unsustainable debt in low income countries:** open for further dialogue if necessary. DE advocates modelling international co-ordinated action in situations in which cases of unsustainable debt in low-income countries are assessed as requiring an international response.

## **III. Innovative sources of financing/ innovative aid mechanism**

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**Innovative sources of financing:** DE has not yet taken a decision on the introduction of innovative instruments. However, DE is currently member of the Leading Group for Solidarity Levies and is considering introducing a development levy on air tickets.

**Form of aid / innovative aid mechanism:** DE has a preference for project aid & technical assistance and budget support (plan to allocate 50% of general budget support and 50% of sectoral budget support, when appropriate circumstances in the partner country).

DE already provides for multi-year commitments of fixed duration of two or three years but does not plan to move to a less frequent review of conditions of three years or more.

## **IV. Participation in Joint Programming**

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So far, DE is satisfied with its experience in joint programming. In Uganda for example, DE considers that joint programming has improved local coordination, the division of labour and has improved alignment with the partner country strategy and budget circle. DE plans to extend its participation in other ACP countries or regions without specifying which ones. It is as well ready to adopt the EU agreed common format as the national programming document.

## **V. Untying aid**

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In 2005, 93% of German aid was untied. DE fully implements the existing 2001 OECD/DAC Recommendation and supports efforts to further untie aid in the framework of the ongoing OECD/DAC discussions. In practice, DE financial co-operation and food aid are fully untied. Moreover, DE is currently extending its share of untied technical assistance by increasing its contribution to technical assistance finance pools (TA-pooling).

## **VI. TRA: How to advance on the "aid for trade" agenda?**

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Even if trade as such is not yet a specific sector in DE development cooperation, a very large share of TRA is already part of its projects in specific areas like agriculture and private sector development. DE strives to increase its TRA share according to its overall increase of ODA. The prerequisite for increased DE commitments on aid for trade is higher demand from partner countries for aid for trade. Thus, DE will encourage its partner countries to attach higher priority to the trade issue and endorses a prioritisation of trade and inclusion of trade-related issues in PRSPs. Furthermore, DE participates actively in the debate of improving coordination and enhanced efficiency of bilateral and multilateral supports.

### **(1) Quantitative TRA allocation**

**TRA 2006:** increased, however, precise data is not available; **TRA 2007 – 2010:** N.A.

### **(2) Qualitative TRA**

**Regional focus:** Global, Southern Africa, West Africa, East Africa.

**Preferred delivery levels (in order of priority):** national, multilateral, regional.

**Position regarding Enhanced Integrated Framework in 2007-2009:** DE plans to allocate approximately € 2.5 million per year.

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** in favour.

DE is ready to **support other categories of "aid for trade" than "trade-related assistance"** such as "building productive capacity", "trade-related infrastructure", "trade-related adjustment".

Furthermore, DE proactively cooperates in the drafting of the EU Strategy Paper on Aid for Trade as part of its EU/G8 presidency. In addition, DE supports studies with an emphasis on trade issues.

**Preferred modalities for joint EU "aid for trade"-related activities (in order of priority):** coordination in international fora, joint positions for national and regional dialogue, support for scaling up the existing Community programmes.

**Experience with joint donor activities:** in analysis of trade-related situations of beneficiary countries, programming in the trade-related assistance sector and programme approach.

**Assessment existing EU coordination tools:** adequate.

## **VII. Exogenous Shocks**

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**Ex ante support for disaster preparedness/ prevention:** DE emphasizes the continuum between prevention, crisis management, humanitarian aid, reconstruction and development.

DE focuses on preparation on disaster management plans, institutional support to disaster management, and infrastructural works in the framework of disaster preparedness.

## **VIII. Global public goods (GPGs)**

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**Priority GPGs:** environment; health; peace and security; knowledge as cross-cutting issues; global prosperity.

**Governance:** against the Global 25 Forum proposal, but strongly favours international institutions reforms.

**Financing:** part of the strategy proposed by the TF is supported, especially strong support to improve work with the private sector and market.

## **IX. Position on the reform of the IFIs**

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**Regarding the institutional governance structure of IMF/ WB and increasing the influence of developing and transitions countries:** (1) EU should adopt a wait and see policy; (2) a change of representation at the Board (including EU representation) needs to be considered; (3) in favour of strengthening the technical capacity of the Executive Directors of less represented countries, namely African EDs.

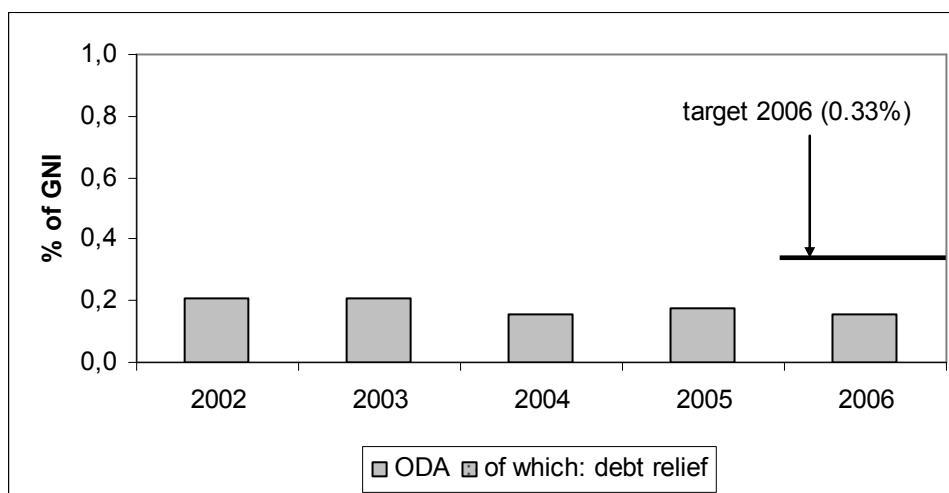
**EU coordination:** supports more effective EU coordination ahead of IMF/WB Annual/Spring meetings to agree on joint positions.

## GREECE

### I. ODA Volumes: on track to meet the EU minimum aid target by 2006?

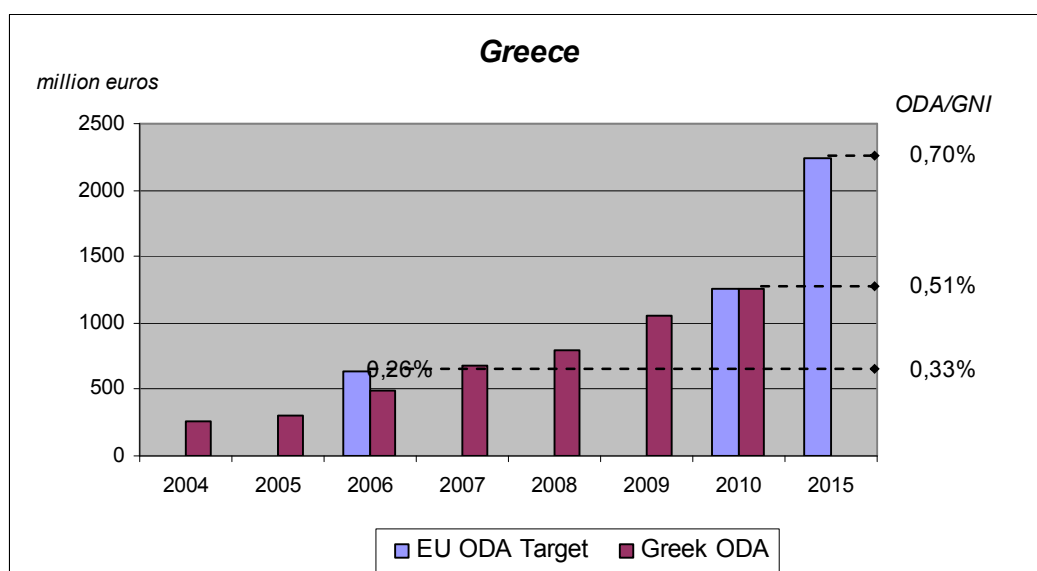
In 2006, EL registered only 0.26% ODA/GNI and thus remained substantially below the EU minimum individual baseline target of 0.33%. EL pledged to catch up with the group by 2007 and provided concrete figures of a gradual, year-on-year increase of ODA/GNI towards meeting the 0.51% by 2010 as part of the 2007-2011 plan of the Ministry of Foreign Affairs for Greek bilateral development assistance.

#### Share of debt relief in ODA volumes:



The graph shows that debt relief plays no role in Greece's ODA

#### Projected ODA:



**Increased ODA to LDCs & Africa:** EL has not yet met the 0.15% ODA/GNI baseline defined by the Monterrey Consensus and the UN World Summit Declaration. Nevertheless,

the new 5-year-plan for EL bilateral development assistance foresees an increase of ODA for LDCs to 0.22% by 2010.

## II. Debt

---

**Multilateral Debt Relief Initiative:** provisions introduced to fulfil the financial commitments to WB to compensate foregone reflows.

**Position on the "free rider" issue:** not a creditor country / supports collective decisions taken at the World Bank.

**Regarding future cases of unsustainable debt in low income countries:** open to further dialogue if necessary.

## III. Innovative sources of financing / innovative aid mechanism

---

**Innovative sources of financing:** EL is seriously examining options for innovative methods of financing, under the constraint that they have to be of a non-mandatory character for Greek citizens. **Form of aid / innovative aid mechanism:** EL has a preference for project aid & technical assistance and sector budget support.

EL is reluctant to provide general budget support due to preconditions which have to be met by partner government. EL intends to move to multiyear commitments with less frequent review of conditions (every three years or more).

## IV. Participation in Joint Programming

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Greece has not yet participated in joint programming but plans to do so in Ethiopia and, potentially, Zambia and Congo. Moreover, EL is ready to adopt the EU agreed common format as its programming document.

## V. Untying aid

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In 2005, 73.6% of Greek aid was untied. In line with the High Level meeting of December 2005, in 2006 EL adopted a lower threshold for the application of the DAC Recommendation which has been incorporated in policy formulation for Greek aid.

## VI. TRA: How to advance on the "aid for trade" agenda?

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### (1) Quantitative TRA allocation

**TRA 2006:** increased - €468 209.

**TRA 2007 – 2010:** precise data are not available yet, since the EL five-year development cooperation programme is not yet final.

### (2) Qualitative TRA

**Regional focus:** Neighbouring countries/Eastern Europe, Mediterranean countries, Central Asia, South East Asia.

**Preferred delivery levels (in order of priority):** national, multilateral, regional.

**Position regarding Enhanced Integrated Framework in 2007–2009:** does not support.

**Position regarding a possible extension of an Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** not in favour.

EL plans to **support other categories of "aid for trade" than "trade-related assistance"** namely "building productive capacity".

**Preferred modalities for joint EU "aid for trade"-related activities (in order of priority):** development of joint EU programmes, support for scaling up existing Community programmes, information sharing.

**Assessment of existing EU coordination tools:** adequate.

## **VII. Exogenous shocks**

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**Ex ante support for disaster preparedness/ prevention:** Until now, the main bulk of EL financial assistance has been directed towards ex-post crisis assistance. Since 2006, new programmes have been drafted to give weight also to ex-ante crisis assistance.

EL focuses on educational training for pupils/students in African schools (Zambia, Congo) to enhance disaster preparedness in schools and awareness of the potential to mitigate disasters.

**Regional Focus:** South-East Asia (Indonesia, Sri Lanka, Pakistan), Middle East (Lebanon).

## **VIII. Global public goods (GPGs)**

---

**Priority GPGs:** environment; health; peace and security; knowledge as cross-cutting issues; global prosperity.

**Governance:** no position on the Global 25 Forum but strongly agrees with the proposed reforms of international institutions.

**Financing:** Roughly agrees with the strategy proposed by the TF on multi-annual budgeting, increasing allocation, OECD statistics and private sector partnership; no position on dual-track budgeting national systems or specific funding for GPGs.

## **IX. Position on the reform of the IFIs**

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**Regarding the institutional governance structure of IMF/ WB and increasing the influence of developing and transition countries:** (1) EU WB board members should proactively discuss options/ possibly develop a joint position; (2) in favour of strengthening the technical capacity of the Executive Directors of less represented countries, namely African EDs.

**EU coordination:** supports more effective EU coordination ahead of IMF/ WB Annual/ Spring meetings to agree on joint positions.

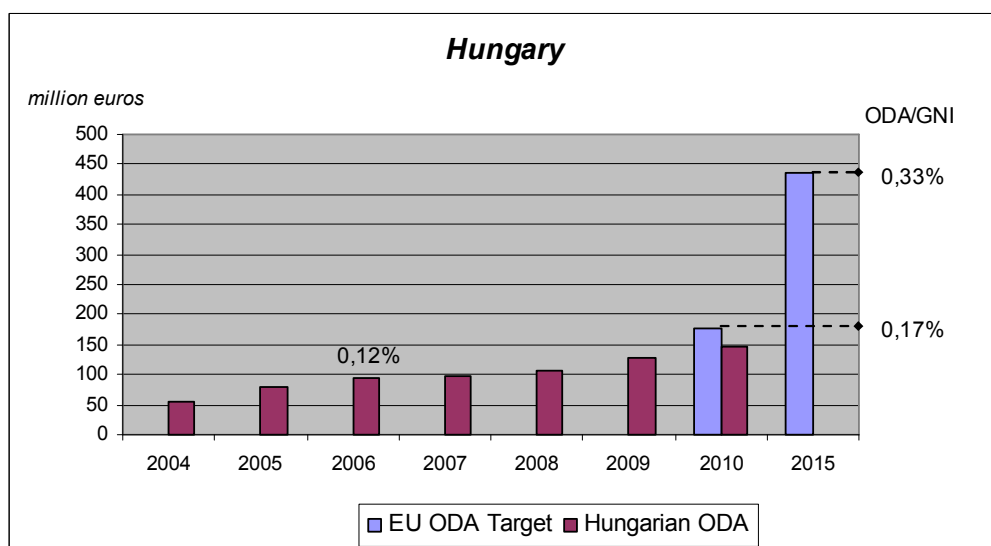
## HUNGARY

### I. ODA volumes: on track to attain the 2010 individual target?

---

According to HU's latest forecast figures, Hungarian aid is gradually increasing and moving close to the 0.17% ODA/GNI target, but still it seems necessary to reinforce efforts.

#### Projected ODA:



**Approach to ODA/GNI targets:** gradual regular increase of ODA with yearly target.

**ODA to LDCs:** HU allocates approximately 0.01% ODA/GNI to LDCs and it would agree to provide a minimum of its ODA to LDCs in pursuance to the Monterrey Conference and the UN World Summit.

**Increased ODA to Africa:** introduction of small grants in African countries were not present so far.

### II. Debt

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**HIPC and Multilateral Debt Relief Initiative:** no provision made.

**Free rider problem:** not concerned.

### III. Innovative sources of financing / innovative aid mechanism

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**Innovative sources of financing:** HU does not implement/ plan to implement any innovative sources of financing.

**Form of aid / innovative aid mechanism:** HU has a preference for project aid & technical assistance and debt relief.

### IV. Participation in Joint Programming

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HU has not yet participated in joint programming in ACP countries, however, it plans to take part in this exercise in the future and is ready to adopt the EU Common Format for Country Strategy Papers as its programming document.

## **V. Untying aid**

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No new measures adopted in 2006.

## **VI. TRA: How to advance on the "aid for trade" agenda?**

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### **(1) Quantitative TRA allocation**

**TRA 2006:** No increase, however, no precise data are available; **TRA 2007– 2010:** no data are available due to the annual budgetary planning.

### **(2) Qualitative TRA**

**Regional focus:** Neighbouring countries/Eastern Europe, South East Asia, East Africa, Neighbouring countries/Mediterranean.

**Preferred delivery level (in order of priority):** multilateral, national, regional.

**Position regarding Enhanced Integrated Framework:** does not support.

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** in favour.

HU does not plan to **support other categories of "aid for trade" than "trade-related assistance"**.

**Preferred modalities for joint EU "aid for trade"-related activities (in order of priority):** information sharing, scaling up existing Community programmes, development of joint EU programmes.

**Assessment of existing EU coordination tool:** adequate.

## **VII. Exogenous shocks**

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**Ex ante support for disaster preparedness/ prevention:** First experience in crisis assistance: the post-Tsunami. In 2004 and 2005, HU only provided natural disaster ex post assistance. So far, no specific plan to give a particular attention to ex ante crisis assistance or to balance ex ante and ex post crisis assistance.

HU focuses on institutional support to disaster management.

## **VIII. Global public goods (GPGs)**

---

HU counts on the Commission's assessment of the final report of the International Task Force (TF) on GPGs and recommendations regarding possible EU follow-up.

**Priority GPGs:** environment; health; peace and security; knowledge as cross-cutting issue.

**Governance:** Disagree on the Global 25 forum and partially agrees with the reforms of international institutions proposed by the TF.

**Financing:** Disagreement on specific ways to finance GPGs but real support for market-based approaches and partial agreement on the increase of development assistance allocations.

## **IX. Position on the reform of the IFIs**

---

**Regarding the institutional governance structure of IMF/ WB and increasing the influence of developing and transitions countries:** (1) EU WB board members should proactively discuss options/ possibly develop a joint position; (2) a change of representation at the Board (including the EU representation) needs to be considered; (3) in favour of strengthening the technical capacity of the Executive Directors of less represented countries, namely African EDs.

**EU coordination:** against formal coordination and more effective EU coordination on joint positions ahead of IMF/WB Annual/ Spring meetings.

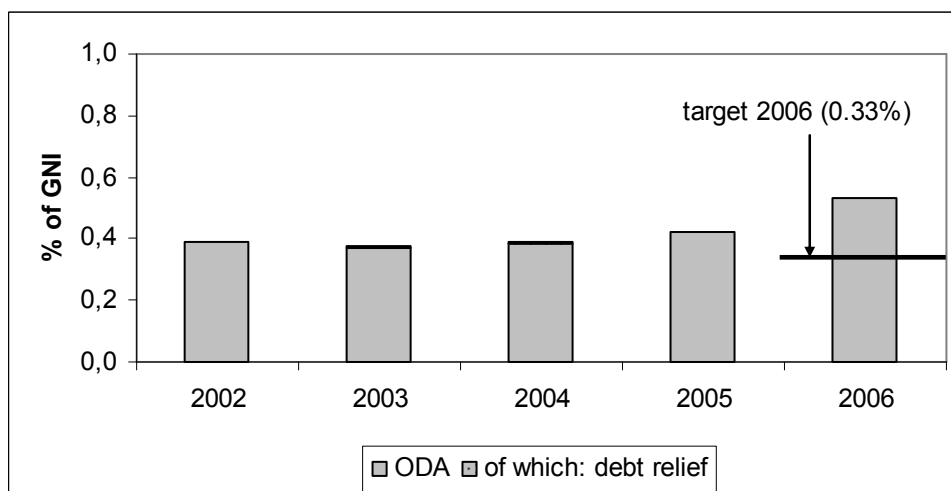
## IRELAND

### I. ODA volumes

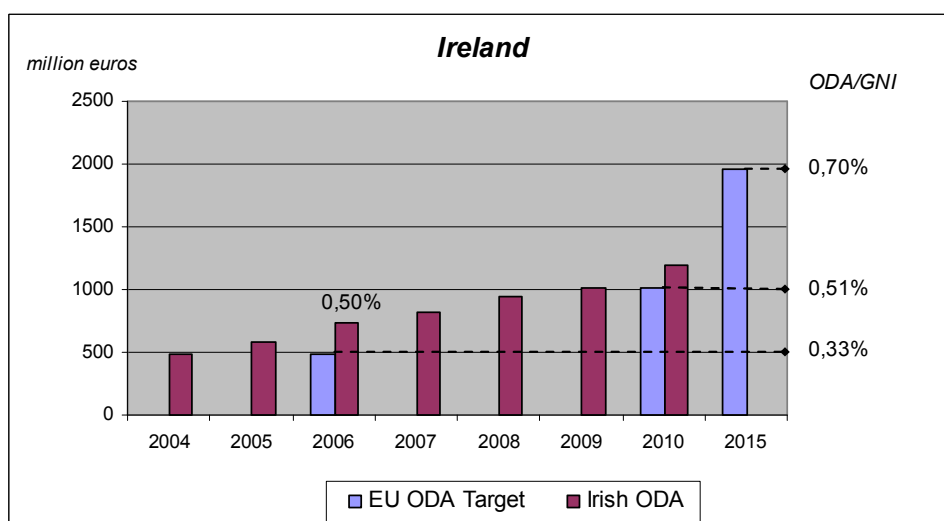
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In the light of its forecast figures, IE seems well on track to keep its promise to spend 0.70% of its GNI on development aid by the year 2012.

#### Share of debt relief in ODA volumes:



#### Projected ODA:



**ODA to LDCs:** IE has already met the 0.15% ODA/GNI baseline defined by the Monterrey Consensus and the UN World Summit Declaration and will maintain that level.

**Increased ODA to Africa:** majority of Irish aid is already directed to Africa, plans to maintain that focus.

### II. Debt

---

**Multilateral Debt Relief Initiative:** provisions introduced to fulfil the financial commitments to WB to compensate foregone reflows.

**Position on the "free rider" issue:** awaits the outcomes of the deliberations taking place in the IFI on MDRI.

### **III. Innovative sources of financing / innovative aid mechanism**

---

**Innovative sources of financing:** IE does not implement / plan to implement any innovative sources of financing.

**Form of aid / innovative aid mechanism:** IE has a preference for project aid & technical assistance; (2) general and sector budget support (modalities depend on the country context).

IE intends to make multi-year rolling commitments, updated annually.

### **IV. Participation in Joint Programming:**

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As it is on the whole satisfied with its experience, Ireland is considering taking part in joint programming and working with other donors where opportunities arise. The time and effort taken to overcome the challenges are said to highlight the need for communication and support for this complex process.

### **V. Untying aid**

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IE has already untied 100% of its aid.

### **VI. TRA: How to advance on the "aid for trade" agenda?**

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#### **(1) Quantitative TRA allocation**

**TRA 2006:** increased.

**TRA 2007-2010:** further increases planned.

<b>Year</b>	<b>Trade development in € millions</b>	<b>Trade policy/regulation in € millions</b>	<b>Overall amounts in € millions</b>
2006	1, 550 000	1, 363 455	2, 913 455
2008	75%	25%	6
2009	75%	25%	10
2010	75%	25%	15
2011	75%	25%	20

**Major programmes:** substantial increase in Enhanced Integrated Framework over the next two years.

#### **(2) Qualitative TRA**

**Regional focus:** Global, East Africa, Southern Africa, South East Asia.

**Preferred delivery levels (in order of priority):** multilateral, national, regional.

**Position regarding Enhanced Integrated Framework in 2007-2009:** IE supports with the following yearly contributions: 2007: € 3 million; 2008: € 5 million; 2009: € 7 million.

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** in favour.

IE plans to **support other categories of "aid for trade" than "trade-related assistance"** namely "trade-related adjustment".

**Preferred modalities for joint EU "aid for trade"-related activities (in order of priority):** coordination in international fora, information sharing, joint positions for national and regional dialogue.

**Assessment of existing EU coordination tools:** adequate.

## **VII. Exogenous shocks**

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**Ex ante support for disaster preparedness/ prevention:** IE supports disaster risk reduction through the emergency preparedness and recovery budget that mainly funds the Red Cross family through national societies.

IE focuses on preparation of disaster management plans and institutional support to disaster management.

## **VIII. Global public goods (GPGs)**

---

**Priority GPGs:** environment; health; peace and security; knowledge as cross-cutting issues; global prosperity.

In general, IE does not express interest or opinion except for the possible potential of the Global Development Bonds as a specific innovative form of financing for GPGs.

## **IX. Position on the reform of the IFIs**

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**Regarding the institutional governance structure of IMF/ WB and increasing the influence of developing and transitions countries:** EU WB board members should proactively discuss options / possibly develop a joint position.

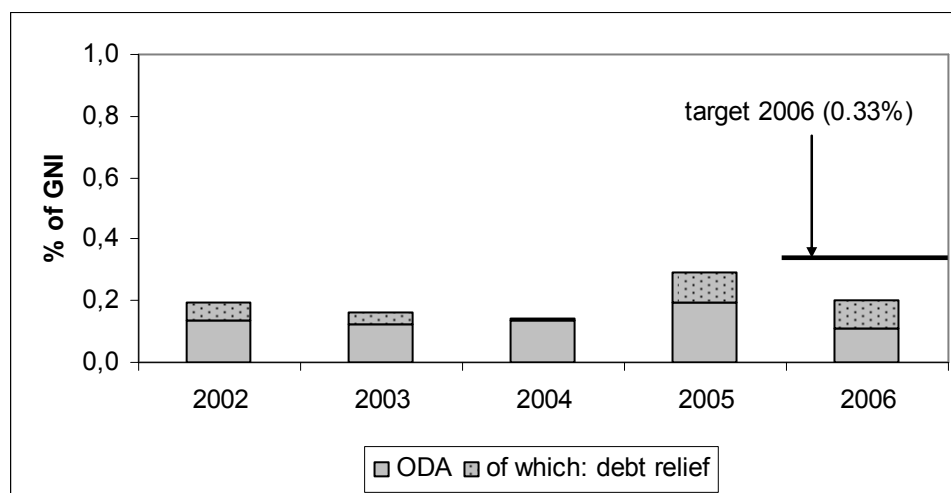
**EU coordination:** against formal coordination; not in favour of more effective EU coordination on joint positions ahead of IMF/WB Annual/ Spring meetings, because IE is satisfied with the current level of coordination.

## ITALY

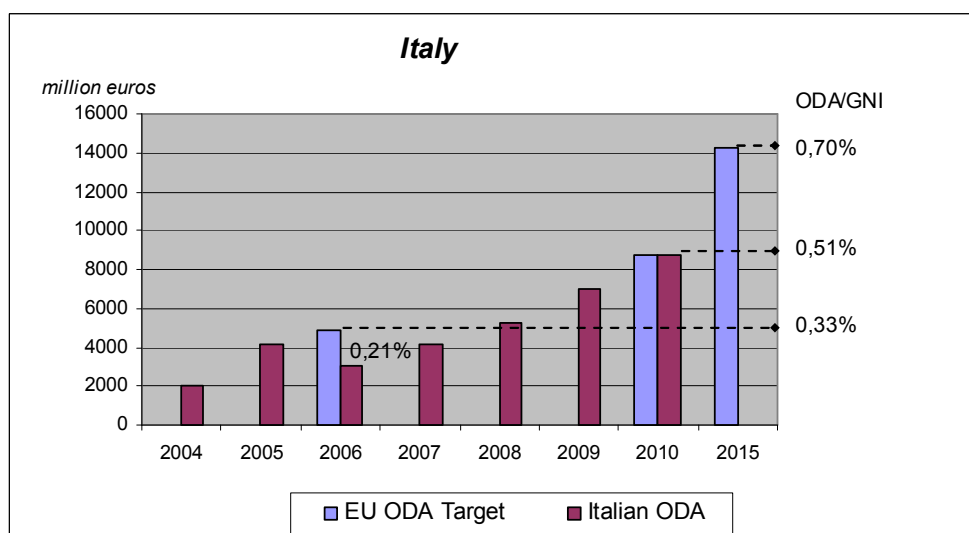
### I. ODA volumes: on track to meet the EU minimum aid targets?

The amount of resources devoted by IT to cooperation for development has decreased; in 2006, IT spent only 0.21% ODA/GNI and thus remains well below the 0.33% ODA/GNI minimum individual baseline target for 2006. Nevertheless, IT seeks to achieve 0.33% ODA/GNI by 2008 and 0.51% ODA/GNI by 2010. To reach this aim, substantial policy shifts are required, underpinned by corresponding budget allocations.

#### Share of debt relief in ODA volumes:



#### Projected ODA:



**Approach to the ODA/GNI targets:** gradual regular increase without a binding national plan for yearly increases. Moreover, laws specifically aimed at committing more financial resources to internationally agreed goals will be undertaken and innovative sources of financing adopted.

**ODA to LDCs:** IT has not yet met the 0.15% ODA/GNI baseline defined by the Monterrey Consensus and the UN World Summit Declaration but plans to attain that level by 2010 through regular increase and debt relief.

**Increased ODA to Africa:** In past years, allocations directed to Africa have decreased. Nevertheless, it is a major focus of the 2007-2010 development aid programming.

## **II. Debt**

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**Multilateral Debt Relief Initiative:** provisions introduced to fulfil the financial commitments to WB to compensate foregone reflows.

**Position on the "free rider" issue:** decisions should be taken at the multilateral level, i.e. by OECD and IFI context.

## **III. Innovative sources of financing / innovative aid mechanism**

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**Innovative sources of financing:** IT participates in International Financing Facility (IFF) immunisation (2006: €3 million; 2007: €6 million; 2008: €25.85 million and €25.8 million from 2009 onward, until 2025) and Advanced Market Mechanisms (to speed up research on vaccines). Moreover, it is currently exploring the technical possibility of new national and international financing methods.

**Form of aid / innovative aid mechanism:** IT has a preference for project aid & technical assistance and Global Funds.

## **IV. Participation in Joint Programming**

### **V. Untying aid**

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No measures has been taken to untie the aid, however, it has been indicated that a particular development cooperation reform is being prepared. The latter would also address the issue.

## **VI. TRA: How to advance on the "aid for trade" agenda?**

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### **(1) Quantitative TRA allocation**

**TRA 2006:** no increase, however, precise data are not available; **TRA 2007 – 2010:** N.A.

### **(2) Qualitative TRA**

**Regional focus:** global.

**Preferred delivery levels (in order of priority):** multilateral, regional, national.

**Position regarding Enhanced Integrated Framework in 2007-2009:** amounts of contributions are still to be decided.

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** in favour.

IT plans to **support other categories of "aid for trade" than "trade-related assistance"** such as "building productive capacity" and "trade-related infrastructure".

**Preferred modalities for joint EU "aid for trade"-related activities (in order of priority):** information sharing, development of joint EU programmes, coordination in international fora, joint positions for national and regional dialogue, support for scaling up the existing Community programmes.

**Experience with joint donor activities:** IT does not have any experience.

**Assessment of existing EU coordination tools:** adequate.

## **VII. Exogenous shocks**

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So far, IT only engages in post-crisis assistance.

## **VIII. Global public goods (GPGs)**

---

**Priority GPGs:** environment; health; knowledge as cross-cutting issue.

**Governance:** disagrees on the creation of a Global 25 Forum but supports the UN reforms proposed by the TF.

**Financing:** IT strongly agrees with supporting specific financing for GPGs, the preferred option being IFF immunisation. The Tobin tax and the global premium bond should also be explored further.

## **IX. Position on the reform of the IFIs**

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**Regarding the institutional governance structure of IMF/ WB and increasing the influence of developing and transition countries:** (1) EU WB board members should proactively discuss options / possibly develop a joint position; (2) in favour of strengthening the technical capacity of the Executive Directors of less represented countries, namely African EDs.

**EU coordination:** supports more effective EU coordination ahead of IMF/ WB Annual/ Spring meetings to agree on joint positions.



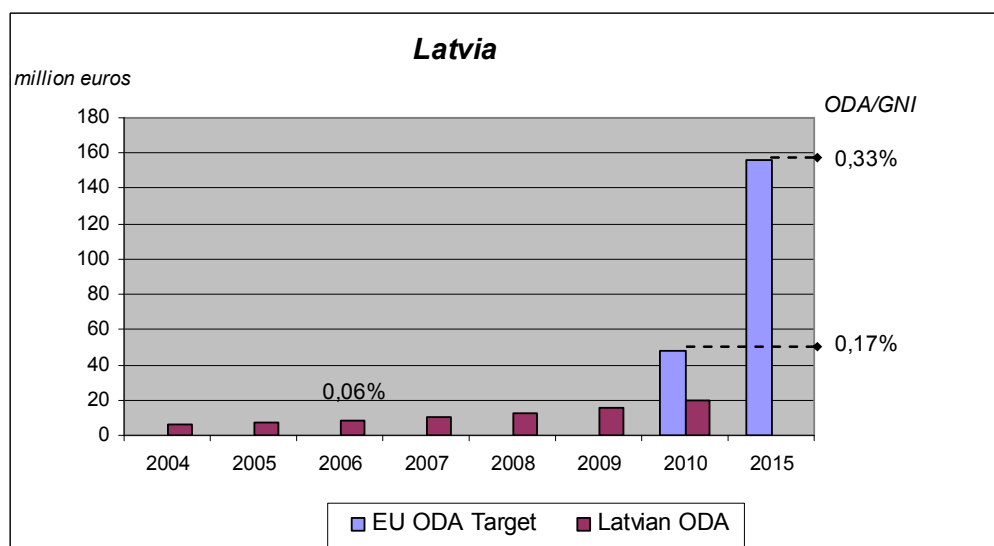
## LATVIA

### I. ODA volumes: on track to attain the 2010 individual target?

---

Latvia's ODA levels are still at very low levels and substantial efforts are warranted to better demonstrate how it strives to achieve the individual 0.17% ODA/GNI baseline by 2010.

#### Projected ODA:



**Approach to ODA/GNI targets:** Gradual regular increase of ODA without a binding national plan for yearly increase.

**ODA to LDCs:** N.A. LV would disagree to provide a minimum of its ODA to LDCs in pursuance to the Monterrey Conference and the UN World Summit, to a commitment.

**Increased ODA to Africa:** none.

### II. Debt

---

**HIPC initiative:** provision made.

**Multilateral Debt Relief Initiative:** no provisions made.

**Free rider problem:** not concerned.

**Regarding future cases of unsustainable debt in low income countries:** open for further dialogue, if necessary. The international donor community could, through adequate conditionality, encourage indebted countries to adopt sound policies.

### III. Innovative sources of financing / innovative aid mechanism

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**Innovative sources of financing:** LV does not implement / plan to implement any innovative sources of financing.

**Form of aid / innovative aid mechanism:** LV has a preference for project aid and technical assistance.

#### **IV. Participation in Joint Programming**

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LV has not yet participated in joint programming in ACP countries. However, LV plans to take part in joint programming in Moldova and/or Georgia, Ukraine, Belarus and is ready to adopt the EU Common Format for Country Strategy Papers as its programming document.

#### **V. Untying aid**

---

No new measures adopted in 2006.

#### **VI. TRA: How to advance on the "aid for trade" agenda?**

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##### **(1) Quantitative TRA allocation**

**TRA 2006:** No increase, no precise data are available; **TRA 2007 – 2010:** N.A.

##### **(2) Qualitative TRA**

**Regional focus:** Neighbouring countries/Eastern Europe, Central Asia, Neighbouring countries/ Mediterranean, global.

**Preferred delivery level (in order of priority):** national, regional, multilateral.

**Position regarding Enhanced Integrated Framework in 2007 – 2009:** does not support.

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** not in favour.

LV does not plan to **support other categories of "aid for trade" than "trade-related assistance"**.

**Preferred modalities for joint EU "aid for trade"-related activities (in order of priority):** development of joint EU programmes, coordination in international fora, joint position for the national and regional policy dialogue.

**Assessment of existing EU coordination tool:** adequate.

#### **VII. Exogenous shocks**

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So far, LV only provides ex post-crisis assistance on an ad hoc basis.

#### **VIII. Global public goods (GPGs)**

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LV shows little interest in the GPG issue. LV counts on the Commission's assessment of the final report of the International Task Force (TF) on GPGs and recommendations regarding a possible EU follow-up.

**Priority GPGs:** environment; health; peace and security; knowledge as cross-cutting issue; global prosperity.

**Governance:** Declines to take a position on the Global 25 Forum but supports the reforms of international institutions proposed by the TF.

**Financing:** No position taken, no inclination to do so.

## **IX. Position on the reform of the IFIs**

---

**Regarding the institutional governance structure of IMF/ WB and increasing the influence of developing and transition countries:** (1) EU WB board members should proactively discuss options / possibly develop a joint position; (2) in favour of strengthening the technical capacity of the Executive Directors of less represented countries, namely African EDs.

**EU coordination:** supports more effective EU coordination ahead of IMF/WB Annual/Spring meetings to agree on joint positions.

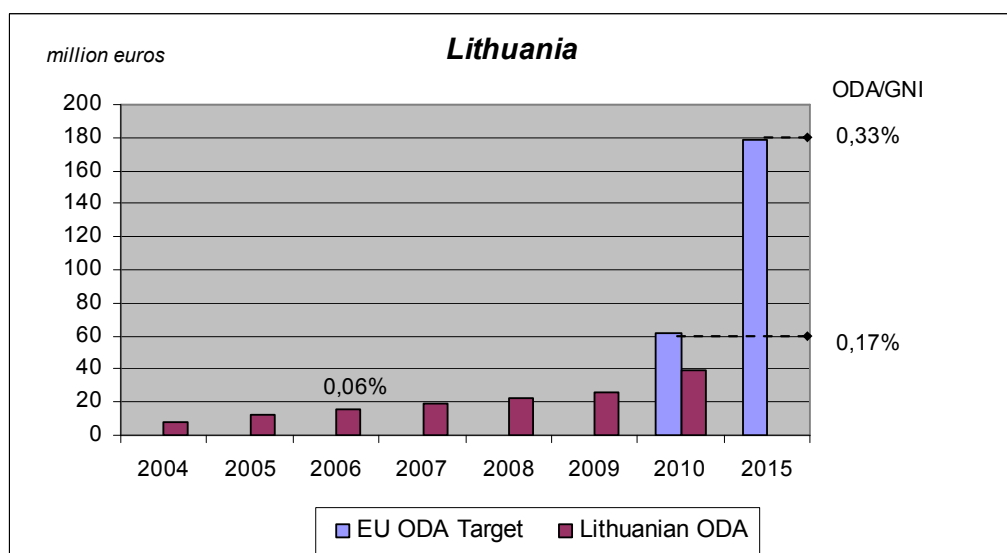
## LITHUANIA

### I. ODA volumes: on track to attain the 2010 target?

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LT managed to increase its ODA significantly from 0.04% in 2004 to 0.07% of GDP in 2006 (doubling the total ODA amounts). However, if LT wants to achieve the 0.17% ODA/GNI individual target by 2010, development spending needs to increase almost four-fold.

#### Projected ODA:



**Approach to ODA/GNI targets:** No approach whatsoever.

**ODA to LDCs:** N.A. LT would agree to provide a minimum of its ODA to LDCs in pursuant to the Monterrey Conference and the UN World Summit.

**Increased ODA to Africa:** LT is developing a project assisting Mauritanian oceanologists.

### II. Debt

---

**HIPC and Multilateral Debt Relief Initiative:** no provision made.

**Free rider problem:** N.A.

**Regarding future cases of unsustainable debt in low income countries:** open to further dialogue if necessary.

### III. Innovative sources of financing / innovative aid mechanism

---

**Innovative sources of financing:** LT does not implement / plan to implement any innovative sources of financing.

**Form of aid / innovative aid mechanism:** LT has a preference for project aid and technical assistance and global funds.

#### **IV. Participation in Joint Programming**

---

LT has not yet participated in joint programming in ACP countries. However, it plans to take part in such an exercise in the future and is ready to adopt the EU Common Format for Country Strategy Papers as its programming document.

#### **V. Untying aid:**

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No measures adopted in 2006.

#### **VII. Exogenous shocks**

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**Ex ante support for disaster preparedness/ prevention:** LT is currently preparing a regulatory framework for humanitarian assistance.

In 2005/6, LT provided only ex-post assistance.

#### **VI. TRA: How to advance on the "aid for trade" agenda?**

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##### **(1) Quantitative TRA allocation**

**TRA 2006:** Increase; **TRA 2007-2010:**

##### **(2) Qualitative TRA**

**Regional focus:** Neighbouring countries/Eastern Europe.

**Preferred delivery level (in order of priority):** regional, national, multilateral.

**Position regarding Enhanced Integrated Framework in 2007 – 2009:** does not support.

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** not in favour.

LT does not plan to **support other categories of "aid for trade" than "trade related assistance"**.

**Preferred modalities for joint EU "aid for trade"-related activities (in order of priority):** joint EU programmes, joint position for the national and regional policy dialogue, information sharing, coordination in international fora.

**Assessment of existing EU coordination tool:** LT is not satisfied with either the Article 133 Committee, or the EU informal trade and development expert group.

#### **VIII. Global public goods (GPGs)**

---

LT counts on the Commission's assessment of the final report of the International Task Force (TF) on GPGs and recommendations regarding possible EU follow-up.

**Priority GPGs:** environment; health; peace and security; knowledge as cross-cutting issue; global prosperity.

**Governance:** Strongly agrees with the reforms of international institutions proposed by the TF however, no position is taken on the G25.

**Financing:** Partially agrees with the proposed financing strategy. Within the innovative mechanisms for international financing, only the Global lottery or global premium bond is considered to have possible further potential.

## **IX. Position on the reform of the IFIs**

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**Regarding the institutional governance structure of IMF/ WB and increasing the influence of developing and transition countries:** In the long term, LT advocates a single EU representation as the ultimate objective.

**EU coordination:** supports formal coordination and more effective EU coordination on joint positions ahead of IMF/WB Annual/ Spring meetings.

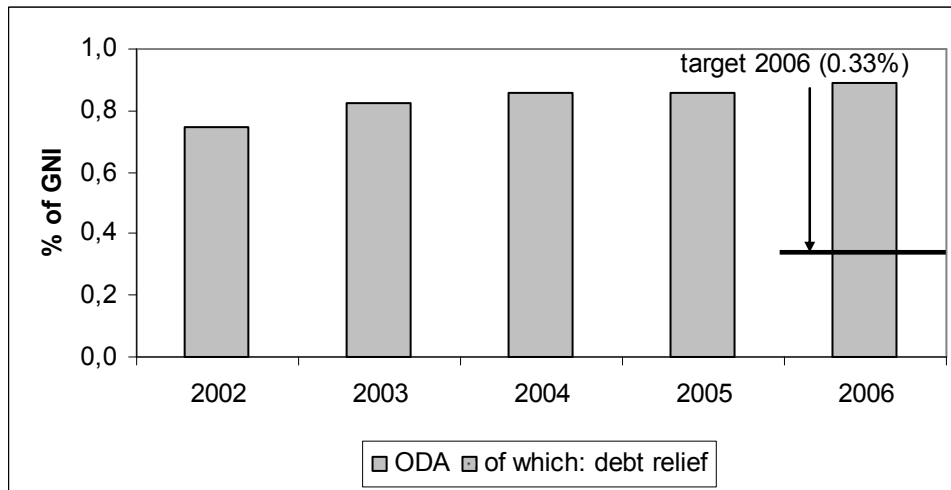
## LUXEMBOURG

### I. ODA volumes

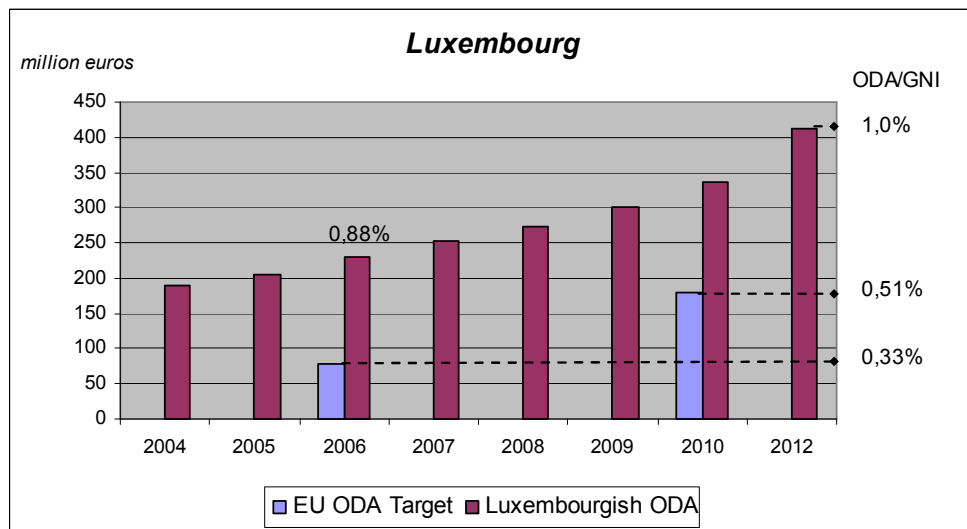
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LU is one of the best EU performers, currently allocating 0.88% ODA/GNI and planning to reach 1.0% ODA/GNI by 2012.

#### Share of debt relief in ODA volumes:



#### Projected ODA:



**ODA to LDCs:** LU has already met the 0.15% ODA/GNI baseline defined by the Monterrey Consensus and the UN World Summit Declaration and will maintain that level.

**Increased ODA to Africa:** LU is currently introducing a new generation of its multi-annual partnership programmes. The Budget allocation for 2007 will again put a heavy emphasis on its bilateral African partner countries (Senegal, Cape Verde, Burkina Faso, Mali, Niger, Namibia).

### II. Debt

---

**Multilateral Debt Relief Initiative:** provisions introduced to fulfil the financial commitments to WB to compensate foregone reflows.

**Position on the "free rider" issue:** supports work undertaken by the World Bank/IDA.

**Regarding future cases of unsustainable debt in low income countries:** open to further dialogue if necessary.

### **III. Innovative sources of financing / innovative aid mechanism**

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**Innovative sources of financing:** LU has implemented/ will participate in the airlines tickets contribution (voluntary for traveller). Due to sensitivity of LU economy, implementing other innovative sources may depend on decisions made by its neighbouring countries.

**Form of aid / innovative aid mechanism:** LU has a preference for project aid, technical assistance and voluntary contribution to UN agencies.

### **IV. Participation in Joint Programming**

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LU has not yet participated in joint programming and does not plan to take part in future joint programming exercises. Contacts with Headquarters and in country with the relevant Commission services has demonstrated that LU programmes in the six ACP countries concerned, despite their high level of complementarity, do not tend themselves to joint programming at this stage. However not participating in formal joint programming exercises, Luxembourg actors invest a lot of time and effort into coordination with EU member states, the Commission, local government authorities and civil society.

### **V. Untying aid**

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The overwhelming part of the LU cooperation is untied (nearly 100%).

### **VI. TRA: How to advance on the "aid for trade" agenda?**

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#### **(3) Quantitative TRA allocation**

**TRA 2006:** increase; **TRA 2007 – 2010:** increase, see the following table:

<b>Year</b>	<b>TRA in €</b>	<b>Channels</b>
2006	450 000	<i>WTO Doha development agenda Global trust fund</i>
2008	500 000	<i>Mainly through contribution to the Enhanced Integrated Framework</i>
2009	750 000	<i>Contribution to the Enhanced Integrated Framework+ EPAs</i>
2010	1 000 000	<i>Idem</i>
2011	2 000 000	<i>Idem</i>

**Remark:** No bilateral programmes are planned.



#### (4) Qualitative TRA

**Regional focus:** Global, West Africa.

**Preferred delivery levels (in order of priority):** multilateral, regional, national.

**Position regarding Enhanced Integrated Framework in 2007-2009:** see table above.

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** not in favour.

LU does not plan to **support other categories of "aid for trade" than "trade related assistance"** namely "trade-related infrastructure".

**Preferred modalities for joint EU aid for trade related activities (in order of priority):** development of joint EU programmes, coordination in international fora, information sharing.

**Assessment of existing EU coordination tools:** unsatisfactory, LU suggests more joint meetings of Article 133 committee and of CODEV.

### **VII. Exogenous shocks**

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**Ex ante support to disaster preparedness/prevention:** LU has decided to allocate a specific percentage of the humanitarian aid budget to prevention and preparedness: 5% from 2006 onward.

LU focuses on institutional support to disaster management and prevention against avian influenza, and support for early warning in the Sahel region.

**Regional focus:** in non-emergency situations efforts concentrated in partner countries (through providing mostly food security work in West Africa and disaster prevention in Asia).

### **VIII. Global public goods (GPGs)**

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No position taken.

### **IX. Position on the reform of the IFIs**

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**Regarding the institutional governance structure of IMF/WB and increasing the influence of developing and transition countries:** EU WB board members should proactively discuss options / possibly develop a joint position

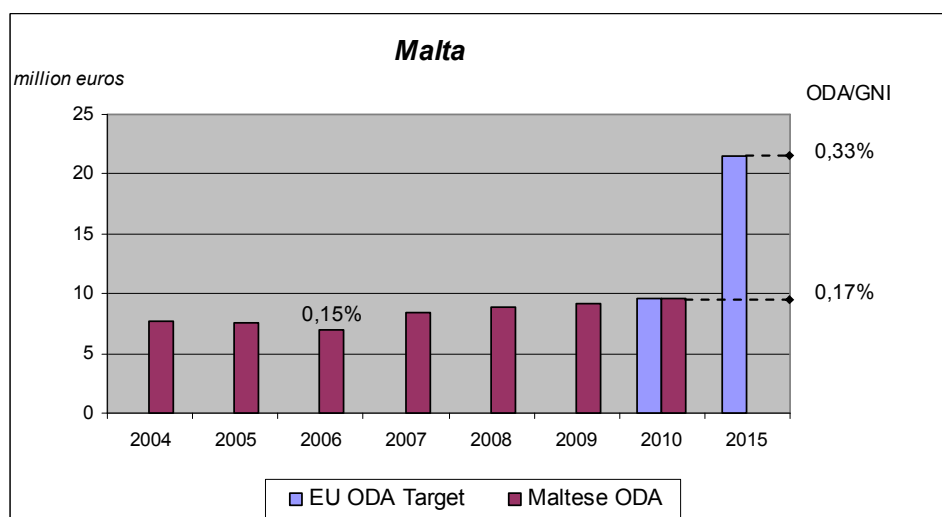
**EU coordination:** supports more effective EU coordination ahead of IMF/WB Annual/Spring meetings to agree on joint positions.

## MALTA

### I. ODA volumes - well on track to meet the minimum EU target by 2010

Malta is the best performer of the Member States that have recently joined the EU. Even if its share of ODA decreased in 2006, there is still a very good prospect that Malta will meet the EU minimum target by 2010.

#### **Projected ODA:**



**Approach to ODA/GNI targets:** gradual regular increase of ODA without binding national plan for yearly increases.

**ODA to LDCs:** N.A., assistance is on ad hoc basis. MT would agree to provide a minimum of its ODA to LDCs pursuant to the Monterrey Conference and the UN World Summit.

**Increased ODA to Africa:** MT is considering the possibility of initiating bilateral aid cooperation with countries located in Africa.

### II. Debt

**HIPC and Multilateral Debt Relief Initiative:** No provision made.

**Free rider problem:** not concerned.

**Regarding future cases of unsustainable debt in low income countries:** open to further dialogue if necessary.

### III. Innovative sources of financing / innovative aid mechanism

**Innovative sources of financing:** MT does not implement/ plan to implement any innovative sources of financing.

**Form of aid/ innovative aid mechanism:** MT has a preference for project aid & technical assistance.

## **IV. Participation in Joint Programming**

---

MT has not yet participated in joint programming in ACP countries, however, it plans to take part in such exercise in the future and is ready to adopt the EU Common Format for Country Strategy Papers as its programming document.

## **V. Untying Aid**

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Malta's aid was almost completely untied (99.1%) in 2005

## **VI. TRA: How to advance on the aid for trade agenda?**

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### **(1) Quantitative TRA allocation**

**TRA 2006:** no allocation made; **TRA 2007:** no allocation made; **TRA 2008–2010:** under consideration.

### **(2) Qualitative TRA**

**Regional focus:** East Africa.

**Preferred delivery level (in order of priority):** regional, multilateral, national.

**Position regarding Enhanced Integrated Framework in 2007 – 2009:** does not support.

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** not in favour.

MT does not plan to **support other categories of "aid for trade" than "trade related assistance"**.

**Preferred modalities for joint EU "aid for trade" related activities (in order of priority):** joint position for the national and regional policy dialogue, coordination in international fora and information sharing.

**Assessment of existing EU coordination tool:** adequate.

## **VII. Exogenous shocks**

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MT only provides ex post crisis assistance on an ad hoc basis.

## **VIII. Global public goods (GPGs)**

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MT counts on the Commission's assessment of the final report of the International Task Force (TF) on GPGs and recommendations regarding possible EU follow-up.

**Priority GPGs:** environment; health; peace and security; knowledge as cross-cutting issue; global prosperity.

**Governance:** disagree with the creation of a Global 25 Forum but strongly support the reform of international institutions as proposed by the TF.

**Financing:** no position taken, except the rejection of specific mechanisms for funding GPGs, thus shows no real appetite for innovative sources of financing.

## **IX. Position on the reform of the IFIs**

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**Strengthening the voice of developing countries:** it would be in the interest of European board members to proactively discuss various options/ possibly develop a joint position.

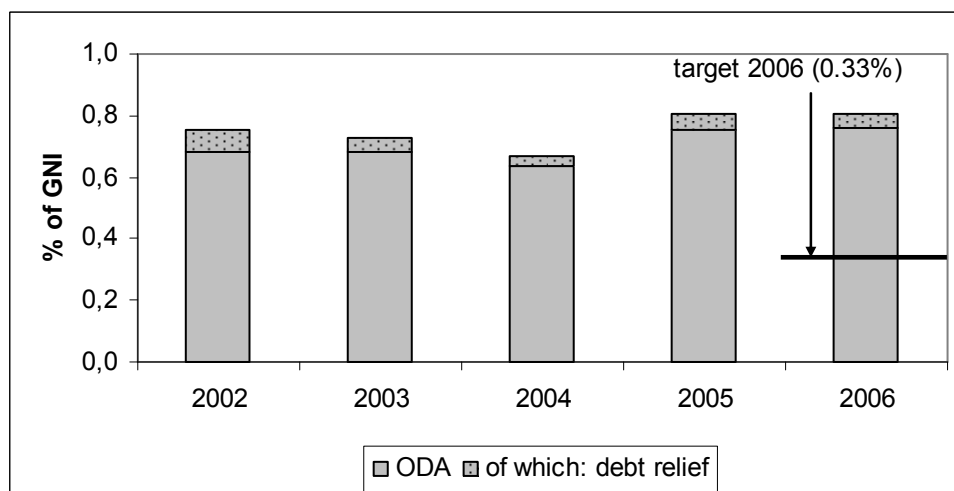
**EU coordination:** supports more effective EU coordination to agree on joint positions ahead of IMF/WB Annual/Spring meetings.

## NETHERLANDS

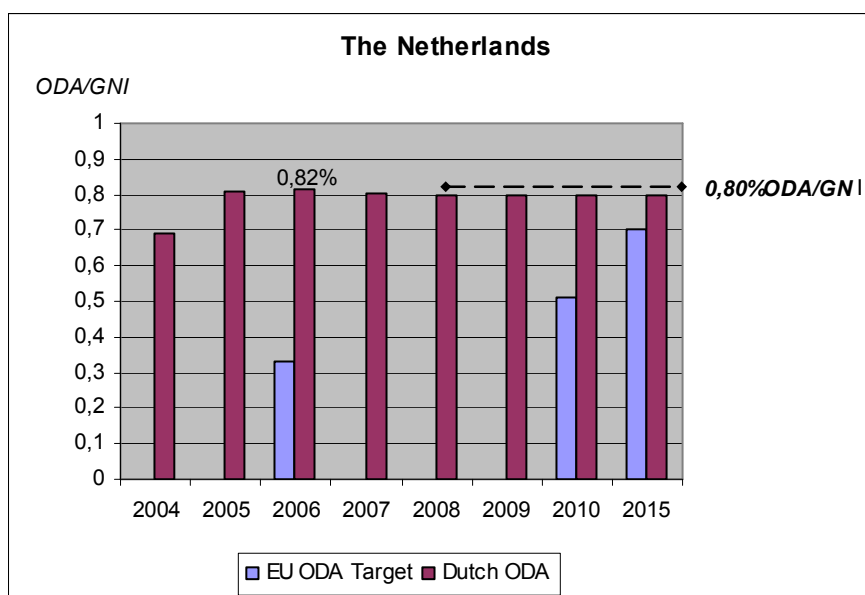
### I. ODA volumes

NL far surpasses the EU target of 2015 and currently allocates 0.82% of its GNI to ODA. NL plans to maintain a level of 0.80% ODA/GNI until 2015.

#### Share of debt relief in ODA volumes:



#### Projected ODA:



**ODA to LDCs:** NL has already met the 0.15% ODA/GNI baseline defined by the Monterrey Consensus and the UN World Summit Declaration and will maintain that level.

**Increased ODA to Africa:** According a commitment made in 2003, NL is providing 50% of its bilateral aid, including general budget support to Africa.

### II. Debt

**Multilateral Debt Relief Initiative:** provisions introduced to fulfil the financial commitments to WB/AfDB to compensate foregone reflows.

**Position on the "free rider" issue:** (i) initiates dialogue in the relevant fora: Paris Club, OECD/DAC, IMF and the WB, (ii) support for the debt sustainability framework.

**Regarding future cases of unsustainable debt in low income countries:** open to further dialogue if necessary.

### **III. Innovative sources of financing / innovative aid mechanism**

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**Innovative sources of financing:** NL does not implement/plan to implement any innovative sources of financing.

**Form of aid/ innovative aid mechanism:** NL has a preference for global funds and budget support (general budget support favoured in principle).

NL is already making multi-year commitments of fixed duration but does not plan to move towards three- yearly or more reviews of conditions.

### **IV. Participation in Joint Programming**

---

The **process has been regarded as acceptably successful** in most countries but unsatisfactory in few others. Even if these mixed experiences so far have led to a rather negative overall assessment, **NL is considering taking part in future joint programming exercises** in all partner countries where they take place.

### **V. Untying aid**

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In 2005, 96.2% of NL's aid was untied. In 2006, NL brought its export credit programme Development Related Export Transactions (ORET) fully in line with the rules agreed by the OECD/DAC and by the OECD/Participants Group. Thus all LDCs benefiting from export credits are now subject to international competitive bidding.

In addition, NL is considering extending the country coverage of the OECD/DAC recommendation to Other Low Income Countries but will implement it on a reciprocal basis only.

### **VI. TRA: How to advance on the "aid for trade" agenda?**

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#### **(5) Quantitative TRA allocation**

**TRA 2006: no increase:**(1) Trade policy regulation: €35 799 035; (2) Trade development: €345 142 688. **TRA 2007–2010:** N.A., maintain at the level of previous years.

**Major programmes:** direct support to private sector or public private partnerships mainly provided at country level. Potentially also, global programmes (i.e. Centre for the promotion of import from developing countries, CBI).

#### **(6) Qualitative TRA**

**Regional focus:** East Africa, West Africa, Central Africa, Southern Africa.

**Preferred delivery levels (in order of priority):** national, regional, multilateral.

**Position regarding Enhanced Integrated Framework in 2007 – 2009:** does not support.

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** not in favour.

NL does not plan to **support other categories of "aid for trade" than "trade related assistance"**.

**Preferred modalities for joint EU "aid for trade" related activities (in order of priority):** none of the given options.

**Experience with joint donor activities:** analysis of trade-related situation of beneficiary countries.

**Assessment of existing EU coordination tools:** adequate - NL suggests coordination at country level that includes non EU donors and multilateral agencies.

## **VII. Exogenous Shocks**

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NL devotes most of its humanitarian aid to post crisis assistance.

As regards ex ante support to disaster preparedness/ prevention, NL focuses on preparation of disaster management plans, institutional support to disaster management, infrastructure work for disaster preparedness and early warning systems.

## **VIII. Global public goods (GPGs)**

---

**Priority GPGs:** environment/ health/ peace and security/ knowledge as cross-cutting issue/global prosperity.

**Governance:** Disagree with the creation of a Global 25 Forum but strongly support the reform of international institutions as proposed by the TF.

**Financing:** Mixed feelings towards the five-part strategy. Strongly agrees with increasing allocations for development and the partnership with the private sector whereas unsatisfied with the specific financing for GPGs; consequently does not support any innovative source of international funding for GPGs.

## **IX. Position on the reform of the IFIs**

---

**Regarding the institutional governance structure of IMF/WB and increasing the influence of developing and transition countries:** (1) EU Member States should follow "wait and see" policy; (2) In favour of strengthening the technical capacity of the Executive Directors of less represented countries, namely African EDs.

**EU coordination:** against formal coordination; not in favour of more effective EU coordination on joint positions ahead of IMF/WB Annual/ Spring meetings.

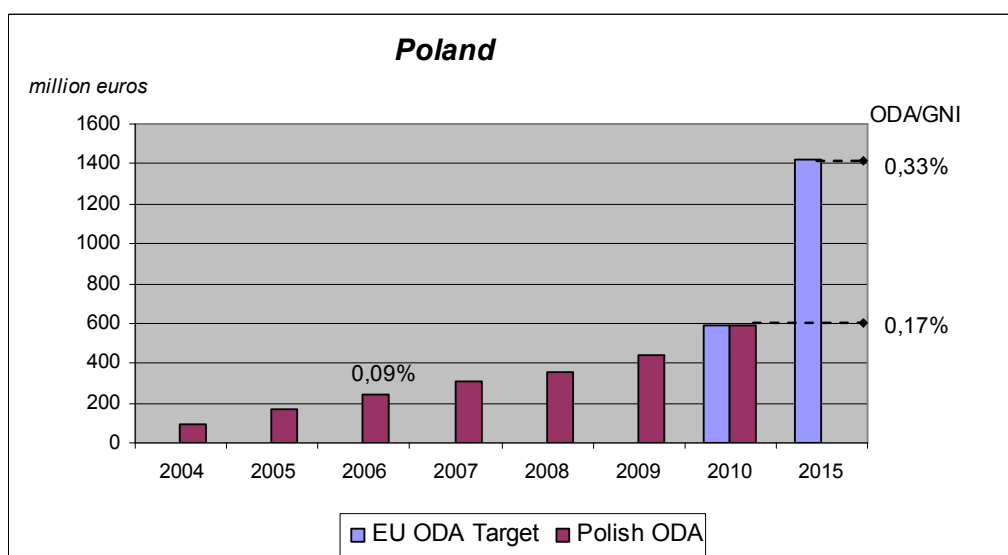
## POLAND

### I. ODA volumes: committed to allocate 0.17% ODA/GNI by 2010

---

PL reiterates its support to the EU ODA targets and plans to attain 0.17% ODA/GNI by 2010. Due to the size of its GNI, this expected good performance influences the performance of the EU-12 Member States that have joined the EU since 2004.

#### Projected ODA:



**Approach to ODA/GNI targets:** national plan with yearly targets.

**ODA to LDCs:** N.A. PL refuses to provide a minimum of its ODA to LDCs pursuant to the Monterrey Conference and the UN World Summit.

**Increased ODA to Africa:** In 2006, PL developed small grants programme and projects in Tanzania. In 2007, Tanzania was chosen as a new priority country for Poland. Moreover, PL's share will increase beyond the amount PL is going to contribute to multilateral organisation and the EU.

### II. Debt

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**HIPC and Multilateral Debt Relief Initiative:** provision made:

PL supports the EU commitments to go beyond the HIPC by providing officially 100% pre-cut off date debt cancellation for all claims.

**Free rider problem:** PL supports the World Bank Group initiatives to tackle this issue. Moreover, as most HIPC countries are indebted the Paris Club, the condition set in its agreement that demands a similar level of debt relief from other creditors (including the private creditors) should lessen the free rider problem.



**Regarding future cases of unsustainable debt in low income countries:** open to further dialogue if necessary. Follow up will depend on the current MDRI results. Strong monitoring is necessary to keep future debts sustainable.

### **III. Innovative sources of financing / innovative aid mechanism**

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**Innovative sources of financing:** PL does not implement/ plan to implement any innovative sources of financing.

**Form of aid/ innovative aid mechanism:** PL has a preference for project aid & technical assistance.

### **IV. Participation in Joint Programming**

---

PL has not participated in joint programming in ACP countries. Nevertheless, PL is considering taking part in future joint programming and is ready to adopt the EU Common Format for Country Strategy Papers as its programming document.

**V. Untying aid** No new measures adopted in 2006.

### **VI. TRA: How to advance on the aid for trade agenda?**

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#### **(1) Quantitative TRA allocation**

**TRA 2006:** Increase: €872712; **TRA 2007–2010:** N.A.

#### **(2) Qualitative TRA**

**Regional focus:** Neighbouring countries/Eastern Europe, Central America, South East Asia, South Asia.

**Preferred delivery level (in order of priority):** regional, multilateral, national.

**Position regarding Enhanced Integrated Framework in 2007 - 2009:** does not support.

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** not in favour.

PL plans to **support other categories of "aid for trade" than "trade related assistance"** namely "trade related infrastructure".

**Preferred modalities for joint EU aid for trade related activities (in order of priority):** coordination in international fora, information sharing, development of joint EU programmes.

**Experience with joints donor activities:** in sector and programme approaches.

**Assessment of existing EU coordination tools:** adequate.

### **VII. Exogenous shocks**

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Mainly focus on ex post crisis assistance through material support. Financial support funded by the budget reserve may also be provided on an ad hoc basis.

## **VIII. Global public goods (GPGs)**

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PL will complete the analysis of the Report by 2007.

**Priority GPGs:** Environment; peace and security; global prosperity.

**Governance:** Refuses to take position on the Global 25 forum but strongly agrees with the reforms of the international institutions proposed by the TF.

**Financing:** While specific financing for GPGs is rejected, the development allocation and the improvement of the work the private sector are supported. As regards innovative sources of international financing, all would need to be explored further except Insurance of Special Drawing Rights which is rejected.

## **IX. Position on the reform of the IFIs**

---

**Regarding the institutional governance structure of IMF/ WB and increasing the influence of developing and transition countries:** (1) EU WB board members should proactively discuss options/ possibly develop a joint position; (2) in favour of strengthening the technical capacity of the Executive Directors of less represented countries, namely African EDs.

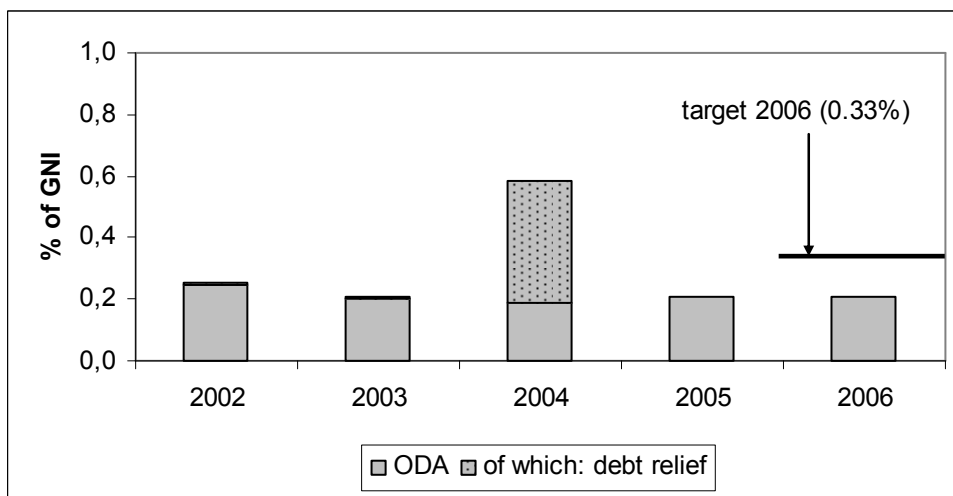
**EU coordination:** supports more effective EU coordination ahead of IMF/WB Annual/Spring meetings to agree on joint positions.

## PORTUGAL

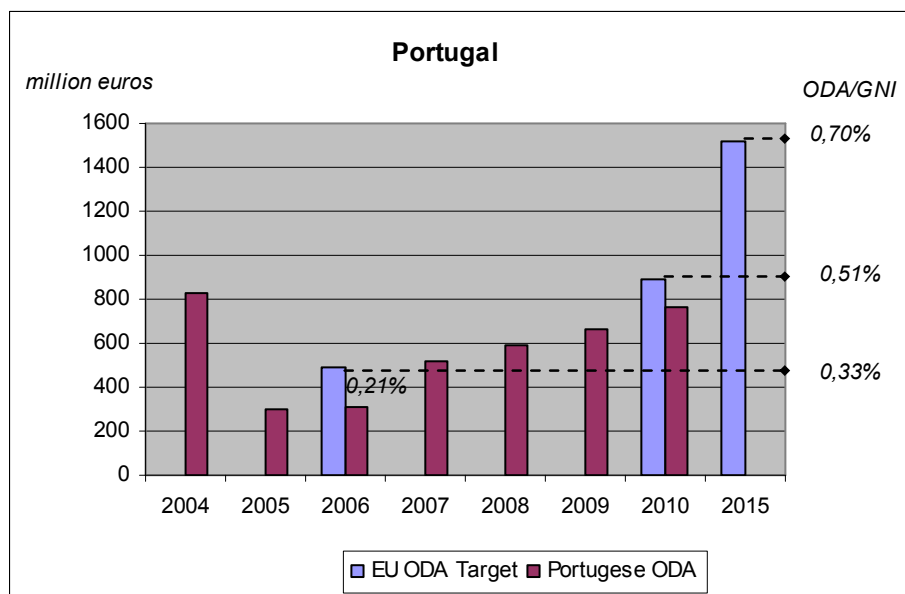
### I. ODA volumes: on track to meet the EU minimum aid targets?

PT benefited from some inflated ODA figures due to the effect of the debt relief granted to Angola. However, since 2002 no serious effort has been demonstrated to increase its ODA budget in a sustained manner. Thus in 2006, it missed the minimum individual EU ODA by allocating only 0.21% of its GNI to ODA. PT pledged catch up by attaining the agreed minimum ODA level of 0.33% ODA/GNI by 2007. Moreover, according to PT replies to the "Monterrey survey" concrete plans seem to exist to ensure regular ODA increases during 2007–2010, although the forecast figures also show PT may also miss the next EU individual intermediate target of 0.51% ODA/GNI.

#### Share of debt relief in ODA volumes:



#### Projected ODA:



**Approach to ODA/GNI targets:** national plan with yearly targets and debt relief operations.

**ODA to LDCs:** PT has already met the 0.15% ODA/GNI baseline defined by the Monterrey Consensus and the UN World Summit Declaration and will maintain that level.

**Increased ODA to Africa:** five of its priority countries are located in Sub-Saharan Africa.

## **II. Debt**

---

**Multilateral Debt Relief Initiative:** provisions introduced to fulfil the financial commitments to WB/AfDB to compensate foregone reflows.

**Position on the "free rider" issue:** In international fora, PT envisages mainstreaming and obtaining larger acceptance of the Debt Sustainability Framework (DSF) among emerging creditors. Moreover, PT suggests creating a better dialogue with partner countries to improve their borrowing behaviour.

## **III. Innovative sources of financing / innovative aid mechanism**

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**Innovative sources of financing:** PT does not implement/ plan to implement any innovative sources of financing.

**Form of aid/ innovative aid mechanism:** PT has a preference for project aid & technical assistance and debt relief.

## **IV. Participation in Joint Programming**

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Portugal has not yet participated in joint programming but is considering doing so in Angola, Cape Verde, Guinea-Bissau, Sao Tome e Principe and Timor Leste. PT is ready to adopt the EU agreed common format as its programming document.

## **V. Untying of aid**

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In 2005, 60.7% of Portuguese aid was untied. In 2006, PT has been progressing untying its donor technical cooperation funds within the multilateral development banks.

## **VI. TRA: How to advance on the aid for trade agenda?**

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### **(7) Quantitative TRA allocation**

**TRA 2006:** no increase, however, no precise data available yet; **TRA 2007–2010:** N.A.

### **(8) Qualitative TRA**

**Regional focus:** Southern Africa, West Africa, East Africa, Neighbouring countries/Mediterranean.

**Preferred delivery levels (in order of priority):** multilateral, regional, national.

**Position regarding Enhanced Integrated Framework in 2007 – 2009:** does not support.

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** not in favour.

PT does not plan to **support other categories of "aid for trade" than "trade related assistance"**.

**Preferred modalities for joint EU aid for trade-related activities (in order of priority):** joint positions for national and regional dialogue, coordination in international fora, information sharing.

**Assessment of existing EU coordination tools:** adequate.

## **VII. Exogenous shocks**

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**Ex ante support for disaster preparedness/ prevention:** PT development strategy stresses the importance of preparedness, mitigation, and reduction of vulnerability to natural disaster however it does not reserve funds specifically for that purpose/ allocation on ad hoc basis.

**Regional focus:** Sub-Saharan Africa.

## **VIII. Global public goods (GPGs)**

---

**Priority GPGs:** environment; health; peace and security; knowledge as cross-cutting issue.

**Governance:** no position expressed.

**Financing:** Strongly agrees with increasing development assistance allocations and partially agrees with adopting specific innovative financing for GPGs such as IFFim.

## **IX. Position on the reform of the IFIs**

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**Regarding the institutional governance structure of IMF/ WB and increasing the influence of developing and transition countries:** EU WB board members should proactively discuss options/ possibly develop a joint position

**EU coordination:** supports more effective EU coordination ahead of IMF/WB Annual/Spring meetings to agree on joint positions.

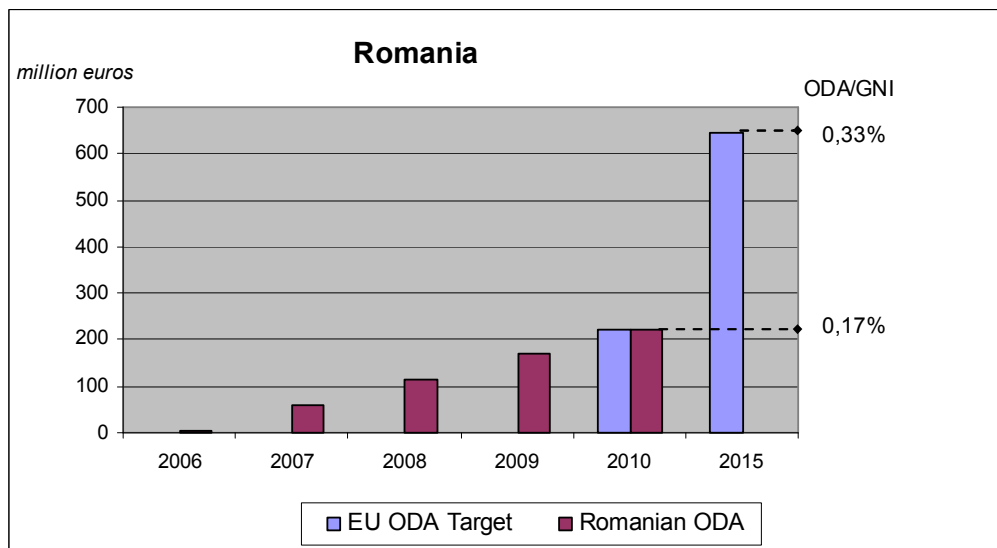
## ROMANIA

### I. ODA volumes: committed to deliver on the EU commitments of 2005

---

RO's reply to the "Monterrey survey" reveals the country's commitment to deliver on the EU commitments of 2005 regarding ODA volumes. RO plans to allocate a share of 0.17% of its GNI to ODA by 2010. BG's future contributions to the EC budget and to the EDF will contribute to substantially increase aid levels, but important further policy decisions are needed to demonstrate that BG strives to achieve 0.17% target.

#### Projected ODA:



**Approach to ODA/GNI targets:** a gradual regular increase of ODA without a binding national plan for yearly increase. Additionally, RO plans to intensify its multilateral and European contributions.

**ODA to LDCs:** N.A. Assistance to LDCs is limited to 50 scholarships for students from 5 LDCs. Recently, RO has identified Afghanistan as a priority country. RO refuses to provide a minimum of its ODA to LDCs pursuant to the Monterrey Conference and the UN World Summit.

**Increased ODA to Africa:** No measures taken or foreseen in 2007, RO might provide humanitarian assistance on an ad hoc basis in Africa. Its share will increase beyond the amount RO is going to contribute to EU initiatives such as EU Africa Strategy and multilateral organisations, funds or initiatives.

### II. Debt

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During the three past years, RO has agreed terms, in the Paris Club, to the reduction of the debt of Albania, Iraq, and the Democratic Republic of Congo to RO.

### III. Innovative sources of financing / innovative aid mechanism

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**Innovative sources of financing:** RO does not implement/plan to implement any innovative sources of financing.

**Challenges encountered:** lack of knowledge and familiarity with the subject within the administration.

**Form of aid/ innovative aid mechanism:** RO has a preference for project aid & technical assistance and global funds.

#### **IV. Participation in Joint Programming**

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RO has not participated in joint programming in ACP countries. Nevertheless, RO is considering taking part in future joint programming and is ready to adopt the EU Common Format for Country Strategy Papers as its programming document.

#### **V. Untying aid**

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So far, the issue has not been part of the agenda, but will be kept under consideration for the future.

#### **VI. TRA: How to advance on the Aid for Trade Agenda?**

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##### **(1) Quantitative TRA allocation**

**TRA 2006:** No increase, however precise data are not available yet; **TRA 2007–2010:** N.A.

##### **(2) Qualitative TRA**

**Regional focus:** Global.

**Preferred delivery level (in order of priority):** multilateral, national, regional.

Position regarding **Enhanced Integrated Framework in 2007 – 2009:** does not support.

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** not in favour.

RO does not plan to **support other categories of "aid for trade" than "trade-related-assistance"**.

#### **VII. Exogenous shocks**

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So far RO has exclusively provided post-disaster assistance on an ad hoc basis. If RO plans to draft a strategy on humanitarian aid, it will not, in the short term, include aspects of disaster preparedness.

#### **VIII. Global public goods (GPGs)**

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RO has not yet defined its position to any of the questions and, inter alia, waits for the results of an internal analysis.

#### **IX. Position on the reform of the IFIs**

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RO has not adopted a position on the reform of the IFIs yet.

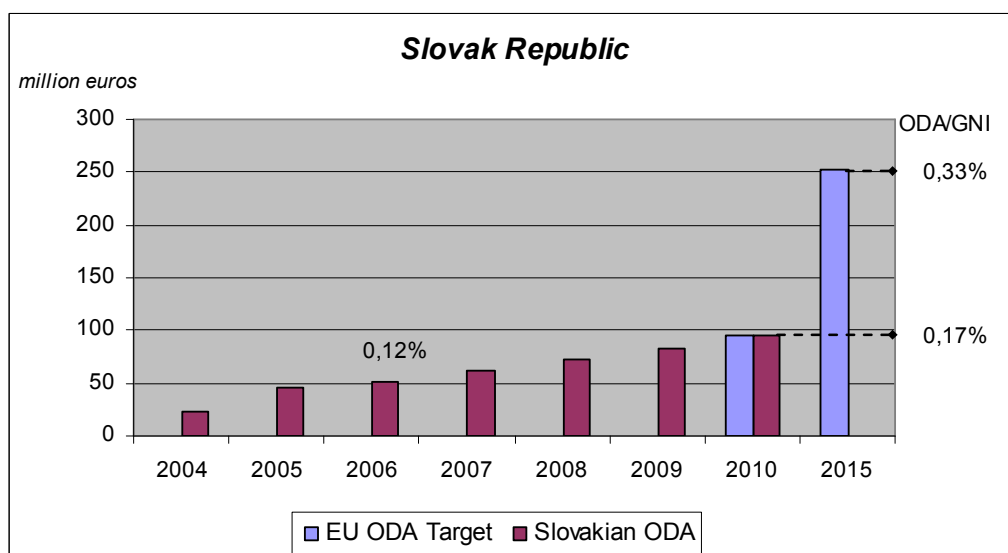
## SLOVAK REPUBLIC

### I. ODA volumes: committed to allocating 0.17% ODA/GNI by 2010

---

According to forecast figures provided in the "Monterrey survey" SK is on track to reach the 2010 intermediate target.

#### Projected ODA:



**Approach to ODA/GNI targets:** gradual regular increase of ODA without a binding national plan for yearly increases.

**ODA to LDCs:** SK allocates approximately 0.04% of its total ODA to LDCs and refuses to provide a minimum of its ODA to LDCs pursuant to the Monterrey Conference and the UN World Summit.

**Increased ODA to Africa:** SK plans to increase its support to its 3 priority countries located in Africa (Kenya, Sudan and Mozambique) through project aid and debt relief.

### II. Debt

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**HIPC and Multilateral Debt Relief Initiative:** provision made.

Against the EU commitments to go beyond the HIPC by providing officially 100% pre-cut-off-date debt cancellation for all claims.

**Free rider problem:** N.A.

### III. Innovative sources of financing / innovative aid mechanism

---

**Innovative sources of financing:** SK does not implement / plan to implement any innovative sources of financing.

**Form of aid / innovative aid mechanism:** SK has a preference for project aid, technical assistance and debt relief.



## **IV. Participation in Joint Programming**

---

SK has not participated in joint programming in ACP countries. Nevertheless, SK is considering taking part in future joint programming and is ready to adopt the EU Common Format for Country Strategy Papers as its programming document.

## **V. Untying aid**

---

No new measures adopted in 2006.

## **VI. TRA: How to advance on the "aid for trade" agenda?**

---

### **(1) Quantitative TRA allocation**

**TRA 2006:** No increase, no precise data available yet; **TRA 2007-2008:** USD 125 000 (around € 99.5 thousand) in support of project of UNIDO in Port Sudan; **TRA 2009-2010:** N.A.

### **(2) Qualitative TRA**

**Regional focus:** Global, Neighbouring countries/Eastern Europe, Central Asia, East Africa.

**Preferred delivery level (in order of priority):** national, multilateral, regional.

**Position regarding Enhanced Integrated Framework in 2007 – 2009:** does not support.

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** not in favour.

SK does not plan to **support other categories of "aid for trade" than "trade-related assistance"**.

**Preferred modalities for joint EU "aid for trade"-related activities (in order of priority):** information sharing, coordination in international fora, joint position for national and regional policy dialogue.

**Assessment of existing EU coordination tool:** adequate.

## **VII. Exogenous shocks**

---

**Ex ante support for disaster preparedness/ prevention:** from 2007 on, the budget will programme concrete funds for ex ante assistance.

Focus on institutional support for disaster management and infrastructural works for disaster preparedness.

## **VIII. Global public goods (GPGs)**

---

SK does not yet want to state its position to most of the questions and counts on the Commission's assessment of the final report of the International Task Force (TF) on GPGs and recommendations regarding possible EU follow-up.

**Priority GPGs:** environment; health; peace and security; knowledge as cross-cutting issue; global prosperity.

**Governance:** Strongly agrees with the reforms of international institutions proposed by the TF.

## **IX. Position on the reform of the IFIs**

---

**Regarding the institutional governance structure of IMF/ WB and increasing the influence of developing and transition countries:** EU WB board members should proactively discuss options/ possibly develop a joint position.

**EU coordination:** supports more effective EU coordination to agree on joint positions ahead of IMF/WB Annual/Spring meetings.

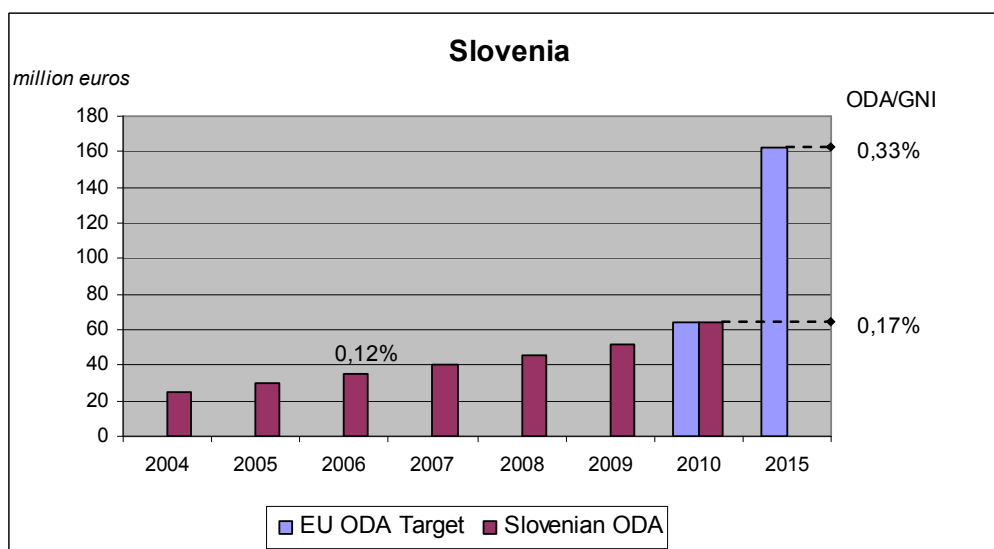
## REPUBLIC OF SLOVENIA

### I. ODA volumes: committed to allocating 0.17% ODA/GNI by 2010

---

According to forecast figures provided in the "Monterrey survey", SI is on track to reach the 2010 intermediate target.

#### Projected ODA:



**Approach to ODA/GNI targets:** gradual regular increase of ODA with yearly target.

**ODA to LDCs:** N.A. SI refuses to provide a minimum of its ODA to LDCs pursuant to the Monterrey Conference and the UN World Summit.

**Increased ODA to Africa:** SI share of ODA directed to Africa will increase above the amount SI is going to contribute to the 10<sup>th</sup> EDF.

### II. Debt

---

**HIPC and Multilateral Debt Relief Initiative:** provision made.

Not prepared to follow the EU commitments to go beyond the HIPC by providing officially 100% pre-cut-off-date debt cancellation for all claims.

**Free rider problem:** plans actions respecting the Debt Sustainability Framework.

### III. Innovative sources of financing / innovative aid mechanism

---

**Innovative sources of financing:** SI does not implement / plan to implement any innovative sources of financing.

**Challenges encountered:** potential resistance of some specific industries and general position against adding new commitments to industries.

**Form of aid/ innovative aid mechanism:** SI has a preference for project aid, technical assistance and global funds.

#### **IV. Participation in Joint Programming**

---

SI has not participated in joint programming in ACP countries. Nevertheless, SI is considering taking part in future joint programming and is ready to adopt the EU Common Format for Country Strategy Papers as its programming document.

#### **V. Untying aid**

---

No new measures adopted in 2006.

#### **VI. TRA: How to advance on the "aid for trade" agenda?**

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##### **(1) Quantitative TRA allocation**

**TRA 2006:** No increase: € 600 000 (Trade development only); **TRA 2007-2008:** €1 000 000 per year (Trade development only); **TRA 2009-2010:** N.A.

**Major programmes:** development of supply capacity programmes.

##### **(2) Qualitative TRA**

**Regional focus:** Neighbouring countries/Eastern Europe, Neighbouring countries/Mediterranean.

**Preferred delivery level (in order of priority):** multilateral, national, regional.

**Position regarding Enhanced Integrated Framework in 2007-2009:** SI supports and plans to allocate €150 000.

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** not in favour.

SI plans to **support other categories of "aid for trade" than "trade-related assistance"**, namely "building productive capacity" and "trade-related infrastructure".

SI will furthermore prepare strategic documents as a basis for informed decision making.

**Preferred modalities for joint EU "aid for trade"-related activities (in order of priority):** information sharing, development of joint EU programmes, joint position for national dialogue.

**Assessment of existing EU coordination tool:** SI is not satisfied with either the Council Working Groups, or the Article 133 Committee.

#### **VII. Exogenous shocks**

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SI has no separate budget for disaster-related assistance and uses budget reserves to allocate funds. No specific attention to ex ante crisis assistance planned.

#### **VIII. Global public goods (GPGs)**

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SI does not yet want to state its position on any of the questions and counts on the Commission's assessment of the final report of the International Task Force (TF) on GPGs and recommendations regarding possible EU follow-up.

**Priority GPGs:** environment; health; peace and security; knowledge as cross-cutting issue and global prosperity.

## **IX. Position on the reform of the IFIs**

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**Regarding the institutional governance structure of IMF/ WB and increasing the influence of developing and transitions countries:** It would be in the interest of European board members to proactively discuss various options / possibly develop a joint position.

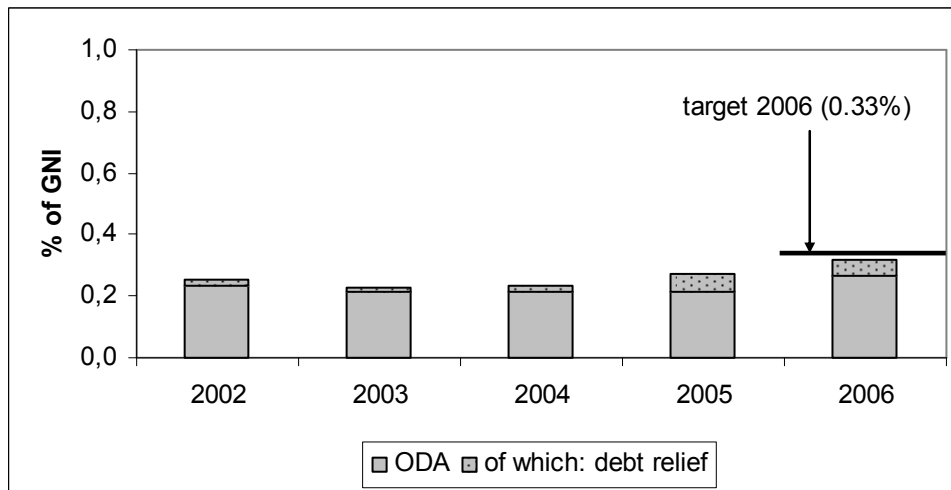
**EU coordination:** against formal coordination and more effective EU coordination on joint positions ahead of IMF/WB Annual/Spring meetings.

## SPAIN

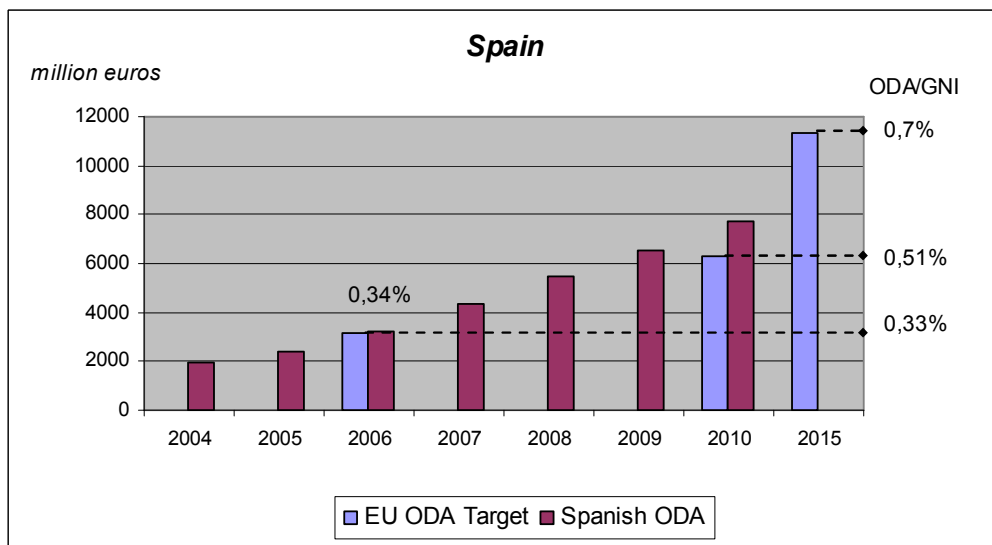
### I. ODA volumes – almost reached the 2006 baseline target

Since the adoption of the policy decision to scale up aid to 0.5% ODA/ GNI by 2008, SE has increased ODA volumes substantially and is well on track to meet and exceed the EU individual ODA target of 0.51% ODA/ GNI by 2010.

#### Share of debt relief in ODA volumes:



#### Projected ODA:



**Approach meet ODA/GNI targets:** national plan with yearly targets.

**ODA to LDCs:** ES has not yet met the 0.15% ODA/GNI baseline defined by the Monterrey Consensus and the UN World Summit Declaration but plans to attain that level by 2010.

**Increased ODA to Africa:** ES is increasing its multi-annual contributions allocated to LDCs.

### II. Debt

**Multilateral Debt Relief Initiative:** provisions introduced to fulfil the financial commitments to WB/AfDB to compensate foregone reflows.

**Position on the "free rider" issue:** (i) supports the initiatives before the WB and IMF, (ii) advocates a Debt Sustainability Framework for Low Income Countries and (iii) advocates exchange of information in OECD and Paris Club - with non-OECD Members and among OECD countries.

### **III. Innovative sources of financing/ innovative aid mechanism**

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**Innovative sources of financing:** ES implements / plans to implement: (i) International Financing Facility - pledge of USD 240 million (around 191 million € at the prices of 2006) during the next 20 years, (ii) Advance Market Mechanism. ES supports the introduction of other innovative methods of financing, especially, remittances.

**Challenges encountered:** (i) myriad initiatives that should be rationalised; (ii) substantial political pressure upon ES to contribute to certain initiatives. Initiatives on innovative sources of financing aiming at little more than disguising personal ambitions or commercial interests of developed countries should be avoided.

**Form of aid / innovative aid mechanism:** ES has a preference for project aid & technical assistance and budget support.

ES intends to make multi-year commitments with three-yearly or more reviews of conditions.

### **IV. Participation in Joint Programming**

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ES firmly supports joint programming and so far is satisfied with the overall process in participating countries. ES is considering extending its experience to other countries and adopting the EU agreed common format as its programming document.

### **V. Untying aid**

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In 2005, 86.6% of ES' aid was untied. In line with the High Level meeting of December 2005, ES adopted a lower threshold for the application of the DAC Recommendation in 2006. ES has a policy of giving a preferential role to untied instruments for scaling up ODA: i.e. in 2006, Spanish ODA growth was entirely due to untied instruments.

### **VI. TRA: How to advance on the "aid for trade" agenda?**

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ES increasingly considers TRA as an essential element of its aid policy.

(1) Quantitative TRA allocation

**TRA 2006/7:** no increase; **for 2006 and 2007:** €822419 for each year (of which €457 097 of Trade policy / regulation); **TRA 2008-2010:** N.A.

(2) Qualitative TRA

**Regional focus:** Central America, Latin America, Caribbean, West Africa.

**Preferred delivery levels (in order of priority):** multilateral, regional, national.

**Position regarding Enhanced Integrated Framework in 2007-2009:** does not support.

**Position regarding possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** in favour.

ES does not plan to **support other categories of "aid for trade" than "trade-related assistance"** but plans to ensure relevant and effective support to wider "aid for trade" agenda.

**Preferred modalities for joint EU "aid for trade"-related activities (in order of priority):** information sharing, joint positions for national and regional dialogue, development of joint EU programmes and coordination in international fora and support for scaling up of the existing Community programmes.

**Experience with joint donor activities:** in sector and programme approaches.

**Assessment of existing EU coordination tools:** adequate.

## **VII. Exogenous shocks**

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**Ex ante support for disaster preparedness / prevention:** ES addresses this issue in its Master plan for Spanish cooperation.

ES focuses on drafting disaster plan, institutional support for disaster management and infrastructural works for disaster preparedness.

## **VIII. Global public goods (GPGs)**

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**Priority GPGs:** environment; health; peace and security; knowledge as cross-cutting issue; global prosperity.

**Governance:** Strongly agrees with the creation of the Global 25.

**Financing:** Strongly agrees with increasing allocations for development assistance, improving work with the private sector and markets and adopting specific innovative sources of financing for GPGs such as IFFIm.

## **IX. Position on the reform of the IFIs**

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**Regarding the institutional governance structure of IMF/ WB and increasing the influence of developing and transitions countries:** EU WB board members should proactively discuss options / possibly develop a joint position.

**EU coordination:** supports more effective EU coordination ahead of IMF/WB Annual/Spring meetings to agree on joint positions.

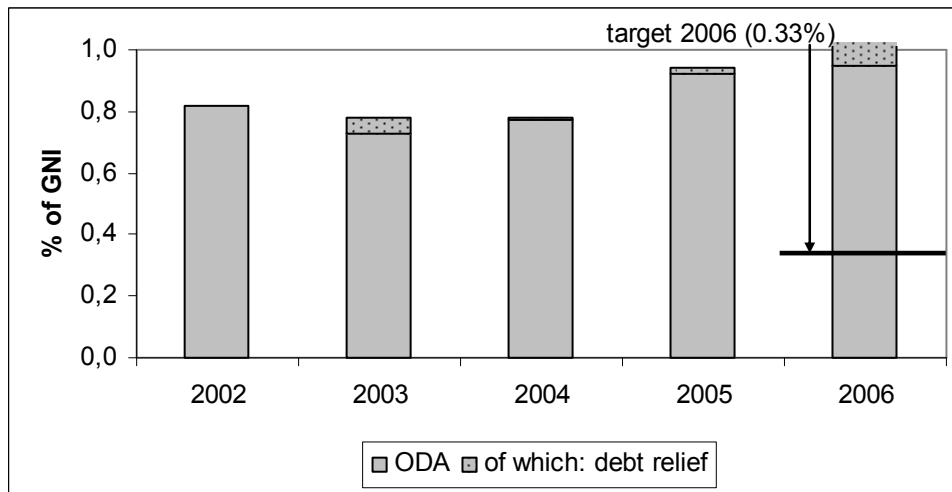


# SWEDEN

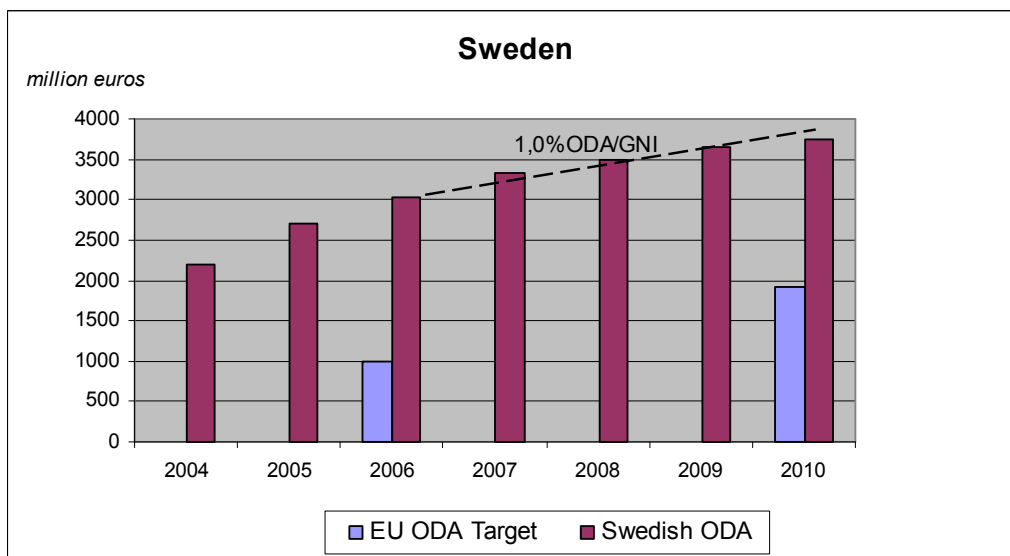
## I. ODA volumes

SE confirms its position as the best EU performer in terms of ODA volumes. In 2006, SE far surpassed the ODA/GNI target of 2015 and intends to allocate, from now on, 1% of its ODA/GNI.

### Share of debt relief in ODA volumes:



### Projected ODA:



**ODA to LDCs:** in line with the Monterrey Consensus and the UN Brussels Programme of Action for LDCs, SE allocates at least 0.15% ODA/GNI to LDCs and plans to maintain that level.

**Increased ODA to Africa:** during 2006/07 SE will increase its aid allocation to Africa from 30 to 31%.

## II. Debt

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**Multilateral Debt Relief Initiative:** SE has made provision to fulfil its financial commitments to WB and AfDB to compensate for foregone reflows.

**Free rider problem:** SE tackles issues by: (i) closer cooperation between Ministry of Finance, Ministry for Foreign Affairs, Swedish International Development Cooperation Agency and Swedish Export Credit Agency; (ii) active involvement in ongoing work of OECD working group for export credits; (iii) capacity building activities regarding debt management in low income countries; (iv) SE will closely follow the discussions on this matter.

**Regarding future cases of unsustainable debt in low income countries:** open to further dialogue if necessary.

## III. Innovative sources of financing / innovative aid mechanism

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**Innovative sources of financing:** SE has implemented / will participate in IFF immunisation (IFFIm).

**Challenges encountered:** (1) getting clarity on DACability of contributions to IFFIm; (2) timeline by which contributions are recorded as ODA; (3) significantly higher transaction costs than expected due to implications of organisational and legal issues, e.g., the involvement of public and private stakeholders.

**Form of aid / innovative aid mechanism:** SE has a preference for budget support and projects aid & technical assistance projects (depending on the country context, SE will choose if it provides sectoral or general budget support).

SE is already making multi-year commitments of fixed duration, reviewed every three years or more.

## IV. Participation in Joint Programming

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Although Sweden only had limited participation in joint programming and considers that it is too early to draw conclusions on this process, the first assessment is critical. The overall dissatisfaction with the exercise leads to an unwillingness to take more part in the (immediate) future.

## V. Untying aid

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In 2005, 98.3% of SE's aid was untied. In 2006 new measures were adopted: reduction of the tying degree of concessional credits from 70 to 30 %.

## VI. TRA: How to advance on the "aid for trade" agenda?

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TRA is one of the SE's main priorities in development cooperation. During the first half of 2007 SE will formulate a new plan on how to work with TRA. It is therefore difficult, at present, to specify the future characteristics of its TRA.

### (1) Quantitative TRA allocation:

**TRA 2006:** increased; €22 691 909 planned; **TRA 2007 – 2010:** further increases planned.

## **(2) Qualitative TRA**

**Preferred delivery levels (in order of priority):** other (without specifying) multilateral, regional, national.

**Position regarding Enhanced Integrated Framework in 2007-2009:** supports (amounts not yet determined).

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** in favour.

SE plans to **support other categories of "aid for trade" than "trade related assistance" such as** "trade-related infrastructure", "trade-related adjustment", "building productive capacity"

Moreover, SE will actively participate in forthcoming discussions on "aid for trade"-related matters.

**Preferred modalities for joint EU "aid for trade"-related activities (in order of priority):** none of the abovementioned items.

**Experience with joint donor activities:** in analysing trade-related situations of beneficiary countries, programming in the area of trade-related assistance and sector and programmes approaches.

**Assessment of existing EU coordination tools:** adequate. Favours an increased EU coordination tool: SE hesitant to strengthen existing EU trade and development experts group, but complain that a coordinating group for aid for trade, where trade and development can be discussed, is lacking (probably underlying concern: trade is exclusive EC competence, development aid is not). Policy coherence is a prerequisite for improved coordination is that the EU Member States have an awareness of and an interest in the coherence of trade and development, and today EU Member States' attitudes towards this vary.

## **VII. Exogenous shocks**

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In 2006, SE drafted a strategy incorporating disaster risk reduction into all relevant country programmes and projects to mainstream disaster risk reduction into all parts of the work. No specific plan to give particular attention to ex ante crisis assistance or to balance between ex ante and ex post crisis assistance.

SE focuses on institutional support for disaster management and infrastructural works for disaster preparedness.

## **VIII. Global public goods (GPGs)**

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SE, despite having been an active supporter of the International Task Force (TF) on GPGs, did not take a position regarding the list of priority public goods proposed by the Task Force. Overall, SE does not yet want to state its position to most of the questions as the analysis of the report has not yet been concluded.

**Priority GPGs:** environment (tackling climate change).

**Governance:** strongly agrees with the reforms of international institutions proposed by the TF.

**Financing:** supports enhanced work with the private sector and markets and strongly agrees that enhanced ODA allocations should finance development activities that are also critical for the provision of GPGs.

## **IX. Position on the reform of the IFIs**

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**Enhancing the voice of developing countries:** Agrees to strengthen the technical capacity of EDs of less represented countries (namely, African EDs), because that would significantly increase their influence. Generally, SE strongly supports the reform agenda. Reforming board representations is complex but might be warranted, in the light of results of ongoing work on the issues (quota formula, basic votes etc.). SE is against too big constituencies.

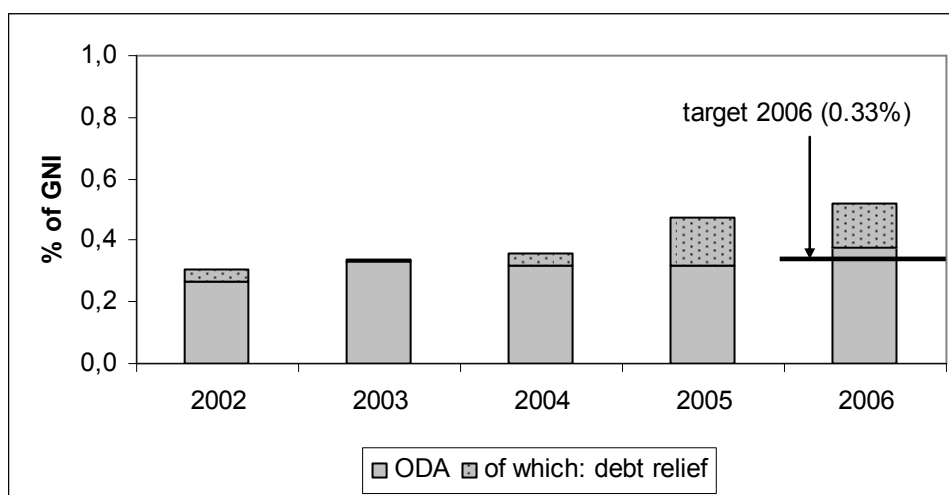
**EU coordination:** against more effective EU coordination on joint positions ahead of IMF/WB Annual/Spring meetings. SE supports continuation and improvement of existing informal coordination at ED level (namely, information exchange and follow up on agreed common positions), but is hesitant to the Commission's role in this process from formal and legal standpoint.

## UNITED KINGDOM

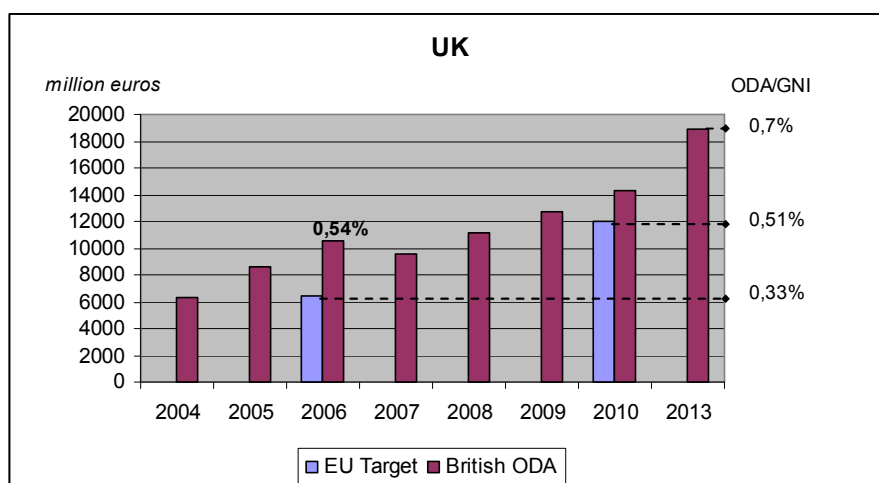
### I. ODA volumes

Over the period 2000-06, UK ODA volumes increased considerably. With €10 485 millions disbursed in 2006, the UK is the largest EU donor in terms of volume. The ODA/GNI ratio rose progressively to attain 0.54% in 2006. In 2004, the UK committed itself to achieving the 0.7% ODA/GNI target by 2013, backed by a financial “roadmap” agreed by the Treasury.

#### Share of debt relief in ODA volumes:



#### Projected ODA:



**ODA to LDCs:** UK has already met the 0.15% ODA/GNI baseline defined by the Monterrey Consensus and the UN World Summit Declaration and will maintain that level.

**Increased ODA to Africa:** from 2006, the UK will ensure that 90% of its bilateral aid goes to low incomes countries. The UK will increase ODA to Africa to at least €1.80 billion per annum by 2008.

### II. Debt

**Multilateral Debt Relief Initiative:** provisions introduced to fulfil the financial commitments to WB/AfDB to compensate foregone reflows.

**Position on the "free rider" issue:** (i) supports the free riding policy of IMF/IDA and encourages regional development banks to implement similar policies, (ii) advocates for the adoption of proposal for a 'shared framework for responsible lending' for all OECD ECAs, (iii) supports Debts Relief International which assists HIPC countries to make sound borrowing decisions and similar efforts through bilateral financing in specific HIPC countries should be strengthened, especially working with the WB and IMF.

**Regarding future cases of unsustainable debt in low income countries:** open to further dialogue if necessary. UK is to extend multilateral debt relief to all low income IDA-only countries.

### **III. Innovative sources of financing / innovative aid mechanism**

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**Innovative sources of financing:** UK implements/ plans to implement the airline ticket tax, International Financing Facility (IFF), IFF immunisation (committed to providing €2 billion over 20 years) and Advance Market Mechanisms. In addition, the UK has made a long-term financial commitment over a 20 year period to support an international drug purchase facility, UNITAID, with a contribution starting at €20 million in 2007 and, subject to the outcome of a joint assessment of the performance of UNITAID, will gradually rise to €60 million by 2010.

**Form of aid / innovative aid mechanism:** UK has a preference for project aid & technical assistance and budget support (the share between sectoral (SBS) and general budget support (GBS) depends on the situation in the partner country).

In many cases, UK is already providing multiyear commitments for both SBS and GBS. When risks are high, it provides an annual commitment for GBS. Most of the multiyear commitments for GBS are rolling commitments. UK does not intend to move to a three-years or more review of conditions.

### **IV. Participation in Joint Programming**

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Referring to its general participation in the exercises, the UK is satisfied and consequently is considering taking part in joint programming in the future where possible, preferably within a partner government lead process.

### **V. Untying aid**

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Since May 2001 UK's ODA is fully untied globally. UK development approaches are now focused on mainstreaming the evolving aid instruments around OECD DAC harmonisation agenda, whereby recipient government systems are used to purchase goods and services instead of parallel donor systems.

### **VI. TRA: How to advance on the "aid for trade" agenda?**

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#### **(1) Quantitative TRA allocation**

**TRA 2006/7:** increase expected; n.a. (full report to WTO/OECD in 2007); UK expects to maintain the level attained after the 45% increase between 2004/5 (i.e. €60m).

**TRA 2008-2010:** N.A.; increases expected within DFID's rising aid budget and in response to trade priorities in national development plans. Moreover, UK expects its support for growth to count toward the broader definition of aid for trade.

Furthermore, UK has already announced that in terms of trade, investment, private sector development, communications and transport, it expects to spend at least €600m by 2010 (this includes its contribution to the development agencies and Bank).

**Major Programmes:** (no formal commitments yet made) Enhanced Integrated Framework, 'IDA only' country Integrated Framework type mechanism, global monitoring and evaluation of aid for trade.

## **(2)Qualitative TRA**

**Regional focus:** South Asia, East Africa, Central Africa, West Africa.

**Preferred delivery levels (in order of priority):** multilateral, national, regional.

**Position regarding Enhanced Integrated Framework in 2007 – 2009:** supports strongly, even if still subject to a formal agreement in DFID.

**Position regarding a possible extension of Enhanced Integrated Framework type support to 'IDA only' countries that are not LDCs:** in favour.

**Support for the wider "aid for trade" agenda:** no earmarking funds for aid for trade, however, UK commitment and expenditure should increase across the wider "aid for trade" agenda as overall UK aid increases.

**Preferred modalities for joint EU "aid for trade"-related activities (in order of priority):** support for scaling up of the existing Community programmes, joint positions for national and regional dialogue, coordination in international fora, information sharing and development of joint EU programmes.

**Experience with joint donor activities:** in sector and programme approaches; programming in the area of trade related assistance sector and programme approaches and analysis of trade-related situations of beneficiary countries.

**Assessment of existing EU coordination tools:** generally, not adequate. UK proposes to create a Group jointly chaired by DG Trade and DG Development with a formal mandate and strong links with the Article 133 Committee. Moreover, in this context as aid for trade is strongly aid related, the role of DG Development should be strengthened in comparison to DG Trade.

UK fully supports the WTO Task Force for trade recommendation that states that the EC and EU Member States should proactively support the setting up of and participation in "aid for trade" co-ordinating mechanisms at country level that should involve all donors and the partner government and cover policy, strategy, programming and monitoring.

## **VII. Exogenous shocks**

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**Ex ante support for disaster preparedness / prevention:** UK has decided to allocate a specific percentage of the humanitarian aid budget to prevention and preparedness: *i.e.* 10%

of the value of the disaster response. Mainstreaming foods safety nets and climate change into DFID programming is also underway.

UK focuses on institutional support for disaster preparedness, community level activities, research (including private sector) and support for national plans in Pakistan and Indonesia.

## **VIII. Global public goods (GPGs)**

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**Priority GPGs:** environment; health, peace and security; knowledge as cross-cutting issue; global prosperity.

**Governance:** disagrees with the idea of a Global 25 Forum, but agrees with the proposed reforms of international institutions.

**Financing:** even though UK does not seem so enthusiastic, it mainly agrees with the 5-part strategy. It only supports partially the adoption of specific innovative financing for GPGs such as the IFFim initiative and the Insurance of Special Drawing Rights, but remains sceptical on the other innovative sources of financing.

## **IX. Position on the reform of the IFIs**

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**Regarding the institutional governance structure of IMF/ WB regarding increasing the influence of developing and transition countries:** (1) a change of representation at the Board (including, the EU representation) needs to be considered; (2) in favour of strengthening the technical capacity of the Executive Directors of less represented countries, namely African EDs.

**EU coordination:** not in favour of more effective EU coordination ahead of IMF/WB Annual/Spring meetings to agree on joint positions, because, according to UK, the present informal consultation system works well, but the opportunities for informal exchange of views between the EU group and Staff, borrowing countries and other groups (including civil society) could be expanded. Regarding EU coordination in the IMF, UK believes that the SCIMPF continues to be a particularly effective tool in influencing the reform agenda.