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

A twelve-point EU action plan in support of the Millennium Development Goals

{SEC(2010) 418}
{SEC(2010) 419}
{SEC(2010) 420}
{SEC(2010) 421}
{SEC(2010) 422}

TABLE OF CONTENTS

1. 2010 A KEY YEAR FOR ACTION AND ACCOUNTABILITY

The Commission recently set out in the 2020 Strategy its vision for the EU in the years ahead[1]. Within that context, EU Development policy will focus on a renewed effort to reach the Millennium Development Goals (MDGs) by 2015.

Ten years ago, world leaders agreed to take decisive action to combat world poverty in its different dimensions. Using time-bound and measurable targets, they agreed that by 2015:

– Poverty and hunger should be reduced by one half,

– Full primary education for all should be ensured,

– Gender disparity should be eliminated,

– Maternal and child mortality should be reduced by two thirds and three quarters respectively,

– The spread of HIV/AIDS and incidence of malaria and other major diseases should be halted,

– Environmental sustainability should be ensured,

– A Global Partnership for Development should be developed.

The MDGs constitute the first ever set of shared development goals at international level. They have contributed to build an unprecedented level of consensus and should continue to guide and mobilise international support. They emphasise the importance of a Human Rights based approach to development.

With only five years remaining before the agreed 2015 deadline, world leaders will gather in New York on 20-22 September 2010 for the UN MDG Review High Level Plenary Meeting (HLPM). Their aim is to ensure a comprehensive review of successes and gaps, and agree on concrete action to speed up progress.

The present situation is patchy. Progress has varied greatly both between MDGs and between regions, with economic growth, good governance and quality of domestic policies as key variables for progress. Globally, there has been strong and sustained progress in reducing extreme poverty as well as on other goals such as universal primary education, gender equality in primary education and access to water. But, around 1.4 billion people still live in extreme poverty (51% of them in Sub-Saharan Africa) and one sixth of the world's population is undernourished. There has been almost no progress in reducing maternal and child mortality and prospects for access to sanitation are also bleak.

Indeed, as 2010 is the 'European Year against Poverty and Social Exclusion', the challenge of poverty does not stop at the EU's borders, nor can its solution be found only inside those borders. The recent succession of global crises has shown how interconnected the world is: financial crises, pandemics, climate change affect all countries, often with greatest effects in

[1] COM(2010) 2020.

poor countries. To build a secure environment for all, globalisation has to become more sustainable and equitable.

Promoting development is thus part and parcel of Europe's reply to today's global challenges. 2010 is a 'year of opportunity' for the EU, at all levels, and its partners to make a revitalised and concerted effort to achieve the MDGs. It is also a 'year of accountability', with a number of intermediary targets and milestones set for the MDGs, including those in the EU Agenda for Action[2], and for official development assistance.

Last year, the EU agreed on a series of actions to support developing countries in coping with the crisis[3]. Many of these have already been or are being implemented[4], such as the Vulnerability Flex mechanism. Others are revived hereunder. This is not just about distributing aid: it is about mutual trust in a global partnership. MDG 8 singles out the importance of strengthened international cooperation that is needed to reach all the other MDGs. The EU will continue to be a driving force for global development by showing how its promises are kept. The EU has every interest to ensure that a strong political and financial focus on the MDGs is maintained in the policies of donors and partner countries alike. The entry into force of the Lisbon Treaty marks a new era in EU Development policy, with the EU and its Member States set to coordinate their policies more closely.

This Communication presents an EU action plan with a number of specific medium-term actions in support of the MDGs. It is accompanied by five Staff Working Documents[5], respectively on the MDGs, Aid Effectiveness, Financing for Development, Aid for Trade and the Policy Coherence for Development Work Programme 2010-2013, which provide more details on the various proposals contained in this Communication. This EU action plan is intended to:

– Constitute a unified EU contribution to a UN action oriented outcome on MDGs for 2010-2015;

– Provide a basis for outreach and dialogue, before and beyond the HLPM, with our key and strategic partners, whether in the G8/G20 context, or in fora such as the Asia-Europe Development Conference Meeting (26-27 May 2010), the EU – LAC Summit (18 May 2010), and the 3rd Africa-EU Summit (29-30 November 2010);

– Feed into the Europe 2020 strategy.

The following actions are proposed for the EU and Member States.

2. EU ACTION TO SPEED UP PROGRESS ON THE MDGS

2.1. A credible pathway to delivering aid commitments in 2015

Official Development Assistance (ODA) is essential for development. The crisis has shown that it often functioned as a safety net, proving a stable source of financing at a time when

[2] Council Conclusions 11096/08, 24.6.2008.
[3] COM(2009) 160 and Council Conclusions 10018/09, 18.5.2009.
[4] See the Commission Staff Working Document on Financing for Development - SEC(2010) 420.
[5] SEC(2010) 418; SEC(2010) 419; SEC(2010) 420; SEC(2010) 421 and SEC(2010) 422.

private flows diminished. This allowed developing countries to maintain basic social services, general functioning of the state and to generate basic economic activity. As such it is a good investment in regional and global stability.

The EU remains collectively by far the world's biggest donor, providing almost 56% of global assistance. EU ODA has almost doubled since the adoption of the MDGs, amounting to €49 billion in 2009. Although a decrease from 2008 levels, it corresponds to 0.42%of EU GNI and is a strong outcome compared to other major donors, despite tight budget situations in most Member States. Nevertheless, the EU is behind the schedule to reach the collective EU intermediate target of 0.56% of GNI by 2010, as a step towards devoting by 2015 0.7% of GNI to ODA.

Back-loading aid increases would mean back-loading progress on the MDGs. In the current financial and economic crisis, it may not be easy to keep our collective promises to devote 0.7% of our GNI to ODA by 2015, and to direct 50% of the ODA increase to Africa, but it is still feasible and necessary. It is a question of foresight and political will. All donors need to contribute to the common goal on the basis of fair global and EU internal burden-sharing. At the UN HLPM, the EU needs to show how it will keep its promises, proving that developing countries can trust us. This includes tackling new global challenges by providing financing from resources additional to ODA.

(1) On ODA:

– Call for fair international burden-sharing with other international donors – including emerging – to raise their level of ambition in line with that of the EU;

– Establish realistic, verifiable annual action plans for reaching individual targets[6] and publish the first plans before September 2010;

– Strengthen EU accountability mechanism: based on Member States' annual action plans and the Commission's monitoring report, the Council should hold an EU-internal 'ODA Peer Review' and report the results to the European Council. These action plans need to outline at least the planned ODA spending for the next budgetary year and estimates for the remaining years until 2015;

– Consider enacting national legislation for setting ODA targets, based on experience in Belgium or the United Kingdom.

2.2. Using aid effectively: better leverage of ODA, better value for aid

Estimates[7] point to possible efficiency gains of between € 3 and € 6 billion annually if the EU and Member States were to better implement the aid effectiveness principles they have agreed to in the Paris Declaration and the Accra Agenda for Action. The EU has to step up implementation of these commitments in order to show concrete results ahead of the fourth

6 0.33% of GNI for the Member States that joined the EU since 2004; 0.7% of GNI for the other EU countries, while Member States which have achieved that target commit themselves to remain above that level. The Commission Staff Working Document on Financing for Development outlines different options for going forward, SEC(2010) 420, chapter 4.5.

7 Study commissioned by the European Commission, 'Aid Effectiveness: Benefits of a European Approach', HTSPE Limited, October 2009.

High Level Forum on Aid Effectiveness in Seoul in 2011. Coordinating European actions upstream has more impact than taking corrective measures downstream.

(2) On Aid effectiveness:

– Progressively bring together the timing of national and EU programming cycles at partner country level by 2013 and use the joint programming framework to share development priorities and objectives in developing countries to avoid duplication and overlap;

– Use the common timing and build upon the joint programming framework to develop European country strategy papers and multi-annual programmes, as has been done by the EU for Haiti, thus meeting our commitment to deliver on aid effectiveness and predictability to partner countries;

– Within the existing Aid Effectiveness Operational Framework, improve EU Division of Labour not just in, but also across recipient countries (notably by ensuring its neutral impact on aid volumes, addressing the orphan's gap issue[8], and introducing a systematic process for sharing information); and establish a common EU approach for implementing commitments on mutual accountability and transparency, to be then promoted broadly;

– Encourage other donors – including emerging – to apply the aid effectiveness agenda.

2.3. A European MDG fast track

2.3.1. Targeting the most MDG off-track countries

To support achieving the MDGs, the EU should pay particular attention to the goals furthest from being achieved. However, the MDGs must not be seen as a collection of separate sectoral targets and indicators. On the contrary, they are interconnected and mutually reinforcing and should be addressed as such.

While the EU must be active in all developing countries, action must be prioritised in countries where most progress is to be made. Targeted interventions should focus on the most vulnerable, including women, children and people with disabilities, through support to wide-coverage social protection systems which are a key element of social cohesion and stability.

Poverty prospects are of particular concern in least developed countries (LDCs) and countries in situations of fragility[9]. Fragile states have made considerably less progress towards the MDGs than other developing countries, and many of them are also ‘aid orphans’. To rectify this, donors should do more and in a more coordinated way in fragile states[10].

(3) On fragile states and most off-track countries:

8 So-called ‘aid orphans’ are countries with few active international donors and low aid levels.
9 SEC(2007) 1417 and Council Conclusions 15118/07, 20.11.2007.
10 European Report on Development 2009, ‘Overcoming fragility in Africa – Forging a new European approach’, http://erd.eui.eu/erd-2009.

– Ensure EU coordination mechanisms for taking decisions and organising the division of labour in fragile states in the short term. This has started with Haiti;

– Keeping an appropriate balance between rewarding performance and responding to needs, re-allocate funding to the most-off track countries, taking into account national policies and capacities. At EU level, the Commission will propose this in the framework of the 2010 mid term review of ACP programmes, as well as propose to increase country allocation for the period 2011-2013 in Afghanistan and Pakistan.

2.3.2. Targeting the most off-track MDGs

Reviews of five crucial sectors for the MDGs have recently been proposed, namely for health[11], education[12], humanitarian food assistance[13], food security[14] and gender[15]. These are an integral part of the overall EU action plan to foster progress towards the MDGs.

As an overarching principle, the EU and Member States should always use as a first option partner countries' own strategies and systems[16] in order to strengthen country ownership. This should preferably be done through Budget Support and MDG Contract type of programmes.. If aid is delivered outside of country systems, the reason should be transparently stated, and capacity development for improving the quality of country systems should be supported.

(4) On improving the impact of policies in key sectors:

– In education and health, concentrate EU and Member States action in those countries where need is greatest and sustainable policies can be supported. The list of priority countries will be prepared ahead of September;

– In health, through enhanced policy coherence and further EU political and financial involvement in the 'Global Fund to fight Aids Tuberculosis & Malaria' and the 'Global Alliance for Vaccines and Immunisation', ensure that they act as a platform for aid effectiveness, adhere to the International Health Partnership principles and contribute to strengthening of health systems;

– In education, increase support for national education sector plans that will achieve quality education, through bilateral and multilateral channels as well as through the Education For All Fast Track Initiative;

– Address all aspects of food security, focusing on ecologically efficient agriculture, on smallholder farmers, supporting sustainable national and regional policies (including through increased financial support to the 'Comprehensive Africa Agriculture Development Programme' and accelerated implementation of the African Land Policy Guidelines), and promoting better integration of nutrition, particularly in South Asia;

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11 COM(2010) 128.
12 SEC(2010) 121.
13 COM (2010) 126.
14 COM(2010) 127.
15 SEC(2010) 265.
16 In particular for public financial management, accounting, auditing, procurement, results frameworks and monitoring.

– Improve the accountability and monitoring of gender equality through the use of the OECD policy marker in all MDG-related actions (with a view to applying it to at least 80% of EU and Member States' actions);

– Continue to prioritise actions to tackle Global health, agriculture and Food security within the EU research framework programmes.

2.3.3. Fostering ownership of MDGs in partner countries

Success stories all point to the importance of strong local political engagement. To foster ownership by the populations concerned, donors' actions need to also acknowledge the cultural dimension of the development process.

The EU and its Member States must continue to encourage and support country-led approaches for deciding priority investments in support of the MDGs, as well as adapting targets and indicators to country contexts. MDG ownership should be seen as part of the wider governance commitments taken by partner countries, and part and parcel of the EU dialogue with them. High quality statistical data is crucial to monitor progress towards the MDGs at country level, and also to stimulate public accountability and provide the basis for rational policies and decision making, macro-economic management and the efficient allocation of resources. The problem of the lack of reliable, accurate data to track MDG progress is particularly acute in Africa.

(5) On enhanced ownership:

– Use the Africa-EU Partnership on MDGs as a platform to enhance regional coordination of MDG monitoring in Africa, working together with regional organisations;

– Promote the inclusion of MDG targets in developing countries' own development strategies.

2.4. A proactive Work Programme on Policy Coherence for Development (PCD)

The EU also supports MDGs by making other policies beyond aid more supportive of development objectives. Over the last five years, the EU has put in place *ex ante* and *ex post* mechanisms to this end, including impact assessments which look into the external impact of policy proposals[17]. The PCD Work Programme[18] sets concrete targets and indicators of progress to implement the EU commitments on PCD across a whole range of policies impacting the following five global challenges: trade and finance, climate change, food security, migration, and security.

(6) On Policy Coherence for development:

– Use the PCD Work Programme proactively and early on as a tool to guide EU decision-making on the broad range of decisions that affect developing countries beyond development assistance.

[17] SEC(2007) 1202, SEC(2009) 1137, and Council conclusions 16079/09, 18.11.2009.
[18] SEC (2010) 421.

2.5. Mobilising domestic resources through better taxation[19]

External aid alone cannot drive any country to build a prosperous society. Partner countries' own resources are essential for their development because they increase state legitimacy, enhance ownership of development policies, and are a stable financing source for provision of public goods and meeting the MDGs.

With a view to significantly raising their tax to GDP ratio[20], EU support to the setting up of sustainable fiscal and customs systems in developing countries should be strengthened through a comprehensive approach to tax and customs administration and reforms. Donors should support multilateral and regional initiatives, work towards a transparent, cooperative and fair international tax environment, strengthen monitoring capacities in developing countries to fight illicit financial flows, customs frauds and support the conclusion and implementation of relevant agreements. Developing countries also need to be enabled to participate more effectively in international tax and customs cooperation. Improved domestic revenue collection should help plug the financing gaps for the most off-track MDGs at country level.

(7) On Tax and development:

– Strengthen the capacities of developing countries for domestic revenue mobilisation through tax reforms and administration. Increase capacity of customs administration of developing countries to contribute effectively to national development goals. Enhance support for initiatives that promote revenue transparency and domestic accountability, such as the 'Forest Law Enforcement, Governance and Trade' and the 'Extractive Industries Transparency Initiative' and improve donor coordination;

– Promote good governance in tax matters and support fight against tax evasion through international standards, cooperation to facilitate the conclusion and implementation of agreements such as Tax Information Exchange Agreements and, where appropriate, Double Taxation Conventions, adoption and implementation of the OECD transfer pricing guidelines in developing countries and ongoing research on country-by-country reporting standard for multi-national corporations.

2.6. Enhancing regional integration and trade to boost growth and jobs

Regional integration increases political stability and economic prosperity. It helps countries provide public goods that are essential for sustainable development, thereby contributing both directly and indirectly to the MDGs. The EU champions regional integration both politically and financially in its external relations.

Participation in international trade is a major source of the resources needed for developing countries to achieve the MDGs, and must be part of any successful development strategy.

For this, the EU continues to pursue a development friendly design of international trade rules, and to support partner countries' capacity to participate in global and regional trade, including through the promotion of Economic Partnership Agreements. In line with MDG 8, the EU provides special trade preferences for developing countries, including completely free

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19 COM(2010) 163.

20 From the current very low level of around 15% on average.

access to the EU market for everything but arms from LDCs. In addition, the EU continues to ensure that EU bilateral agreements avoid clauses which may undermine access to medicines by developing countries.

The EU and Member States also fulfilled their collective commitment to spend €2 billion annually on Trade Related Assistance, well ahead of the 2010 target date. In addition, they extensively support productive capacity and trade related infrastructure – in 2008 their total Aid for Trade exceeded €10 billion, a very significant increase from 2007.

The EU should build on this success, give more attention to the LDCs and work more strategically and effectively together, as outlined in the respective Staff Working Paper.

(8) On Regional integration and trade:

– Increase support to the development of the private sector, notably through mechanisms such as the ACP Investment Facility and the EU-Africa Infrastructure Trust Fund;

– In the framework of the review of the European Investment Bank's (EIB) external mandate, strengthen the capacity of the EIB to support EU development objectives, and promote effective blending of grants and loans in third countries;

– Persist in working for a conclusion of the Doha Round, and continue to work on bilateral and regional trade agreements that take into account and properly reflect the different needs of partner countries, including Economic Partnership Agreements;

– Advance further in the delivery of Aid for Trade, enhancing efforts for LDCs, and aid effectiveness and in particular reach an agreement on regional Aid for Trade packages for the ACP before the end of 2010.

2.7. Using Innovative sources of financing to tackle global challenges

Following the economic crisis, and to tackle growing global challenges including the MDGs, budgets and private investments alone may not be able to deliver the resources needed. To provide additional funds in a predictable and stable manner, we also need to fully exploit the potential of innovative financing.

Several innovative mechanisms already build on public-private partnerships and markets to provide a good addition to existing resources and mechanisms for supporting development. Other options are currently being explored in various fora, including the Leading Group on Innovative Financing to Fund Development. The Commission services have also analysed the revenue-creating potential of various mechanisms[21].

Globalisation has generated great benefits for the world economy, but the poorest countries have not exploited all these opportunities yet. Distribution of the new revenues needs to rectify this.

(9) On innovative financing:

[21] SEC(2010) 409.

– Support proposals for innovative financing mechanisms with significant revenue generation potential, with a view to ensuring predictable financing for sustainable development, especially towards the poorest and most vulnerable countries[22].

2.8. The test case of climate change

Climate change is a massive collective challenge and it affects progress on all MDGs.

The EU is committed to support developing countries in adopting and implementing adequate adaptation and/or mitigation strategies. This is done through strengthening climate change considerations in the development policies, facilitating access of developing countries to low-carbon and climate resilient technologies respectful of intellectual property rights, together with strengthening their knowledge base on climate change and enhancing EU support to related research in and with developing countries. This should allow them to develop cost-efficient ecosystem based approaches to mitigation and adaptation.

In addition, in the framework of the post-Copenhagen negotiations and the Doha Development Round, the EU should continue to promote an improved access to green technology for developing countries, including through further trade liberalisation for environmental goods and services through the reduction and elimination of tariff and non-tariff barriers.

(10) On climate change:

– Implement the EU commitment to provide € 2.4 billion fast-start funding annually for developing countries from 2010 to 2012, and ensure that those funds are programmed and disbursed in accordance with the aid effectiveness agenda. The Commission is ready to take on a role for facilitating the implementation and monitoring coordinated decisions in the EU's fast-start funding commitment[23].

2.9. Development and security

No development is possible without security and no long term security can be ensured without investing in development. Most countries in fragile situation are behind on MDGs, and special effort is needed to deliver aid to such countries in a cost effective way.

(11) On Fragility and Security:

– Support the ‘EU Action Plan for situations of fragility and conflict’ to be proposed in 2010 to better address such situations in a comprehensive and integrated way, and better integrate development objectives in planning and implementation of peace and stability operations.

2.10. Global governance architecture

In the wake of the economic crisis governments around the world have recognised the need for truly inclusive global governance. The international institutional setup is complex and the

[22] Paragraphs 23 and 27 of conclusions of the European Council 29/30 October 2009, and 8 of European Council 25/26 March 2010.

[23] COM(2010) 86.

poorest countries' interests are often marginalised. The fragmentation of multilateral aid by proliferation of multilateral agencies[24] is another major concern. The EU should give a new impulse to the ongoing work undertaken in various international fora, including the G20, with a view to reforming global governance.

The main challenge is to strike a balance between the legitimacy and effectiveness of global institutions, including through regional representation.

(12) On global governance:

– Support the ongoing reform process for increased UN system-wide coherence and effectiveness, with the aim of progressively rationalising the functioning and reducing the number of agencies;

– Ensure a swift and adequate implementation of the increases in developing and transition countries' voting shares in the World Bank and IMF; work towards a single European seat as an ultimate objective and strengthen EU coordination, particularly within regional development banks.

3. THE WAY FORWARD

The next five years will be a time of real challenge for European and global development policy. During this period, the EU will need to deliver on its promise of 0.7% of GNI for ODA, and play its full part in ensuring that the MDGs are achieved. At the same time, the EU and the developed world will have to demonstrate their commitment to developing countries on climate change, turning promises into practical and effective action.

However, the coming years are also times of huge opportunity for the developing world. The achievement of the MDGs will give many countries a stepping stone towards a viable and growing economy. There are plenty of success stories on which to build. The emerging EU-Africa Partnership can build on the MDGs and provide a sustainable foundation for growth.

The twelve-point plan outlined above provides a blueprint for the EU's contribution to meeting these challenges and exploiting these opportunities. The EU should continue to be the world's largest aid donor, but at the same time be determined to make even better and more efficient use of the aid that it gives. This can only be done by working in partnership with developing countries on issues such as governance and taxation, and with other donors – who need to be as ambitious as the EU. Developing countries, for their part, must be determined to ensure that aid makes a real and lasting difference.

The Commission calls upon the Council and Member States to endorse and actively implement the actions highlighted above. The Commission will monitor and report on the implementation of this twelve-point plan through the EU Financing for Development reporting process. The EU should also call upon all other international donors to ensure

[24] According to the OECD, there are currently more than 260 international organisations eligible for ODA, as against 15 in 1940. There are over 100 agencies which each manage less than USD 20 million annually and collectively account for only 2% of the total core and non-core funding of multilateral organisations.

fair international burden sharing, as well as to establish their own action plan with a view to raise the global level of ambition on MDGs.