



European Commission Report  
on **Millennium Development Goals**  
2000-2004



## **FOREWORD**

The world we are living in is far from perfect. Too many are suffering from hunger, diseases, violence and misery. Too few can afford to have a vision for their future. Only by joining our efforts can we hope contributing to a more peaceful and more equitable world, a world we all hope for.

Recognising this, world leaders met in New York in September 2000 and adopted the Millennium Declaration and the Millennium Development Goals. For the first time in the history of mankind, the international community agreed on a set of universal development objectives. For the first time in the history of development cooperation, we undertook commitments to achieve them. The Millennium Development goals are a major source of inspiration and action for both developing and developed countries.

If we want to achieve the Millennium Development Goals by the year 2015, more has to be done than what we've been doing until now. We have to agree on additional commitments and actions, as I am sure we will discover ten months from now in New York, when we take stock of the progress made since 2000.

For me, as the EU Commissioner responsible for development, the key words shall be ambition and innovation. For me, the Millennium Goals must remain the beacon. It is possible to halve extreme poverty within one generation. It is possible to radically improve the level of access to basic social services. We can stop the spreading of HIV/Aids and malaria. The loss of forests can be reversed. It can all be done. But we will need more dedication and commitment, proper governance (by both developing and developed countries), and the financial means to invest in the common future of mankind.

My motto being “dare to dream, dare to try, dare to lose, dare to succeed”, the achievement of the Millennium Development Goals is what I will fight for as a human being, as a citizen, as a politician, as EU Commissioner.

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European Commissioner,  
in charge of Development  
and Humanitarian Aid

Brussels, 22 November 2004



## TABLE OF CONTENTS

1.	<b><u>Introduction</u></b> .....	4
2.	<b><u>Focus of development policy and instruments on MDGs</u></b> .....	5
2.1.	EC development policy .....	5
2.2.	Aid effectiveness .....	7
2.3.	Policy coherence for development.....	9
3.	<b><u>EC Contribution to the MDGs 1-7</u></b> .....	12
3.1.	Goal 1: Eradicate extreme poverty and hunger .....	12
3.2.	Goal 2: Achieve universal primary education.....	16
3.3.	Goal 3: Promote gender equality and empower women.....	17
3.4.	Goal 4: Reduce child mortality.....	19
3.5.	Goal 5: Improve maternal health .....	21
3.6.	Goal 6: Combat HIV/AIDS, malaria and other diseases .....	23
3.7.	Goal 7: Ensure environmental sustainability.....	25
4.	<b><u>Implementation of MDGs 7 &amp; 8 commitments</u></b> .....	30
4.1.	Goal 7: Ensure environmental sustainability of the EU.....	30
4.2.	Goal 8: Develop a global partnership for development .....	33
4.2.1.	Official Development Assistance .....	33
4.2.2.	Trade and development.....	37
4.2.3.	Debt.....	45
5.	<b><u>Priorities and action on the way towards 2015</u></b> .....	47
6.	<b><u>Conclusion</u></b> .....	51

## 1. INTRODUCTION

*The Union must continue to strengthen its leadership role in the fight against global poverty. The European Council expresses its concern at the faltering progress towards the achievement of the Millennium Development Goals, especially in Africa. It reiterates that the EU will intensify its efforts to fulfil the commitments undertaken in Monterrey, including through the exploration of innovative sources of financing, and will strongly support UN attempts to accelerate progress towards the achievement of the Goals (Conclusions European Council, Brussels 17/18 June 2004).*

In September 2000 world leaders from 189 nations agreed and signed the UN Millennium Declaration, binding them to a global project to decisively reduce extreme poverty in all its key dimensions. The Millennium Development Goals (MDGs) that derive from this Declaration provide an agenda for global action. This agenda and the outcomes of the World Social Summit, the World Summit on Sustainable Development, the Doha Development Agenda and the Monterrey Consensus are mutually supportive processes and essential building blocks of a worldwide partnership for sustainable development.

Over the last four decades EC development assistance has evolved from a fragmented focus on countries with which EU Member States had strong colonial or other traditional links, to a set of regional co-operation and partnership frameworks providing almost global coverage. During the 1990's the policies and practices of EC development cooperation gradually integrated into a new global development framework aimed at poverty eradication, promotion of gender equality, access to primary education, improving health and provision of other basic services, as well as sustainable development, and the establishment of global partnerships. The EU has been a major force in this process, and has expressed on numerous occasions its full commitment to ensuring a successful conclusion. In the Council conclusions of 26 April 2004, the General Affairs Council once again confirmed that '*achieving the Millennium Development Goals is a key objective for the European Union*'.

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In September 2005, the UN General Assembly will take stock of the progress made by UN Members in the implementation of this global development agenda. In preparation for this major event, the Commission has compiled this report on the EC contribution towards achieving MDGs.

The report provides information on the extent to which the EC has focused its strategies, procedures and instruments on the implementation of the Millennium Declaration and the achievement of the Millennium Development Goals. It outlines how the EC contributes to progress towards the MDGs, and lists the further actions that are currently foreseen to promote the implementation of the Millennium Development Goals.

The report will not address in detail the progress made in and by developing countries, which is the subject of the progress reports drafted by the countries in question. Nor will the report look at the performance of EU Member States, as this will be carried out at national level in the Member State reports. The Member State reports, together with the EC report, will provide the basis for an EU synthesis report, due in early 2005. In contrast with the forthcoming synthesis report, the EC report will not propose new measures, but rather limits itself to an inventory of areas where further action may be considered.

## 2. FOCUS OF DEVELOPMENT POLICY AND INSTRUMENTS ON MDGS

### 2.1. EC development policy

Since November 2000 the Community has a single overall framework which guides its development policy and cooperation with developing countries<sup>1</sup>. Due to the timing of its preparation and launch, this policy statement does not contain detailed references to the Millennium Development Goals and indicators. However, it is fully compatible with the Millennium Declaration objectives and orientations.

#### EC development policy statement 2000

The overall objective of EC development policy is the reduction and eventual **eradication of poverty**. Support to sustainable economic, social and environmental development, promotion of the gradual integration of developing countries in the world economy, and combating inequality, are indispensable elements to achieve this objective.

EC development co-operation is concentrated on **six focal sectors**. These have been identified as areas in which Community action has added value, and also as having a significant impact on poverty reduction: (a) trade and development; (b) regional integration and co-operation; (c) support for macro-economic policies and the promotion of equitable access to social services; (d) transport; (e) food security and sustainable rural development; (f) institutional capacity building.

Three main **cross-cutting themes** have to be taken into consideration in all sectors and in all countries: (a) human rights; (b) environmental issues; (c) equality between men and women. Besides, conflict prevention, crisis management and good governance require specific attention in the countries concerned.

The implementation of EC development policy is steered by the ‘three Cs’: coordination, complementarity and coherence. Furthermore it is based on the principles of ownership and participation. In its allocation of resources it gives priority to least developed and low-income countries.

Since the year 2000, the EC policy focus on MDGs and poverty reduction has been further strengthened by several thematic communications and regulations<sup>2</sup>, endorsed by Resolutions of Council and European Parliament. Similarly, the integration of **trade** into development strategies has been increasingly recognised as a contributor to poverty reduction.<sup>3</sup> In addition, synergies between the EC **migration** and development policy are being explored, for example on migrant remittances, cooperation with the diaspora and the matching of labour needs between the EU and developing countries.<sup>4</sup> In the context of its work on the **Information Society**, the Commission has committed itself to addressing the digital divide and to exploiting the potential of ICTs as a tool for development policies and an important means to achieving the MDGs<sup>5</sup>.

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<sup>1</sup> Declaration by the Council and the Commission on the European Community’s development policy, ref 13458/00 of 16.11.2000.

<sup>2</sup> Including on subjects such as health, education, communicable diseases, gender equality in development cooperation.

<sup>3</sup> Commission Communication on *Trade and Development: Assisting Developing Countries to benefit from Trade*. COM (2002) 513, September 2002.

<sup>4</sup> Commission Communication on *Integrating Migration Issues in the European Union’s Relations with Third Countries*. COM (2002)703, December 2002.

<sup>5</sup> The EC contributed actively to the World Summit on Information Society held in Geneva on December 2003. The Summit adopted a Plan of Action that sets indicative targets to be achieved by 2015 that will serve as global

In order to establish an explicit link between EC development policy and the MDGs and to successfully measure actual progress towards the MDGs, the Commission, in close collaboration with the EU Member States and international organisations such as the World Bank, UNDP and the OECD/DAC, has identified a core set of ten **key indicators**<sup>6</sup>, drawn from the list of 48 MDG indicators. The indicators were selected on the basis of data availability, reliability and the frequency with which they were included by countries for their PRSP monitoring.

From 2003 onwards the Commission started to use the ten key indicators to assess the performance of the countries and regions where it provides development assistance<sup>7</sup>. In order to further focus on the outcomes in relation to the MDGs, the Commission has also put in place indicator frameworks and established a methodology for measuring progress in health and education in the countries where these are given support by the EC. All indicators are progressively being incorporated into Country Strategy Papers (CSPs) through the annual and mid-term reviews, to ensure a more systematic analysis of results achieved in terms of poverty reduction. Unfortunately, the lack of quality data and the need for a cultural shift towards more results oriented outcomes have, to date, limited this evolution mainly to EC cooperation with ACP countries.

While useful as a measuring tool, indicators do not tell the full story. MDGs are closely **interrelated**, and development strategies rarely target just one objective. To give just a few examples: combating HIV/AIDS is impossible without addressing women's empowerment as a central concern. Progress on gender equality has a direct impact on poverty reduction. Reducing the proportion of people living in extreme poverty or suffering from hunger requires sustainable water use in agriculture and combating land degradation. Lack of access to clean water and sanitation has a major impact on health, notably child mortality, and adds to the burden of already strained public health budgets. Lack of sanitation in school buildings is a strong disincentive for girls to go to school.

Moreover, it should be underlined that many Community interventions contribute to creating a **conducive climate** for achieving the MDGs, although they are not reflected in any of the indicators mentioned above. Yet, these interventions are essential to accelerating progress towards the MDGs. Examples: the EC's choice to provide a larger share of its assistance in the form of **budget support** allows the financing of recurrent costs, and gives the EC a stake in discussions on government budget priorities. The fact that an important proportion of EC development cooperation is targeted at the **transport** sector helps developing countries to create an indispensable infrastructure basis for economic development and effective delivery of basic services.

It is also clear that the MDGs cannot be achieved in conditions of chronic insecurity, which is often linked to government failures. The importance of assisting partner countries in addressing the root causes of conflict at the earliest possible stage has been promoted by the European Commission in recognition of the link between governance, peace, security and

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references for improving connectivity, access and use of ICTs aiming at fighting against poverty and empowering citizens in the least developed countries and regions.

<sup>6</sup> (1) Proportion of the population below \$1 a day; (2) Prevalence of child malnutrition (underweight children) under-five years of age; (3) Net enrolment ratio in primary education; (4) Primary completion rate; (5) Ratio of girls to boys in primary, secondary and tertiary education; (6) Under 5 mortality rate; (7) Proportion of 1 year old children immunised against measles; (8) Proportion of births attended by skilled health personnel; (9) HIV prevalence among 15-24 years old pregnant women; (10) Proportion of the population with sustainable access to an improved water source.

<sup>7</sup> Additional efforts are undertaken to disaggregate the indicators in order to enhance pro-poor monitoring.

development. Addressing these issues requires a holistic approach and an integrated response. As a result, **conflict prevention** has been made a key cross-cutting issue for Community external relations in general and for external aid and development co-operation in particular<sup>8</sup>. Furthermore the achievement of **structural stability**<sup>9</sup> has been included as a key objective of co-operation with partner countries, in particular through support in the area of rule of law, good governance and institution building.

## 2.2. Aid effectiveness

The significant growth of the EC external assistance budget in the 1990's was not matched by appropriate changes in human resources, structures and management tools. In May 2000, the European Commission launched a programme of reform of its external assistance. Over the past four years this reform has changed completely the way the Commission prioritises, organises and implements assistance programmes and projects abroad.

In order to consolidate expertise in project and programme management the Community has set up a **Europe Aid Co-operation Office** that became operational on 1 January 2001. Operating under the control of a Board composed of the Commissioners with external relations portfolios, EuropeAid is responsible for project identification and implementation of development assistance in third countries<sup>10</sup>.

An **Inter-service Quality Support Group** (iQSG) was established with a mandate to ensure satisfactory quality standards of and coherence amongst EC programming documents (Country and Regional Strategy Papers and Multi Annual Indicative Programmes). Furthermore, the Group elaborates proposals for multi-annual programming guidelines (content and methodology) and contributes to the ongoing work on harmonised programming rules.

In order to make assistance more responsive to local needs, to facilitate donor coordination and to speed up implementation the Commission made its **delegations** abroad **responsible** for the actual management of external aid. By the end of 2004, 80 EC delegations covering 148 states and territories will be fully responsible for management of EC external assistance.

One of first challenges taken up by EuropeAid was the improvement of **delivery performance**. The so-called 'dormant' commitments were eliminated. Payments on active commitments went up by 47% between 2000 and 2004. The average period between the design and completion of a project has gone down from 5,5 years in 2000, to 3,5 years today.

**Procedures** were streamlined. Over the years, there had been a proliferation of implementation procedures which became a primary constraint to the effective delivery of EC development assistance. Since 2000, the 48 sets of procurement procedures previously used were reduced to 7 standardised procedures.

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<sup>8</sup> Conflict prevention had already been identified as a key cross-cutting issue in relations with Africa (Commission Communication on *Conflict Prevention in Africa*, SEC(96) 332 of 6 March 1996).

<sup>9</sup> The concept of "structural stability", first put forward in the 1996 Communication (see previous footnote) was proposed by the Commission to the OECD/DAC and taken up by the latter in its Policy Statement on "*Conflict, Peace and Development Co-operation*" in 1997 and in its Ministerial Statement "*Helping Prevent Violent Conflict*" in 2001.

<sup>10</sup> with the exception of humanitarian assistance.

The number of **budget lines** was reduced. Managing over 30 different budget lines requires a disproportionate share of human resources. In the context of the new financial perspective, the European Commission has proposed to reduce the number of legal bases in the external relations area to six.

The **untying of Community aid** has, to a large extent, been a reality for more than two decades. For example, the eligibility to EDF of recipient countries has allowed ACP firms to win 25% of contracts between 1985 and 2000. In 2001, the Commission decided to enhance the community's aid effectiveness through further untying of aid. The Commission proposal goes beyond the OECD/DAC recommendations and unties aid for nearly all developing and transition countries. The Commission has extended the possibility of untying EU aid to other non-EU donor countries on condition of reciprocity. The same applies to EC food aid which is also untied, favours local and regional purchases and thus provides an important outlet for local surpluses. A recent OECD/DAC study<sup>11</sup> shows that untying food aid can dramatically improve its effectiveness as it may allow access to up to 50% more beneficiaries than food aid tied to purchases in donor countries would permit.

Where possible, European Community assistance to developing countries increasingly takes the form of sector **budget support** and budget support for **macroeconomics policies**, mainly in the framework of the Cotonou Agreement and of the MEDA regulation. Sector budget support is beginning to be implemented in Asia and Latin America. 34 ACP countries have benefited from EC budget support in the last 5 years.

The EC has moved increasingly towards **result-oriented** development assistance. The main objectives of this focus on results are to improve the quality and effectiveness of EC support to these countries (without adding to the reporting and monitoring burden), to strengthen use of result indicators by partner countries in order to foster evidence-based policy-making and accountability, and to improve EC accountability to European Parliament and Member States.

#### **Result based approach**

The increased focus on development results in EC development assistance is reflected in country strategy papers, budget support programmes and projects. Since 1999, the EC has linked its budget support programmes in ACP countries (and, more recently, its sectoral budget support in some MEDA, Asian and Latin-American countries) to the evolution of key outcome indicators drawn from the national Poverty Reduction Strategy Papers, such as child vaccination, girl equality in primary enrolment, primary school completion rate. This shift to outcome-based conditionality not only ensures that levels of EC aid reflect countries' achievements in poverty reduction, but also aims to strengthen the focus of partner governments on results, and to ensure ownership of policy choices. At the project level, the Commission conceived an improved results-oriented monitoring system. The main objective is to regularly (on average every 12 months) gather results-oriented information on projects in the field and to report on progress.

The reform resulted in a reduction in the number of **staff** working on development in the Commission Head Quarters (from 1400 in 2000, down to 1250 in 2004) and, in parallel, a dramatic increase in the number of staff working in delegations (from 1050 to 2550). These changes required the **recruitment** or **redeployment** of a large number of personnel, as well as an intensive training effort (including on poverty focus and other MDG related topics). In 2004 the number of days devoted to training was six times greater than in 2000 and reached an average of 14 days a year.

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<sup>11</sup> OECD/DAC, "The development effectiveness of food aid and the effects of its tying status". Paris, October 2004.

The Commission is strongly committed to the international agenda on **coordination** of policies and **harmonisation** of procedures, both as a donor and as a coordinator of the EU position in the international arena. In the run up to the Monterrey Conference on Financing for Development in 2002, the EU committed itself in Barcelona to take concrete new steps in this area. Since then the EU launched a pilot initiative in four countries (Morocco, Mozambique, Nicaragua and Vietnam) and took some specific initiatives in the area of health and education. This work builds on good practices such as joint financial agreements, co-financing, delegated corporation, strengthened mechanisms of coordination, specific indicators on donor behaviour or simply pragmatic measures of management such as the harmonisation of costs norms. Within the context of an ad hoc Working Party on Coordination and Harmonisation, the EC is currently working towards a credible and ambitious “EU fast track” to implement the Barcelona commitment. This road map would in turn also contribute to the international coordination and harmonisation efforts undertaken in the context of the Rome High Level Forum.

Good practices and cases of **complementarity** have started to be developed on an ad hoc basis in the field but to date they remain limited. This is even more of a concern where donors tend to concentrate on specific sectors and countries, thereby risking duplication and/or gaps. Questions on donors’ added value and division of labour need to be addressed in operational terms. Against this background the EC has produced an EU Donor Atlas summarising information on donor activities and modalities.

#### EU Donor Atlas

The increased need for enhancing the effectiveness of aid and reducing transaction costs request a qualitative jump in terms of operational complementarity. The EU donor Atlas presents updated information on each EU donor’s strategic frameworks and activities. It shows current trends and directions of development and takes stock of related activities over the last decades. It highlights areas and scope for further improvements, and intends to trigger further discussions on donor complementarity.

### 2.3. Policy coherence for development

The obligation to ‘take account of the objectives of Development Co-operation in the EU policies that are likely to affect developing countries’ is enshrined in the EC Treaty (art. 178). The new EU Constitution upholds this commitment to coherence in even stronger terms, stating that ‘*The Union shall ensure consistency between the different areas of its external action and between these and its internal policies*’ (art. III - 292). In the specific context of development cooperation policy the draft Constitution stipulates that the ‘*Union’s development cooperation policy shall have as its primary objective the reduction and, in the long term, eradication of poverty. The Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries.*’ (art. III - 316).

It is generally acknowledged that an effective improvement in the coherence of developed countries’ policies would put developing countries in a much better position to achieve the MDGs. The EU, for its part, gives continued attention to the need to ensure that all domestic and external EU policies are consistent with and conducive to agreed international commitments and do not undermine the objectives of EC development cooperation. Certain aspects of the implications of other EU policies on developing countries are regularly

assessed, and certain policy measures are consequently adjusted, to strike a better balance between the diverse interests at stake.

#### **Impact Assessments: a tool to improve policy coherence**

The decision making process itself within the Commission, which associates Commissioners in charge of all portfolios, including development, already offers a certain degree of guarantee regarding the coherence of new Commission proposals. As part of a comprehensive “Better Regulation” package<sup>12</sup>, the Commission has introduced the tool of Impact Assessment, applicable to all major proposals envisaged by its services. It contributes to improved coherence of measures under preparation, as it associates all relevant Commission services to the analysis, and consults potentially affected stakeholders as regards different scenarios for the policy goal to be achieved.

Within the concise framework of this report it is not possible to present an assessment of the coherence of all internal policy fields which have a potential impact on developing countries. These include in particular trade, agriculture, fisheries, migration, environment, food safety, energy, research, information and communication technologies, security, fight against drugs, money laundering, human trafficking, and terrorism. However, specific examples in different areas show that the EC is seeking to reduce potentially detrimental impact of its policies on developing countries.

- With regard to the **Common Fisheries Policy** (CFP), the coherence issue is particularly relevant in the context of fisheries agreements with developing countries. As part of its CFP reform proposals the Commission issued in December 2002 a Communication on an “Integrated Framework for Fisheries Partnership Agreements with Third Countries”. The Commission proposed that EC bilateral fisheries relations involving a financial contribution gradually move from access agreements to partnership agreements with a view to contributing to responsible and sustainable fishing in the mutual interest of both parties. The communication explicitly refers to the need to ensure coherence between the CFP and other EC policies in the external field, in particular development cooperation. The Commission contracted external experts to perform evaluations, impact analyses and monitoring services. These tools will allow systematic and constant monitoring of the impact of the fisheries agreements.
- Since the early 1990s, the EU has embarked on a process of reform of the **Common Agricultural Policy** (CAP) with a view to reducing market imbalances and trade distortion, limiting spending and addressing societal expectations in the areas of environment, rural development and food quality and safety. The speed and scope of this process have been intensified by the reform adopted in June 2003, which constituted a major shift from support to products towards support to producers’ income, while further integrating sustainability concerns and limiting expenditures. This will lead to an increased proportion of EU domestic support through minimal trade distorting mechanisms, and hence reduced risk of impact on developing countries.

In the specific case of **cotton**, the EU adopted in 2004 a reform, which marks a substantial change in the importance and nature of its support mechanism. This will significantly decrease its potential trade distorting effects. The EU is committed to monitoring the impact of its reformed subsidy schemes on cotton production and trade. The EU and African countries also engaged into a partnership encompassing trade and development (Paris, July 2004), with a view to the fair development of the African cotton sector.

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<sup>12</sup> COM (2002) 278 final /2.

- As regards its **trade policy**, the EU has taken important steps to promote the gradual integration of developing countries into the world economy, enhancing their potential for trade and contributing to their development. The most visible of these is the “Everything But Arms” initiative, which fully opens the EU market to imports from the Least Developed Countries (LDCs). In the broader context of the WTO Doha negotiations, the EU has also supported differential treatment and enhanced trade-related assistance for those developing countries which are weakest in the area of trade, in order to take account of their special needs and constraints. The ongoing Economic Partnership Agreement negotiations between the ACP and the EU are also key instruments for development given their emphasis on promoting regional integration, strengthening regional markets and institutions, promoting sustainable development, promoting diversification and developing supply side capacity to increase exports.
- In the field of **food safety**, the Commission is aware of the difficulties which more stringent EU regulations may impose on exporters of developing countries. Indeed, food safety has become a priority of the European Union, responding to the legitimate concerns of its consumers. Several programmes have been implemented to raise the awareness of public authorities and the private sector in developing countries regarding the trade implications of such measures and to help these states overcome the potential difficulties of complying with EU sanitary and phyto-sanitary (SPS) requirements.

#### **Examples of EC SPS support measures (ACP region)**

- The €28m joint EU-ACP Pesticides Initiative Programme (PIP) aims to help with adapting horticultural exports to EU import requirements.
- The €45m framework programme for fisheries aims to improve the access of ACP fisheries products to the EU market by strengthening export health controls and improving production conditions.
- A new €50m instrument for trade capacity building called TRADE.COM, expected to be operational later in 2004, includes a component to assist ACP partners to address compliance with food safety requirements for export into the EU.
- The “Pan-African programme for control of Epizootics” (PACE) contributes to strengthening the capacities of the Veterinary Services in 32 Sub-Saharan countries for the control of the OIE list “A” animal trans-boundary diseases.

### 3. EC CONTRIBUTION TO THE MDGs 1-7

There is a distinct difference between MDG 1 to 7 and MDG8. While each of the first 7 goals looks at a specific aspect of poverty, the 8<sup>th</sup> goal is about establishing a true partnership between rich and poor countries. On the latter the EC contribution can be assessed in relatively precise terms, but as MDG 1-7 have to be achieved in developing countries the EC input is by definition indirect. It is generally recognised that attempts to attribute the evolution of MDG 1-7 indicators to particular donor inputs would be artificial and contrary to the practice of ownership and partnership. Rather than measuring donor performance, this section will therefore identify the specific policies, guidelines and initiatives that the Commission has put in place to assist developing countries achieve MDG 1-7.

One generic element of this assistance is to try to support developing countries in monitoring their own progress towards achieving MDG 1 to 7. However, to date the quality of data (including disaggregation by sex and by regions) available at international and country level remains a major issue of concern.

#### Improving quality and reliability of data

In 2003 the Commission decided, in addition to work already carried out at country level to support the strengthening of statistical systems, to engage more actively at international level in initiatives to improve data availability and quality. PARIS21 is the main forum that ensures coordination of various international initiatives in this field. The EC agreed to co-finance, together with DFID and the World Bank and in the framework of PARIS21, a study which has illustrated various weaknesses of the current dataset and highlighted possible areas of immediate improvement. In 2003 and 2004 the Commission provided €3m to the UNESCO Institute of Statistics to build up statistical capacity for measuring the education MDG indicators in a number of LDCs, in particular in Sub-Saharan Africa. Another example is the EC support to the Health Metrics Network, whose secretariat is based in the WHO, and which focuses on strengthening health information systems in developing countries. On yet another topic, the EC supports Food Security Information Systems in different countries. For example, a regional programme of €12m (2003) has been identified in Central America (Nicaragua, Honduras, El Salvador, and Guatemala). Another programme of €15m called “Food Security Information for Action” (2004-2006) has been designed with and will be implemented by FAO.

### 3.1. Goal 1: Eradicate extreme poverty and hunger

**Target 1** Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day

*If projected growth remains on track, global poverty rates will fall to 13 percent – less than half the 1990 level. Rapid progress is being made in Asia and a return to pre-transition poverty levels in Eastern Europe and Central Asia may be feasible. But present trends see no alleviation of the burden of poverty in Sub-Saharan Africa, where more than 360 million people will continue to live on less than \$1 a day<sup>13</sup>.*

Since November 2000, poverty reduction is explicitly stated as the principal aim of Community development co-operation. Poverty, which includes the concept of vulnerability, results from many factors. The Community continues to make an active contribution to the

<sup>13</sup> Facts and figures mentioned in this introduction (and the similar introductions to the other MDG targets) are all taken from recent MDG related reports by UN agencies.

development as well as the implementation of **poverty reduction strategies**. Those strategies integrate the multiple dimensions of poverty and are based on the analysis of needs, constraints and opportunities in individual developing countries.

The Community's development policy concerns all developing countries. Regarding the allocation of resources, the least developed countries and low-income countries should be given priority in an approach which takes into account the needs of people, the commitment and performance of governments and other actors to poverty reduction, and capacity of the latter to absorb aid.

Poverty reduction strategies should also be encouraged in middle-income countries where the proportion of poor people remains high, as it helps to focus the attention of governments and donors on the need to develop pro-poor policies. While making progress on achieving several MDGs many of these countries also show growing inequalities in income and access to social services.

By supporting country poverty reduction strategies, the Commission aims to maximise national ownership and effectiveness of support. This points towards **instruments** that fit most closely within the delivery and accountability systems of the Government concerned and that ensure the involvement of stakeholders such as social partners and other organisations in civil society both in the formal and informal economy. Wherever possible, notably where the fiduciary risk<sup>14</sup> is low or being appropriately reduced, this will increasingly be in the form of budgetary support, supplemented by significant policy dialogue inputs in the fields where the Commission has most to offer.

#### **Budget support to Mozambique**

In 2001 Mozambique adopted the *Plano de Acção pela Redução da Pobreza Absoluta* (Plan of Action for the Reduction of Absolute Poverty, PARPA) as its central strategy for poverty reduction. The EC has since then given over €150m in general budget support to support implementation of the PARPA. No automatic link can be drawn between EC budget support and the results of Mozambique's policies. However, the macro-economic framework provided by implementation of the PARPA, to which the EC's budget support has contributed with grant financing of about 9% of the budget deficit, has contributed to sustained economic growth (over 7% per annum) and sharply reduced poverty (the share of the population living on less than \$1/day is estimated to have fallen from 38% in 1996-97 to 20% in 2002-03).

In the context of poverty eradication, it shall also be mentioned that the World Commission on the Social Dimension of Globalisation proposes that **decent work for all** should become a global goal<sup>15</sup>. The European Commission supports the promotion of this goal in its communication on the social dimension of globalisation<sup>16</sup>. The concept of decent work encompasses employment, social protection, rights at work and social dialogue and is inspired by the ILO strategic objectives.

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<sup>14</sup> Risk of resources not being properly accounted for, not being used for intended purpose and/or not being utilized as economically, efficiently and effectively as possible (ref. guidelines for budget support).

<sup>15</sup> Report of the World Commission on the Social Dimension of Globalisation, February 2004, § 280, 492-493, 502-510 and Annexe I.

<sup>16</sup> COM (2004)383, May 2004. Decent work promotion is also included in the cooperation agreement between the European Commission and the ILO, Exchange of letters, 14.05.2001, OJ, C 165, 23 and is part of the strategic partnership between the two institutions.

**Target 2**      **Halve, between 1990 and 2015, the proportion of people who suffer from hunger**

*Worldwide current estimates are that some 800 million people were undernourished at the turn of the century in developing countries. Although there have been reductions in Asia and the Pacific and in Latin America and the Caribbean, numbers continue to rise in Sub-Saharan Africa, in the Near East and North Africa. Civil conflicts, adverse weather, particularly drought but also in many of these countries, the HIV/AIDS pandemic are major contributing factors to this poor performance.*

The Commission is engaged in the fight against hunger by means of a comprehensive and broad based policy for sustainable development and poverty reduction at the national level. Where necessary this policy is also extended to regional or sub-national levels, notably in those countries where widespread malnutrition coincides with a positive food balance on the national level. The policy brings the issue of food availability, access to food, responses to food shortages and nutritional problems to the centre of poverty reduction strategies. In addition, it tries to tackle the political dimensions of food insecurity, by promoting good governance, preventing conflict and building peace.

Given the multi-dimensional character of food security and poverty, the EC has overhauled its food security strategy. In line with the 1996 Council Regulation on Food Aid and Food Security, the EC approach integrates food security policy into the broader objectives of sustainable development and the fight against poverty. In this context, food aid is dissociated from the management of agricultural surpluses and is more firmly linked to development concerns. The option of triangular and local purchases of food aid was also introduced<sup>17</sup>. At the international level, the EC calls on other countries to prevent the abuse of food aid in the form of dumping of surpluses.

The new policy is underpinned by a food aid/food security budget line of roughly €450m per year, which currently allows the Commission to assist some 30 particularly vulnerable countries around the globe to overcome problems of temporary food shortages, to manage post-crisis situations, to ensure the link between relief, rehabilitation and development (LRRD) and to address structural food security problems. A wide range of instruments is available to implement this policy, in particular budget support (annual or multi-annual programs to implement economic and sectoral reforms), project support (annual or multi-annual projects and NGO operations), as well as food aid in kind (mainly channelled through government, World Food Programme (WFP) and NGOs).

Food security is also addressed as an overarching objective of development policies, strategies and programmes financed by the Commission from Budget Lines and European Development Fund resources within the EC's Country Support Strategies. Furthermore, ECHO dedicates a sizeable part of its annual budget of roughly €600m to emergency inputs and supplies, including food aid.

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<sup>17</sup> The reform process was legally completed in 1996 with the adoption of Council Regulation N°1292/96 on food-aid policy and food-aid management and special operations in support of food security.

### **EC Food Security Programme**

The EC Food Security Programme (FSP) adopts a long-term approach linking food security policy to poverty reduction. In countries where poverty results in insufficient access to food at household level, the FSP provides targeted budget support to key social expenditure programs, which have an important bearing on poverty reduction and food security. The advantages of such budget support include the possibility to promote a pro-poor reform agenda through policy dialogue, while operating within the single framework of the state budget. It also enhances feasibility of PRSP implementation against the background of a tight fiscal environment.

### **Food Security Programme - Bolivia**

A first phase of the programme was initiated in 1996/97. A second phase will commence in 2005. The programme replaced the food aid programme operational until 1993/94 and is thus an early example of the Commission's policy of replacing food aid with financial support for food security interventions. Total funding of the programme comes to €114m. The programme contributes to Government's poverty reduction efforts, by addressing country-specific dimensions of food insecurity at both national and sub-national (municipal) level. The main financial modality of the programme is a foreign exchange facility, which generates counter-value funds ascribed to the national budget for the execution of food-security related public investment programmes (targeted budget support). The implementation of these programmes is based on priorities established in the PRSP and in sector strategies (e.g. agricultural & rural development). The programme is increasingly drawn into the issues of policy dialogue, scope of poverty reduction and public expenditure management.

### **EC priorities and action on the way toward 2015 – goal 2**

- Leverage economic growth to boost pro-poor and social spending, especially in those countries where growth went hand-in-hand with increased income inequality (non-inclusive growth, characterized by rising GINI-coefficient).
- Promote decent work as part of the poverty reduction strategy.
- Strengthen consensus amongst governments and donors that PRSPs constitute a comprehensive development framework; a roadmap for aligning donor assistance with the country's priorities, and a consultation and coordination mechanism, involving also stakeholders and civil society.
- More effective food crisis prevention systems and mechanisms, as well as linking relief, rehabilitation and development.
- Better integration of food security objectives into national development strategies implying better monitoring of food insecurity and appropriate response strategies.
- More effective and sustainable use of food aid, based on sound needs assessment and limited exclusively to situations where the cash option is not viable.
- Better management of the natural resources (soil, water, marine resources and forests) which are the foundation of food production and the livelihood of the poor.

### 3.2. Goal 2: Achieve universal primary education

#### Target 3

**Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling**

*Eight out of ten children in developing countries begin primary school but in many of the poorest countries less than half of them complete their primary schooling. In Sub-Saharan Africa only six out of ten children get to go to school. Some 113 million children are still out of school and an estimated 70 countries are off track in achieving Universal Primary Completion by 2015, most of them in Africa and South Asia.*

Since the 2000 World Conference on Education For All (EFA) in Dakar, European Community (EC) policy and actions concerning education in development cooperation have been increasingly **focused on primary education**. This is expressed in the new EC policy defined in 2002<sup>18</sup>, which made the MDG2 goal of universal primary completion one of the EC's top priorities. In this context special emphasis is given to gender equality (MDG3). Combating child labour also contributes to efforts towards achieving universal primary education.

The European Commission is implementing this policy through country programmes and participation in international initiatives. In the context of the Country Strategy Papers the EC has promoted fund mobilisation, policy dialogue and selection of pro-poor performance indicators, with explicit emphasis on the education MDGs. Overall, the EC has programmed an estimated €1,3bn in support for the education sector between 2002 and 2007. Education also benefits from general budget support, which is often linked to performance indicators in line with MDG2.

The EC is now working towards increasing its support to primary education through the Education for All Fast-Track Initiative (EFA-FTI). The Commission has been a strong supporter of this initiative since its inception and launch in mid-2002. It was involved in the G8 Task Force, has hosted the first High-level meeting of the FTI Partnership, and made a significant contribution by supporting the coordination of EU Member States' approach to the FTI. In addition, work with Member States on donor harmonisation set the basis for the work of the FTI Working Group on harmonisation. However, the EC has not yet made a firm financial commitment to the FTI.

#### **Monitoring of donor coordination and harmonisation in the field of education**

In 2003, the Commission in close collaboration with EU Member States education experts elaborated 10 indicators to monitor donors' progress at country level towards harmonising and aligning their policies and procedures in the field of education. The indicators identify areas where further effort is needed and measure progress over time. The indicators are a tool for the lead agency to facilitate ongoing harmonisation efforts. This EU initiative was welcomed by the EFA-FTI. In 2004, a FTI working group on harmonisation was set up to co-ordinate the implementation of this indicator approach to harmonisation at country level. In several countries (Burkina Faso, Mozambique, Ethiopia, Niger and Vietnam), the education donor group has started to use the indicators, and to make a first analysis of the state of art of donor coordination and harmonisation in education. The initiative will eventually be extended to all FTI countries.

<sup>18</sup>

Commission communication "Education and training in the context of poverty reduction in developing countries", COM(2002)116, March 2002; Council resolution on "Education and training for poverty reduction", 8958/02 of May 2002 and European Parliament resolution on "Education and training" (June 2003).

### **Support to education through a sector approach at country level**

In recent years, the Commission has increasingly moved from a project approach to a sector approach in education. This approach enables the EC, along with other donors, to engage in a sector policy dialogue with the government and civil society. It also strengthens in-country ownership and good governance. The key features of EC sector support to education can be summarised as follows:

- EC supports 29 Sector Policy Support Programmes (SPSP), two thirds of which under preparation. The majority of these are in the ACP region and in Asia.
- The volume of financing is estimated at over €1bn, of which roughly two thirds is specifically earmarked for basic/primary education, particularly in the ACP region and in Asia.
- Sector budgetary support is the most frequently chosen financing modality in education, especially in Asia.
- In many countries EC has been a catalyst in initiating Sector approaches in education.

### **EC priorities and action on the way toward 2015 – goal 2**

- Reinforce the EC support to the Fast-Track Initiative.
- Support efforts by developing countries to ensure a minimum standard of service delivery of primary education and a pro-poor distribution of resources between regions and target groups.
- Enhance strategies for achieving gender equality in national education systems (for example as prioritised by NEPAD).
- Support specific targeted actions for most affected groups, including orphans, children suffering worst forms of child labour and children with special needs.

### **3.3. Goal 3: Promote gender equality and empower women**

**Target 4**      **Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015**

*The MDG target of achieving gender parity in primary and secondary education by 2005 will not be achieved. Moreover, gains made over the last decade in women's rights in critical areas, such as participation in economic and political decision making and sexual and reproductive rights, continue to be challenged worldwide. The gains remain as fragile as the democratic institutions and procedures that should give them legitimacy and protection.*

Gender equality is an essential component of the 2002 EC development policy in education, in particular concerning access to and fairness and quality of education. In this context, education strategies must be supported by gender analysis, including monitoring through sex disaggregated data. This approach is gradually being implemented in the Commission's support to education programmes. Greater participation of women in economic activities and in the workforce also contributes to the empowerment of women. Women's share of non agriculture wage employment is a key MDG indicator of empowerment.

The Beijing Conference, including Platform for Action (1995) and the Beijing plus 5 Review, are the two major events marking the way towards achieving the goal of gender equality. The subsequent 2001 EC Programme of Action for the mainstreaming of gender equality in Community Development Co-operation<sup>19</sup> is firmly rooted in these international agreements and declarations. In 2004, a new Regulation promoting gender equality in development cooperation<sup>20</sup> establishes a comprehensive approach with an explicit focus on the MDGs, both on gender equality as a main political strategy for poverty reduction and on the specific target and indicators of MDG3. At an overall policy level, sufficient work has been done to a large extent. However, there is still a clear gap between policy on the one hand, and the level of funding, programme implementation and actual achievements of gender mainstreaming in country programmes on the other hand. This gap requires systematic attention during the policy dialogue and preparation of contents and allocations to next generation country strategies.

### **Gender mainstreaming**

In recent years the Commission has been mandated to create the conditions for effective integration or mainstreaming towards gender equality in all priority areas of development cooperation. This has given rise to a demand for various capacity building instruments such as manuals and tools for policies, programming and project identification purposes to enable the staff to improve the quality of the next generation Country Strategies and of interventions implementation in the area of gender. The establishment of help-desks to support EC staff, training programmes for staff at headquarters and delegations and the creation of a network of gender focal persons, are other examples of recent efforts to improve the quality and effectiveness of gender mainstreaming. Effective implementation of these tools remains however to be seen as they are dependent on work priorities, flexibility and human resources.

Activities funded in 2003 and 2004 under the EC gender budget lines focus solely on the MDG3 with the aim of encouraging the civil society in partner countries to join hands with governments in moving towards the achievements of the MDGs. In order to strengthen the gender equality aspects of all the goals, the EC seeks to link the Beijing Platform for Action, the plus 10 Review in March 2005 and the MDG Review, through joint efforts and collaboration with the EU Member States and the UN system.

### **Promoting women rights in MEDA countries**

Gender questions are addressed through mainstreaming in all aspects of external policy and assistance and are particularly important in the Euro-Mediterranean context where women's rights and access to resources, education and the labour market are not well developed. Women's empowerment featured prominently in the report "Arab Human Development", published by the UNDP in 2002. The Commission's Communication<sup>21</sup>, based on this report, further emphasised this dimension. The issue is also being addressed through the Association Agreements and the Action Plans negotiated in the framework of the Neighbourhood Policy.

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<sup>19</sup> Programme of Action for "The mainstreaming of gender equality in EC development cooperation" (COM (2001) 295), June 2001.

<sup>20</sup> Regulation (EC) No 806/2004 of the European Parliament and of the Council of 21 April 2004 on "Promoting gender equality in development cooperation".

<sup>21</sup> Communication 'Reinvigorating EU actions on Human Rights and democratisation with Mediterranean partners', COM(2003)294 of May 2003.

Beyond mainstreaming of gender issues and the “European Initiative for Democracy and Human Rights”, there are also specific projects in the framework of MEDA which aim at improving the conditions of women in the Mediterranean Partner countries, such as “Social integration” (€5m - Morocco); “Cultivation of argantier trees” (€6m - Morocco), “Children at risk” (Egypt); and “Role of Women in the economy” (€5m – regional).

#### **Achieving gender equality - Guatemala**

A multi disciplinary network of gender specialists from delegations, government and civil society was set up in 2001 by the EC delegation with the task of helping to improve the gender equality aspects of EC cooperation. The network has facilitated identification and utilization of gender specialist competence where required in EC mainstream support to Guatemala. Recently the network has developed into an Alliance between the same partners, however ownership has shifted to the Women’s Presidential Secretariat of the government. As a result, there is a heightened awareness of the need to increase budget spending on gender issues and to create new policies and programmes to promote gender equality.

#### **EC priorities and action on the way toward 2015 – goal 3**

- Through active cooperation with EU Member States and the UN system, ensure systematic mainstreaming of gender equality aspects in all MDGs, by linking them to the 12 critical areas of the Beijing Platform of Action.
- Integrate the issues of gender equality in the PRSPs.
- Fully integrate gender aspects in the next generation of Country Strategy Papers by using the tools and experiences from the MTR process.
- Pursue efforts to mainstream gender in programmes and projects and to reinforce programmes targeted at supporting gender mainstreaming in all areas of cooperation.

### **3.4. Goal 4: Reduce child mortality**

#### **Target 5**

**Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate**

*The goal to reduce child mortality has been identified as the most difficult MDG to achieve at the current rate of progress. The worst situation is in Sub-Saharan Africa, where, at the current level of progress, child mortality will not be reduced by two-thirds until 150 years later than the date set by the goal. However, in developing countries overall, mortality rates for children under five have dropped by 19 percent in the past two decades.*

In March 2002, the Commission adopted a Communication on Health and Poverty Reduction in Developing Countries which establishes an EC policy framework to guide investment in

health, AIDS and population in order to attain the goals of the MDGs on health.<sup>22</sup> One element of the Communication relates to the protection of the most vulnerable - including children - from poverty through support for orphans and through the development of equitable and fair health financing mechanisms. The Council Resolution on Health and Poverty was subsequently adopted on 30 May 2002<sup>23</sup> and refers to increasing the volume and improving the delivery of aid. A substantial share of that increase should go to support for social development in developing countries with special emphasis on improving health and education outcomes, many of which are related to child health outcomes.

Most of the support to health aims at equitable health services where child health is a priority. Furthermore, immunisation coverage is one of the most common indicators chosen within the general budget support operations and is also related to the EC support to a country's health services. In addition, the EC provides funds to initiatives to make progress on immunization, supporting amongst others, the WHO, the Global Polio Eradication Initiative, UNICEF, GAVI, AMANET (African Malaria Vaccine Network)

#### **Decreasing child mortality in Mozambique**

Between 1997 and 2003, Mozambique has seen a 10% decline in infant mortality, and a 20% decline in under 5 mortality rates. This encouraging trend can be explained by various factors: absolute poverty has dropped, whereby families could improve their nutrition and sanitation; vaccination activities and primary health care for remote communities have been strengthened due to a restructuring of the health system; anti-infectious drug management and supply to health units have improved; patients are treated at the nearest health centres but are if necessary transferred to appropriate health centres.

The EC supports the Mozambican Government in its efforts to improve the health status of Mozambicans. The EC is the main donor to the PRSP of Mozambique, with a total support of €150m for the period 2001 to 2003 and proposed additional funding of €90m for 2004-2005, which is linked to performance indicators including immunisation coverage. In this context, the EC is active in the policy dialogue with the Government and other donors advocating a focus on primary health care in the PRSP and in the health sector. In addition, the EC contributes €55m to the various common funds which finance the health sector's activities, such as the Drug Common Fund used to finance government vaccines, drugs and medical purchases and institutional support to the Pharmaceutical Department of the Ministry of Health.

There is a strong link between progress on MDG4 and support to MDG5 (improving maternal health has a direct impact on child health and especially neonatal mortality) and MDG6 (two of the main causes of child illness and mortality are HIV/AIDS and malaria). The EC support to education (MDG2) and its involvement on issues related to child labour and children rights (in partnership with ILO) are also key factors in overall child health. Equally, environmental sustainability (MDG7), and in particular access to clean water and sanitation, has a strong impact on child mortality: water related diseases such as diarrhoea and cholera kill around three million people a year in developing countries, the majority of which are children under the age of five.

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<sup>22</sup> Commission Communication on "Health and poverty reduction in developing countries". COM(2002)129, March 2002.

<sup>23</sup> Council Resolution on "Health and Poverty" of 30 May 2002 - 2429th Council meeting, 8958/02.

#### EC priorities and action on the way toward 2015 – goal 4

- Strengthen basic health systems, in particular pro-poor service delivery and development of human resources in the health services; increase equitable access and coverage of essential and effective prevention and treatment services through, for example, the gradual extension of social protection coverage.
- Accelerate implementation and integration of efforts regarding the Cairo agenda and the communicable disease agenda.
- Mobilise leadership to focus on primary health care in PRSPs, in line with NEPAD efforts.
- Strengthen synergies between various disease-oriented interventions which deal with child health (e.g. acute respiratory infections, measles, malaria, diarrhoea).
- Prevent disease by reducing pollution loads in water and urban air.
- Increase research on prevention of the main childhood killers, namely pneumonia and malaria, notably by means of vaccine development.

### 3.5. Goal 5: Improve maternal health

#### Target 6

**Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio**

*Each year 600.000 women and several million new-borns die following delivery and birth-related complications, which are avoidable using existing inexpensive technologies. Despite major achievements in increasing access to contraceptive information and a massive gap remains in ensuring access to reproductive rights and supplies and services which are directly linked to women's health, maternal ill-health and child life-expectancy. The situation is especially critical in low-income countries, whereby Sub-Saharan Africa and Latin America are the worst affected regions.*

The EC regards the provision of support for improvements in sexual and reproductive health as a policy priority. In this regard, the Community is committed to the achievement of the goals and objectives of the United Nations' International Conference on Population and Development (ICPD) held in Cairo in 1994, which are directly reflected in the wider EC policy framework<sup>24</sup>. With a focus on providing universal access to reproductive health care and services, the EC attaches particular importance to the issue of maternal health<sup>25</sup>. The Cotonou Agreement explicitly refers to the importance of integrating population issues into development strategies. Furthermore, the Commission works closely with partners implementing the Cairo Programme for Action such as the UN Population Fund, International Planned Parenthood Federation and Marie Stopes International.

On a country level, the EC supports health sector reform and health care delivery approaches that are beneficial for an improved access to basic services, including emergency obstetric services with an annual average of almost €200m (2002-2004). The EC also stresses human resources development which is interlinked with improving the availability of trained health

<sup>24</sup> Communication "Health and Poverty reduction in Developing Countries", 2002.

<sup>25</sup> Regulation (EC) No 1567/2003 of the European Parliament and Council of 15 July 2003, on "Aid for policies and actions on <sup>reproductive</sup> and sexual health and rights in developing countries".

personnel. In addition, the EC grants support to NGOs for community based family health programmes and projects to combat practices harmful to the sexual and reproductive health of women (such as female genital mutilation). The EC is one of the few international bodies that has increased research funding in the area of reproductive health.

In addition, a specific financial envelope of €74m (2003-2006) is available to support actions in this field. Priority areas are promoting comprehensive maternal health programmes, including the provision of quality antenatal care, care during childbirth and post-natal care and expanding the body of skilled birth attendants. The EC's efforts in this area also include the sustained supply, availability and affordability of contraception and protection from sexually transmittable diseases. Special emphasis is placed on the rights of young people in developing countries to improve sexual and reproductive health, reaching out in particular to the poorest populations.

#### **EC support to UNFPA**

In 2001 the EC pledged to fill the “decency gap” left by the revised abortion policy of the then new US Administration. The first part of this funding materialised in 2002, with an EDF funded €35m joint EC/ACP/UNFPA/IPPF sexual and reproductive health programme, of which €20m is earmarked for UNFPA. The EC is working on an additional programmed support to UNFPA of €15m, to be focused on a strategy to improve the supply of essential sexual and reproductive health and rights (SRHR) commodities.

In Asia, the EC supports the Reproductive Health Initiative for Youth in Asia (RHIYA) in Bangladesh, Cambodia, Lao PDR, Nepal, Pakistan, Sri Lanka and Vietnam, implemented by UNFPA. The objective of the programme is to improve the sexual and reproductive health of young people ensuring that they are factually informed on SRHR issues and lead them to adopt responsible attitudes and behaviors and increasing access to and utilization of quality reproductive health services.

#### **EC priorities and action on the way toward 2015 – goal 5**

- Maintain the international consensus and commitment to the ICPD and the Cairo Plan of Action, particularly in the area of sexual and reproductive health and rights.
- Strengthen pro-poor health systems and equitable access, coverage and quality of essential antenatal, delivery and postnatal care services.
- Promote local ownership, participation and empowerment in family health and education programmes particularly targeted at women and adolescents.
- Increase research on improved tools, intervention and service delivery in reproductive health.

### 3.6. Goal 6: Combat HIV/AIDS, malaria and other diseases

**Target 7** Have halted by 2015 and begun to reverse the spread of HIV/AIDS

**Target 8** Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases

*Despite all the progress that has been made, the number of people affected by HIV/AIDS, malaria and other diseases continues to rise. In 2003, almost 3 million people died of AIDS, and there were about 5 million new HIV infections. Sub-Saharan Africa remains the most affected by the pandemic, with particularly high prevalence rates among women. The virus is also spreading rapidly to Asia (with worrying HIV infections especially in heavily-populated India and China) and parts of Eastern Europe.*

The European Commission's 2000 Communication on Accelerated action on HIV/AIDS, malaria and tuberculosis in the context of poverty reduction<sup>26</sup> provides the policy framework for the 2001 Programme for Action<sup>27</sup> and a coherent Community response for 2001-2006.<sup>28</sup> In 2003, the EC adopted a Regulation as a financial instrument to help implement the Programme for Action. A new policy document is to be adopted by the Commission by end 2004 to ensure the EC provides an adequate policy response taking into account new developments in a widening policy agenda.

The new policy framework is directed at all external action addressing communicable diseases. In this context, the Commission pursues an approach based on the interlinking continuum of prevention-treatment-care and stressing activities in the areas of capacity building at country and regional level. It supports the development of new medicines, vaccines and therapeutic tools against HIV/AIDS, malaria and tuberculosis tailored to developing countries via global partnerships and through the European and Developing Countries Clinical Trials Partnership (EDCPT).

The promotion of policy coherence is an essential component of this policy. Against the background of the WTO Doha negotiations, trade efforts address affordability of key pharmaceutical products. Research interventions contribute to the development of specific global public goods; external actions enhance regional cooperation and global partnerships, and development policies set up the comprehensive policy framework and contribute to joint efforts to fight communicable diseases.

Due to the re-emerging epidemic in Europe and the neighbouring countries, the Commission has also highlighted the need for immediate action in these regions, through adoption of a separate paper in September 2004.<sup>29</sup>

Annual average EC resources to confront HIV/AIDS, malaria and tuberculosis in third countries have increased threefold compared to the period 1994-2002. Allocations for the period 2003-2006 are close to €1,2bn. At country, regional and inter-regional level, the EC channels substantial funding through various instruments including project, sector and budget

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<sup>26</sup> Commission Communication "Accelerated Action targeted at major communicable diseases within the context of poverty reduction", COM(2000)585 of September 2000.

<sup>27</sup> Commission Communication "Programme for Action: Accelerated Action targeted at major communicable diseases within the context of poverty reduction", COM(2001)96 of February 2001.

<sup>28</sup> The Programme for Action is in consistency with the overall health strategies of the 2002 Communication on "Health and Poverty Reduction in Developing Countries".

<sup>29</sup> These actions and recommendations to partners were endorsed in the "Vilnius Declaration" adopted by participants in the Ministerial Conference "Europe and HIV/AIDS: New Challenges, New Opportunities" (Vilnius, September 2004).

support (often linked to policy dialogue and progress on indicators on the three main poverty-related diseases). Additional instruments, such as a budget line on Aid for Poverty Related Diseases, have been put in place to support innovative action at global level and rapid disbursement to selected projects in priority countries. The area of research saw a four-fold increase in funds compared to the last period, amounting to €400m for 2002-2006. The EC also moved towards more responsive use of the intra-ACP funds in this area.

#### **EC support to the Global Fund to fight HIV/AIDS, tuberculosis and malaria**

The Global Fund to Fight AIDS, Tuberculosis and Malaria constitutes a new financing mechanism and a global partnership. It has succeeded in mobilizing pledges of US\$5,4bn by 2008 for the response to the three diseases.

The EU is the largest donor in the Global Fund. It has delivered 55% of total pledges (€2,8bn, up to 2007). The European Commission is a Board Member of the Global Fund, and has pledged €460m for the period 2001-2006.

The resources for treatment programmes through the Global Fund to Fight AIDS, Tuberculosis and Malaria have generated new prevention programmes, increased access to treatment and greater care for people living with the three diseases in developing countries. Current Global Fund approved projects could bring 400.000 people into treatment programmes reaching a scale that might impact positively on pharmaceutical company manufacturing and pricing strategies in developing countries. In time, the availability and mobilisation of Global Fund resources could also provide an incentive for further pharmaceutical research and development.

#### **EC priorities and action on the way toward 2015 – goal 6**

- Increase and sustain affordability of essential combination effective therapies for HIV/AIDS, malaria and other diseases; and integrate such therapies in national pharmaceutical policies and comprehensive prevention/treatment strategies.
- Increase the investment in R&D of essential preventive, diagnostic and therapeutic tools to control these diseases.
- Pursue effective global partnerships and innovative initiatives to combat HIV/AIDS, malaria and tuberculosis with a maximum impact.
- Pursue existing programmes and service delivery that are particularly targeted at poor communities and groups worst affected by poverty diseases (women, children and especially orphans).
- Improve the use of existing instruments to support the fight against HIV/AIDS, in particular through dialogue and a better coordinated approach at country level.
- Strengthen pro-poor and pro-equity health systems and equitable access, coverage and quality of care including treatment for HIV/AIDS, TB and malaria.

### 3.7. Goal 7: Ensure environmental sustainability

<b>Target 9</b>	<b>Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources</b>	<i>By the end of 2003, 41 countries had made progress towards establishing a national strategy for sustainable development (NSSD), 27 countries had an approved NSSD, and out of these, 23 countries were in the process of implementing the strategy. In addition, 79 countries had components of a sustainable development policy in place.</i>
<b>Target 10</b>	<b>Halve, by 2015, the proportion of people without sustainable access to safe drinking water and the proportion of people without access to basic sanitation</b>	<i>Progress in sanitation is stalled in many developing regions. 2,6 billion people lack even a simple 'improved' latrine. One person out of six has little choice but to use potentially harmful sources of drinking water.</i>
<b>Target 11</b>	<b>By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers</b>	<i>More than 70% of the least developed countries and of sub-Saharan Africa's urban population lived in slums in 2001. Half of the global population will be living in cities by 2020. Urban growth will be fastest in poor countries particularly in Africa and Asia.</i>

#### *Sustainable development*

In February 2002, the Commission adopted a Communication "Towards a Global Partnership for Sustainable Development", building on the June 2001 Göteborg European Summit conclusions that adopted a strategy for sustainable development dealing with economic, social and environmental policies in a mutually reinforcing way<sup>30</sup>. The EU played a leading role in the WSSD negotiations and pledged to go further than multilaterally agreed commitments in a number of areas. Since 2000, the EC has intensely pursued the integration of environment into its development cooperation. In April 2001 it adopted an Environmental Integration Strategy, which identifies opportunities and key entry points for the integration of the environmental dimension into EC Economic and Development Cooperation.

To enhance the integration of the principles of sustainable development into country policies and programmes the Commission promotes the use of Country Environmental Profiles and Strategic Environmental Assessment in the framework of its CSP process.

#### **Integration or 'mainstreaming' in practice**

The Commission developed in 2001 a comprehensive draft Environmental Integration Manual<sup>31</sup> in order to assist staff and partner countries to mainstream environment. The on-line manual includes procedures for policy, programming, and projects and sector notes linked to potential environmental impacts and mitigation measures. It also offers advice on tools such as Country Environmental Profiles (CEPs), Strategic Environmental Assessments (SEAs) at the policy and sector program levels, and Environmental Impact Assessments (EIAs) at the project level. With regard to training, seminars on environmental integration have been held and a further 3-year programme targeting Commission officials in headquarters, in delegations and officials of key ministries such as Finance and Planning in partner countries will start at the beginning of 2005. The programme also includes the establishment of a helpdesk to further assist staff.

<sup>30</sup> COM (2002)82, and follow up Communication COM (2002)829.

<sup>31</sup> [http://europa.eu.int/comm/development/body/theme/environment/env\\_integ/env\\_integration/index.htm](http://europa.eu.int/comm/development/body/theme/environment/env_integ/env_integration/index.htm)

Furthermore, in the context of Multilateral Environmental Agreements (climate change, biodiversity, desertification, chemicals etc.) developing countries are taking up an ever greater number of environmental obligations, all requiring international cooperation to address issues of global and regional concern. Development cooperation needs to comply with those commitments. Their incorporation at the programming stage and into project/programme activities to assist developing countries in achieving compliance is however complex and still at an early stage. To facilitate this process the Commission has adopted development-specific Action Plans with regard to both Climate Change<sup>32</sup> and Biodiversity<sup>33</sup> and plays an active role in shaping the future of the Desertification Convention.

#### **Action Plan for Forest Law Enforcement, Governance and Trade**

To stop illegal logging and trade in illegally harvested wood, the Commission, in May 2003, published an EU Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT),<sup>34</sup> setting out a package of measures which link governance reforms in producer countries with the legal framework of the internal EU market. The Action Plan involves a series of voluntary (but binding) partnerships agreements with wood-producing countries and regions. Through these partnerships, the EU and partner countries will set up a licensing scheme to ensure that all timber exports to Europe are legal. The partnerships will also encourage governance reforms in wood-producing countries, particularly to promote greater equity and transparency in association with forest harvesting operations.

#### **EC priorities and action on the way toward 2015 – goal 7: sustainable development**

- Integrate environmental issues in the political dialogue with partner countries and support these countries in their obligations towards the environmental agreements.
- Incorporate sustainable management of natural resources, including biodiversity, in development cooperation programs, and strengthen the focus on environmental and natural resources management issues in PRSPs.
- Strengthen mutually reinforcing economic, employment, social and environmental policies both at EU level and internationally.
- Carry out Trade Sustainable Impact Assessment for each major trade negotiation and propose flanking measures to enhance positive impacts and mitigate negative impacts.
- Enhance corporate social and environmental responsibility both at EU level and internationally.
- Pursue efforts to meet the 2010 EU and WSSD targets to stop / reduce the decline in biodiversity (including through adequately considering the links between biodiversity protection and poverty eradication).
- Pursue efforts to ensure the sound management of chemicals throughout their life cycle in the EU and at global level.

<sup>32</sup> COM(2003)85 on Climate Change in the Context of Development Cooperation.

<sup>33</sup> COM(2001)162 on Biodiversity Action Plan for Economic and Development Cooperation.

<sup>34</sup> COM(2003)251 on “*Forest Law Enforcement, Governance and Trade, proposal for an EU Action Plan*”.

- Pursue efforts to address climate change and implement the United Nations Framework Convention and its Kyoto protocol, for example through mechanisms such as emissions trading, Joint Implementation and Clean Development Mechanisms.
- Co-operate and work further to develop a global framework to address climate change post-2012, based on common but differentiated responsibilities and capabilities of countries.
- Capacity for operation and maintenance in the water sector.

### ***Water & Sanitation***

There have been a number of crucial landmarks over recent years (The Hague, Bonn, and Kyoto Conferences and Johannesburg WSSD) in the international debate on improving water management and access to water and sanitation, and there is a broad international agreement on what needs to be done. In May 2002 a Council resolution was adopted endorsing the European Commission "Communication on water management in developing countries"<sup>35</sup>, which stressed the need to integrate sustainable water management in national and regional development strategies and to support partner countries in developing sustainable solutions. The over-arching policy framework is 'Integrated Water Resources Management' (IWRM), based on a river/groundwater basin approach. IWRM, combined with strong public participation, transparency and accountability, is particularly important for sustainable development and, in the case of trans-boundary waters, for conflict prevention.

#### **Water Initiative & Water Facility**

At the World Summit on Sustainable Development (WSSD) in Johannesburg in 2002, the EU launched a Water Initiative to contribute to the achievement of the MDG and WSSD targets for drinking water and sanitation, within the context of an integrated approach to water resources management. The Initiative covers four geographical regions – Africa, Mediterranean, Eastern Europe/Caucasus/Central Asia (EECCA) and Latin America. The key elements of the Initiative are to reinforce political commitment to action and raise the profile of water and sanitation issues in the context of poverty reduction efforts; to promote better water governance arrangements, to improve co-ordination and co-operation in the way that water-related interventions are developed and implemented; to encourage regional and sub-regional co-operation on water management issues, using the integrated water resources management approach, and to catalyse additional funding.

The €500m ACP-EU Water Facility adopted by the European Council in March 2004 is a response to this latter objective in the ACP region. The ACP-EU Water Facility has been developed as an instrument that can provide the missing link in financing sustainable activities and programmes in the water sector, to leverage other resources (private, development banks, financial institutions, users' contributions, remittances, etc) to finance water and sanitation.

As far as other regions are concerned, €38m have been earmarked from the TACIS Regional Programmes to support the development of the EECCA component of the EU Water Initiative. Also in the Mediterranean and Latin American regions, allocations have been made for future water-related activities.

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<sup>35</sup> COM(2002)132 of March 2002, 'Water Management in Developing Countries Policy And Priorities for EU Development Cooperation'

### **EC priorities and action on the way towards 2015 – goal 7: water**

- Develop integrated water resources management and water efficiency plans, including the establishment of legal and institutional frameworks, and produce sector investment programs focusing on the water and sanitation MDGs.
- Improve water governance, including through stakeholder consultation; establish appropriate mechanisms of coordination on water issues at national level, and facilitate decentralization of decision making on water and sanitation matters by building local government capacity.
- Develop implementation capacity for operation and maintenance in the water sector.

### ***Energy***

In recognizing the importance of improving access to energy for the poor, the EU launched the EU Energy Initiative for poverty eradication and sustainable development (EUEI) at the World Summit on Sustainable Development (WSSD). The objective of the EUEI is to contribute to the achievement of all of the MDGs, with particular emphasis on MDG 1 and 7. Access to energy services facilitates economic development and creates income and employment, for example in agriculture, shops and small enterprises. Energy services can improve access to pumped water for drinking and irrigation of gardens and fields. Energy is necessary for education, and is needed to cook nearly all human food. Furthermore, improved energy efficiency and the use of cleaner and renewable sources of energy can help to achieve a more sustainable use of natural resources, such as woodlands and other types of biomass, and reduce emissions, thus protecting the local and the global environment.

In the Conclusions of the General Affairs Council (8566/04), April 2004, the EU Member States confirmed the need to provide adequate financing for the initiative. The Council furthermore recognised that a strengthened involvement of Commission and Member States is needed to respond to the developing countries' priorities as expressed at the November 2003 EUEI 'Energy for Africa' conference in Nairobi, and requested the Commission to take the lead in the follow-up to this conference. In response, the Commission has proposed to set up an Energy Facility, conceptually similar to the already established Water Facility. Furthermore, specific financial support has been made available in the context of the Intelligent Energy-Europe programme.<sup>36</sup>

In addition, the European Commission hosts the secretariat of the Johannesburg Renewable Energy Coalition, which was launched at the WSSD and provides a unique platform for policy co-operation and discussions on renewable energy, i.a. in view of the CSD 2006/07 where climate change and energy for sustainable development are on the agenda.

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<sup>36</sup> Through the so-called COOPENER field of this programme €17,4m was made available for 50% cost shared actions with EU Member States in the scope of the EUEI, with an initial geographical focus on Sub-Saharan Africa.

### **EC priorities and action on the way towards 2015 – goal 7: energy**

- Improve energy governance, assisting in creating the conditions for sustainable use of modern energy services.
- Assist in leveraging funds for the financing of projects and programmes aimed at increasing access to modern energy services, especially in Sub-Saharan Africa.
- Increase coordination with related sectors (rural development, water, education, health) in order to increase sustainability of actions aimed at reaching the MDG.
- Strengthen the links between EUEI activities to promote sustainable energy services and major investments in the provision of sustainable energy infrastructures.
- Further develop the Johannesburg Renewable Energy Coalition under which the 88 countries that have so far joined the coalition have agreed to set targets and timeframes for increasing the share of renewable energies in their overall energy mix.

#### 4. IMPLEMENTATION OF MDGs 7 & 8 COMMITMENTS

On MDG8 (global partnership for development) and MDG7, goal 9 (environmental sustainability within the EU) the EC performance can be measured relatively precisely. This section of the report looks into the implementation by the EC of its commitments in this area. Analysis will be undertaken indicator by indicator.

##### 4.1. Goal 7: Ensure environmental sustainability of the EU

**Target 9**      **Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources**

Over the years, the EU has implemented a range of environmental measures aimed at improving and protecting the global environment. These include:

- The recent enlargement of the EU to Central and East European countries has helped new Member States to meet the WSSD Plan of Implementation targets and objectives in various sectors such as social policy, environment and development. Acceding countries have adopted ambitious EU standards and made considerable efforts, independently and with the support of EU funding, to upgrade their environmental infrastructure.
- Internationally, the EU has played a leading role in developing a multilateral response to climate change and implementing the 1997 Kyoto Protocol, under which the EU has to reduce greenhouse gas emissions by 8% between 1990 and the commitment period 2008-2012. The European Climate Change Programme launched in 2000 has been the key vehicle in identifying measures to curb climate change. A major landmark measure is the EU emissions trading scheme, which, when implemented from 2005 onwards, will help reduce greenhouse gas emissions at lower cost to industry.
- The EU has set itself the ambitious objective of halting the decline in bio-diversity in Europe by 2010. The Birds and Habitat Directives are important instruments in that respect. As oceans and soil are crucial reservoirs of biodiversity, the EC is preparing comprehensive soil and marine strategies.
- Sustainable management of resources has also been a priority. Recent work has focused on sustainable consumption and production and the development of a strategy on the sustainable use of natural resources, which will assess the extent to which policy choices are compatible with the overall objective of decoupling growth from environmental degradation. The elaboration of this strategy will build upon a number of closely linked initiatives, such as the Integrated Product Policy<sup>37</sup>, the strategy on waste prevention and recycling and the Action Plan on Environmental Technologies.

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<sup>37</sup> Policy that seeks to minimise the environmental degradation caused by the manufacturing, use or disposal of products, by looking at all phases of a products' life-cycle and taking action where it is most effective.

- The Water Framework Directive was a radical modernisation of the EU's water protection policy, based on the important principle of river basin management, asking authorities to cooperate across political and administrative borders to address all the sources of pollution threatening a river basin, transparently and through public participation. With the EU Water Framework Directive, the EU has one of the most advanced water policies in the world and can provide significant experience and expertise. The Water Framework Directive serves as an example of best practice within the context of the EU Water for Life Initiative launched at the World Summit on Sustainable Development in 2002.

- Environment concerns are increasingly taken into account in the policy making process. The overhaul of the Common Agricultural Policy, which decouples subsidies from production levels while introducing cross compliance to good agricultural practices and strengthening agri-environmental measures, will significantly improve the environmental standards of the EU countryside. The reform of Common Fisheries Policy is also a move towards a more sustainable approach to the management of natural resources.

- Protection of human health from environmental threats has been a constant priority for EU environmental policy. The Commission put forward the proposal for a new chemicals policy under which industry will have to provide information on the effects of chemicals on human health and the environment (reversing the burden of proof) as well as on safe ways of handling them. Known as REACH (Registration, Evaluation and Authorisation of Chemicals), the new regulatory system will make a major contribution to improving health and environmental protection while at the same time maintaining the competitiveness of the chemicals industry and fostering innovation.

### Indicators for monitoring progress

This EC report offers only limited statistical information on the EU achievements on MDG7. This relates to the fact that the MDG indicators refer to EU rather than EC figures, which shall therefore be appropriately explored in the forthcoming EU synthesis report. However, it also stems from the experience that some of these statistics are indeed difficult to measure (and hence produce unsatisfactory results) or are not calculated in consistent or at sufficiently frequent time series. This latter observation will also have an effect on the EU synthesis report.

Proportion of EU land area covered by forest		
(FOWL - forest and other wooded land)	1990	2000
<b>EU-15</b>	35,9 %	36,9 %

Source: FAO (assessment is done every ten years)

Ratio of EU area protected to maintain biological diversity to surface area <sup>38</sup>				
	1996	2000	2002	2004
Protected under birds directive	2,5 %	5,3 %	5,5 %	7,5 %
Protected under habitats directive	4,6 %	11,5 %	12,3 %	12,6 %

Source: European Commission (DG ENV)

Energy use in EU (kg oil equivalent) per €1000 GDP (PPP)				
	1991	1995	2000	2002
<b>EU-15</b>	216	207	193	191*
<b>EU-25</b>		231	211*	209*

Source: Eurostat (\* provisional)

Carbon dioxide emissions equivalent in EU (tons per capita)				
	1990	1995	2000	2002
<b>EU-15</b>	11,6	11,1	10,8	10,9
<b>EU-25</b>	11,8	11,0	10,7	10,7

Source: European Environment Agency / Eurostat

Despite of the progress being made, the EU ecological foot print is still too big. Consumption in the EU-15 is over twice the global average. In Western Europe each person consumed the products of nearly 5 hectares yet had only just over 2 hectares available, which results in importation of the output of 3 hectares from the rest of the world. Existing environment legislation needs to be better implemented, and unsustainable trends in some sectors are worsening. Incidents of diseases caused by environmental factors are increasing. Despite some progress on global warming, the EU is at risk of not meeting the Kyoto targets. Most emissions from inland transport (lead, sulphur, CO, NOx, VOC) are declining, however, CO2 emissions remain a worrying exception.

The challenge of the coming years is to speed up the pace of reform and develop balanced policies that will stimulate growth and employment, while also protecting the environment and human health from increasing pressures, to the benefit of current and future generations.

<sup>38</sup>

The overlap between the two Directives is estimated at 80%, meaning that the combined total protected area is probably 20% higher than the figure for the Habitats Directive. Work to clarify this is ongoing. Marine areas are included in 1996, 2000, but excluded in the figure for 2002 and 2004.

## 4.2. Goal 8: Develop a global partnership for development

<b>Target 12</b>	<b>Develop further an open, rule-based, predictable, non-discriminatory trading and financial system (includes a commitment to good governance, development, and poverty reduction – both nationally and internationally)</b>
<b>Target 13</b>	<b>Address the special needs of the least developed countries (includes: tariff and quota free access for least developed countries' exports; enhanced programme of debt relief for HIPC and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction)</b>
<b>Target 14</b>	<b>Address the special needs of landlocked countries and small island developing States (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly)</b>
<b>Target 15</b>	<b>Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term</b>

Goal 8 targets are defined in an integrated fashion, reflecting the fact that the partnership with developing countries has both financial and trade dimensions. This section of the report looks at EC contributions in the area of financial assistance (ODA), trade and debt sustainability, which are all aimed at reaching the MDG8 targets.

### 4.2.1. Official Development Assistance

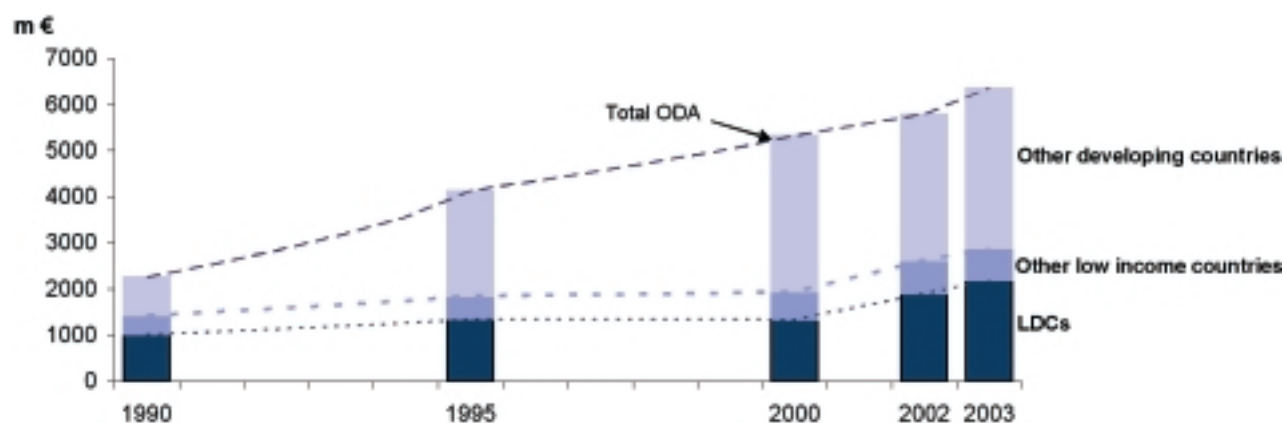
Collectively the European Union contributes more than 50% of the worldwide Official Development Assistance (ODA). More than one fifth of the combined EU aid is managed by the European Commission, which makes it the world's third donor in ODA volume. Over the past few decades, EC ODA has gradually increased. EC disbursements in official development assistance have reached €6,3bn in 2003 which represents a 20% rise as compared with 2000.

As explained in section 2.1 of this report, EC development assistance contributes both directly and indirectly to the reduction and eventual eradication of poverty, in full consistency with the MDG orientations and targets. In this context, the allocation of EC ODA has recently also been linked with some of the specific MDG indicators:

- The share of ODA allocated to Low Income Countries (LICs) and Least Developed Countries (LDCs) has constantly increased, and currently exceeds the DAC average.
- The 35% benchmark of EC ODA targeting social sectors that was set by the European Parliament has been reached as from the year 2003.
- ODA allocations were increasingly targeted at the six EC focal areas, producing particular added value in supporting progress towards the MDGs.

- Specific MDG related initiatives received extensive support, such as the €500m Water Initiative.
- An incremental share of Community assistance was moved towards budget and sector support.

Net ODA by EC (1990-2003), current million € (disbursements)



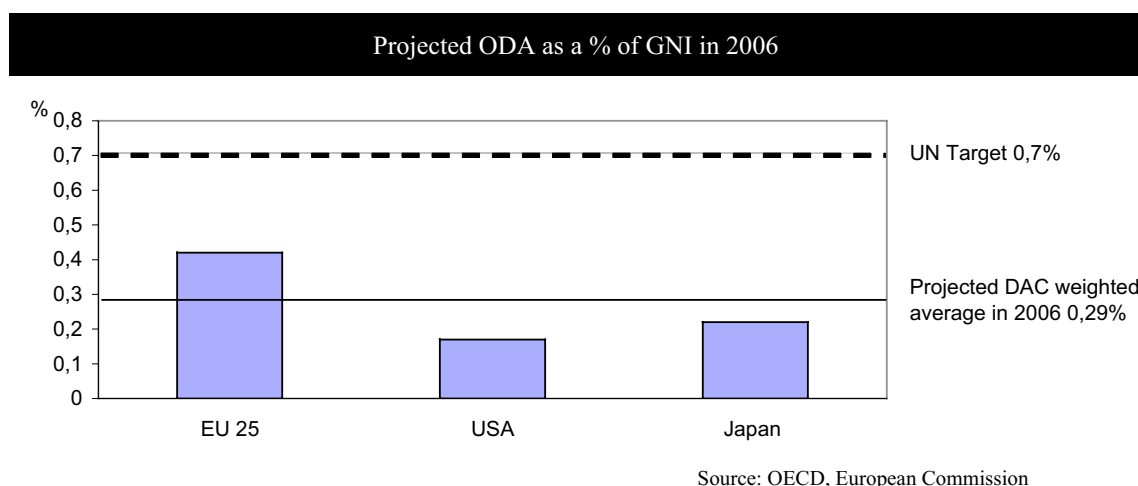
Source: OECD, European Commission for 2002 and 2003

At the International Conference on Financing for Development (FfD) in Mexico in March 2002, the international community adopted the so-called Monterrey Consensus, offering a comprehensive agenda for action. Acting collectively at Monterrey, the Union contributed significantly to the overall positive outcome of the Conference. This contribution is summarised in a series of explicit commitments, adopted at the European Council in Barcelona on 14 March 2002.

#### The Barcelona Commitments

- Examine the means and timeframe for each EU Member State to reach the UN target of 0,7% ODA of Gross National Income (GNI), with an intermediary target of 0,39% by 2006, by which time the Member States should reach the target of at least 0,33% of GNI individually.
- Improve aid effectiveness through closer coordination and harmonisation, and take concrete steps to this effect before 2004.
- Take measures with regard to untying of aid to Least Developed Countries (LDCs).
- Increase its Trade Related Assistance (TRA).
- Support the identification of relevant Global Public Goods (GPG).
- Explore innovative sources of financing.
- Support reforms of the International Financial Systems and strengthen the voice of developing countries in international economic decision-making.
- Pursue the efforts to restore debt sustainability in the context of the enhanced Heavily Indebted Poor Countries (HIPC) initiative.

The European Union mandated the Commission to produce annual monitoring reports on the implementation of the Barcelona commitments. The most recent report<sup>39</sup> has shown that the Union remains firmly engaged in the FfD process and is on track for meeting its 2006 interim targets for increase in the volume of Official Development Assistance (as a share of GNI). Some Member States, who have not yet met the UN target of 0,7% ODA/GNI, have chartered new steps and set a timetable for reaching this goal. Other Member States appear to have more difficulties in delivering on their commitments. In conclusion, the report has indicated that the financial gap towards the financing of the MDGs is far from being narrowed, and increased efforts are imperative.



### Indicators for monitoring progress

**Net ODA provided by EU-15, total and to LDCs, as percentage of gross national income**

	1990	1995	2000	2002	2003
<b>Net ODA (total)</b>	0,44 %	0,37 %	0,32 %	0,35 %	0,35 %*
<b>Net ODA to LDCs</b>	0,15 %	0,09 %	0,09 %	0,10 %	

Source: OECD (\*provisional)

**Net ODA provided by the EC, total and to LDCs, in current million € (disbursements)**

	1990	1995	2000	2002	2003
<b>Net ODA (total)</b>	2.255	4.130	5.330	5.790	6.349
<b>Net ODA to LDCs</b>	1.007	1.344	1.337	1.901	2.194*

Source: OECD, European Commission for 2002 and 2003 (\* provisional)

<sup>39</sup> COM(2004)150. Translating the Monterrey Consensus into practice: the contribution by the European Union, March 2004.

Proportion of EC's total bilateral sector-allocable ODA provided to basic social services (basic education, primary health care, nutrition, safe water and sanitation - commitments)		
	2000-01	2002-03
Percentage of EC development assistance (two year average)	11,4 %	13,5 %

Source: European Commission on the basis of EC Annual DAC reporting to the OECD

Proportion of EC's ODA that is untied				
	1995	2000	2002	2003
Percentage of EC ODA fully tied	0 %	0 %	0 %	0 %
Percentage of EC ODA partially untied <sup>40</sup>	82,0 %	70,5 %	68,3 %	66,1 %
Percentage of EC ODA fully untied	18,0 %	29,5 %	31,7 %	33,9 %

Source: European Commission – provisional calculations

EC aid is by definition untied vis-à-vis its Member States as well as the developing countries with which it cooperates. Due to this specific situation, the Commission has no history of OECD/DAC reporting on this indicator. The figures in above table are therefore of a provisional nature and may be refined at a later stage. It shall furthermore be recalled (ref. section 2.2. of this report) that the Commission has presented EU Member States and European Parliament with proposals for further untying of EC aid, beyond the OECD/DAC recommendations, to include nearly all developing and transition countries, with the possibility of full untying to non-EU donor countries on condition of reciprocity.

Proportion of EC's ODA provided to landlocked countries					
	1990	1995	2000	2002	2003
Percentage of EC development assistance	20,3 %	20,0 %	14,8 %	16,4 %*	19,4 %*

Source: OECD (\* provisional)

Proportion of EC's ODA provided to small island development states					
	1990	1995	2000	2002	2003
Percentage of EC development assistance	6,6 %	7,3 %	4,0 %	2,8 %*	2,2 %*

Source: OECD (\* provisional)

<sup>40</sup> Partially untied = untied within EU and vis-à-vis (groups of) partner developing countries with whom the EU has entered into an international agreement (e.g. Cotonou)

#### 4.2.2. Trade and development

Trade can contribute positively to the MDGs through its impact on economic growth. It has been estimated that a pro-poor outcome of the current Doha Development Agenda (DDA) could increase global income by up to \$291bn, with \$159bn of this accruing to developing countries<sup>41</sup> (over 70% of these gains would however come from developing countries' own reforms).

A positive and balanced outcome of the current negotiations, notably with respect to sustainable development (economic, social and environmental), is a key potential contributor to achieving the MDGs. Trade Related Assistance and Special and Differential Treatments under the DDA are, however, a necessity, in particular in favour of the poorest countries, which may not be ready to face the increased competition resulting from market liberalisation. While trade alone cannot solve development problems, openness to trade and support for supply capacity are important elements in any coherent development strategy. The trade dimension should therefore be fully incorporated, for example, in the Poverty Reduction Strategy Papers (PRSPs). Implementation of trade agreements should also be given a greater focus to optimise the contribution of trade policy to all pillars of sustainable development, including poverty reduction. Trade liberalisation should be a means to achieve the ultimate objective of reducing poverty through economic development based on decent work and respect for the environment.

EU trade policy aims to contribute to a more equitable integration of developing countries into the international trading system through coherent action on three levels: multilateral (which remains the key area of EU trade policy), bilateral and unilateral.

##### *The multilateral level*

The European Union was instrumental in placing development at the heart of the Doha Development Agenda and has since been active in seeking a successful outcome to the DDA which is supportive of development. The EU has made bold proposals which were crucial for making progress and reaching a framework agreement in July 2004, notably in the following areas:

Subsidies in the **agricultural sector** and market access are critical to the DDA negotiations, as highlighted by the UN's MDG reports. The proposal made by the EU to all WTO Members in May 2004 to eliminate export subsidies by an end date, providing equivalent treatment of other types of export support, has opened the way to the WTO framework agreement of August 2004. Key elements of this agreement are the elimination of export subsidies and export credit over 180 days by an end date to be agreed, as well as the disciplines to be developed on export credits below 180 days, food aid and state trading enterprises, together with a substantial reduction of trade-distorting domestic support, and market access provisions ensuring substantial improvements whilst recognising the need for particular treatment of sensitive and special products.

Having eliminated all forms of export support, provided free market access and significantly reduced trade distorting domestic subsidies in the sector of cotton, the EU also strongly supported addressing the **cotton** issue "ambitiously, expeditiously, and specifically" in the WTO agriculture negotiations.

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<sup>41</sup> Global Economic Prospects 2004, World Bank, Washington.

In the area of **non-agricultural market access**, the EU has proposed to apply a non-linear formula achieving deeper cuts on higher tariffs, as well as sectorial initiatives on products of export interest to developing countries, such as clothing and footwear, to bring tariffs on these products as close as possible to zero.

In the **service** area, the EU has tabled an ambitious offer covering areas of interest to developing countries, including “mode 4” (temporary presence abroad and professional activities of natural persons). The EU consistently called on all WTO Members to make further progress in this potentially important area of growth for developing countries, by tabling improved offers and showing openness to developing country interest.

Through its significant potential to contribute to trade and development, the EU was among the staunchest proponents of launching negotiations on WTO rules on **trade facilitation**, as agreed in the July framework agreement. The negotiations shall also aim at enhancing technical assistance and support for capacity building in this area, a field in which the EU is a leading donor. Vast amounts of time and money are wasted because of outdated customs and border procedures and practices. The cost of such procedures may be 4-5 % of the overall cost of trade transactions, which is about the same as the current average tariff on trade in industrial goods of industrialised countries. Halving the costs would mean saving €325bn.

After the adoption of the “**Everything But Arms**” initiative in 2001 (see below), the EU called upon other developed WTO Members and advanced developing countries to grant duty- and quota-free access to LDC exports.

The EU also participated actively in the negotiations on **Anti-Dumping** and **Subsidies**. Disciplines on Anti-Dumping proceedings are increasingly important for the trade of developing countries as these countries have become the main target of such proceedings. The proposal tabled by the EU to prohibit capacity enhancing subsidies in the fisheries sector was welcomed by a large number of developing countries.

The EU took every opportunity to make progress in the area of **Special and Differential Treatment** (SDT) as well as **Implementation**, notably by proposing to address, as a matter of priority, the concerns of LDCs and other weak and vulnerable countries in a similar situation.

The EU has played a pro-active role in ensuring better **access to medicines** for people in developing countries.

#### **Affordable medicines**

The EU has been at the forefront of efforts to ensure access to essential medicines for developing countries. These efforts were most apparent in the adoption of the Doha Declaration on TRIPs and public health in November 2001, which confirms the right of WTO members to use flexibilities in the TRIPs Agreement, including issuing compulsory licenses on pharmaceutical products for reasons of public health. It also allows LDCs to defer implementation of patent law with respect to pharmaceuticals until 1 January 2016. Further to this decision, the EU played an active role in proposing solutions to address difficulties faced by WTO members with insufficient manufacturing capacity in making effective use of compulsory licensing. The TRIPs Agreement originally authorised the granting of compulsory licenses only if they were “predominantly for the supply of the domestic market”. In August 2003, after lengthy and at times difficult negotiations, the WTO General Council adopted the Decision on the Implementation of Paragraph 6 of the Doha Declaration on the TRIPs Agreement and Public Health, allowing for the granting of compulsory licenses also in the case of exports to countries with insufficient manufacturing capacity. The European Commission is now actively participating in the work to transpose the 30 August Decision in an amendment to Article 31 of the TRIPs Agreement. The EC is finalising a draft Regulation to implement this decision to be

directly applicable in the EU. The EC also attaches great importance to ensuring that the Doha Declaration is not undermined either in the formal amendment of the TRIPs Agreement, through bilateral trade agreements, or through national legislation. Furthermore, the EU has strongly encouraged the pharmaceutical industry to adopt a policy of tiered pricing in order to supply the developing world with medicines at the lowest possible price. For such a policy to be viable, there must be protection against trade diversion of tiered priced medicines to OECD markets. The EU has responded to this need by adopting Regulation 953/2003 (on 26 May 2003) which prohibits the (re)-import into the EU of pharmaceutical products identified as “tiered priced products”<sup>42</sup>. The EC is strongly supporting advocacy that can contribute to a further lowering of prices.

Following the setback at Cancun the EU made a series of proposals to improve the **functioning and the transparency** of the WTO, which would favour all voices, including developing countries’, to be heard in a more consistent fashion. In the short term, the EU suggested focusing on a few organisational improvements that could be introduced more easily - improving the conduct and management of Ministerial Conferences, facilitating full participation and establishing an advisory group to prepare work on behalf of members.

The EC also aims at reinforcing the mutual supportiveness between trade and **environment policies**, where the development dimension is increasingly important. For example, the liberalisation of trade in environmental goods and services has the potential to facilitate all countries' access to environmental technologies, for example in the water and renewable energy sectors, thereby contributing to MDG7. Technical assistance on trade and environment should support developing countries' efforts to satisfy the environmental requirements of developed countries' markets while addressing their own environmental problems.

With a view to improving people's access to safe water, sanitation and clean energy, the EC has launched an initiative to amend the OECD disciplines on export credits with a view to allowing export credit agencies to grant a more favourable treatment to projects related to water or renewable energies. This is expected to be the subject of negotiations in 2004 and 2005 in the OECD

Finally, the EU has supported the **reform of the International Financial System** to combat abuses of financial globalization, strengthen the voice of developing countries in the decision-making of the Bretton-Woods institutions and enhance the coherence between the UN, International Financial Institutions and the WTO.

### *The bilateral level*

Since the entry into force of the Lomé Convention in 1975, the EU applies a preferential trade regime to ACP countries, with tariff reductions that go far beyond GSP preferences and that today grants duty-free treatment for some 99% of ACP exports. In June 2000 the EU signed the Cotonou Agreement with the 78 ACP countries based on three pillars: political co-operation, development co-operation and economic and trade co-operation<sup>43</sup>. This includes progressively removing barriers to trade and enhancing co-operation in all trade relevant areas. The new arrangements, called Economic Partnership Agreements (EPAs), will go beyond the traditional approach of trade preferences. EPAs are not classical free trade negotiations but are instruments for development. The aim is further to establish a joint body

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<sup>42</sup> This protection is granted on the condition that the products are made available either with a price cut of 75% off the average ‘ex factory’ price in OECD countries, or at the cost of production plus 15%.

<sup>43</sup> Article 34 states that “economic and trade co-operation shall aim at fostering the smooth and gradual integration of the ACP States in to the world economy, with due regard for their political choices and development priorities, thereby promoting their sustainable development and contributing to poverty eradication in the ACP countries”.

(‘Observatoire’) under each EPA to develop dialogue and partnership on sustainable development issues. Thus they will combine market access with tackling bottlenecks in all areas relevant for trade and link up with development cooperation focussing on capacity- and supply side constraints. Most importantly, they will be based on, and seek to reinforce, regional integration structures within the ACP.

### **Economic Partnership Agreements**

The EPA negotiations were launched in September 2002. Following one year of discussions at the all-ACP level, negotiations at the regional level were opened in October 2003 with the first of 6 ACP regions. Since September 2004 negotiations with all 6 ACP regions have been launched. The new trading arrangements are expected to enter into force by 1 January 2008 at the latest. Meanwhile, Article 36 of the Cotonou Agreement maintains the non-reciprocal trade preferences that were applied under the Fourth Lomé Convention.

In addition to the EPAs, the EU has established preferential market access through a number of bilateral trade agreements with countries such as South Africa, Mexico, Chile and others. On a regional scale, negotiations with Mercosur are ongoing. With its poorer neighbours in the Mediterranean region the EU has engaged in the so-called Barcelona Process aiming at the establishment of a Euro-Mediterranean Free Trade Area by 2010. The network of bilateral Association Agreements between the EU and Med countries necessary for this endeavour is now almost complete<sup>44</sup>.

#### ***The unilateral level***

In addition to the multilateral level, the EU has, for many years, operated unilateral preferential market access schemes under the Generalised System of Preferences (GSP) to provide developing countries with an added advantage on its market. This system, which covers 178 independent countries and territories, provides access at zero rates for half the products covered and tariff reductions for the rest. The GSP also provides further preferential access to countries which respect Core Labour Standards and those which make special efforts to protect the environment or combat the drugs trade. The reasoning behind these special incentive clauses is that for development to be sustainable it needs to be socially equitable and respect the environment. At the same time illegal trading in general, and drugs trading in particular, hinders development. Apart from the obvious difficulties caused by criminalising production, the rents from such trade are captured by a very small portion of the population and thus are not conducive to pro-poor growth.

A new GSP scheme for the period 2006-2015 is currently being defined. The objective of the revision will be to ensure stable, predictable and straightforward access for developing countries to the EU market, while targeting it at countries most in need of support and providing incentives to follow a sustainable path to development, in compliance with the interpretation of the Enabling Clause in the recent case brought by India against the existing scheme.<sup>45</sup>

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<sup>44</sup> The Association Agreements confirm and strengthen the existing provisions on duty-free access to the EU in industrial goods originating in MED countries and foresee the progressive and reciprocal liberalisation of trade in agricultural goods, as well as fisheries and processed agricultural products. For their part, MED countries will progressively dismantle their tariffs on imports of EU industrial goods largely over a period of 12 years.

<sup>45</sup> Appellate Body WT/DS 246/14

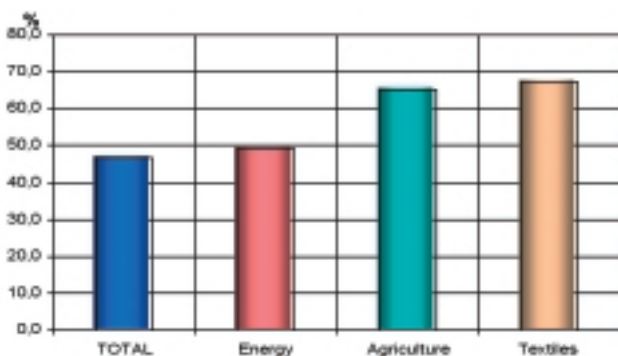
## Everything But Arms

In 2001 the EU established a specific scheme for Least Developed Countries, called Everything But Arms (EBA). This scheme ensures quota and tariff free access to the EU market for all products but arms from the 50 LDCs<sup>46</sup> (although transitional periods exist for rice, bananas and sugar<sup>47</sup>). EBA is the most significant preference scheme for LDCs and is instituted for an unlimited time period. Across the board preferences, such as granted with EBA, should enable a greater use of preferences by beneficiary countries, as they are administratively simpler, and should make an enhanced contribution to development in these countries, as they do not distort production or trade decisions, as product specific preferences have sometimes done.

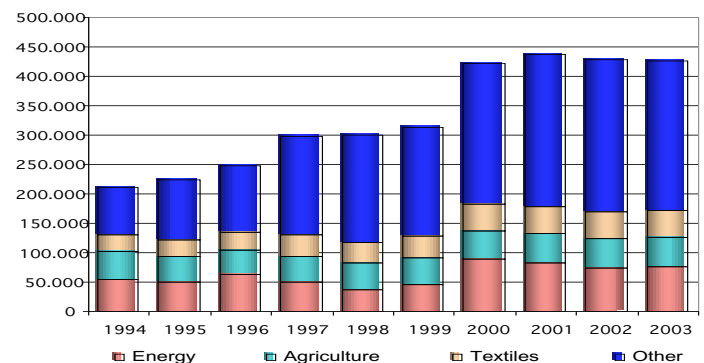
### Trade flows

The extent to which the EU market is open to developing country partners is best judged by actual trade flows. In this context the EU is clearly the world's number one destination for developing countries' exports. Imports from developing countries have experienced steady growth over the past decade, but have levelled off over the past two years, as have all imports, due to the global economic situation. In 2003, the EU's imports from developing countries amounted to 47% of its total imports and around 66% of its agricultural imports came from the developing world (more than €48bn in value)<sup>48</sup>. Among developed countries, the EU is the most important market for developing countries in general and for LDCs in particular. For instance, the combined QUAD<sup>49</sup> imports from LDCs show that the EU's shares are 71% for agricultural products and 59% for all imports (amounting to €12,6bn in 2003).

Developing countries' share in EU imports (2003)



EU imports from developing countries (1994-2003), in million €

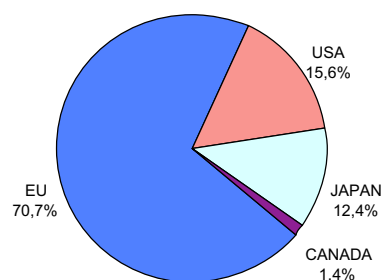
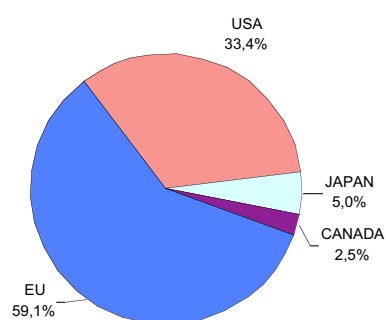


<sup>46</sup> While all LDCs are eligible under the EBA scheme, it is of particular importance to the Asian LDCs (Bangladesh, Bhutan, Cambodia, Laos, Maldives, Nepal) and Afghanistan and Yemen as the other LDCs are also covered by Cotonou. Furthermore, the possibility of regional cumulation for rules of origin under the scheme supports regional integration in ASEAN and SAARC.

<sup>47</sup> These will be phased out by 2006 (for bananas) and 2009 (for rice and sugar).

<sup>48</sup> Source : Eurostat (Comext).

<sup>49</sup> EU, USA, Japan and Canada.



Source: Eurostat (COMEXT, COMTRADE)

EU figures indicate that between 98% and 99% of imports from ACP countries were offered duty-free treatment during the past few years. Imports from the small number of remaining LDCs outside the ACP framework enter the EU market under the GSP/Everything But Arms scheme. Over the past years, the share of imports from LDCs entering duty-free has increased. The two schemes taken together have the effect that more than 97% of imports from LDCs enter the EU duty-free.

### Indicators for measuring progress

The following aggregated figures on duty free imports from developing countries into the EU were calculated by the World Trade Organisation (WTO), the International Trade Centre (ITC) and UNCTAD.

Proportion of total EU imports from developing countries and LDCs, admitted free of duties			
	1996	2000	2002
<b>Developing countries</b>			
- excluding arms	44,6 %	62,2 %	67,5 %
- excluding arms and oil	35,4 %	55,2 %	63,0 %
<b>LDCs</b>			
- excluding arms	94,4 %	97,8 %	97,2 %
- excluding arms and oil	94,0 %	97,5 %	96,7 %

There is an ongoing discussion on how best to indicate the level of protection. The above MDG indicator is one option. A more meaningful overall trade restrictiveness index was recently developed by the World Bank and the IMF. This index incorporates MFN tariffs,

NTBs, domestic agricultural support and trade preferences granted. The index found that the EU is the most open major trading partner to exports from developing countries and LDCs.<sup>50</sup>

In this context, textiles and clothing is an important sector for developing countries. The EU has favourable schemes in place for developing countries in this area: no tariffs and quotas are imposed on the LDCs and more advanced developing countries benefit from duty reductions under the GSP scheme. At the multilateral level, the textile sector has been progressively liberalised and all remaining quotas will be phased out by 1 January 2005.

It is difficult and can indeed be misleading to speak in general terms of indicators such as average tariffs on products for they do not capture the diversity of the EU preferences granted to the different groups of developing countries<sup>51</sup>. Calculating average tariffs is moreover part of an ongoing academic debate. As a result, the EU does not produce any figures on average tariffs. As average tariffs have, however, been chosen as one of the indicators considered to be representative, the following figures compiled by the OECD/WTO are presented below.

<b>Average tariffs imposed by the EU on agricultural, clothing and textiles from developing countries</b>			
	<b>1996</b>	<b>2000</b>	<b>2002</b>
<b>Textile products</b>			
--- developing countries (excl. LDCs)	6.9 %	6.2 %	5.4 %
--- LDCs	0	0	0.2 %
<b>Clothing products</b>			
--- developing countries (excl. LDCs)	10.6 %	10.2 %	9.6 %
--- LDCs	0	0	0.9 %
<b>Agricultural products</b>			
--- developing countries (excl. LDCs)	13.4 %	11.7 %	11.1 %
--- LDCs	3.3 %	3.0 %	2.2 %

Source: WTO, ITC, UNCTAD

### ***Trade related assistance***

Market access is a necessary, but not sufficient condition to secure increased trade. The importance of trade related assistance and capacity building was clearly recognised by the Commission in its Communication on trade and development.

The EU has significantly stepped up its trade-related assistance in the past years and will continue to pursue these efforts. The Doha Database reveals that the European Union (EC and Member States) is by far the largest donor for Trade Related Assistance providing nearly 50% of funding worldwide. In the period 1996-2000, the support for trade related projects amounted to a value of around €640m. After Doha the EC committed €2,8bn in the period 2001-2004 for Trade Related Assistance with an average of €700m annually. The EU is also

<sup>50</sup> Global Monitoring Report 2004 by the World Bank and IMF.

<sup>51</sup> Moreover, much depends on the methodology chosen (for example, simple averages versus trade weighted averages).

the main donor in the area of multilateral trade related technical activities. In the Integrated Framework it acts as facilitator for several beneficiary LDCs. The EU funds more than 50% of the budget of the IF Trust Fund and the Doha Trust Fund (providing technical assistance to enhance the negotiating capacity of developing countries). Furthermore, the recent launch of an on-line help desk assists exporters from developing countries to access more easily the EU market.<sup>52</sup>

Proportion of EC's sector allocable ODA provided to help build trade capacity	
2001	2002
14,5 %	11,9 %

Source: WTO-OECD Trade Capacity Building Database

### *Agricultural subsidies*

The EU is aware that, as regards domestic support to the agricultural sector, subsidies that encourage production can have a distorting effect on world markets, since they can lead to increased production and exports. The EU has engaged in a substantial reform process of Common Agricultural Policy (CAP) (see paragraph 2.3), which results in a drastic change of the nature of its support to the agricultural sector.

The changing nature of agricultural support in the EU has been evident on **export refunds**, one of the most visibly trade distorting instruments. The proportion of the EU's farm budget spent on export refunds is down from 30% in 1990 to less than 8% in 2002 (corresponding to €8-10bn in 1990-92 and around €3bn in 2002). Finally, overall agricultural expenditure has been reduced, despite the increased size of the agricultural sector due to the accession of ten new Member States, resulting in a corresponding reduction in the relative importance of agricultural support compared to GDP.

In the discharge resolution for the 2001 financial year, the European Parliament called for an evaluation of all export refund schemes and their impact on world hunger, as well as corresponding increase in food aid. The Commission took the commitment to carry out this study under the title "Impact of export subsidies on world hunger".

#### **Total Support Estimate**

This report uses the agreed OECD figure of "Total Support Estimate" (TSE, an estimate of gross public support to the whole agricultural sector) as an indicator of policy progress in this area. However, this indicator is not a measure of the potential impact of agricultural subsidies on international trade and developing countries markets. It includes not just subsidies to farmers but wider public expenditures for the agricultural sector, like research, vocational training, veterinary and phytosanitary measures, some rural infrastructure, etc. It also includes an estimate of the non-monetary transfers from domestic consumers to producers resulting from border protection. It would therefore be misleading to use these data as approximations of trade distortive subsidies granted to farmers.

<sup>52</sup>

<http://export-help.cec.eu.int>

The impact of various support measures on the world market can be very different depending on their nature. OECD work indicates that decoupled payments, for example, have only 15% of the distorting effect of market price support. A mix of indicators, rather than the mere use of TSE, would be needed to give an overview of progress<sup>53</sup>.

As a result of successive reforms of the Common Agricultural Policy, the composition of the EU TSE has profoundly changed over time. At the same time, the EU TSE as a percentage of GDP decreased from 2,68% during the period 1986-88 to 1,27% during 2001-2003. It will further decrease with the latest reform of EU agricultural policies. All of these changes serve to reduce the distorting effect of EU internal policy on world markets and thus reduce the potential negative impact on farmers in developing countries.

EU domestic agricultural support (TSE) as % of GDP				
1990	1996	2000	2002	2003
2,2 %	1,7 %	1,3 %	1,2 %	1,3 %

Source: OECD

#### 4.2.3. Debt

The Highly Indebted Poor Countries (HIPC) Initiative was proposed by the World Bank and the IMF in 1996 as a co-ordinated approach to bring down poor countries' external debt to a sustainable level. The initiative involves both bilateral and multilateral public creditors as well as commercial creditors. In 1999 the Initiative was revised and strengthened and, in the same year, endorsed by the G7 summit in Cologne, Germany. The enhanced version of HIPC was put in place in September 1999<sup>54</sup>.

The HIPC initiative has multiple dimensions emphasising debt relief but linking it to poverty reduction, structural adjustment and social policy reform, in particular the health and education sectors. There are currently 42 countries that are potentially eligible for HIPC support, the majority of which are located in Sub-Saharan Africa. By September 2004, 27 countries had actually entered the initiative and reached '*decision point*' – being thus eligible for the receipt of interim relief. Among these, 14 countries have reached '*completion point*', making them eligible for irrevocable relief. The last country having reached decision point was the Democratic Republic of Congo (DRC) in 2003.

The most recent total cost estimate of debt relief assistance under the HIPC initiative amounts to US\$ 54,5bn for the countries<sup>55</sup> currently covered by the World Bank, changing only a little from last year's estimates. The costs are almost equally divided between bilateral and multilateral creditors.

<sup>53</sup> OECD (2003) Workshop on Improving Indicators of Support for Agricultural Policy Evaluation Paris 30 June 1<sup>st</sup> July 2003, Background and issues paper.

<sup>54</sup> Major modifications introduced by the enhanced HIPC regarded eligibility criteria (a lower NPV debt-to export target 150 percent and debt-to-revenue target to 250 per cent with lower threshold for the latter 30 percent export-to-GDP, and 15 percent revenue-to-GDP), earlier assistance, link timing of completion point with implementation of structural reforms.

<sup>55</sup> Includes Liberia, Somalia and Sudan, but excludes Angola, Kenya, Lao PDR, Vietnam and Yemen. The potential costs of additional assistance at completion point (topping up), recently estimated at approximately US\$ 1,1bn are also excluded.

### EC contribution to HIPC

The EC has always been deeply committed to the HIPC initiative. So far, the EC has pledged more than €1,6bn to the initiative: €680m, as a creditor, on its own claims, and €934m as the most important donor to the HIPC Trust Fund.

In addition to these amounts the Commission has supported HIPC eligible countries in the clearance of their arrears to the EC, and in some exceptional cases also to other multilateral institutions.

The Commission has participated also to the international debates on debt issues with two studies, one on the use of HIPC funds in beneficiary countries and a second on the perspectives “Beyond HIPC”.

Recent evidence shows that post-completion point countries have higher debt to exports ratios than the current HIPC target of 150%, indicating that a gap between the stated objectives of the initiative and its implementation still persists. The solution of monitoring only new lending activity, while being an essential activity to ensure long term debt sustainability, does not seem to solve the problem in the case of existing debt distressed countries.

The moving of the sunset clause of the HIPC initiative to end 2006 does provide the opportunity for some eligible **post conflict countries** to build the necessary track record to enter the initiative, but shall not stop the international community from searching alternative options for those countries that will remain excluded at the expiry of the sunset clause.

Considering the above elements some countries have recently proposed a **100% debt cancellation** for HIPC graduates and/or for all low income countries. Against this option it could be argued that the current debt relief initiative has already affected the allocation of aid in a way which is not compatible with lessons learnt on aid effectiveness. Example: in terms of relief per capita the HIPC country benefiting the most of the initiative is Guyana (769 USD/capita) which ranks 92 in the 2001 Human development Index, whereas Niger, ranking 174 in the same HDI, gets only 48 USD per capita relief. While debt relief provides a predictable flow of resources in the medium term with a limited set of conditions, it is not a panacea, and does not, in itself, create resources, reduce poverty or promote development.

### Indicators for monitoring progress

Debt relief provided under HIPC initiative, in million €					
	2000	2001	2002	2003	Total
Commitments	1.082	0	60	460	1.602
Disbursements	410	350	180	209	1149

Source: European Commission

Debt relief provided under HIPC initiative as percentage of ODA				
	2000	2001	2002	2003
Disbursements	8 %	5 %	3 %	3 %

Source: European Commission

## 5. PRIORITIES AND ACTION ON THE WAY TOWARDS 2015

The MDGs can still be achieved. 11 more years remain until the 2015 deadline. To use this time effectively we do, however, need a quantum leap in scale and ambition, both in terms of resources and policies. If this is to become a reality, 2005 is the critical year, and the UN stocktaking event the critical opportunity, and possibly the last occasion, to get back on track and to start making tangible progress towards reaching our objectives.

Decisive action is needed from both developing and developed countries. The MDGs are a global project. They are the most comprehensive and challenging case for multilateralism in the world today. Global partnership assumes that **developing countries** fulfil their commitment to reallocating and mobilizing more domestic resources, reforming institutions to suit national priorities, and adopting effective nationally owned economic and social policies that can provide the necessary impetus to economic growth. **Developed countries** and the international community face the responsibility of increasing and improving development assistance, of concluding a new development-oriented trade round, embracing wider and deeper debt relief, and fostering technology transfers<sup>56</sup>.

The EU is fully aware of both the magnitude and the urgency of the task ahead. It has committed itself to strengthening its leadership role in the fight against global poverty. With regard to the two major dimensions of MDG8, **finance** and **trade**, the EU will explore possibilities to further increase its contribution to the global partnership. In terms of geographical priorities, the EU has expressed deep concern over the lack of progress on the MDGs in **Sub-Saharan Africa**, and is committed to examining options for additional action to bring the development process forward<sup>57</sup>.

The EU synthesis report due to be presented in April 2005 will elaborate in more detail on the actions required, and will elaborate on specific proposals in this respect. At this stage it would not be appropriate to establish an exhaustive list, however, the agenda for EU action could involve the following elements:

### *(1) Finance for Development*

*Most estimates suggest that roughly €50bn a year in additional ODA will be required to achieve the MDGs<sup>58</sup>.*

*The EU will intensify its efforts to fulfil the commitments undertaken in Monterrey, including through the exploration of innovative sources of financing<sup>59</sup>.*

EC priorities and actions in this area will be elaborated in the context of the **follow up** to the **Monterrey** International Conference on Financing for Development and the EU commitments taken in this framework (**‘Barcelona commitments’**). They may include the following:

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<sup>56</sup> UNGA (A/59/282) Implementation of the United Nations Millennium Declaration, Report of the Secretary-General, 27 August 2004, page 11.

<sup>57</sup> Conclusions General Affairs and External Relations Council (GAERC), June 2004.

<sup>58</sup> Global Monitoring Report 2004: *Policies and Actions for Achieving the Millennium Development Goals and Related Outcomes*, June 2004, World Bank, page 167.

<sup>59</sup> Conclusions General Affairs and External Relations Council (GAERC), June 2004.

- Increase of the volume of ODA – for instance through the definition of new interim targets for the period beyond 2006, or a fixed calendar of gradual increases – in view of reaching the 0,7% ODA/GNI objective as soon as possible.
- Improve aid effectiveness, by making it more predictable and stable, through a reduction of the transaction and negotiation costs and through innovative ways of delivering the required resources<sup>60</sup>. In a similar vein, reforming conditionality may become an additional priority.
- Establish new forms of taxation, e.g. carbon tax, tax on aviation fuel, currency transaction tax. Consider implementation of new mechanisms such as the International Finance Facility (IFF), which does not produce additional ODA, but effectively frontloads the disbursement of expected future increases of ODA.
- Consider new options to address the debt crisis, both within and beyond the HIPC initiative.

## ***(2) Policy coherence for Development***

*'We believe that globalisation could and should be a force for a brighter future for all people. Unfortunately today's globalisation falls short of this promise and actually is morally wrong and politically unsustainable.'* (President Halonen)<sup>61</sup>

*'There is no future in globalisation that destroys the social and environmental balances, crushes the weak and denies human rights.'* (President Chirac)<sup>62</sup>

More finance and improved aid delivery are undeniably important. However, in order to allow the developing world to reach the MDGs by the year 2015, more conditions should be fulfilled and efforts to work towards fairer globalisation should be intensified<sup>63</sup>. Sustainable economic growth, a clean environment, better infrastructure, a conducive business climate, investment in human resources, promotion of decent work for all, and good governance are some of the key drivers for development. EU policies should facilitate the efforts of developing countries in these and other areas, both through direct support, and by ensuring that the external effects of domestic EU policies contribute to (rather than undermine or contradict) the development objectives of these countries.

In this context, priorities and actions for EC include:

- Work towards a development friendly and sustainable outcome of trade negotiations at the bilateral and multilateral level, notably the EU-ACP Economic Partnership Agreements and the Doha Development Agenda.

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<sup>60</sup> These issues will be addressed in an Action Plan, under preparation by the EU Ad Hoc Working Party on Coordination and Harmonisation.

<sup>61</sup> Statement at the presentation of '*A Fair Globalisation: Implementing the Millennium Declaration*', World Commission on the Social Dimension of Globalisation, 20 September 2004, New York.

<sup>62</sup> Id.

<sup>63</sup> COM(2004)383 of May 2004 '*The social dimension of globalisation - the EU's policy contribution on extending the benefits to all*'.

- Decrease substantially the level of trade distortion related to its support measures to the agricultural sector, in the context of the implementation of the 2003/04 Common Agricultural Policy (CAP) reforms.
- Ensure implementation of the 2002 Common Fisheries Policy (CFP) reform proposals, by effectively shifting from access fisheries agreement to partnership fisheries agreements.
- Address globalisation by improving policy coherence and governance both at global, regional and national level and by strengthening its social dimension.
- Support institutional and regulatory reforms which lead to sustainable formal job creation, effective labour markets and redistribution mechanisms including social protection.
- Increase quantity and quality of trade related assistance, including SPS related programmes.
- Promote better involvement of non-state actors, respect for core labour standards and promotion of social dialogue.
- Exploit the synergies between migration and development (remittances, brain gain, migration management, temporary labour migration (including through ‘mode 4’<sup>64</sup>), to make migration a positive factor for development.
- Strengthen the voice of developing countries in global governance, including through short term organisational improvements to the functioning of the WTO.

### ***(3) Focus on Africa***

*Unless things improve, it will take Sub-Saharan Africa until 2129 to achieve universal primary education, until 2147 to halve extreme poverty and until 2165 to cut child mortality by two-thirds<sup>65</sup>.*

Sub-Saharan Africa lags far behind other parts of the world in trying to reach the MDGs. This calls for special and additional action, in conjunction with existing initiatives. The **African Union / NEPAD agenda** provides a common framework for new initiatives in this region. The establishment of effective and democratic pan African institutions such as the African Commission and the Pan African Parliament, and the integration of the NEPAD programme into the African Union (AU), have created a promising structure for African governance.

While building on the important work being done by, inter alia, the G8 and its Africa Action Plan, by the Commission for Africa, the Africa Partnership Forum, and by the African Regional Economic Communities the EC shall consider proposing that, in the framework of the UN 2005 Major Event, the EU, in partnership with the African Union, launches a **new initiative on Africa**, with the objective of giving a decisive push forward to the AU/NEPAD agenda.

The initiative could have a political, trade and development dimension. In line with EC development policy orientations and AU/NEPAD priorities it could in particular look at areas

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<sup>64</sup> Addressed in context of DDA negotiations, dealing with temporary presence abroad and professional activities of natural persons

<sup>65</sup> The Human Development Report 2003 *Millennium Development Goals: A compact among nations to end human poverty*, p. 33

such as peace and security, governance (including African Peer Review Mechanism), infrastructure, agriculture, water, health and education.

The implementation of the initiative requires building bridges between the existing frameworks for cooperation with the EU (Cotonou Agreement, MEDA Agreements, TDCA with South Africa). It shall be supported by concerted efforts to establish a conducive economic and trade regime.

## **6. CONCLUSION**

Over the coming months, the European Commission will prepare, in close dialogue with the EU Member States, proposals for an EU contribution to the MDG stocktaking event. The level of our ambition can only be high. The EU claims leadership which, in turn, requires political courage and commitment. The EU has expressed the will to make a difference. This implies that we bridge the gap between theory and practice and that we back up our words with resources and action.

The EU synthesis report shall give an answer to the question of how to finance the MDGs, and how funding can be channelled and used more effectively to accelerate impact. It shall look into new actions on other policy areas captured by MDG8, such as policy coherence, trade and debt sustainability. Finally, the EC shall consider using the UN 2005 Major Event platform for the launching of a major new EU initiative on Africa.

Anything less is not an option.





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