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EU Report on Policy Coherence for Development

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1. INTRODUCTION

Policies other than development cooperation have a strong impact on developing countries. The European Union (EU) concept of Policy Coherence for Development (PCD) aims to build synergies between those policies and development objectives. This in turn will increase the effectiveness of development aid. Against the backdrop of the EU commitment to substantially increase official development assistance, the importance of ensuring that these resources are not rendered inefficient or wasted by policy incoherence is even greater.

As a global actor, the EU influences the context in which development takes place through a great variety of policies. Its importance as a trading partner, at multilateral and regional levels, its policies on migration, its role in setting standards in areas such as information and communication technologies, transport or sanitary and phyto-sanitary measures, its voluntary policy towards mitigating climate change and addressing climate adaptation needs, are only a few examples of the many areas where EU actions can support or undermine developing countries' efforts towards poverty reduction. Increased globalisation further strengthens those interdependencies.

In some areas, the impact of EU initiatives is sometimes even greater than EU action through development assistance programmes. Yet measures taken in those areas reflect primarily other concerns and serve other purposes than development ones. The concept of PCD is therefore useful firstly to raise awareness about the effects of EU policies on development, and secondly to identify and increase complementarities between those policies and development cooperation.

The effects of EU policies on developing countries are sometimes difficult to assess since they result from complex processes. Furthermore, they very much depend on each partner country's specific situation and constraints. The aim of this report therefore is to shed some light on progress made by the EU in promoting a higher degree of coherence between the main policies that affect developing countries as well as to identify the main outstanding issues to be considered for further action.

The policy framework that serves as a reference for this report was set in 2005, as part of the package of measures adopted by the Council on the basis of Commission proposals to accelerate progress towards the Millennium Development Goals¹. The ambitious commitments taken on the EU for more and better aid were indeed complemented with specific commitments on improving PCD in twelve policy areas. These commitments were confirmed at the highest political level in the European Consensus on Development², signed in December 2005 by the Presidents of the European Council, the Parliament and the Commission.

¹ Commission Communication on 'Policy Coherence for Development – Accelerating progress towards attaining the Millennium Development Goals' – COM(2005) 134 final of 12 April 2005 and May 2005, General Affairs and External Relations Council (GAERC) Conclusions on the Millennium Development Goals (Doc. 9266/05).

² Joint Statement by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the European Commission – 'The European Consensus on Development', December 2005 (OJ 2006/C 46/01).

While commitments on financing for development are regularly monitored by the Commission, the most recent report having been issued in April 2007³, this report is the first to be issued on PCD. It therefore constitutes an innovative tool opening up promising new avenues for accelerating progress in development and poverty reduction across the world.

Since 2005, in addition to the twelve policy areas mentioned above, the EU has also paid attention to the organisational mechanisms deemed necessary to facilitate progress on PCD. The adoption of a Rolling Work Programme on PCD to be updated every six months by each EU Presidency as well as a review of the decision-making process within the Council, are examples of such organisational measures⁴.

As underlined in the recent OECD DAC Report on EC Development Policy "The Community has actively contributed to the growing international consensus on policy coherence. Along with most major international donors it agrees on the need for government policy coherence among policies which affect poor and vulnerable nations. The international community is still learning how best to approach this politically sensitive topic (OECD, 2005) and the Community is clear about its desire to help shape a broader international approach."

The EU has undertaken substantial efforts to enhance the complementary interaction of various policy actions and to reconcile different objectives (for example in trade, agriculture, development, environment or migration). Good progress has been made in this direction and measures with regard to improved strategic planning, increased effectiveness and impact, as proposed in the new 'Europe in the World' approach⁵, are expected to further enhance the coherence and efficiency of EU policies and instruments. In this context, this report provides a basis for assessing the application of PCD, and may serve as a public information tool to trigger further debate and feedback from developing countries, civil society and the European Parliament. This report concerns Member States as much as the EU⁶. Therefore, it is expected to also feed the debate internally in each Member State.

³ COM(2007) 158 of 4 April 2007 'From Monterrey to the European Consensus on Development: honouring our commitments' and COM (2007) 164 of 4 April 2007 'Keeping Europe's promises on Financing for Development'.

⁴ April 2006 GAERC Conclusions on PCD Work Programme 2006-2007 (Doc. 8387/06); October 2006 GAERC Conclusions on Integrating Development Concerns in Council Decision-Making (Doc. 14072/06) and on a Rolling PCD Work Programme 2006-2007 (Doc. 14075/06).

⁵ COM(2006) 278 of 8 June 2006 'Europe in the World - Some Practical Proposals for Greater Coherence, Effectiveness and Visibility' and European Council Conclusions of June 2006.

⁶ The report is based on Commission services' and Member States' contributions collected through a questionnaire sent in January 2007.

2. ORGANISATIONAL MECHANISMS

1. General Commitment to Policy Coherence for Development

There is a strong general commitment to PCD within the EU, as indicated by the adoption of the Communication on Policy Coherence for Development (PCD)⁷ in April 2005, the ensuing Council Conclusions in May 2005 and the European Consensus on Development in December 2005.

The Commission has fulfilled its role by initiating the setting-up of an EU policy framework for PCD. At service level, most Commission Directorates-General concerned participate actively in meetings of the Inter-Service Group on PCD set up in 2006 as well as in other PCD-related meetings, organised by or with civil society, or think-tanks and research centres. In some areas, especially where policy frameworks for ensuring coherence with development objectives exist, such as in fisheries, trade and migration, the awareness of and the commitment to the PCD agenda is good. The concept of PCD is however also sometimes seen as development cooperation contributing to the objectives of other EU policies. In general, a two-way approach is progressively being developed, leading to increased synergies and eventually to higher effectiveness of policies.

At national level, a political basis for PCD exists in many Member States. In Germany, for instance, PCD is explicitly mentioned in the programme of the ruling coalition's government. The German coalition agreement states that "by closely dovetailing our policies on Foreign Affairs, Security, Development, Human Rights, Foreign Trade and Foreign Cultural and Educational Affairs, we intend to arrive at a coherent policy towards developing countries." In the Netherlands, foreign policy includes the promotion of policy coherence for development as one of its aims, and a progress report on PCD was sent to Parliament in 2006. Two different policy memoranda provide a solid basis for Dutch policy on coherence in a number of priority areas. However, the degree of commitment of ministries other than the one specifically dealing with development, varies from one EU country to another.

Various factors affecting the general commitment to PCD have been identified by Member States:

- Political commitment by the relevant Minister, ministries, Members of Parliament, Parliamentary committees, etc.
- Capacity/knowledge of PCD and development issues among officials.
- Degree of (early) involvement of development cooperation staff in PCD policy processes.
- The belief that achieving coherence in some areas is simply too difficult.
- The belief that there is always an 'either/or' choice that must be made between a development approach and a non-development-policy approach.
- Political expediency, which may lead to a less coherent approach in practice even where a PCD approach is possible.

⁷ "Policy Coherence for Development – Accelerating progress towards attaining the Millennium Development Goals" – COM(2005)134 final of 12 April 2005.

2. PCD Promotion in EU Member States

Overview

There are some 91 different PCD-promoting mechanisms in the 27 Member States: 33 explicit policy statements or laws, 48 administrative or institutional mechanisms (e.g. inter-ministerial committees, PCD Units) and 10 knowledge-input and -assessment tools. A general feature of these mechanisms, highlighted in the evaluation and confirmed by our survey, is that the vast majority are not PCD-specific but used for various policy purposes, including the promotion of PCD.

Legal Basis for PCD in EU Member States

- **Austria:** paragraph on PCD in the Development Cooperation Act (2003)
- **Finland:** PCD Objective stated in Annual State Budget Act
- **France:** 'Loi de Finances' (LOLF) and 'document de politique transversale (DPT)' « Politique française en faveur du développement » attached to the LOLF.
- **Luxembourg:** 'Loi sur la coopération au développement de 1996', Règlement grand-ducal fixant la composition et le fonctionnement du Comité interministériel pour la coopération au développement
- **Romania:** Government Decree on the National Strategy on International Development Cooperation
- **Spain:** International Development Cooperation Act (Article 4)
- **United Kingdom:** International Development Act (2002) and International Development Reporting and Transparency Act (2006)

The Member States' view is that the commitment to PCD of ministries other than the one specifically in charge of development is moderate, and varies according to policy areas and the level of understanding of PCD issues. PCD commitment is stronger in policy areas traditionally close to development cooperation (e.g., trade, security, migration, environment, agriculture) and weaker elsewhere. Commitment levels among Member States also vary depending on their experience in development cooperation and their institutional set-up:

- Countries new to development cooperation without a PCD coordination mechanism across government (i.e. Bulgaria, Estonia, Slovak Republic, Slovenia and Romania) have made efforts in disseminating information on PCD but still face a widespread lack of understanding of development cooperation and a generally inward-looking policy making.
- Countries with a PCD coordination mechanism across government (i.e. Austria, Belgium, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Spain and the United Kingdom) have all underlined the important role played, or that could be played, by such mechanisms in strengthening commitment outside the development ministry.
- Countries that have adopted a 'whole of government' approach to policy coherence for development (i.e. the Netherlands and Sweden) have an easier task on PCD, as the entire government rather than a single ministry or agency is responsible for development cooperation.

Member States with a PCD-coordination mechanism have a wide variety of tools.

Inter-Ministerial Committees

Some 14 Member States (i.e. Belgium, Cyprus, Czech Republic, France, Greece, Hungary, Ireland, Italy, Lithuania, Luxembourg, Malta, Poland, Portugal and Spain) have one or more inter-ministerial committees.

Ireland has set up an Inter-Departmental Committee on Development (IDCD) which held its inaugural meeting in April 2007. The IDCD is chaired by the Minister of State for Irish Aid and is responsible for strengthening coherence in the Government's approach to development. In Italy, although not focused specifically on it, PCD issues can be raised at the Inter-Ministerial Committee for Development Cooperation (CICS). In Greece, the Inter-Ministerial Committee for the Coordination of International Economic Relations (EOSDOS), established in 1999 and chaired by the Minister of Foreign Affairs, discusses and endorses the Greek five-year strategic framework for development cooperation which includes PCD commitments. In Poland, although not yet formalised in an inter-ministerial working group, PCD contact points in the various ministries have been identified and inter-ministerial PCD meetings have already taken place.

Inter-ministerial committees are normally focused on development cooperation in general rather than on PCD alone and are chaired by the Minister of Foreign Affairs or Development. A notable exception is France, where the Inter-Ministerial Committee for International and Development Cooperation (CICID), comprising 12 different ministries, is under the authority of the Prime Minister. In 2006, the CICID has defined specific policy guidelines for PCD on international migration and development, integration of global public goods in the French development strategy (e.g. communicable diseases, climate change), research and development, as well as good governance. The Secretariat General of European Affairs (SGAE), which is under the Prime Minister's direct authority, is mandated to strengthen the overall coherence of the French policy and also contributes to reinforcing inter-governmental coherence on development issues.

Coordination can be both horizontal (across government departments) and vertical (across different levels of government: central, regional and local). An example of a vertical mechanism is the Belgium 'COORMULTI' framework within the Ministry of Foreign Affairs, which organises coordination meetings with other federal departments and regional community authorities in order to define a coherent Belgian policy in the international institutions. A similar coordination system exists for European Affairs. In Spain, the Inter-Territorial Development Cooperation Commission is responsible for coordination between central and regional authorities involved in development cooperation.

The UK does not have a formal inter-ministerial committee, but several forms of 'joined-up' policy making through special units drawing staff from DFID and other government departments. A number of joint Public Service Agreement Targets (shared corporate goals) exist that cover the joint working of two or more departments, including DFID. These include targets on trade and security/conflict prevention. Where PCD issues are discussed at the EU level in sector groups (e.g. migration, trade), DFID regularly briefs lead departments. DFID staff may also join colleagues from other departments at sector meetings in Brussels. Where PCD issues are discussed from a development perspective at the EU, DFID will share and welcome inputs to briefing from relevant departments. Where PCD issues such as security or environment are being discussed from a development perspective in other international fora such as the UN, DFID colleagues will often work closely with colleagues from other government departments to ensure a joined-up approach (e.g. action on forest law enforcement). A number of special units exist that are intended to promote stronger coherence on particular issues and draw staff and resources from a number of

government ministries. These include the Office of Climate Change, the Post Conflict Reconstruction Unit and special collaborative networks in areas such as fisheries and research and innovation.

Consultative Bodies

Some Member States (i.e. Austria, Cyprus, Hungary, Latvia and Spain) have created consultative councils comprising academia, civil society, the private sector and, in some cases, other ministries to advise decision-makers on how best to pursue development cooperation.

In Austria, the Platform for Economy and Development, an informal network of private-sector representatives, and the Advisory Board on Development Policy, an independent advisory board, are both active on development cooperation issues. Spain has also established a Development Cooperation Council, a consultative body that brings together civil society and the private sector. In Austria and Portugal there are councils comprising ministries rather than civil society: the Austrian Council for Sustainable Development which includes all ministries and the Portuguese Ministerial Council for Cooperation.

Other Member States (i.e. Austria, Denmark, Finland and Germany) use a series of special committees and consultative bodies chaired by different ministries depending on the topic. In Austria, examples of special committees are the plenary meetings of the trade and development committee and standing working group between the Ministries of Foreign affairs and of Finance. In Denmark, the Ministry of Foreign Affairs is represented in several special committees that also include interest groups, although the committees' sessions are always chaired by a civil servant.

In Germany, there is not one committee, but several committees on specific issues. BMZ is a member of the Federal Security Council, which coordinates German security and defence policy and deliberates on the export of arms. BMZ is also part of the Inter-Departmental Committee on Export Guarantee which recently adopted guidelines on the consideration of ecological, social and development aspects in this field. A last example of formalised cooperation among various government departments is the inter-departmental working group on civil crisis prevention, which operates on the basis of a specific action plan in the area of security and development, that was in itself designed by a cooperative effort of all government departments involved and was established to assure coherence in the implementation of the plan's directives.

'Whole of Government' Approaches

Whole-of-government approaches are followed by the Netherlands and Sweden. The 'whole-of-government approach' to development cooperation is certainly conducive to policy coherence for development⁸, particularly in fragile states⁹. As emphasised by DAC, "working effectively across [political, security, economic and administrative] domains requires donor countries to adopt a 'whole-of-government' approach, involving departments responsible for security, and political and economic affairs, as well as those responsible for development aid and humanitarian assistance."

⁸ See for example, Robert Picciotto, Policy Coherence for Development: a Background Note (2004): "Within a national jurisdiction, policy coherence has two dimensions. First, individual policies must be internally consistent (...). Second, all relevant policies (e.g. trade, agriculture, finance, FDI, environment, migration, etc.) must 'cohere'. This calls for a 'whole-of-government' approach in policy formulation." (p. 1).

⁹ See OECD DAC (2006), *Whole-of-Government Approaches to Fragile States*.

The Swedish approach to PCD, for example, is that the whole government shares the ownership of the PCD. This means that the policy itself is formulated and designed at the different offices of government. The Minister for Environment is responsible for formulating an environmental policy that integrates developmental aspects, while the Minister for Trade and Industry is responsible for the way Swedish trade policy contributes to equitable and sustainable global development. If there is a risk that measures designed to fulfil the objectives of a policy area will counteract Swedish efforts to achieve equitable and sustainable global development, it is the responsibility of the policy area in question to look for alternative measures and find an acceptable solution within the framework of its regular policy preparation work.

There are disincentives to PCD-coordination mechanisms and whole-of-government approaches: they are more time-consuming, often entail compromises, offer less visibility to individual departments or ministries, and are more costly, as they require adequate staff capacity both at headquarters and in the field.

PCD Departments and Units

PCD departments or units are in place in 16 Member States (i.e. Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Lithuania, Luxembourg, the Netherlands, Poland, Portugal, Spain and Sweden).

In Finland, the Department for Development Policy within the Ministry of Foreign Affairs is responsible for coordinating the government's development policy as a whole, including its PCD commitments. The Unit for General Development Policy and Planning within the Department for Development Policy of the Ministry of Foreign Affairs coordinates and monitors PCD. To enable PCD discussions across ministries and/or departments on specific thematic issues, thematic working groups have been set up (e.g. on trade and development, security and development, migration and development, etc.). Additionally, there exists a coordination mechanism for OECD issues. The government has appointed an external advisory body, the Development Policy Committee, to support its efforts on PCD. The Committee members consist of representatives of all relevant stakeholders in the Finnish society, e.g. parliamentary political parties, trade unions, private sector, agricultural unions, NGOs as well as academia. Since 2004 Finland has had a Ministry of Trade and Development, which simplifies the coherence between these two areas.

In Germany, the Joint Rules of Procedures of the Federal Ministries (GGO) were amended in 2000 to permit BMZ to scrutinise other Departments' draft legislation for compliance with development policy. The commitment to PCD was formalised in April 2001 as an obligation for the whole Federal Government. A unit in BMZ was created to coordinate implementation of the PA 2015. BMZ's sector policy divisions play the central role in making PCD operative. They monitor a continuous stream of information on relevant national, EU and international activities in their specific field, channelled towards them by the Federal Ministry in charge of national policies in that thematic area, and actively maintain contact with their counterparts in that Ministry. As members of inter-departmental thematic groups, they are entitled to put issues of their interest onto the agenda of regular meetings, which serve as a first-level inter-departmental clearing-house. This closely woven network of operational communication is the mainstay of the German Federal Government's PCD efforts. The exchange of personnel has proven to be helpful in promoting mutual understanding among staff rooted in the different institutional cultures of the various ministries. To date, experience with this instrument has been very positive.

Finally, in the Netherlands a PCD Unit was set up in 2002 within the Ministry of Foreign Affairs, reporting directly to the Director-General for International Cooperation and the Minister for Development Cooperation. It has a staff of six and works closely with other divisions within the Ministry of Foreign Affairs in project teams on specific coherence dossiers. The unit employs three mutually reinforcing intervention strategies with a strong EU focus: (i) across-the-board screening of EU legislative proposals for their impact on developing countries and poverty reduction and incorporation of development friendly positions into Dutch standpoints in Brussels; (ii) pro-active focus on specific PCD dossiers with the Foreign Affairs Ministry's project teams that may also involve the relevant department, and seeking alliances with like-minded Member States and other stakeholders; and (iii), promoting general awareness of PCD at national, EU and international level, independent monitoring of OECD countries' efforts and stimulating research into actual impact in developing countries.

Capacity for PCD in particular is considered by Member States to be still limited, both at the EU and national level. While 16 Member States have established a department or unit in charge of coordinating and monitoring PCD, only seven stated that their PCD unit's capacity was 'good' and none rated it as 'strong'.

3. PCD Promotion within the Commission

A series of mechanisms have been set up that promote PCD within the Commission.

- Inter-Service Consultations, to be seen as a process including informal discussions and inter-service meetings, as well as more formal steps, allow all services to express their views on policy proposals. The Commission being an institution that works on a collegial basis, all policy proposals are subject to systematic consultations at the political level.
- The Impact Assessment System allows the evaluation of consequences of major policy proposals, and the assessment of alternative options, including in the field of development (i.e. impact on third countries).
- Country and Regional Strategy Papers allow the identification of PCD issues and establish link to programming or in-country political dialogue.
- A unit is specifically in charge of PCD in the Commission's Directorate-General (DG) in charge of Development and Relations with African, Caribbean and Pacific States. It acts as a focal point for the follow-up to PCD commitments and maintains a global overview on the contribution of EU policies other than development to progress towards the MDGs.
- An Inter-Service Group on PCD was created in 2006 and comprises members of relevant Directorates-General, including the Secretariat-General and the Legal Service.

The Inter-Service Consultation (ISC) is a powerful mechanism for ensuring coherence. ISC has been set up to ensure proper coordination between the various Commission services. The aim is not specifically to promote PCD, though it is being used to this purpose. An Evaluation Study on PCD¹⁰ carried out in the first half of 2007 confirms that the way ISC is used by the Commission

¹⁰ Study on 'The EU Institution's & Member States' Mechanisms for Promoting Policy Coherence for Development – Case Study of the Role of the Inter-Service Consultation Mechanism in the Promotion of PCD within the Commission', European Centre for Development Policy Management (ECDPM), PARTICIP and

has contributed to promoting the PCD agenda. It also concludes that the broad range of policy initiatives to be scrutinised for their effect on developing countries makes it necessary to set priorities. According to several Member States, however, Inter-Service Consultation could be used more actively. Ideally it should be possible to track how and at what stage the PCD viewpoint has been integrated into the Commission process.

The PCD Unit in DG Development monitors how other DG Development's comments are taken into account by other DGs regarding the major policy proposals identified as potentially important for their impact on developing countries in the Presidency's PCD Rolling Work Programme. As for the Commission's Secretariat General, it ensures that the ISC is used in an appropriate manner by all DGs and in accordance with the defined rules of procedure. It plays the role of a coordinator and ensures coherence with the political priorities set by the College.

Commission Inter-Service Consultations and Impact Assessment for the 2006 Reform of the EU Sugar Market: identifying adjustment support needs for developing countries

In February 2006, based on a Commission proposal, the EU adopted a regulation on the reorganisation of the EU sugar regime, a key feature of which was a 36% reduction in the price of sugar over four years. In parallel, the EU also adopted a regulation establishing accompanying measures aimed at mitigating the impact of the reform of the EU sugar regime for ACP countries likely to be affected. The accompanying measures were not provided for in the original Commission proposal. They are the result of a process which allowed DG Development to pinpoint the difficulties for ACP countries, share its concerns with other involved Commission services, and jointly come up with a viable solution.

The Inter-Service Consultation process and the impact assessments were absolutely crucial in securing in the discussion two main elements: (1) an improvement in the degree of PCD of the proposed reform, and (2) the adoption of accompanying measures to support the developing countries affected.

The impact assessments and complementary internal calculations produced in the period 2003-2005 allowed for a reasonable estimation of expected effects (losses, but also gains) in sugar-exporting ACP countries under various policy scenarios. 'Sugar Protocol' ACP countries were expected to lose in terms of 'guaranteed' export earnings. Therefore, the Commission proposed accompanying measures for these countries to assist them in their adjustment process. In addition, a number of Least-Developed Countries (LDCs) that were expected to gain through quota-free access to the EU sugar market agreed under EBA, would see their potential gains reduced due to the price reductions included in the reform. However, accompanying measures for these LDCs (not part of the Sugar Protocol) were seen as less justified. Indeed, the 'losses' they would incur in their sugar export earnings after a reduction of the EU price were seen as potential, rather than certain as in the case of the Sugar Protocol countries.

The accompanying measures for Sugar Protocol countries started in 2006 (with a specific budget line and regulation) and were then included in the Financial Perspectives covering the period 2007-2013 (with a specific regulation under the Development Cooperation Instrument. In total, an indicative amount of €1.284 billion was allocated for the Accompanying Measures in Sugar Protocol countries (AMSP) for the period 2006-2013. In deciding the amounts of assistance allocated to the various Sugar Protocol countries, the loss on the EU market was an important factor, just like the importance of the sugar sector in the country itself. The accompanying measures financed by the EC pay specific attention to enhancing the competitiveness of the sugar and cane sectors in countries where this is a sustainable process; to economic diversification in sugar-dependent areas; and to broader impacts generated by the adaptation process (macro-economic, environmental, social).

For a detailed analysis see ODI, Case Study: The Reform of the EU's Sugar Regime, prepared by Alan Hudson

The PCD Unit in DG Development can convene meetings with internal and external stakeholders and involve other DGs in PCD processes. This mainly concerns the Inter-Service Group on PCD and the PCD Network, an informal forum for exchanges of information between the Commission and Member States, but it can also concern ad hoc meetings with external stakeholders such as civil

Complutense Institute of International Studies (ICEI), April 2007. The study is part of a series of Studies in European Development Cooperation Evaluation commissioned by the combined evaluation bureaux of the Commission and EU Member States. They are published – on an irregular basis – to inform the interested European audience about the results of Europe's development cooperation. The content of these studies does not necessarily reflect the ideas of the Commission or the governments of the Member States. See www.three-cs.net

society and NGOs, or international organisations such as the OECD. It is also in charge of the organisation and coordination of PCD-related work within the Commission. Last but not least, it is responsible for the preparation of the Biennial EU PCD Report.

4. PCD Promotion at EU Level

Member States see EU processes as being more conducive to PCD than national ones. Much progress seems to have been made so far due to Presidency actions, especially at European Council's level. Some 22 Member States rated the Presidency's action to reflect development concerns across the policy spectrum as 'good' or 'strong', one of the highest approval ratings.

However, Member States underlined in their replies that PCD is not institutionalised well enough in the EU decision-making process and is weak at the national level. As highlighted by the CEPS Study on PCD in the EU Council¹¹, PCD is "easier to ensure in the policy-making processes in the European Commission than in the EU Council. The main reason is that decisions are ultimately taken by the Commission as a whole, thereby allowing all interests to be represented and cleared at the central level, i.e. the College of Commissioners, whereas decision-making in the Council must navigate the nine sectorally divided ministerial formations and numerous subordinate bodies, where the majority of decisions are taken." Joint Council sessions, when they were organised, for example on Trade and Development have been successful in bridging these divisions. Generally speaking, though, the sectorally divided EU Council decision making and the low weight development has in the internal balance of power at both EU and national level are a major obstacle to PCD. As a consequence, most Member States showed limited satisfaction with existing Council procedures (16 out of 26 rated them as weak or average) and with their own national PCD mechanisms and institutions (rated weak or average by 14 out of 24 Member States).

According to many Member States, the main issue is the limited involvement in PCD promotion of the 250 or so Council Working Parties. Coreper is central to ensuring PCD as it discusses the work of the sectoral working parties before it is sent on to the relevant Council formation. Yet starting discussion at Coreper is too late: it is estimated that 70% of the issues are solved at Council Working Party level, 15% at Coreper level and 15% at the Ministerial level. The CEPS study found no evidence of Coreper "emphasising the need for policy coherence, let alone policy coherence for development"¹². Relying only or principally on Coreper to drive the PCD agenda is therefore unrealistic and impractical.

The PCD approach needs to begin within capitals and the Commission and be built within the Council Working Parties so that Coreper receives submissions that are already as coherent as possible. Joint meetings of the Council Working Parties are amongst the most successful practices, but many Working Parties and Commission DGs are perceived by Member States as suspicious of the PCD agenda (e.g. particularly in the case of fisheries and migration). The separation between Coreper I (employment, internal market, industry, energy, etc.) and Coreper II (external relations, economy and finances, justice and home affairs) poses additional challenges to PCD.

The structure of the General Secretariat of the Council (GSC) helps to ensure strategic overview and permanent coordination of all aspects of external relations. In this area a single Director General is responsible for RELEX (geographical and thematic desks), trade, development,

¹¹ CEPS, Policy Coherence for Development in the EU Council Strategies for the Way Forward, 2006.

¹² Ibidem, p. 22.

enlargement and politico-military affairs, and is functionally connected to the Policy Unit of the High Representative/Secretary General.

The Development Unit is part of the Secretariat's Directorate for International Trade and Development Cooperation whose mission statement is "To make the council's activities in international development and trade (including the EEA/EFTA) more efficient in themselves and more effective as an element of EU Foreign Policy and to foster coherence between them and with the EU's foreign policy objectives."

These existing GSC structures have been useful in ensuring coherence on several dossiers such as, for example, Economic Partnership Agreements and the preparation of the UNCTAD XII Conference. The team of officials that advises the Presidency (whether preparing Development issues, for GAERC or a 133 Committee) consists of both development and trade experts. These experts and desk officers collaborate routinely on a daily basis.

In the European Parliament, the Development Committee is increasingly engaging in PCD-related issues, which it furthers through issuing reports, defending positions in plenary parliamentary sessions, and related activities. An analysis over time of the number of reports issued by the Development Committee show that more than 40% of own initiative reports address PCD related concerns so far in the sixth term of legislation compared to 12.5% and 6% respectively in the previous two terms.¹³

As mentioned above, the Commission has in place appropriate structures and mechanisms to help promote PCD amongst its services, including Inter-Service Consultations, the Impact Assessment mechanism, Trade Sustainability Impact Assessments, the PCD Unit in DG Development and an Inter-Service Group on PCD. A series of mechanisms have also been set up to promote PCD at EU level, viz:

- The PCD Network, created on the initiative of the EU Directors-General for Development, is an informal forum for exchanges of information between Commission and Member States. It held its first meeting in November 2005, and has met again three times in 2006 (May, July, November) and so far once in 2007 (May). The attendance rate has constantly increased, starting from nine Member States in 2005 and going up to 19 in 2007.
- A first Presidency PCD Rolling Work Programme was established for 2006-2007 to identify common priorities for policy and organisational action. It is updated by each new Presidency. The Rolling Work Programme is particularly useful as a forward-planning instrument, as it identifies all relevant upcoming PCD initiatives and events and clarifies the development issues at stake. It is also used by a large majority of Member States (23) in identifying and managing their own PCD programmes (e.g. as a check list, guidance note, awareness tool or common platform for EU action useful to convince reluctant non-development ministries). Although they use it, Member States also believe that its quality should be improved to make the RWP more practical and relevant.
- The Commission is responsible for preparing a Biennial EU PCD Report to review progress towards PCD achieved by EU Member States, the Council and the Commission. This report is the first edition of the EU PCD Report.

¹³ ECDPM/Particip GmbH/ICEI – April 2007, p.49

- The EU Strategy for Africa is the first integrated regional framework to improve coordination and coherence of EC and Member-State policies and instruments and has been highlighted by several Member States as another best practice example.
- Joint meetings of Council formations are a very useful way to integrate development concerns into other policy initiatives. For example, the Joint Trade and Development Ministers' GAERC session of October 2006 is considered by many Member States to be a good experience to be repeated and possibly expanded to other PCD areas in the near future.
- Ad hoc events such as the PCD Conference organised in Helsinki in October 2006 by the Finish Presidency can also efficiently contribute to promoting PCD by bringing together stakeholders.

The process of exchanging and sharing best practices on PCD at EU level was initiated one and a half years ago. The necessary set-up has been created to ensure an optimal exchange of information, including the Council Working Parties, the Informal PCD Network and a web-based Interest Group. Progress towards intensifying of exchanges of information on PCD has so far been encouraging. For instance, a session of the Council Working Group on Development, held with the participation of NGOs, involved several Member States presenting their respective approach on PCD.

The Evaluation Study underlines that it is crucial to maintain the momentum to ensure that PCD becomes standard practice within the Commission and amongst the 27 EU Member States. In this respect, the Informal PCD Network plays a particularly important role, which could be furthered if all Member States were to participate in its meetings. As far as the Commission is concerned, it will pursue and intensify its role as a promoter of PCD towards Member States and other stakeholders, particularly the European Parliament and civil society.

One weakness at the present stage is developing countries' limited involvement in PCD. A more systematic involvement of these key stakeholders is a must in the future. It is also a specific objective of the 2007 EU PCD Report to serve as a basis for this. To a lesser extent, the same applies to the European Parliament and civil society.

Regarding the Rolling Work Programme, it certainly has the potential to function as a roadmap for a better and more systematic integration of development concerns into the EU policy-making process. Political will is necessary to avoid this turning into a bureaucratic exercise with no concrete follow-up and limited concrete impact.

5. Impact Assessments

The integrated Impact Assessment (IA) system was gradually introduced in the Commission from 2003 onwards. It replaced all sectoral assessments concerning direct and indirect impacts of a proposed measure and integrated them into one global system. The IA system is a key tool to ensure that the preparation of a policy proposal is based on sound analysis and the best data available. It analyses a proposal's impact on a wide range of different policy areas.

However, the analysis of the impact on developing countries could be further improved. The evaluation of the IA system made in 2006 (see http://ec.europa.eu/governance/better_regulation/impact_en.htm#_evaluation) concludes that the assessment of the external impact "is deemed partly proportionate given that the Impact Assessment provides some information on the likely impacts on developing countries, but falls far short of a comprehensive assessment".

The evaluation is now being carefully considered by the Commission as part of an overall review of the approach, with a possible revision of the guidelines to reflect any necessary changes to the current system.

The Commission's Impact Assessments are being used at both EU and national level.

In the areas of trade, Trade Sustainability Assessments (TSIA) are used to assess the economic, environmental and social impacts of trade agreements on both the EU and the countries with whom the agreement is being negotiated. TSIA's are launched once EU Member States have adopted negotiating directives for the Commission to conduct trade negotiations, and are carried out by independent researchers.

The TSIA process includes consultation both internally, within the Commission and externally with civil society. Trade negotiators are informed of the TSIA's findings right from the outset as they participate in both consultation processes. After the presentation of TSIA results, the Commission drafts position papers which set out its position on the main findings of these studies. These documents also identify concrete actions to be taken in order to enhance the benefits of liberalisation both inside and outside the EU or to mitigate negative effects. Such actions may be in the trade domain or outside of it, in areas such as aid, cooperation and technical assistance. Once finalised, the papers are endorsed by the Commission and discussed with civil society.

Even though Member States believe that trade is the most-covered PCD areas as regards impact assessments, they questioned the timing, quality and participatory approaches of TSIA's¹⁴. Member States stress that TSIA's should be finalised in time and that they should be carried out with the full engagement of potentially affected developing countries with a view of better informing the decision-making.

At the national level, only three Member States evaluate the impact on development concerns of all major policy proposals.

6. Partner Countries' Perspective

Policy coherence is referred to in the Cotonou Agreement with the ACP countries, reflecting the EU's commitment to inform its partners on measures which might affect their interests¹⁵.

The inclusion of PCD in the new Joint EU-Africa Strategy under preparation is an important step in that direction. The outline for the Joint EU-Africa Strategy is endorsed by the Ministerial Troika Meeting of 15 May recognises that the promotion of Policy Coherence for Development in both EU and African policies has an impact on Africa's sustainable development.

The analysis of the partner countries' new Country Strategy Papers (CSPs) gives some indication of their perspective on PCD. CSPs are documents that lay down the bilateral cooperation strategy

¹⁴ A similar request is included in the Council Conclusions of October 2006. "The Council invites the Commission in particular to examine how to improve the quality and timing of its Trade Sustainability Impact Assessments so that they can be taken into account in the Council's decision-making process and their results properly integrated into the development dimension of Community trade agreements."

¹⁵ Cotonou Agreement, Article 12

between the EC and partner countries based on a political and socio-economic analysis of their specific situation¹⁶.

The new format for CSPs adopted by the Council on 11 April 2006 provides for the inclusion of a specific section devoted to PCD and analysing the partner country's main concerns regarding non-aid policies of the EU and other donors in the 12 identified PCD areas.

In the case of ACP countries, the importance of PCD is now largely recognised, as indicated by the fact that a PCD section is now included in a large majority (four out of five) of CSPs. Regarding the mentioned policy areas, the main trends are as follows: trade is mentioned almost systematically: 54 times out of 59 CSPs with a PCD section, followed by agriculture with 28 mentions, fisheries with 24 mentions and the environment with 22 mentions, the latter being sometimes linked to climate change, which is only mentioned six times. Migration is mentioned 18 times, security only 10 times, transport 8 times, energy 4 times, research and information society 3 times and the social dimension of globalisation twice. A link with programming is established in one third of the cases in the field of trade. However, links with programming are only seldom established in other PCD areas.

Inclusion of PCD in the CSP of Rwanda

The CSP of Rwanda contains a detailed and comprehensive PCD section with systematic links with programming and other EU policies. The CSP mentions the following areas:

- Trade: The main axes of action to integrate Rwanda into the world economy are described, and so is the way in which the EU will support this process. This includes negotiations on the Economic Partnership Agreement (EPA), support to infrastructures and rural development (focal sector 'Rural Development and Support to Infrastructure for Regional Interconnectivity'), as well as support for trade and regional integration (non-focal sector 'Trade and Regional Integration').
- Agriculture: Particular interest is expressed for liberalising international agriculture markets. The EU's Common Agriculture Policy is perceived as having only a limited impact on Rwanda's exports. However, the CSP mentions EU sanitary and phyto-sanitary standards as being a significant barrier to Rwandan exports. Capacity support is envisaged in this respect in the non-focal sector 'Trade and Regional Integration'.
- Environment: This sector is mentioned as being a major concern for Rwanda. A link is mentioned with the focal sector 'Rural Development and Support to Infrastructure for Regional Interconnectivity'.
- Social Dimension of Globalisation: The country strategy will also aim at ensuring that Rwanda draws economic and social gains from globalisation. The importance of improved infrastructure and access to information and communication technologies, particularly for education, is mentioned in this respect. Links are established with the focal sectors 'Rural Development and Support to Infrastructure for Regional Interconnectivity' and 'General Budget Support'.
- Security: Security and peace-keeping are mentioned as crucial issues for Rwanda in the light of the events of the 1990s, and poverty reduction and economic growth are the key to achieving them. This is consistent with the overall country strategy and particularly the focal sector 'Rural Development and Support to Infrastructure for Regional Interconnectivity'.
- Migration: Migration between Rwanda and the EU is seen as being of no particular concern, and is therefore not addressed by the CSP. However, regional migration is mentioned as having the possible benefit of regional integration.

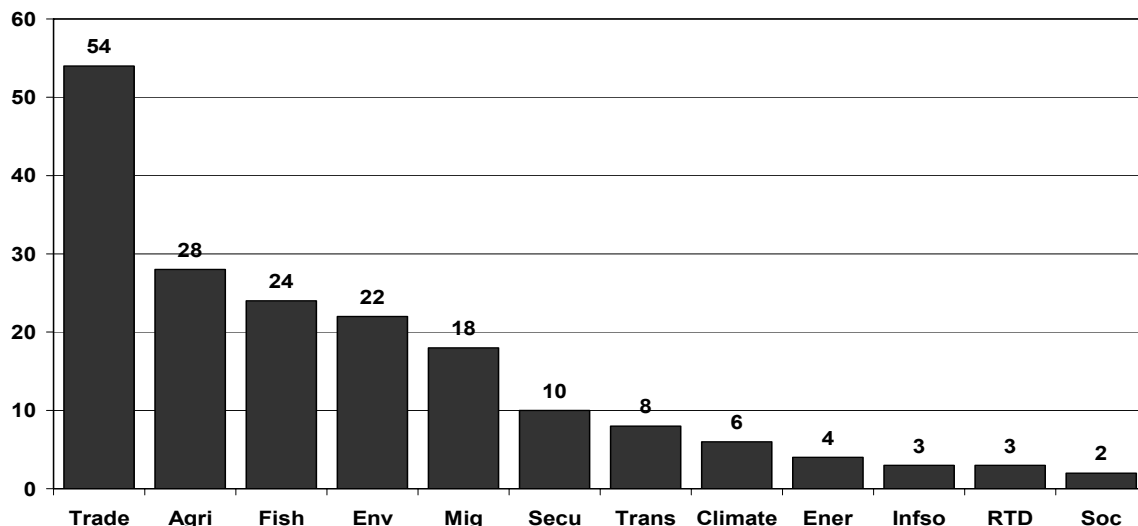
Amongst the CSPs of the Asian countries¹⁷, 15 out of 19 mention PCD issues. Six of those did not single out these issues as PCD nor addressed them in a dedicated PCD section, but rather included PCD considerations in the sectoral sections. The other nine tackled PCD in the Policy Mix chapter.

¹⁶ The analysis was carried out on the basis of the latest version of the CSPs, either draft or final, available on 15th July 2007. A total of 123 CSPs were reviewed.

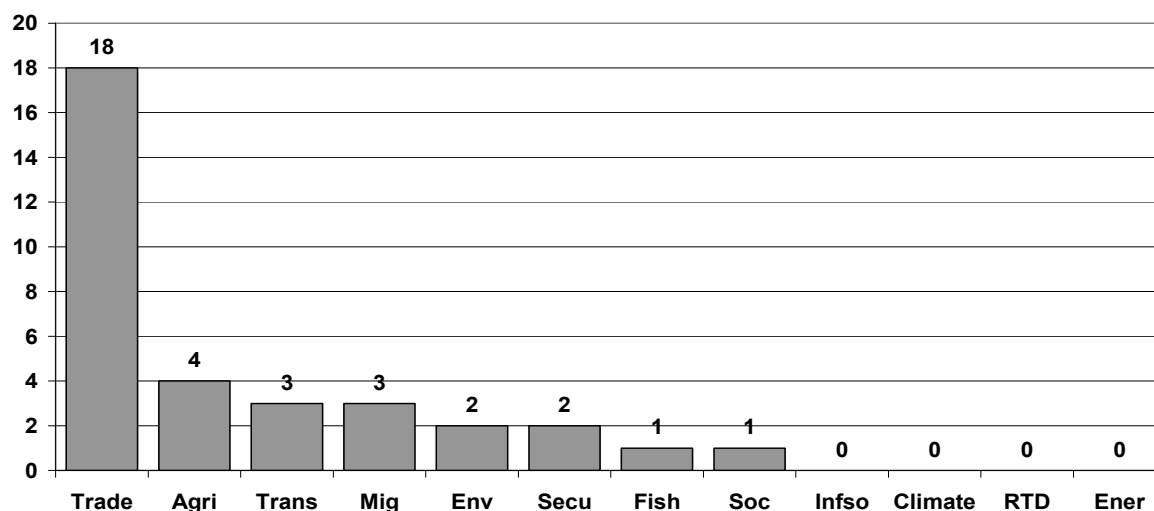
¹⁷ Afghanistan, Bangladesh, Bhutan, Cambodia, China, Laos, India, Indonesia, Malaysia, Maldives, Mongolia, Pakistan, Philippines, Sri Lanka, Thailand, Vietnam and Yemen.

As far as the 12 PCD areas are concerned, trade is by far the most frequently mentioned issue with 13 mentions out of 15, followed by the environment with eight mentions. Other areas are mentioned only sporadically.

PCD areas covered by the draft CSPs of ACP Countries
(based on 59 CSPs including a PCD section)



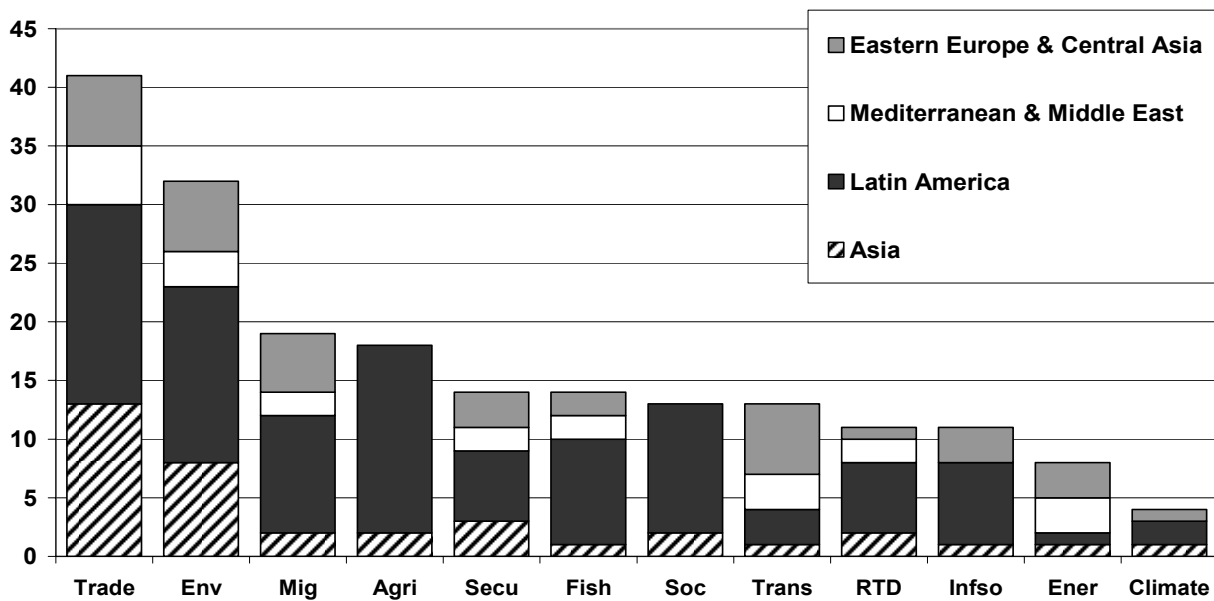
PCD areas in the draft CSPs of ACP Countries where the link with programming exists
(based on 59 CSPs including a PCD section)



All the 17 Latin American CSPs dedicated a special section to PCD issues, in which they address PCD issues in an extremely detailed, precise and comprehensive way. Trade, agriculture and environment are almost systematically mentioned (respectively 17, 16 and 15 times). The social dimension of globalisation, migration, and fisheries are also mentioned frequently (respectively 11, 10 and nine times), followed by the information society (seven times), and security (with emphasis placed on conflict prevention and drugs) and research (six times each). The other areas are mentioned more sporadically.

Regarding Mediterranean and Middle Eastern countries, of the eight CSPs analysed, five referred to PCD: Algeria, Egypt, Lebanon, Morocco and Syria¹⁸. Among those only Egypt, Lebanon and Syria dedicated a special section to the 'Coherence of the Policy Mix'. Amongst the CSPs of Eastern Europe and Central Asia, all six¹⁹ of them mention PCD issues. This includes trade, environment and transport, while the CSP of Moldova puts particular stress on security and migration problems.

PCD areas covered in the CSPs of other developing countries
(based on 43 CSPs mentioning PCD issues)



7. Accountability, Transparency, Public Information

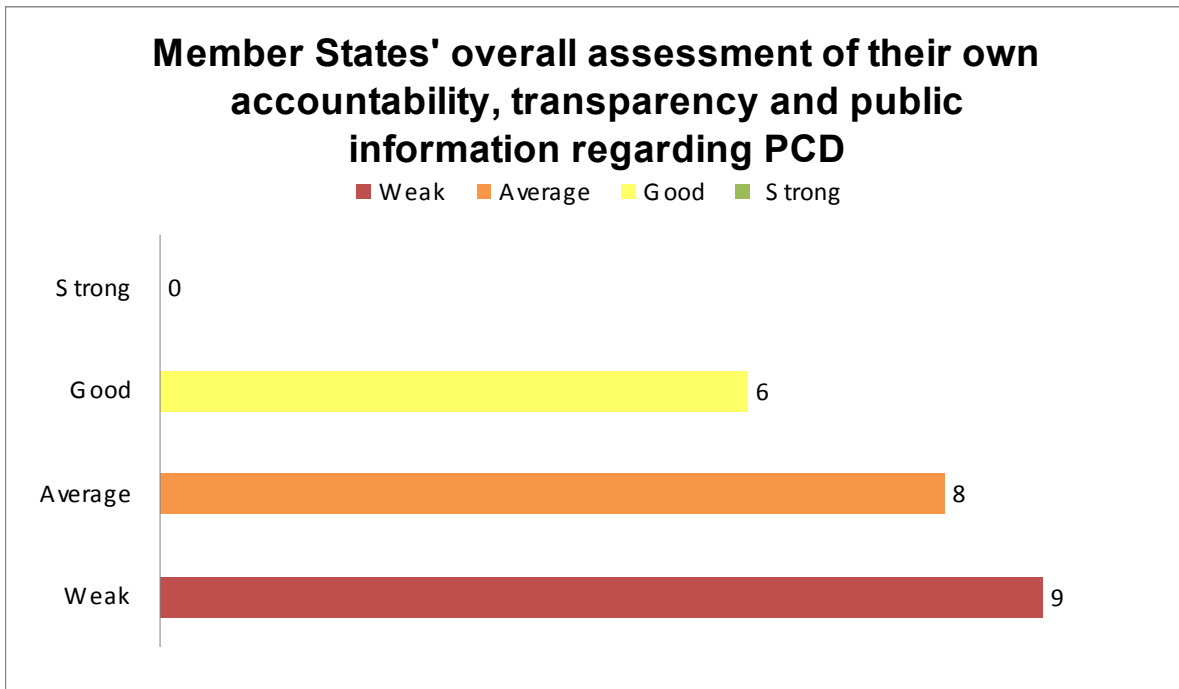
Member States noted a general lack of transparency and accountability regarding PCD, particularly at the national level. Member States perceive the EU Council to be more accountable than themselves.

However, according to several Member States, constraints in the EU decision-making system do not particularly promote accountability, rated only slightly above 'average'. Implementing new, cross-cutting and politically sensitive agendas pose in fact significant challenges in a framework that is subject to so much change, and Presidency discretion, where business is always conducted under significant time pressure, and where there are very mixed levels of awareness, understanding and will to raise capacity levels.

In addition, several Member States point out that the complex nature of the Council decision-making makes it difficult for the EU public to follow the discussions that take place in that institution, including on the positions taken by individual Member States. The recent decisions about transparency and accountability, such as the public sessions of GAERC or the present EU PCD Report, are important steps on the path to a more accountable EU.

¹⁸ The others are: Israel, Jordan and Tunisia.

¹⁹ Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.



Finally, lack of visibility of PCD efforts is seen by Member States as a major weakness, albeit to varying degrees, in the different thematic priority areas. In most cases, the issues involved do not seem suitable to draw major media attention. There are of course exceptions, such as conflict resolution and crisis management, which can make for very dramatic television footage.

At the national level, transparency and accountability are usually ensured through parliamentary control (e.g. annual reports and public hearings). The UK International Development Reporting Act, for example, formally requires the UK Government to report on the impact of PCD issues on poverty reduction and development to Parliament. The report is published within DFID's Annual Departmental Report. Both the French and Swedish Governments produce every year a Government communication to Parliament on the progress and results of development cooperation, including policy coherence issues.

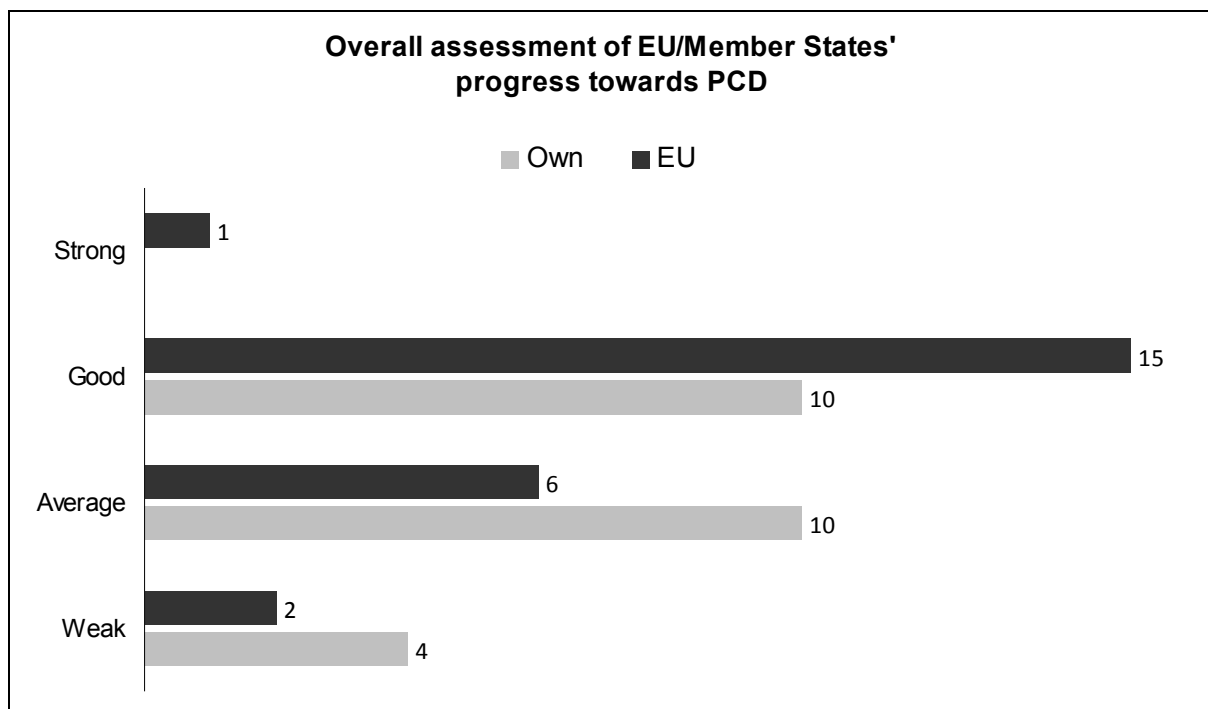
The Commission's Impact Assessments and Trade Sustainability Assessments are publicly available and are systematically transmitted (together with the policy document) to relevant institutions together with the policy document.

8. Overall Assessment of Horizontal PCD Commitments

Overall progress towards PCD is considered rather satisfactory by Member States, particularly at EU level, although capacity and resources available to promote the PCD agenda are deemed as 'good' by only five Member States out of twenty-seven.

These findings confirm those of the ECDPM Study on PCD in the EU context: "The mechanisms examined were relatively effective, but constraints on effectiveness were identified in all cases. The most common obstacles included lack of adequate political support, unclear mandates and insufficient resources. On efficiency, interviewees generally felt that the PCD mechanisms they were working with were efficient; however, the evaluation found that in the absence of monitoring

tools the basis for such judgements was not always very solid. Although nearly all stakeholders felt their mechanisms were having an impact they also found it hard to quantify²⁰."



Member States' assessment is that the overall progress towards PCD has been greater at EU level than at national level. The level of progress perceived by EU Member States in the 12 PCD areas, which is discussed more in greater detail in the following chapters, is modest, with most areas only slightly above 'average'.

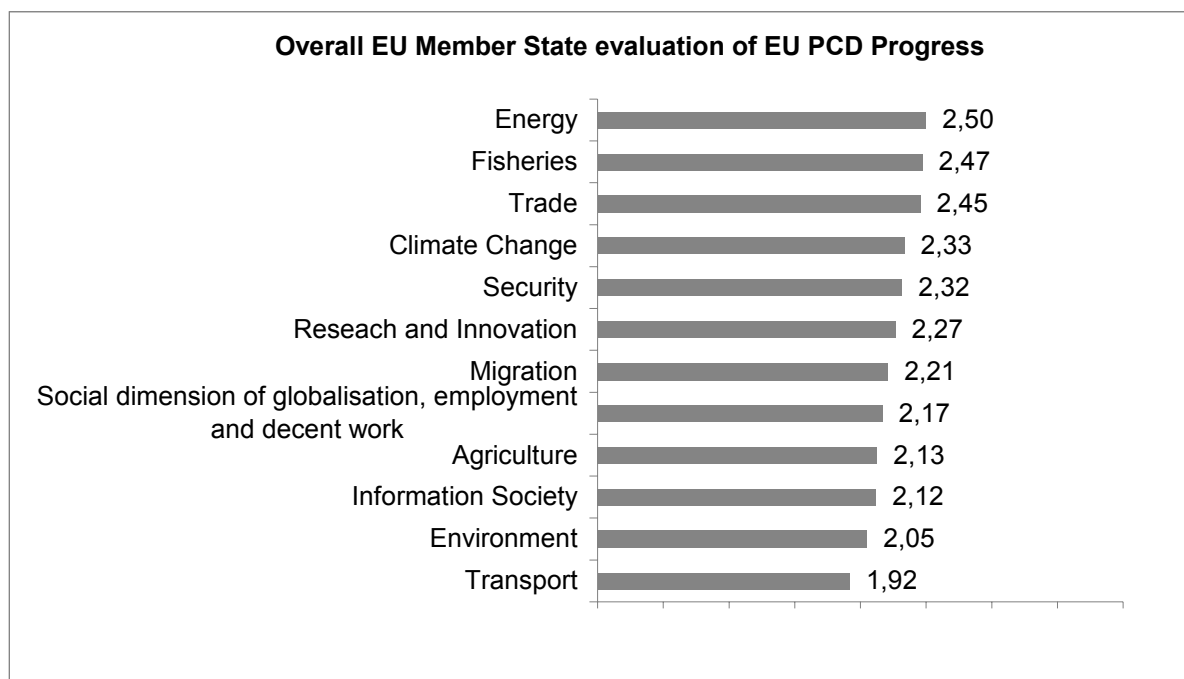
Awareness of the external impact of EU policies beyond development has increased within EU institutions. Adequate policy frameworks, procedures and instruments to promote PCD have been set up at Commission and EU levels. While the right framework is in place, it must now be used in a more systematic way and, if necessary, improved and adapted based on experience.

Greater PCD awareness is perceived by Member States as one of the main achievements so far. There is positive momentum in terms of establishing functioning tools and institutional mechanisms for PCD work, both in the EU and in some Member States. Some results have been achieved, e.g. in terms of strong commitments (both national and EU level, which complement and reinforce each other), planning tools at EU level, active analytical and factual work in some areas (e.g. trade, migration). The EU's commitment to PCD is well communicated – via the European Consensus on Development, PCD-related communications and conclusions, messages within sector groups.

Time will play a key role in this respect, provided the political will continues to gain further momentum. The extension of the PCD process to other stakeholders, namely partner countries, and the European Parliament and civil society, also appears necessary.

²⁰ ECPDM et al, *Evaluation Study on the EU Institutions' & Member States' Mechanisms for Promoting Policy Coherence for Development*, 2007, p. 6

At the same time, capacity constraints at all levels are an important issue, although the progress made by several Member States in the last few years has been promising. Further progress regarding the integration of PCD issues in associated Council Working Parties and Commission departments would help in this respect.



Obviously, conflicting political priorities are sometimes a more serious obstacle to PCD in drawing up policy initiatives. These can only be solved at the highest political level, i.e. the College, the European Council or the European Parliament.

Member States also perceive a lack of adequate systems for policy and decision-making. An 'institutional set-up' where PCD concerns would be taken care of more systematically and at an early stage is still lacking. Unless a PCD approach is strengthened within sector Working Parties in the Council, there is little possibility of correcting inconsistencies at higher levels.

There is a lack of ownership and/or knowledge of PCD commitments and its implications in different policy areas, since such ownership and knowledge of PCD is widely spread between different policy areas. DG Development and development ministries in Member States need to better engage colleagues from policy areas other than development.

At this stage, the analysis of the degree of PCD remains both analytical and empirical. There are some attempts to actually measure the coherence of a country's or institution's policies, but establishing such a measurement system is proving difficult²¹. None of the existing ones have achieved a degree of maturity that provides a sufficient level of reliability and credibility.

²¹ See for instance the Centre for Global Development's (CGD) yearly "Commitment to Development Index" at <http://www.cgdev.org/section/initiatives/active/cdi>

9. Outstanding Issues

- As underlined by Member States, review and improve Council procedures. Ensure that PCD is built within the Council WP's so that Coreper receives submissions that are already as coherent as possible, institutionalise the process of PCD screening of the Council Agenda by Presidency and Council Secretariat and clarify screening criteria, organise more joint GAERC sessions and ask the various Council formations to report to GAERC on how they have incorporated PCD into EU policy. The detailed practical recommendations included in the CEPS study could also be considered in the process.
- Intensify the dialogue with partner countries on the synergies between EU policies and development cooperation programmes to take better account of PCD in bilateral cooperation and promote the inclusion of PCD in their national/regional development strategies.
- Intensify exchanges with the European Parliament and a broader range of civil society organisations, not only in development but also active in the different PCD areas.
- Further improve information-sharing on PCD issues. Several actions in this regard have been put forward by Member States for consideration: publication of PCD best practice, seminars/workshops on PCD, PCD Bulletin, more frequent meetings of the Informal PCD Network, better use of CIRCA, Director-General-level meetings on PCD, less generic, information-sharing on disaggregated aspects of a PCD sector (e.g. remittances) or theme (e.g. national coordination structures), up-to-date list of PCD contacts in each Member State, focal point for PCD in Council Secretariat, annual high-level meetings on specific PCD topics, and establishment of a PCD 'corner' at the next EU Development Days.
- Better use the Impact Assessment process. Assessments should be used to take more explicit account of the impact on third countries and international relations, although both are already mentioned in the IA guidelines.
- Make the Rolling PCD Work Programme more operational. It should cover in its annex all policy and legislative initiatives the Council will deal with (i.e. the Indicative Council Agenda and planning of relevant Working Parties with inputs from Member States), not only the Commission Work Programme. The issue of how to handle the highlighted PCD agenda items should also be subject to consultation with Member States rather than being left to the discretion of the Presidency.
- Analyse PCD-specific resource constraints at the Council Secretariat and in the Council Working Parties and consider creating several PCD Expert Groups to advise the Council WPs and Coreper on PCD issues.

3. POLICY AREAS

3.1. TRADE

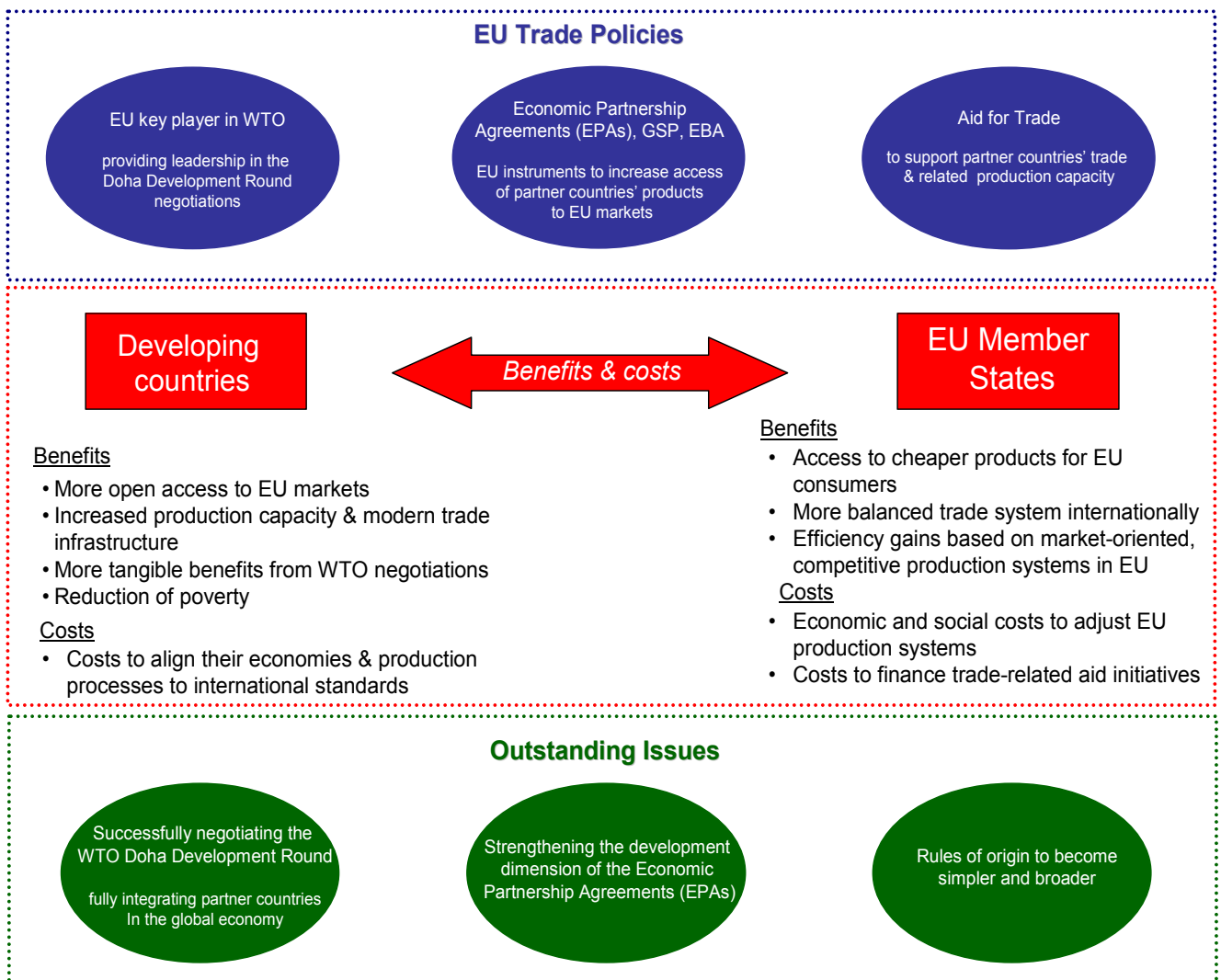
Trade is probably the policy with the greatest impact on each and every single developing country. All countries engage in trade and all of them rely, for a substantial part on trade for their economy to grow and to fight poverty. Trade is by far the most frequently mentioned PCD issue in developing countries' Country Strategy Papers.

Trade is a powerful engine for economic growth. While trade alone cannot solve development problems, openness to trade and support for supply capacity are important elements in any coherent development strategy.

For trade to serve as an engine for growth a number of conditions need to be fulfilled. Firstly, there needs to be sufficient access to export markets. Exports can be restricted at the border by tariffs, or in the case of services by regulations prohibiting entry, and behind the border by non-

Quick Facts

1. World trade grew vigorously in 2006, the 8% expansion in merchandise trade being the second highest since 2000. In 2007 it is expected to settle at 6%.
2. Least-developed countries' trade grew by about 30% in 2006, fuelled by higher prices for petroleum and other primary commodities.
3. Full trade liberalization would lift up to 440 million people out of \$2-a-day poverty by 2015.
4. During 2006, more than 100 developing countries were engaged in over 67 bilateral or regional trade negotiations. More than 250 regional and bilateral trade agreements now govern more than 30% of world trade.
5. The EU has pledged to increase its aid for trade to € 2 billion a year from 2010 for all developing countries.



discriminatory standards aimed at ensuring health, safety and preservation of the environment.

Secondly, exports of goods and services need to be able to compete with local or imported products from other countries. This requires, among other things, the trade policy of the developing country concerned to encourage competitiveness, and to ensure inputs for industries at competitive prices. The role of trade in development is thus dependent on both EU and other countries' and regions' policy measures in the trade and aid area as well as those of developing countries. This chapter will focus on EU policy and in particular trade policy. It should be noted, however, that the interests of developing countries vary according to their export structures and levels of competitiveness, and that this poses a challenge to ensuring EU policy coherence for development.

1. Policy Framework

The existing EU market access regime in general is already quite favourable for developing countries. The average MFN²² rate is 4%. In the context of the EU Generalised System of Preferences exports from developing countries receive a discount on this rate (see section on GSP below). Goods from Least-Developed Countries enjoy quota- and tariff-free access to the EU market under the 'Everything But Arms Initiative'. Since the Lomé Convention, that entered into force in 1975, and later under the Cotonou Agreement, the EU has granted duty-free treatment for some 99% of ACP exports. However, for certain developing countries a number of pockets of protection remain, principally for agricultural products. In the area of non-agricultural products, relatively higher tariffs apply to a small number of products such as textiles, clothing, footwear and fish.

Preferential trade arrangements for developing countries, as those granted by the EU, the US or Japan, raise a number of general problems. There is often a risk that production in the partner country shifts away from sectors of comparative advantage towards those with the highest preference margins. When the country offering preferences implements a general tariff reduction for specific products, the value of trade preferences decreases (*preference erosion*) and may render the sectors previously benefiting from preferences uncompetitive. Costly adjustments become necessary that can take a long time as adjustment capacities in developing countries are relatively low due to insufficient diversification, a weak capital market, obstacles to labour mobility as well as missing safety nets and training facilities.

Another problem of many preferential trade arrangements is *tariff escalation* which means the built-in increase in tariff levels with an increase in the degree of value added or processing of basic commodities. It often creates a disincentive to upgrade into higher value added production which could provide promising trade perspectives. Finally, preferences tend to create a 'hub and spoke' bias of developing countries' trade towards the northern hemisphere to the detriment of regional south-south trade.

Developing countries also report difficulties in exporting their products due to non-tariff barriers - sanitary and phyto-sanitary measures (SPS) and technical barriers to trade (TBTs), such as labelling and packaging standards. The same is true for rules of origin. They are designed to preserve the preference system from abuse, but they can have the perverse effect of preventing developing countries from benefiting fully from preferential trade regimes. Under the 10th EDF the CSPs of many ACP countries refer to SPS and EU rules of origin as a coherence issue.

²² Most-favoured-nation treatment (GATT Article I, GATS Article II and TRIPS Article 4), the principle of not discriminating between one's trading partners.

Trade-related intellectual property rights (TRIPS), and in particular in relation to access to affordable medicines are another area of concern to developing countries. Striking the right balance between (a) providing incentives for research through patents and (b) ensuring access to the products of such research such as new drugs is crucial, e.g. in the fight against HIV/AIDS.

In conclusion, developing countries enjoy important tariff preferences, especially on the European market. But they still face a number of obstacles. The poorest countries' share in international trade remains marginal. To facilitate their integration into the world economy, these obstacles must be tackled along with a range of other factors, including those relating to competitiveness of exports.

Regional integration is one important way to improve the position of developing countries, by creating regional markets and generally improving the business environment. This is particularly important for the poorest countries since it will put them in a position to take advantage of emerging markets in other developing countries.

Trade integration challenges are particularly pressing across a large group of countries highly dependent on commodity exports, in particular agricultural ones, for whom unstable commodity prices have threatened progress towards the MDGs. When prices of commodities fell at the turn of the century a consensus developed on the need to step up the attention paid to commodity-dependent countries' efforts to restructure and diversify their commodity sectors in ways that are consistent with the market, provide greater revenue to producers and reduce their vulnerability. Even though the price situation is different today, in particular with the impact of the growing demand from China, India and other emerging economies, this needs to be monitored to ensure that commodity-dependent countries equip themselves to better adapt price fluctuations and continued competition but also with regard to the implications on net food importing countries and the effects of biofuel demand on commodity prices for the poorest countries.

The EU deals with trade policy issues at multilateral level through the WTO negotiations, at bilateral level through the negotiation of trade agreements with countries or regions, such as the EPAs with the ACP countries, and at unilateral level through its Generalised System of Preferences, as well as through its significant support to Aid for Trade expenditure which can support developing countries in tackling the challenges outlined above.

2. Practical Steps

WTO Negotiations

The EU is one of the key players in the WTO because it is one of the major defenders of multilateral trade rules as the best way to organise trade, since they are non-discriminatory, increase predictability and stability and they can provide important opportunities for developing countries to better integrate into the world economy. Through a well sequenced opening-up of their markets and proper flanking policies, developing countries will be able to seize the opportunities to promote economic development and to tackle poverty reduction.

The EU has been a major proponent in making development the key issue in the WTO negotiations and it has since been active in seeking a successful outcome of the DDA. However, as the negotiations are still ongoing and the principle of 'single undertaking' (nothing has been agreed until everything has been agreed) applies, the development-friendliness of EU trade policy cannot yet be assessed against the results of this Round but only by looking at the negotiation position.

On agriculture, the EC position strikes a good balance between European interests and the various diverging interests of developing countries. Whilst all developing countries perceive an interest in the reduction of trade-distorting domestic subsidies and the elimination of export subsidies, interests are more divergent when it comes to agricultural tariffs. While major agricultural exporters such as Brazil, Argentina and others see an interest in substantial reductions of agricultural tariffs, other developing countries are concerned about the possible effects that MFN tariff cuts on certain agricultural products will have on their preferential access regime. The EU has proposed, under certain conditions, substantial cuts in trade distorting domestic support and has already accepted the phasing out of its export subsidies by 2013. On agricultural tariffs it has signalled its readiness, under certain conditions, to accept average cuts close to those proposed by the G20 group of developing countries'.

On industrial goods, the EU has offered an ambitious cut in its tariffs that will eliminate tariff peaks and escalation. Developing countries have an interest in many of the products affected by tariff cuts. In turn, the EU is demanding cuts that will affect real tariffs imposed by more advanced developing countries as well, although cuts in tariffs for these countries will be less ambitious than those for developed countries and flexibilities are offered for sensitive sectors. This approach will offer opportunities for the EU's own trade but also for increased South-South trade. The Least-Developed Countries should be exempted from making such cuts.

On services the EU has offered various improvements relevant for developing countries, such as additional market access in computer and related services and as regards temporary access of service suppliers. It follows a strongly differentiated approach in its requests, fully taking account of the regulatory capacity of developing countries to manage liberalisation. Developing countries are encouraged to open sectors to foreign companies since their presence can strengthen the economic infrastructure and reduce costs such as in telecommunication services.

Economic Partnership Agreements

EPAs are conceived as long-term partnerships between the ACPs and the EU to promote poverty reduction and sustainable development by fostering the smooth and gradual integration of the ACP countries into the world economy. EPAs are essentially different from traditional Free Trade Agreements. They are asymmetric and take a comprehensive approach to development. The EPA negotiations are still ongoing, but should be finalised by the end of 2007 as agreed by the parties in view of the expiry of the WTO waiver to the commercial regime under the Cotonou Agreement. They are conceived with a view to creating markets among 6 ACP groupings rather than just opening them. Through reinforcing regional integration and by addressing supply-side constraints EPAs should stabilise the economic and regulatory environment and provide incentives for investment, trade and wealth creation.

Development objectives are at the centre of the EPA negotiations, in line with Article 34(1) of the Cotonou Agreement. Article 18 of the Agreement states that development strategies and economic and trade cooperation are mutually reinforcing. Article 34(3) of the same Agreement stipulates that economic and trade cooperation will aim to enhance the production, supply and trading capacity of the ACP countries as well as their capacity to attract investment. Support to ACP regional integration, flexibility and asymmetry, and WTO compatibility, are key principles of the negotiations.

Regional integration is a means to help ACP countries develop internal markets, create economies of scale and address supply-side constraints. It is true that some regions face overlapping

membership. But the Commission is convinced that the EPAs can play a role in sorting out, reinforcing or accelerating existing integration efforts. The Sustainability Impact Assessment of the EU-ACP Economic Partnership Agreements concludes that "since the domestic markets in ACP countries are, on their own, relatively small and in many instances internationally uncompetitive, the current regional integration initiatives in the ACP regions are a key component in the development of more integrated and competitive markets"²³.

While keeping in mind WTO compatibility, the EC will use all available flexibility to offer a high degree of asymmetry in market-access commitments. Liberalisation will be progressive over long transition periods. "Flexibility (...) should include asymmetry in transition periods as well as in ACP market access commitments. Taking into account the development needs of ACP States, flexibility may be needed for sensitive products: exclusion of products, safeguards, as well as long transition periods, and in very exceptional cases even longer periods for very sensitive products".²⁴ The definition of sensitive products will reflect the countries' economic, social and environmental constraints, for instance in terms of food or income security.

This being said, EPAs will establish reciprocal preferential access and they will comply with WTO rules providing thereby the EU and ACP countries with a stable and sustainable framework for their trade relations. This will secure market access for ACP exports to the EU and provide opportunities by attracting investment and increasing productivity in those countries.

In response to the expected adjustment costs, the Commission has made clear its commitment to use the long transition period to support the implementation of reforms that help ACP countries move away from unstable tariff revenues towards a modern tax system that supports growth. In parallel the Commission has also committed itself to help countries to face and adjust to a possible fiscal impact observed due to trade liberalisation.

While in some regions there is still some opposition to include services in the EPA negotiations, the SIA sector studies suggest that there are benefits to be gained by making commitments in the sector. "Improved intra-regional and international transportation is a key component of improving trade, development and regional integration. Moreover, liberalisation of financial services can increase access to affordable credit, particularly for small and medium-sized enterprises, to encourage development."²⁵ Opening up the service market will however not be enough. It is clear, that a strong regulatory framework is crucial to ensure that these services are provided in a way that promotes development. Additional measures will need to be put in place, for example, to overcome problems of lending to small-scale economic actors, where lack of collateral is often the key problem.

Good progress has been made with the establishment of Regional Preparatory Task Forces (RPTFs). These are technical committees aimed at ensuring the link between the EPA negotiations on the one hand and the design of development strategies and definition of relevant development finance cooperation on the other. They are typically composed of representatives of the regional

²³ PricewaterhouseCoopers, 'Sustainability Impact Assessment of the EU-ACP Economic Partnership Agreements – key findings, recommendations and lessons learned', Paris, PricewaterhouseCoopers, May 2007, p. 10.

²⁴ Council conclusions (9560/07), Economic Partnership Agreements (EPAs), 15/05/07

²⁵ PricewaterhouseCoopers, 'Sustainability Impact Assessment of the EU-ACP Economic Partnership Agreements – key findings, recommendations and lessons learned', Paris, PricewaterhouseCoopers, May 2007, p.14.

and national Authorising Officers²⁶ staff and regional institutions. Other donors and development banks have also been invited to join. The Commission core members of the RPTFs comprise representatives from different sectoral departments. Where specific expertise is required, the RPTFs may invite additional experts of either side to attend its meetings, on a temporary basis.

Free Trade Agreements with Countries in Latin America and Asia

In other regions, the EU also negotiates trade agreements with individual countries or with several countries as part of a regional integration organisation.

The EU seeks to develop an enhanced partnership with Latin American countries through a network of free trade agreements embodied in association agreements between the two regions. The aim is to establish a favourable climate for trade and investment contributing to growth and employment and to regional integration. Agreements with Mexico and Chile are already in force, while negotiations with Mercosur are still ongoing. The EU is also starting negotiations with Central America and the Andean Community.

In Asia, the EU has started to negotiate a free trade agreement (FTA) with ASEAN. This agreement is expected to lead to increased imports from ASEAN to the EU mainly in the service sector. As highlighted by the qualitative and quantitative feasibility studies on a potential EU-ASEAN FTA, EU imports in business services from ASEAN are expected to increase by 80% (or a €14 billion one-shot effect). The expected rise in total imports from ASEAN is estimated at 18.5% (one-shot effect as well).

The EU will take account of the development dimension in an overall context of sustainable development including a specific chapter on sustainable development, addressing both social and environmental aspects. The individual ASEAN countries will benefit from a certain degree of flexibility as regards transitional periods for liberalisation of trade in goods and services depending on their level of development. In addition, the Commission will undertake a Sustainability Impact Assessment in parallel with the negotiations to clarify the effects of the FTA on sustainable development on both sides. To strengthen the ASEAN countries' negotiating capacity, the FTA negotiations will be accompanied by capacity-building measures.

The EU is pursuing a similar approach in its negotiations with India, with whom it has also started to negotiate an FTA.

GSP

In addition to the multilateral and the bilateral level, the EU applies unilateral preferential market access schemes to all developing countries under the Generalised System of Preferences (GSP).

With the reform approved in 2005 the GSP has been made simpler, by reducing the number of arrangements from five to three. Since the principles guiding the GSP system have been established for a ten-year period, the system now provides more stability and predictability. The trading opportunities for its users have been increased by extending the product coverage of the general GSP system to 300 additional (mostly agriculture and fishery) products.

²⁶ The national (regional) Authorising Officer represents the ACP State (Region) in all operations financed from the fund resources managed by the Commission and the Bank.

The EC has also geared its GSP more towards promoting sustainable development and the social dimension of globalisation. A special incentive scheme for sustainable development and good governance, GSP+, has been set up and granted to countries that have ratified and effectively implement key international conventions on sustainable development, labour rights and good governance. It covers around 6400 products which enter the EU duty free (see also chapter on the Social Dimension of Globalisation) .

To direct the benefits of this system to the countries that really need it, beneficiary countries are regularly reviewed. When they are judged to have attained a level of economic development equal to that of developed countries they are excluded from the GSP. Similarly, when countries have reached a level of competitiveness in certain sectors which ensures further growth even without preferential access to the EU market, such sectors may be graduated. This graduation procedure is no longer done annually but on the basis of a three year period. Use is made of the sectional divisions of the internationally recognised Harmonised System, for the various categories of products, a method which is not only simpler but which gives the countries an incentive to diversify their economies.

Moreover, under the so called 'Everything But Arms/EBA Regulation' the Community grants duty-free market access for all LDC exports. EBA provides the most favourable regime available. Roughly 2 400 products already enter the EU market duty-free from all countries. Practically all remaining products are covered by EBA and are granted duty-free access (zero-duty rate) to the EU market. Only products from Chapter 93 (arms and ammunition) of the EU's Combined Nomenclature are not covered by EBA. In addition, imports of rice and sugar are not being fully liberalised immediately. Duties on those products will be gradually reduced until duty-free access will be granted for sugar in July 2009 and for rice in September 2009. In the meantime, there are duty-free tariff quotas for rice and sugar, which are increased annually.

Rules of Origin

Rules of Origin are necessary to ensure that the benefits of the beneficial trade regime accrue to the countries for which these preferences are intended. They need to be sufficiently stringent to avoid preferences being exploited by countries for which they are not intended - otherwise, trade circumvention risks undermining the whole system. At the same time, RoO need to be as simple and as relaxed as possible, so as not to undermine the ability of beneficiary countries to take advantage of the preferences available.

The Commission is presently in the process of revising its Preferential Rules of Origin, both those applying to the GSP, including Everything But Arms, and those to be negotiated with ACP countries under the ongoing EPA negotiations. Simplification and relaxation of the rules of origin are the key thrust of this revision, as set out in the Commission's Communication of March 2005 which identifies the key objectives of reforming the Preferential Rules of Origin. In this Communication the Commission expressed its view that Rules of Origin needed to be made simpler, more transparent and easier to use, particularly with a view to making them more development-friendly. Given the important trade implications of changing the preferential rules of origin, an impact assessment will be undertaken prior to presenting substantive proposals. The reformed rules of preferential origin should be based in principle on the across-the-board value-added criterion, with other elements of trade facilitation referring to the simplification of procedural aspects and an improvement in the mechanisms for control. It should be noted, though, that developing partner countries are far from having adopted a unified position on the reform of the RoO. The challenge for the Commission will be to strike the right balance between, on the one

hand, the views and interests of those opposed to a wide-ranging relaxation, and on the other hand, the development objectives set out in the 2005 Communication.

Rules of Origin – an example

The Swedish National Board of Trade has studied the degree of use of the EU's preferential systems for the least-developed countries, the 'Everything But Arms' initiative. The report shows that many developing countries, despite the absence of customs tariffs, cannot derive benefit from existing market access. This is due to the low added-value operations that normally take place in these countries, which are considered as insufficient for the product to gain the preferential status. For example, if a plastic pipe is produced in a developing country, normally this is not enough for ensuring origin in that country and preferential treatment for export to the EU. In principle, the country must start a chemical industry and produce the plastic in-country for the pipe to fulfil the requirements. The same is often true with regard to the assembly of machinery and home electronics, as they imply normally low added-value operations: a processing going beyond a simple assembling of non-originating inputs is required to consider the machine originating in the country for preferential purposes.

An ODI Study on Rules of Origin (ODI Briefing Paper 12 on 'Creating Development-Friendly Rules of Origin in the EU', October 2006, p. 1, gives the example of Lesotho. The country exports trousers made from Chinese cloth to the USA under the African Growth and Opportunity Act (AGOA), since US origin rules currently accept for a limited number of developing countries to use Chinese fabric to export garments under preferential origin to USA as long as the volume of these garments does not exceed a cap fixed annually; Lesotho cannot profitably export the same trousers to Europe because the EU deems them not to be really originating in the country as the operation carried out in Lesotho implies a too low added value (and therefore the trousers are ineligible for the trade preferences that it notionally offers to Lesotho and not to China).

SPSs and TBTs

SPSs and TBTs are important in order to ensure human, animal and plant health, safety and preservation of the environment. At the same time, they pose challenges to exporters from developing countries.

There are both public/compulsory and private /voluntary standards, with the latter often being the more stringent ones. Lowering standards is seldom an option as they serve important policy objectives and provides assurance to consumers on the quality and safety of the products, without which consumers may not be interested in buying the product at all.

To address the problem the EC finances projects and initiatives to strengthen developing countries' capacity to respect SPSs and TBTs.

For example, the Commission supports developing countries in implementing²⁷ Regulation (EC) No 882/2004²⁸ on official controls performed to ensure the verification of compliance with feed and food law, animal health and animal welfare rules in order to build the institutional capacity required to meet the requirements referred to in the said Regulation through

- a phased introduction of some of the requirements under the Regulation, under certain conditions;
- assistance with providing the information related to general import conditions, if necessary by Community experts;

²⁷ Since 1 January 2006

²⁸ Support for developing countries EC Regulation of the European Parliament and of the Council of 29 April 2004 on official controls performed to ensure the verification of compliance with feed and food law, animal health and animal welfare rules – Article 50 in particular.

- the promotion of joint projects between developing countries and Member States;
- the development of guidelines to assist developing countries in organising official controls on products exported to the Community;
- sending Community experts to developing countries so as to assist in the organisation of official controls;
- participation of control staff from developing countries in the training courses under the DG Health and Consumer Protection on 'Better training for safer food'.

The Regulation is a good example of how assistance to developing countries is made explicit, and is of particular importance as it recapitulates the role and tasks of official bodies that need to carry out inspection, verification and certification activities. Many of the deficiencies identified by the Commission's Food and Veterinary Office in developing countries are exactly those related to the lack of control competence of the Competent Authorities. Providing for the opportunity to address these issues bottom-up is a major step forward in building capacity in developing countries as well as in opening/maintaining market opportunities towards the EU.

The European Commission launched in 2007 a specific project called 'Strengthening food safety systems through SPS measures in ACP countries' amounting to €30 million. The objective of this project is to allow food and feed trade to contribute more to poverty reduction in beneficiary ACP countries by establishing food and feed safety systems for export products in ACP countries that are in line with regional, international and EU standards.

In addition, the Commission contributes to the Codex Trust Fund and other international standard setting bodies to ensure active and effective participation of developing countries in standard setting work, as well as to the Standards and Trade Development Facility (STDF). This facility is a global programme in capacity building and technical cooperation established by the Food and Agriculture Organisation of the United Nations (FAO), the World Organization for Animal Health (OIE), the World Bank, the World Health Organisation (WHO) and the World Trade Organisation (WTO).

The strategic aims of the STDF are:

- to help developing countries enhance their expertise and capacity to analyse and implement international sanitary and phyto-sanitary (SPS) standards, thereby improving their human, animal and plant health situation, and thus the ability to gain and maintain market access; and
- to act as a vehicle for coordination among technical cooperation providers, the mobilisation of funds, the exchange of experience and the dissemination of good practice in relation to the provision and receipt of SPS-related technical cooperation.

To achieve these aims, the STDF acts both as a coordinating and a financing mechanism.

It is important to note that in addition to facilitating international trade, SPS capacity-building can result in improved human and agricultural health conditions for local markets and so favour economic and social development.

Aid for Trade

Aid for Trade is one of the means by which the EU supports progress towards the Millennium Development Goals. Beyond technical assistance for implementation of trade policies (including, for instance, customs policies), a consensus has developed in recent years as to the need to go further and incorporate into cooperation strategies support for the development of productive capacity, support for trade-related infrastructure and support to overcome other supply constraints.

In December 2005 the EU pledged to collectively increase its aid for trade to €2 billion a year from 2010 for all developing countries, €1 billion of it in Community aid and €1 billion in bilateral aid from the Member States. A significant share of these resources will be attributed to the ACP countries in the context of the EPAs. The EU supports the recommendations of the WTO Aid for Trade Task Force and is at present engaged in developing a joint Commission and Member State Strategy on Aid for Trade which will be finalised in the autumn of 2007, with strong support from most Member States. The basic elements to be included in this strategy were agreed by the Council on 4 April 2007.

While Aid for Trade is not part of the single undertaking, it delivers an important complement to the negotiation agenda ensuring assistance to help developing countries to take advantage of new and existing opportunities to trade, assisting them with the implementation of new agreements and if necessary helping them to adapt to a changing external trading environment.

Member States praised the decision taken by the EU to pledge €2 billion a year from 2010 for aid funds to support trade, including the partner countries' supply capacity. Some Member States have already indicated by how much they will increase their bilateral development funding earmarked for trade, in order to reach the collective target of €2 billion. One Member State has voiced a concern related to the calculation of the bilateral contribution to the Aid for Trade initiative. The difficulty stems from calculating the contribution of bilateral programmes in the area of private-sector development to Aid for Trade. A more comprehensive definition of Aid for Trade in the context of the partners' country's national development plan is suggested.

The general commitment of all Member States towards a more coherent EU trade policy is demonstrated by their willingness to contribute financially to this PCD thematic area. The graph below shows that the large majority of respondents (20 out of 23) provided 'some', 'substantial' or 'full' additional assistance to support developing countries in strengthening their trade capacity. A survey recently published by the Commission²⁹ shows that additional efforts are needed though. According to this report in 2006, most Member States had not yet started to increase their trade related assistance (TRA). Only nine Member States (Belgium, Germany, Greece, Finland, Ireland, Luxembourg, Poland, Sweden and the UK) increased their TRA allocations in 2006. 18 Member States did not increase their spending. As far as the future geographical focus of TRA is concerned, some patterns emerge although not very clearly: Member States seem to attach great interest to neighbourhood countries, in particular Eastern Europe, and to Africa as a continent. Asia and Central and South America attract little interest. The Caribbean and the Pacific attract virtually no interest for future TRA.

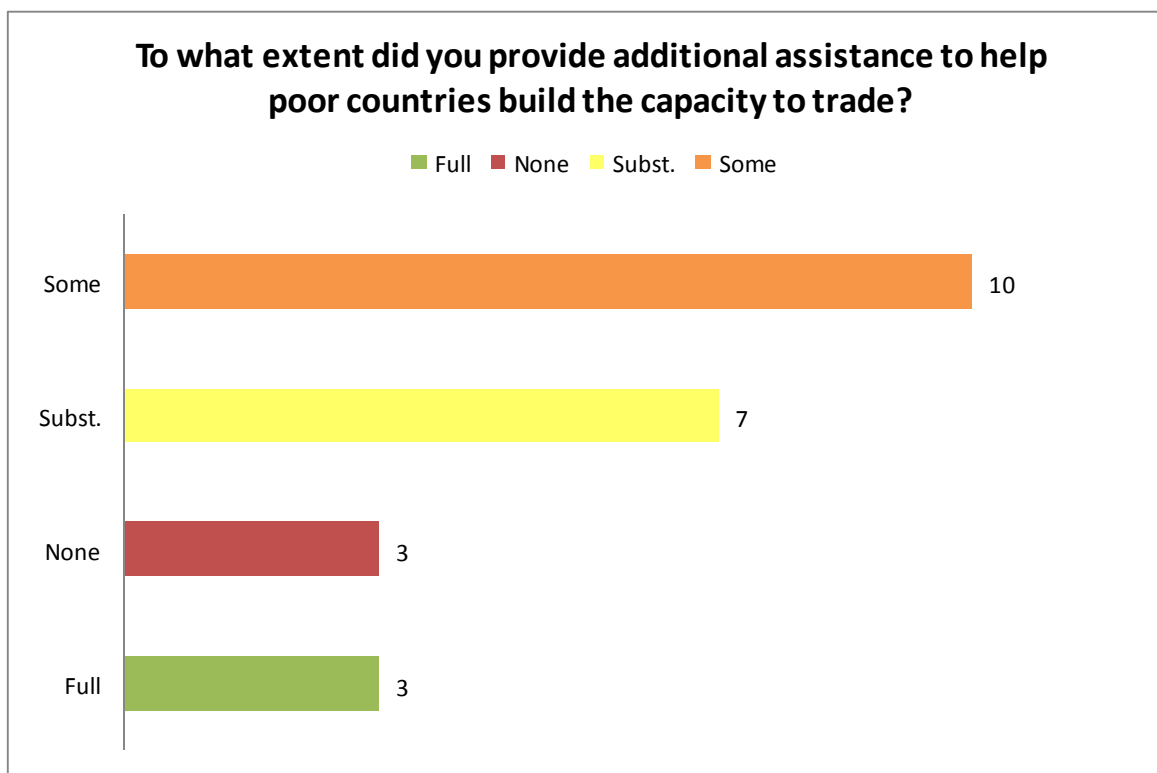
The additional assistance provided by Member States is directed through the different development cooperation channels. Most Member States provide significant funds through international

²⁹ SEC(2007) 415, *Financing for development – from Monterrey 2002 to Doha 2008 Progress report 2007: Is the European Union on track to meet its commitments by 2010?*, April 2007, pp. 46+47.

channels, by funding international organisations and their own initiatives. The most frequently used are the Doha Development Agenda Global Trust Fund (the DDAGTF) and the Integrated Framework (IF). The DDAGTF provides technical assistance and advisory services to developing countries to build capacity and participate fully in the Doha Development Agenda. The IF and its 2007 offshoot, the Enhanced Integrated Framework (EIF), have a wider objective: targeting least-developed countries to assist them to expand their participation in the global economy whereby enhancing their economic growth and poverty reduction strategies. The importance of linking trade to developing countries' poverty strategies is highlighted by two Member States as a key factor of successful sustainable development. Member States supported several international organisations: UNCTAD, ITC, World Bank, ACWL (the Advisory Centre on WTO Law), AITIC (the Agency for International Trade Information and Cooperation).

Several Member States funded research studies and position papers that significantly contributed to enhancing the policy debate on trade within the EU and internationally. Other MS have provided direct support to individual partner countries (both developing countries in the South and transition countries in the East) to enhance their capacity to deal with trade issues, to incorporate them into their national strategies and/or to improve their business environments. One Member State also mentioned the support it provided to selected NGDOs involved in trade projects, for example ICTSD, the International Centre for Trade and Sustainable Development based in Geneva.

Commodities



The Commission supports efforts by commodity-dependent countries to restructure and diversify their commodity sector. After the agreement on an EU Action Plan on Commodities in 2004, the Commission is now in the process of setting up a specific programme to help the most dependent countries to implement effective commodity strategies and manage commodity-related risks.

The Community pays specific attention to these issues in the WTO context, for example by working towards a solution regarding cotton. The EU is willing to help the C4 (Burkina Faso, Benin, Chad, Mali) and on 16 June 2006 tabled a very ambitious proposal suggesting the elimination of the most trade distorting support in line with the EU cotton reform in place since 1 January 2006, elimination of export support as well as duty and quota free market access for LDCs. The EU is also one of the largest contributors to the 'Cotton initiative'.

Trade-Related Intellectual Property Rights (TRIPs)

The entry into force of the TRIPS Agreement in 1995 marked the emergence of political debates on the impact of intellectual property rights on development. The main focus of this controversy was that TRIPS, obliging WTO Members to introduce patent regimes for pharmaceuticals, could have a negative impact on the affordability of drugs. From the outset the EC has been at the forefront of the debate on TRIPS and access to medicines, and has played a lead role in the WTO. These discussions first led to the adoption of the Declaration on TRIPS and Public Health at the Doha Ministerial Conference in November 2001. This Declaration clarifies the relationship between TRIPS and public health policies of WTO Members and rebalances its interpretation, confirming the Members' right to use flexibilities contained in the TRIPS Agreement, including compulsory licensing. However, countries with no manufacturing capacity in the pharmaceutical sector were not able to use compulsory licensing, as TRIPS limited such use predominantly to supply of the domestic market. Therefore, the TRIPS Council was instructed to find a solution to this issue. After long and difficult negotiations, in which the EC took an active part, the WTO adopted a temporary decision (waiver) on 30 August 2003 allowing WTO Members to export patented medicines to third countries with no manufacturing capacity in the pharmaceutical sector, by making use of compulsory licences. On 6 December 2005 the WTO adopted a decision transforming the waiver decision into an amendment to TRIPS. On 17 May 2006 the EC adopted Regulation (EC) No 816/2006 to implement the waiver decision into Member States' patent laws. Developing countries are starting to make use of this amendment to the TRIPS agreement.

Another debate has taken place in the WTO/TRIPS context on the relationship between intellectual property and biodiversity. This debate mainly revolves around the alleged contradiction between (i) the recognition by the Convention on Biological Diversity (CBD) of the States' sovereign rights over their genetic resources and (ii) the possibility, under TRIPS, to grant patents on inventions incorporating genetic resources. As part of their sovereignty rights States can regulate property, access and contracts relating to access to genetic resources, and regulate conditions, in particular as regards the fair and equitable sharing of the benefits arising from the use of genetic resources. Developing countries claim that TRIPS would encourage bio-piracy, i.e. abusive patenting, by Northern companies of genetic resources from the South, and should therefore be reconciled with the CBD. They propose amending TRIPS to introduce disclosure requirements with regard to the origin of genetic resources used in inventions, evidence of prior informed consent and benefit-sharing. Some WTO Members oppose any amendment to TRIPS, considering that the patent system is not the appropriate means of meeting CBD objectives and preventing erroneously granted patents. The EC has adopted a constructive approach, saying that it was ready to look at concrete solutions, provided these do not affect the balance of rights and obligations under TRIPS. In this spirit, the EC submitted a comprehensive contribution to the WTO in September 2002. In December 2004 the EC submitted a detailed proposal on disclosure of origin to WIPO. This issue is still under discussion in the context of the DDA negotiations.

3. Assessment

The EC has not only a well established policy regarding policy coherence for development in the field of trade but also the institutional mechanisms and capacity to execute this policy. The positions taken by the EU in the negotiations reflect a coherent approach towards development, with a specific focus on the needs and interests of the poorest and least-integrated countries.

Besides the ISC, the main tool to ensure PCD in trade consists of the Trade Sustainability Impact Assessments. They are carried out by independent external experts and identify the potential economic, social and environmental impacts of any given trade agreements, not only in the EU but also in the countries or regions with which the EU is conducting negotiations. The aim is to bring the SIA findings to the attention of the negotiators and all interested parties in order to help to optimise policy decision-making. The SIAs assess not only the more traditional economic impacts of trade liberalisation (e.g. trade and output growth), but also its non-trade impacts such as development, environmental and social dimensions, including gender-specific outcomes. By informing negotiators of the possible effects, these assessments can help policy-makers and trade negotiators to integrate sustainability into trade policy more effectively. Trade SIAs can also provide material for the design of possible accompanying measures to maximise the positive impacts of an agreement and to reduce any negative impacts.

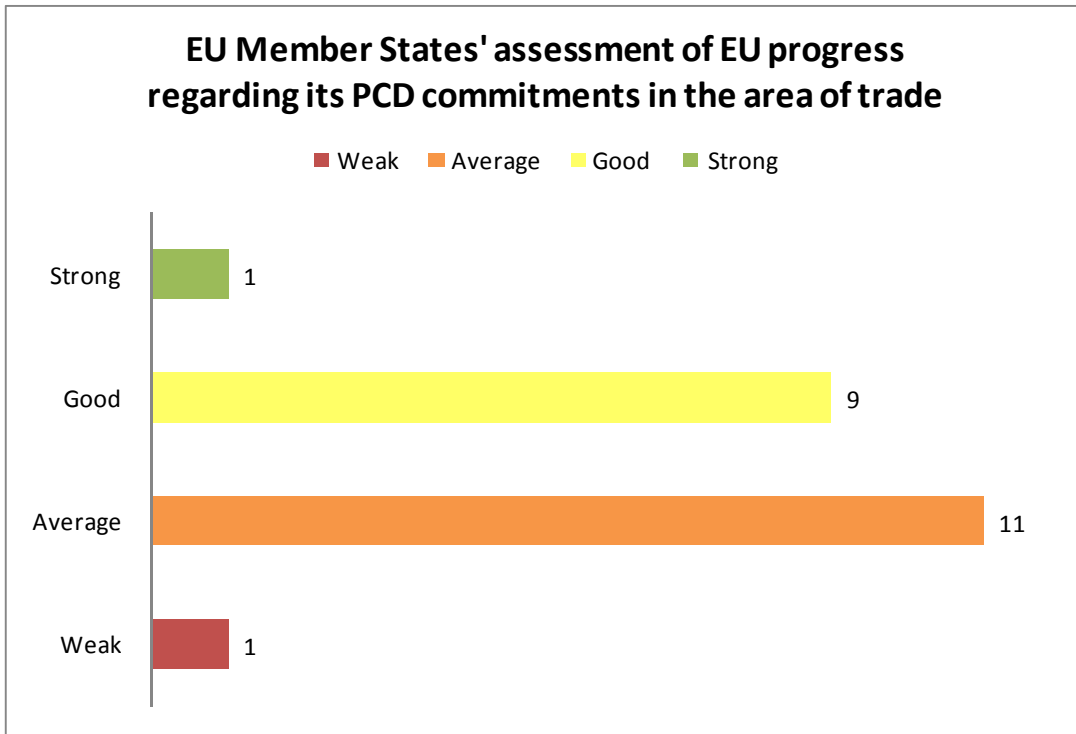
Member States are supportive of SIAs but they have been questioning the timing, quality and participatory approach.

Member States' assessment of the EU's overall progress on PCD commitments covering trade is among the most positive for all PCD commitments. Out of 22 Member States replying to this question, 21 gave a score of 'average' or higher, almost 50% indicating a 'good' or higher score.

Despite the fact that trade is an exclusive Community policy, Member States play an important role through the Article 133 Committee, which advises the Commission on negotiating trade agreements. Negotiation mandates and final results are approved by the Council. It is therefore also important that Member States integrate development concerns into their position adopted at this committee. Most Member States consider the various EU internal mechanisms to be constructive vehicles for policy dialogue and consensus building. In particular they mention the meetings focusing on trade and development of the ACP and CODEV expert working groups and the 133 Committee in charge of trade.

A separate survey carried out by the Commission³⁰ asked for the Member States' assessment of the existing coordination tools in Brussels on Aid for Trade, such as the Council Working Groups on 'Development Cooperation' the 'ACP' Group, the Article 133 Committee, as well as the EU informal trade and development expert group. In contrast to their replies to the survey in previous years, there is now a clear agreement among Member States that these groups are adequate and that coordination of EU positions in international fora is sufficient.

³⁰ SEC(2007) 415, *Financing for development - from Monterrey 2002 to Doha 2008 Progress report 2007: Is the European Union on track to meet its commitments by 2010?*, April 2007, p. 48.



Many Member States praised the actions and decisions taken by the EU to help developing countries to benefit from a more open trade system. Among those most frequently mentioned are the improvement of the GSP, the Everything But Arms (EBA) initiative in favour of Least-Developed Countries (LDCs), and the Hong Kong Conference decision on trade subsidies. The new scheme for the Generalised System of Trade Preferences (GSP) is judged favourably as providing scope for additional duty reduction and predictability over a period of ten years. The GSP+ was also been mentioned as positive, because it provides incentives for sustainable development and good governance. Some Member States consider the EBA to be a model scheme that will lead the way for other countries to provide duty-free and quota-free market access to LDCs. The consensus on the parallel elimination of all forms of export subsidies to be completed by the end of 2013, which was reached at the WTO Hong Kong Conference thanks to the EU offer, is considered a similar breakthrough. However, it was agreed in Hong Kong that this date will be confirmed only upon the completion of the modalities for agriculture, which are currently negotiated in the Doha Round.

Several Member States question the current Rules of Origin. In their view, they restrict free access to too many products. They criticise the fact that the calculation method is based on products as a whole, whereas they would favour the value-added approach. They call for a simpler and more liberal system.

Developing countries share these views. In the CSPs they underline the prominent role of the EBA initiative and the GSP in boosting their exports. At the same time they point out that the positive impact of these schemes is partly offset by SPS and Rules of Origin. EPAs are often mentioned as likely to have a positive impact on developing countries' productive and commercial activities.

A final consideration concerns the expected impact of the EU's commitments in the area of trade on EU Member States. A few Member States (e.g. Finland, Germany, Greece, Ireland and Spain) emphasise the considerable economic and social costs of the commitments for their domestic sectors, especially in agriculture, textile and footwear, costs that they will nevertheless be ready to

shoulder given a global agreement under the WTO auspices. Other Member States (e.g. Denmark, Luxembourg, the Netherlands, Sweden, the United Kingdom) play down these costs as short-term adjustments and emphasise the advantages for the EU in terms of new business opportunities, productivity and – most importantly – reduced costs for European consumers. Only Germany provided a partial assessment of impact, limited to the 2006 reform of the sugar regime which was a direct consequence of the EBA initiative: 46 000 sugar beet farmers and two dozen sugar mills will suffer income losses due to the reduced price of sugar on the EU market.

Finally, the close link to development cooperation going beyond Aid for Trade in the strict sense and the link to the policies of the partner countries have to be emphasised. Trade policy and in particular such comprehensive trade measures as the EPAs, provide many development opportunities in so far as they attract investment outside traditional resource sectors, diversify exports and encourage transformation and domestic value-added in the ACP countries. However, to unlock this potential the developing country needs to put in place sound economic and social policies. The EU, through its development cooperation has to support the partner country in these efforts.

4. Outstanding Issues

- The conclusion of the WTO DDA round is the main outstanding issue where the credibility of developed and developing countries to successfully negotiate an agreement will be tested. The proposal for abolishing all export subsidies by 2013 has given the EU a strong negotiating position
- The deadline for finalising EPAs is approaching (end of 2007) and the current agreement drafts are being fine-tuned. To be successful, EPAs will need to have a strong development dimension and sufficient financial support to assist developing countries during the transition.
- Rules of Origin are currently revised. Changes require a thorough reconsideration of the Rules' criteria, moving towards a value-added method that considers the various stages of the production chain.
- An increased effort should be made in ensuring that the commitments on TRA are met through sufficient funding and that they can be monitored over time.

3.2. ENVIRONMENT

Over the last 50 years, human beings have changed ecosystems faster and more extensively than in any period in human history to meet growing demands for food, fresh water, timber, fibre and fuel. As a result of these pressures, 15 out of the 24 ecosystem services examined by the Millennium Ecosystem Assessment³¹ are being degraded or used unsustainably, thus presenting an obstacle to the achievement of the MDGs. These services include provision of capture fisheries, wild food, wood fuel, genetic resources, natural medicines and fresh water, as well as air and water purification, erosion control and the regulation of natural hazards and pests.

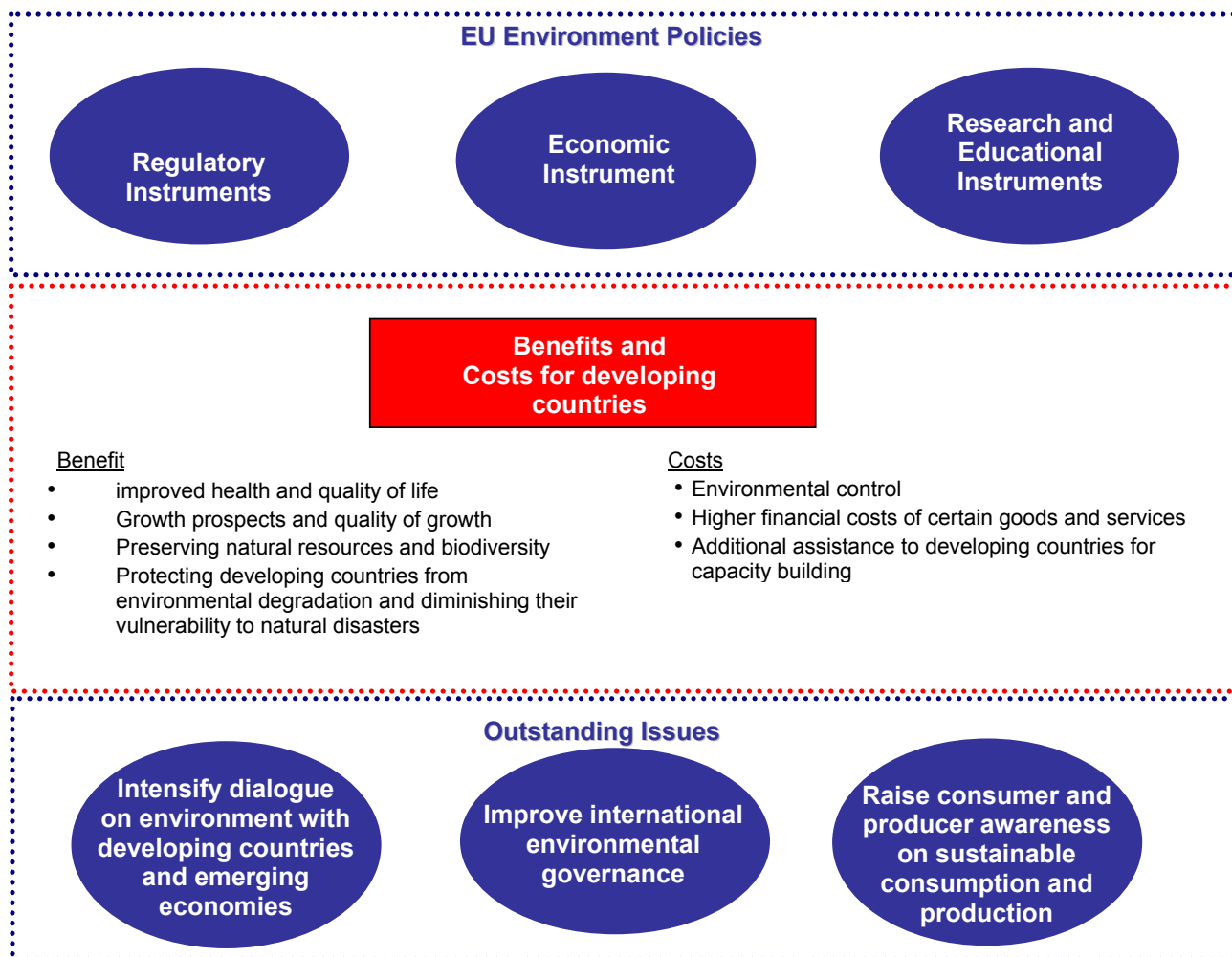
While affecting everyone, the magnitude of environmental challenges varies considerably from one region or one country to another. Many if not most developing countries are directly threatened by environmental degradation and are vulnerable to natural disasters such as earthquakes, tsunamis and extreme weather. Their vulnerability is underscored by their limited capacity to handle natural disasters and environmental degradation.

Within developing countries, the poor suffer most from environmental problems. The rural poor are most directly exposed to environmental degradation given their heavy dependence on natural resources and agricultural products for their livelihoods. The urban poor, particularly slum dwellers, are vulnerable to all sorts of pollution, for instance due to limited access to drinking water and basic sanitation, or lack of medical treatment against the health effects of pollution. Children are particularly exposed to environmental hazards.

Quick Facts

1. Between 1960 and 2000, world food production increased 2.5 times, water use doubled, timber production grew by over 50% and hydropower capacity doubled.
2. Between 1959 and 2003, atmospheric concentrations of carbon dioxide grew by 20% above pre-industrial levels.
3. Since the late 1970s, an area of tropical rain forest larger than the EU has been destroyed: an area equivalent to the size of France is destroyed every 3 to 4 years.
4. Species' extinction rates are now around 100 times greater than that shown in fossil records and are projected to accelerate, threatening a new 'mass extinction' of a kind not seen since the disappearance of the dinosaurs.
5. The environment technology sector has an annual turnover of €227 billion (2.2% of EU GDP) and represents 3.4 million full time jobs (1.7% of total EU employment).

³¹ <http://www.millenniumassessment.org/en/index.aspx>



1. Policy Framework

Sustainable Development is defined as a development model that meets the needs of the present generation without compromising the ability of future generations to meet their own needs. It can only be achieved if human activities respect the environment, and are based on a sound use of scarce and fragile natural resources.

While some may still believe that environmental protection is a limit to economic growth, the Renewed EU Sustainable Development Strategy (SDS)³², which was adopted by the European Council in June 2006, underlines that economic, social and environmental objectives reinforce each other and should therefore advance together. In its SDS, the EU reaffirms the need for global solidarity and underlines the importance of working with external partners, including emerging economies which have an increasingly significant impact on global sustainable development. The EU is also actively involved in the

MDG 7 – Ensure environmental sustainability

- Target 1: Integrate the principles of sustainable development into country policies and programmes and reverse the losses of environmental resources.
- Target 2: Halve by 2015 the proportion of people without sustainable access to safe drinking water and basic sanitation.
- Target 3: Have achieved by 2020 a significant improvement in the lives of at least 100 million slum dwellers.

³² Council Document 10917/06 of 26 June 2006.

UN Commission on Sustainable Development (CSD) and many linkages exist between this work at global level and PCD issues. The CSD16 will focus on agriculture, rural development, land, drought, desertification and Africa, all themes of utmost importance in development cooperation.

Investing in the environment is an opportunity that will yield high and lasting economic and social returns. The environment, which is the focus of a specific MDG, must therefore be fully taken into consideration in all EU development activities. The aim is to protect and improve the state of the environment in developing countries, and to ensure that development activities take place in a manner that is environmentally sustainable while contributing to the overall poverty reduction objective.

Most environmental challenges have a trans-boundary nature and often a global scope. As a result, they can only be addressed effectively through international cooperation. The EU has both a duty and the capacity to influence the global agenda towards providing innovative solutions and mechanisms, and implementing them.

Most EU Member States adopted national sustainable development strategies (NSDs) before 2006. A 2004 review by the Commission found that Member States "have generally included an international dimension in their NSDs, thereby acknowledging that national consumption and production patterns have consequences that reach beyond a country's territory"³³. In Austria and Belgium, regional governments have also adopted policy frameworks on sustainable development.

Belgium – the Flemish policy framework for sustainable development

Sustainable Consumption and Production (SCP) is not only included in specific plans of the Flemish government but it is also part of several sectoral policy memoranda (e.g. Energy and Natural Resources 2004-2009, and Environment and Nature 2005-2009). Furthermore there is the Environmental Policy Plan 2003-2007 (EPP), as well as the Flemish Sustainable Development Strategy adopted in July 2006. In 2005, the Flemish government established the Environmental and Energy Technology Innovation Platform (MIP). The aim of MIP is to encourage environmental technology research and to identify the market segments that have the greatest potential. For this purpose, MIP brings together all important stakeholders in an overarching network: government, companies and research organisations. This platform will be used to prepare the Flemish Environment & Innovation Action Plan

2. Practical Steps

EU Environmental Policies

The main EU environmental policies are designed to cope with challenges in the areas of climate change, biodiversity, handling of chemicals and waste and natural resources. Climate change policy is covered as a separate PCD priority area.

In the area of **biodiversity**, the EU set an ambitious target of halting biodiversity decline within the EU by 2010. Through the May 2006 Commission Communication on "Halting the Loss of Biodiversity by 2010 – and Beyond"³⁴, which was welcomed by both the European Parliament and Council, the EU recognises the vital importance of biodiversity and ecosystem services to livelihoods in developing countries and for achieving the MDGs. The Communication identifies "The EU and global biodiversity" as one of four priority areas for action. It stresses that a more coherent EU approach is required, which ensures synergy between actions for international

³³ Commission Staff Working Document, National Sustainable Development Strategies in the European Union, 2004, p. 13.

³⁴ COM(2006)216 final of 22 May 2006.

governance, trade (including bilateral agreements) and external assistance. An objective set out in the Communication is to substantially strengthen support for biodiversity and ecosystem services in EU external assistance. For the first time, it also includes specific objectives and targets for the EU Overseas Countries and Territories, whose biodiversity is richer than that of the whole of continental Europe. An "EU Action Plan to 2010 and Beyond" is linked to the Communication.

Preserving biodiversity in the EU has only limited direct effect on developing countries. Yet, the interaction between ecological zones, for instance through migratory species, leads to positive indirect effects. It can therefore be expected that halting biodiversity loss in the EU will benefit the biodiversity situation in developing countries.

In September 2006 in Paris, the EC co-sponsored an international conference on "Integrating Biodiversity into European Development Cooperation", which brought together more than 400 participants from governments and civil society in industrial and developing countries³⁵. The main outcome was the adoption of "The Message from Paris", setting out recommendations on how to achieve better integration of biodiversity in development cooperation policy.

The EU also has a range of policies aimed at reducing the environmental risks of **chemicals and waste**. Hazardous chemicals are a matter of public concern, especially since the health consequences are not always fully known. There is an ever increasing number of chemicals that find their way into the human body. The EU is in the lead, working towards international agreements on the use and trade in chemicals and waste. Internal EU policy often goes beyond the requirements of international agreements.

The implementation of a far-reaching new policy on Registration, Evaluation and Authorisation of Chemicals (REACH) started in mid-2007. REACH concerns all the chemicals used by industry in the EU as well as those imported from developing countries. REACH will greatly improve chemicals management not only in the EU, but also at global level, including in developing countries.

REACH should contribute to fulfilling the Strategic Approach to International Chemicals Management (SAICM)³⁶, which is a multilateral framework. Its main objectives are: (i) to improve synergies between existing instruments for global chemicals management: conventions on Persistent Organic Pollutants (POPs), Prior Informed Consent (PIC), and trade in hazardous waste (Basel Convention); (ii) to help developing countries to better use, handle and dispose of chemicals; and (iii) to address the gaps between the capacities of different countries to manage chemicals safely. Globally, it will help to put the world on track for meeting one of the commitments made at the 2002 World Summit on Sustainable Development, i.e. to "ensure that by 2020 the adverse effects of chemicals are minimised".

More specifically, developing countries will benefit from REACH thanks to improved availability of data regarding chemicals, better risk assessment and risk management of chemicals, the use of safe and effective alternatives to chemicals of very high concern, better information on hazardous substances in articles, and last but not least capacity building. Developing countries private sector will have to adapt to REACH for their exports to the EU, but specific support is envisaged. The new European Chemicals Agency (ECHA) will provide guidance documents, IT-tools and helpdesk contacts. Stakeholders from third countries, including developing countries, were involved in the

³⁵ <http://www.iisd.ca/ymb/biodiv/paris2006/>

³⁶ <http://www.chem.unep.ch/saicm/>

development of guidance for REACH, meaning that most information generated will be publicly accessible.

Economic Instruments –Green Public Procurement

Environmental criteria for timber have been introduced into the public procurement arrangements of several EU countries such as **Belgium, Denmark, France, Germany, the Netherlands** and the **UK**. These require suppliers to demonstrate adequate evidence of legality and/or sustainability of the timber. In addition, private-sector timber trade federations in EU Member States have adopted codes of conduct to promote legal and sustainable forestry.

In the area of natural resources, the 2003 EU Action Plan on Forest Law Enforcement Governance and Trade (FLEGT) proposes a series of measures to combat illegal logging and improve forest governance. A key component of the Action Plan is a proposal for the EU to enter into bilateral agreements, known as FLEGT partnerships, with interested countries. These agreements will allow only legally harvested timber products to be imported into the EU from FLEGT partner countries and will provide for a licensing and control system. Negotiations on a FLEGT VPA are underway with Malaysia, Indonesia and Ghana and are likely to start with several other countries in the near future, particularly in Central Africa.

In 2006, the Commission committed some €45 million worth of funding to support sustainable forestry, including FLEGT. Activities to be supported include providing assistance for controlling trade in illegally harvested timber and for forestry governance reforms. In the future, such support will be provided under the new Thematic Programme Environment and Natural Resources Thematic Programme (ENRTP), which started in 2007 and is managed by the Commission. Direct FLEGT support is also provided under geographic programming, for instance a €15 million project for Indonesia and some €10 million for the ACP Region.

Multilateral Environmental Agreements

The EC Treaty explicitly allows the EC to participate in the formulation, ratification and implementation of Multilateral Environmental Agreements (MEAs), together with Member States. The EC has already ratified many international environmental agreements, whether at global level (i.e. multilateral agreements negotiated under the auspices of the UN), at regional level (e.g. in the context of the UN Economic Commission for Europe or the Council of Europe), and sub-regional level (e.g. for the management of seas or trans-boundary rivers).

MEAs address a wide range of issues, going from biodiversity, nature protection and endangered species, to climate change, preservation of the ozone layer, desertification, management of chemicals and waste, trans-boundary water and air pollution, environmental governance (including impact assessments, access to information and public participation), industrial accidents, and maritime and river protection. In all these fields, the EU is a leading proponent of international environmental action and cooperation, and an active player committed to worldwide promotion of the concept of sustainable development. In several cases, an arrangement within the EU precedes a multilateral arrangement.

The Commission supports and encourages the participation of developing countries in MEAs. This ranges from contributing to setting the agenda, to taking part in the negotiations and ultimately being able to implement the agreements. For example, the EC has supported the participation of developing country representatives at various Conferences of the Parties to the MEAs. Specific projects are aimed at supporting implementation of MEAs in developing countries and mainstreaming the relevant action plans into national development strategies.

This includes support for the Global Mechanism of the United Nation Convention to Combat Desertification (UNCCD), the Convention on Biological Diversity (CBD) and the UN Framework Convention on Climate Change (UNFCCC). Several projects deal with dangerous stockpiles of obsolete pesticides as well as with trade in hazardous waste covered by MEAs such as the Stockholm, Basel and Rotterdam Conventions. The EC delivers another kind of assistance to developing countries exporting fruit and vegetables to improve capacity for tracing and controlling the use of pesticides. The aim is to help them comply with EU sanitary and phyto-sanitary requirements.

The EU also supports the Poverty-Environment Partnership³⁷ through which donor agencies, civil society and multilateral organisations meet regularly to exchange experiences and promote specific pro-poor environmental initiatives. The EC has in particular supported the Poverty and Environment Initiative implemented by the UN Development Programme (UNDP), and collaborated in the preparation of joint agency papers on linking poverty reduction and environmental management, poverty and climate change, environmental fiscal reform in developing countries, etc.

Most EU Member States and the Commission support – usually through trust funds - several MEA Secretariats. **Austria**, for example, contributes to various trust funds linked to MEAs . Furthermore the Austrian Ministry of Agriculture, Forestry, Environment and Water Management is also holding/supporting training seminars for cooperation countries, e.g. on bio-safety. Austria is currently also collaborating with UNEP on a regional project for the implementation of MEAs in South-Eastern-Europe. In the framework of the UN Convention to Combat Desertification, the **Czech Republic** established in 2006 a Regional Reference Centre on Soil Protection Strategies and Planning hosted by the Mendel University of Agriculture and Forestry in Brno. **Romania** contributes financially to UNEP's Environment Fund, the principal source of financing for the implementation of UNEP's programme, as well as to the budgets of various MEAs (UNFCCC, Montreal Protocol, Basel Convention, etc.) implementing programmes and projects in developing countries. The **UK** is a strong advocate within the UN Convention to Combat Desertification (UNCCD) representing the EU, alongside **Germany**, on an inter-governmental working group to draft a 10-year strategy to improve the impact of the convention. The working group will report to the 8th Conference of the Parties in September 2007 in Madrid.

Sustainable Consumption and Production

The Commission has been actively promoting global work on Sustainable Consumption and Production (SCP) within what is known as the Marrakech Process. It is coordinated by the UN Environment Programme (UNEP) and the UN Department of Economic and Social Affairs (UNDESA) and supported by many Member States (e.g. Austria, Belgium, Sweden, and the United Kingdom) through the setting up of task forces for concrete actions (Marrakech Task Forces)³⁸. The Commission is part of the Steering Committee that guides this process. It participates in two Marrakech task forces on sustainable tourism and on sustainable public procurement, with a view to exchanging best practices and providing toolkits for all countries, including developing ones.

The Commission and UNEP have also jointly arranged SCP roundtables in India, China and Brazil, in order to identify national priorities for these countries and fully engage them in international work. Follow-up roundtables, as well as a national roundtable in South Africa will be arranged in

³⁷ <http://www.undp.org/pei/aboutpep.html>

³⁸ More on the Marrakech Task Forces at: <http://www.unep.fr/pc/sustain/10year/taskforce.htm>

the near future. The Commission and UNEP are also currently in the process of jointly setting up an International Panel on the Sustainable Use of Natural Resources. This panel will, amongst other things, aim to provide information that can assist in decreasing the negative environmental impacts on developing countries of the EU's use of natural resources.

A few EU Member States have also opened structured dialogues with developing countries on environmental issues. The UK, for example, initiated Sustainable Development Dialogues with China, India, Brazil and South Africa. The aims are to ensure that these countries benefit from international sustainable development experience, to promote national and global benefits through the establishment of and support to national and sub-national management structures for sustainable development, and to support research and the exchange of information and experience, as well as the provision of capacity building and training.

Development Cooperation Instruments

Support for environmental actions in development policy is provided through horizontal and geographical instruments based on the Development Cooperation Instrument (DCI) and the 10th EDF. Within the DCI, the Environment and Natural Resources Thematic Programme (ENRTP) replaces the Budget Line on Environment and Tropical Forests. It has been specifically designed to integrate environmental protection requirements into the EU's development and other external policies. It is also meant to help promote the EU's environment and energy policies abroad in the common interest of the EU and partner countries and regions. The first four-year strategy document for the ENRTP (2007-2010) was adopted in May 2007 and has a financial envelope of around €470 million.

The EU uses several other tools to support the mainstreaming of the environment into development policy. For the past few years, all CSPs have contained an environmental profile. These profiles provide background for the coverage of the environment as a cross-cutting issue and a possible focal sector. Under the 10th EDF, environment and natural resources management will be focal areas only in some of the regional programmes. However, many national programmes in developing countries have an environmental dimension. This is reflected in the frequent reference to Strategic Environmental Assessments (SEAs) or Environmental Impact Assessments (EIAs). Whereas EIAs have been used for a long time, SEAs are a relatively new tool. SEAs are used to integrate environmental considerations into policies, plans and programmes, including also in budget support. The European Directive on the Assessment of the Effects of Certain Plans and Programmes on the Environment³⁹, known as the SEA Directive, came into effect in 2004 and applies to all EU Member States. In addition, the 2005 Paris Declaration on Aid Effectiveness commits donors to "develop and apply common approaches for strategic environmental assessment at the sector and national levels." The EC subscribes to the SEA methodology agreed by the OECD.

The analysis of the CSPs of ACP countries for the 10th EDF points to a growing awareness of the importance of environmental issues, a marked improvement compared with the 9th EDF, whose CSPs' environmental focus was criticised by the European Court of Auditors' report No6/2006. Indeed, the environment is mentioned as a relevant PCD area in 22 CSPs out of 59, making it the fourth most frequently mentioned PCD area. This being said, no particular environmental issues are mentioned. The environmental quality of the CSPs for the 10th EDF is monitored by a group of interested Member States led by the Netherlands.

³⁹ 2001/42/EC

The growing importance of the environment is even more strongly perceived in other developing countries: with 32 mentions out of 43 CSPs covering PCD issues, environment is the second most frequently mentioned PCD area. This particularly concerns the CSPs of Latin American countries, with 15 out of 17 countries mentioning the environment, and countries of Eastern Europe and Central Asia, which always include environment amongst PCD areas. In Asia, on the other hand, only eight out of 19 countries mention the environment (they do so in relation to FLEGT), and in the Mediterranean and Middle Eastern Countries countries three out of eight.

Several Member States also have substantial development cooperation programmes on the environment. The **Netherlands**, for example, reserves 0.1% of the total of 0.8% GNP budgeted for ODA for environmental activities. In its bilateral cooperation, programmes/activities are being undertaken in the area of environment and/or water in 20 of the 36 partner countries. Special programmes have been established targeting access to energy and access to water/sanitation for the poor. Where EU joint programming has become a reality (e.g. Zambia), there has been an explicit focus on environmental impact and linkages under Finnish leadership. One of the objectives of the **Zambian Joint Assistance Strategy** is to strengthen local capacities for environmental management.

Strategic Environmental Assessments (SEAs) in the EU

According to the OECD, SEAs refer to a range of "analytical and participatory approaches that aim to integrate environmental considerations into policies, plans and programmes and evaluate the inter-linkages with economic and social considerations."

SEAs are being used by several EU Member States. In the **Czech Republic**, for example, in the period from 1996 to 2004, 16 national policies or equivalent proposals were subject to SEAs under the Environmental Impact Assessment (EIA) Act of 1992. From 2001, regional-level policies have been voluntarily subject to SEAs in order to comply with EU funding requirements for projects that are implemented under such initiatives (e.g. regional development strategies, policies for resource use, etc.). Important changes took place in SEA provision and arrangements in the Czech Republic in 2004. Most notably, new amendments to the EIA Act (100/2004 Coll.) were adopted to fully transpose Directive 2001/42/EC into Czech law. The new procedural requirements for SEAs laid down in this Act are more extensive and detailed than those contained in the first EIA Act. An Internet-based information system for EIA was established pursuant to the Act. It requires all responsible authorities to deposit all documents for the SEA procedure, including notification, SEA report and information about public hearings. The entire system can be accessed by anyone to review or download relevant documents, but only the SEA supervisory authorities can modify the records (GTZ - *Policy Instruments for Resource Efficiency Towards Sustainable Consumption and Production*, 2006).

An interesting example of a development cooperation activity relating to SEA is the Sofia Initiative on Strategic Environmental Assessment, managed by the Regional Environmental Centre for Central and Eastern Europe (REC), a non-partisan, non-advocacy, not-for-profit international organisation with a mission to assist in solving environmental problems in Central and Eastern Europe. Since its establishment in 1990 about 60% of REC's resources have been provided by the Commission and EU Member States. The Centre assists several countries in the region (i.e. Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, and Serbia). According to the OECD, the SEA initiative "addressed the institutional constraints and built capacity through a process of regional self-help, and provides a model that might be adapted to wider application internationally." The initiative "systematically brought together government officials in charge of EIA/SEA reforms in the region. Participants jointly defined the specific needs of the countries involved, contributed to regional and national policy debates on the introduction of SEA, tested new SEA approaches through pilot projects and shared lessons learned through reporting to various international forums. Much of the value from these exercises came from professional exchange and mutual learning." (OECD, *Good Practices Guidance on Applying Strategic Environmental Assessments (SEA) in Development Cooperation*, 2006, p. 105).

The Strategic Environmental Assessment (SEA) of the sugar reform in Mauritius

The purpose of a Strategic Environmental Assessment (SEA) is to evaluate the environmental consequences of a policy reform at an early stage of decision-making. In Mauritius, the sugar sector reform process, which is linked to changes in the EU sugar regime through the sugar protocol, potentially affects the whole economy. It was thus decided to carry out a SEA for the 'Multi-Annual Adaptation Strategy – Action Plan: safeguarding the future through consensus' (MAAS). The MAAS contains a wide range of measures such as: improving the competitiveness of the sugar mills; 'rightsizing' the labour force, including by voluntary retirement and retraining for other sectors; mechanisation of field operations; regrouping small planters; increasing electricity production based on bagasse (by-product of sugar cane); producing ethanol from sugar cane molasses.

The SEA was conducted in 2006 in two stages: a scoping study to determine main issues and a study on the environmental effects of the selected main issues. In terms of environmental effects, the study found that the sugar reforms involve environmental risks, but that if existing good practice recommendations are followed, these risks can all be adequately handled. The SEA provides useful information in the context of the sugar reform adaptation strategy. The SEA also recommends environmental mitigation measures such as increased protection of river zones and lagoons.

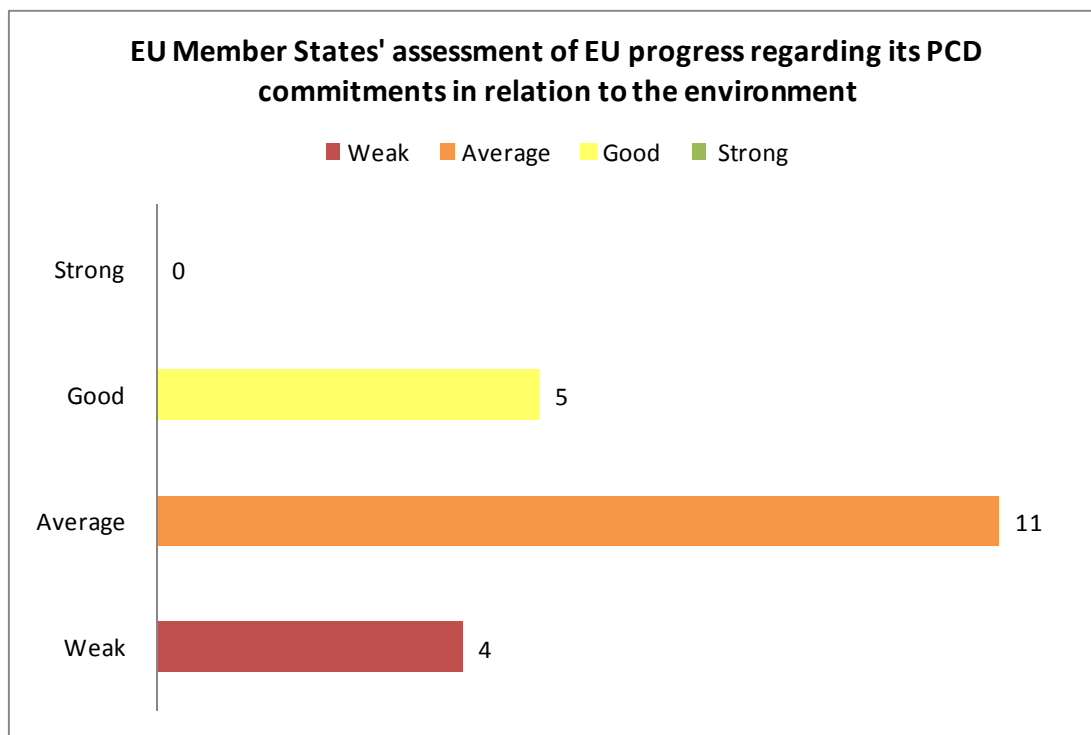
The Mauritius SEA being the first of its kind also led to recommendations on the process in general. SEAs require the active engagement of all stakeholders and decision-makers. The scoping period should be sufficiently long and there should be an appropriate mix of national and international expertise in the SEA team.

3. Assessment

EU Member States see the EU's progress in relation to the environment as barely above "average". Member States consider they made more progress on assisting developing countries in implementing MEAs than on leading global efforts to curb unsustainable production and consumption or promoting pro-poor environment-related policies and initiatives.

It is fair to conclude that in general, the EU's environmental policy is favourable to developing countries. The positive effect will usually be indirect and be achieved through spill-over effects

such as preserving biodiversity or introducing measures to protect consumers from environmental hazards. The EU is also a strong supporter of the delivery of "environmental public goods" that are usually the subject of Multilateral Environmental Agreements. Furthermore, the Commission and EU Member States are implementing a wide range of projects and programmes to enhance the effective participation of developing countries' in MEAs. The EU is also ready to help developing countries adapt to changes regarding EU environmental standards.



The EU is keen to further deepen the coverage of environment and natural resources issues in the wider policy dialogue with developing countries. This will favour better integration of environmental concerns into the development and poverty-reduction strategies of partner countries. This will also imply generalising and improving tools such as Country Environment Profiles and Strategic Environmental Assessments.

Member States consider EU FLEGT and the European Water Initiative to be successful programmes that should be further expanded in the future. EU FLEGT in particular is seen by many Member States as the most comprehensive and ambitious attempt to address the illegal trade in timber through measures adopted in timber-consuming countries.

Though good progress has been made in terms of higher quality of environmental activities in the field and concrete contributions of environment to poverty eradication, several problems remain: (1) the limited streamlining of environment into EU external policies; (2) a limited share of environmental activities in overall development cooperation; (3) insufficient harmonisation among bilateral donors and multilateral actors; (4) inconsistent use of available instruments to assess environmental impacts of different activities; and (5) lack of country ownership: environmental stakeholders are often not represented at the negotiating tables where PRSPs, CSPs or bilateral aid programmes are being discussed.

**How environment public awareness can affect developing countries:
selected examples from the European Commission and the United Kingdom**

The **EU Energy Label** is a mandatory label for selected household appliances which rates electrical appliances from A (the most energy-efficient) to G (the least energy-efficient) within a class of products, and provides additional information such as the volumetric capacity of the refrigerator or freezer and the washing and spinning performance of washing machines. The label must by law be shown on all refrigerators, freezers, refrigerator-freezers, washing machines, tumble dryers, washer dryers, dishwashers and light bulb packaging. The easy-to-understand and eye-catching character of the EU Energy Label has significantly contributed to increasing European consumers' awareness of energy efficiency issues. The market share of energy-efficient household appliances has increased together with increased energy prices and consumers are paying more and more attention to buying energy-efficient products to save costs during the use of the products. (*GTZ – Policy Instruments for Resource Efficiency Towards Sustainable Consumption and Production, 2006, p. 89*).

EU consumers can acquire more efficient appliances, lower electricity costs and can contribute to mitigating climate change through reduced CO₂ emissions. Fridges, washing machines and dish washers in fact account for a significant share of household energy consumption and greenhouse gas emissions. By choosing appliances carefully, consumers can save money and reduce the environmental impact without compromising their own lifestyles. In so doing, they also encourage manufacturers to produce more energy-efficient household appliances. In developing countries, more efficient household appliances are essential for fostering a greater use of renewable energy which, by its own nature, can only be supplied in limited amounts.

The **British government** is encouraging households and businesses to consume more efficiently and differently, while also taking into account how consumption can affect the lives of poor people in developing countries that rely on export of related commodities. This is being achieved by building up and publicising the evidence regarding the impacts of UK consumption, particularly in high-profile areas such as fruit, vegetables and cut flowers. Improved consumer insight is then used to develop more informed policy, for example to promote pro-environment behaviour.

In 2006, a growing number of consumers began to express concerns about buying air-freighted goods due to carbon emissions. The issue of African horticultural export trade is an example of where environmental and trade concerns collide. The dilemma is whether to support poor farmers in developing countries to trade their way out of poverty or to avoid imported produce on environmental grounds, particularly if those goods are air freighted – a clear potential challenge to achieving policy coherence in this sector. It is important to consider the full environmental effects, e.g. not only considering transport cost, but also energy use in greenhouses. In response, DFID/DEFRA have prepared a joint position on food miles, recognising that "sustainable development is about helping to end poverty as well as caring for our planet" and encouraging "UK consumers [to] support aid for trade and buy fresh produce from Africa."

4. Outstanding Issues

- Intensifying, together with Member States, the sustainable development dialogue with key emerging economies such as Brazil, Russia, India, China and South Africa. The priority over the coming years will be to move beyond dialogue and towards the development and implementation of joint programmes in areas of mutual concern such as climate change, waste management and illegal logging.
- Improving international environmental governance. Priorities should include upgrading the United Nations Environment Programme (UNEP) by establishing a UN Environment Organisation (UNEO) with a strengthened mandate and adequate, predictable financing. Furthermore, an International Panel on the Sustainable Use of Natural Resources could be set up as well as a global system to monitor the levels of biodiversity, particularly forestry.
- Further mainstream environmental considerations into all EU external policies – not only development assistance, but also trade, humanitarian assistance, the Common Foreign and Security Policy, etc. A new strategy could be drawn up to this end.
- Consider additional financial support under FLEGT so that Voluntary Partnership Agreements can be further expanded.
- Further build up consumer awareness to stimulate sustainable consumption and production.

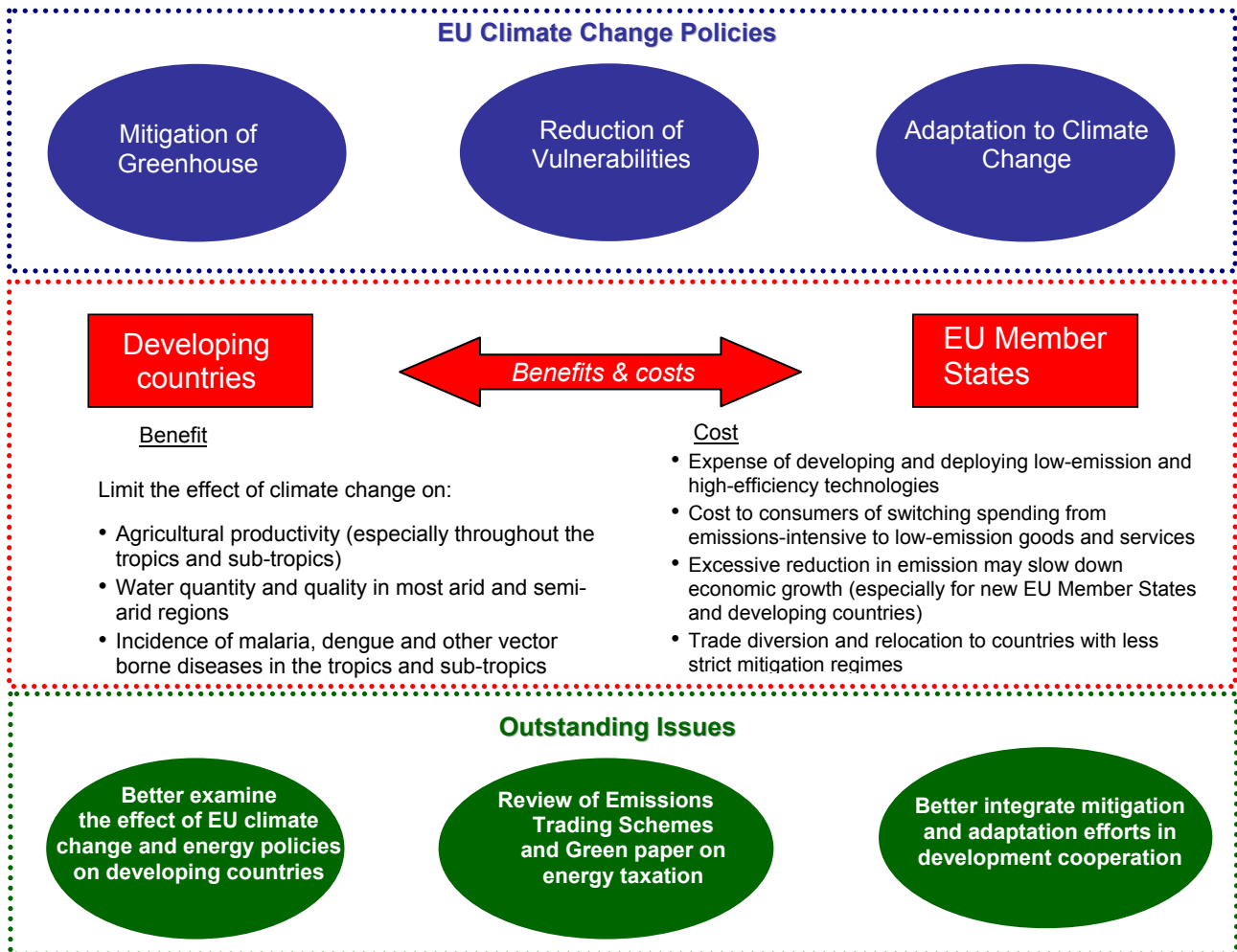
3.3. CLIMATE CHANGE

Scientific evidence shows that urgent action is needed to tackle climate change. While climate change is affecting all countries, it is the developing countries and poorest populations that will be hit earliest and hardest. Increasing food insecurity, water scarcity, spread of diseases to new areas, damage from floods, forced migration through sea-level rise and desertification of previously arable land are some of the likely effects on developing countries. The vulnerability of the developing world is, among other things, related to geographical characteristics implying a high dependence of livelihoods on the natural environment, and to the limited human and financial capacities to adapt to the consequences of climate change.

Climate change is the result of human activity leading to the emission of greenhouse gases into the atmosphere. The contribution of industrialised countries to greenhouse gas concentrations has been

Quick Facts

1. The Earth's average surface temperature has risen by 0.76°C since 1850.
2. Without further actions on greenhouse gases, the global average surface temperature is likely to rise by a further 1.8-4.0°C this century.
3. While a citizen of India generates around 1 tonne of CO₂ per year, a European generates 9 tonnes and a US citizen as much as 20 tonnes per year.
4. Greenhouse-gas emissions from deforestation amount to 20% of the total.
5. A rise in sea levels of between 18 and 59 cm will endanger coastal areas and small islands.
6. The costs of extreme weather alone could reach 0.5 to 1% of world GDP by the middle of the century.
7. The Global Carbon Market reached US\$30 billion in 2006, 80% through the EU ETS.
8. US\$11.8 billion (€9 billion) had been invested in 58 carbon funds as at March 2007.
9. Clean technology investments in 2006 reached a record US\$70.9 billion.



dominant, but the annual emission rates of emerging economies are catching up rapidly. In addition, several developing countries, particularly in the Amazon and Congo Basins as well as in Southeast Asia, contribute to climate change through CO₂ emissions from rapid and uncontrolled deforestation. Far-reaching measures are needed to mitigate the emission of greenhouse gases into the atmosphere. Even if these measures are successful, the average global temperature will continue to rise due to the slow response of the earth's atmospheric system to past emissions. There is therefore a need to adapt to temperature rise, in both industrialised and developing countries.

Climate change is a global challenge that can be addressed effectively only through a global effort. The EU is showing the way ahead by setting out what needs to be done internationally to limit global warming to 2°C above the pre-industrial temperature and by committing to very significant cuts in its own greenhouse gas emissions. Analysis shows that for the world to have a fair chance of keeping the average temperature rise to no more than 2°C, global emissions of greenhouse gases will have to be stabilised by around 2020 and then reduced by up to 50% of 1990 levels by 2050. This ambitious goal is both technically feasible and economically affordable if major emitters act urgently.

1. Policy Framework

In face of the urgent climate challenge, the EU has taken a global leadership role in addressing climate change. This leadership is based on a strong position in international negotiations, complemented by the implementation of ambitious measures at home to reach the internationally agreed targets and to address climate change, including in foreign policy and external cooperation. In January 2007, the Commission adopted its Communication on "Limiting climate change to 2 degrees Celsius. The way ahead for 2020 and beyond"⁴⁰. The recommendations put forward in this Communication, and the broader climate change and energy package it forms part of, were endorsed by the EU Heads of State and Government in March 2007. They outline the EU's proposals for a global and comprehensive agreement to combat climate change after 2012, when the Kyoto Protocol's targets end.

The ambitious global emission reductions that must be achieved to limit global climate change to an average of 2°C above pre-industrial levels will require the EU and other developed countries to reduce their greenhouse gas emissions to 30% below 1990 levels by 2020, with a view to achieving cuts of 60-80% by 2050.

In order to achieve that, the EU leaders made a firm independent commitment that the EU will cut its emissions to at least 20% below 1990 levels by 2020, regardless of the actions undertaken by other countries.

Provided that, as part of a global and comprehensive post-2012 agreement, other developed countries commit to comparable reductions and advanced developing countries also contribute adequately to the global effort according to their respective capabilities, the EU will cut its emissions to 30% below 1990 levels by 2020.

Concrete steps by developing countries to start to reduce the growth of their emissions as soon as possible and to cut their emissions in absolute terms after 2020 are indispensable. After 2020, emissions from developing countries are projected to account for more than 50% of global emissions and action by developed countries alone will therefore not suffice. More decisive action

⁴⁰ COM (2007) 2

is needed to stop uncontrollable deforestation. It is therefore necessary to promote effective international and domestic forestry policies coupled with economic incentives in view of halting the net loss of forest cover within two decades and reversing it thereafter.

No reduction commitments should be required from the Least Developed Countries (LDCs), but enhanced cooperation between the EU and these countries in tackling climate change will be necessary. The EU will seek to step up its efforts to support these countries to adapt to the unavoidable consequences of climate change.

The linkage between climate change and poverty was recognised in the 2003 Commission Communication "Climate change in the context of development cooperation".⁴¹ Based on this document, an EU Action Plan was adopted by Council in 2004⁴², aimed at guiding the integration of climate change concerns into development cooperation between the EU and developing countries. Integration is proposed in four strategic areas: (1) raising the policy profile of climate change; (2) support for adaptation to the effects of climate change; (3) support for mitigation and low CO₂ development paths; and (4) capacity development. This Action Plan is currently being implemented, with its first phase ending in 2008.

All EU Member States (with the exception of Cyprus and Malta) have adopted national climate change policies. Measures taken at sector level to address mitigation have been substantial. There have also been some initial steps towards climate change legislation. In the UK, for example, the government is developing a climate change Parliamentary Bill for adoption in 2008. This would make the UK the first country in the world to set a legal framework for its commitments and actions on climate change.

2. Practical Steps

Internal Dimension

To reach its Kyoto Protocol targets, the EU has put in place a series of policy measures to tackle the broad range of greenhouse gas emissions. At the heart of the EU's climate change policy is the EU greenhouse gas Emissions Trading Scheme (EU ETS), the first of its kind worldwide. Launched in January 2005, the EU ETS is the biggest international trading scheme and a key pillar of the fast-growing global carbon trading market. EU Member States and companies under the EU ETS are also making ample use of the Kyoto Protocol flexible mechanisms – Joint Implementation (JI) and Clean Development Mechanism (CDM) – of which the latter is of direct benefit to developing countries. The EU's proposals for ambitious further global greenhouse gas emission reductions require the further development of the global carbon market, and the use of the above mechanisms, to ensure that these reductions can be achieved cost-effectively.

While the EU has long put emphasis on measures aimed at mitigating European emissions, adaptation is a rather new policy area. An Impacts and Adaptation Workgroup was set up in 2006 as part of the European Climate Change Programme (ECCP II). The main objective of the workgroup is to explore options to improve Europe's resilience to climate change impacts, to encourage the integration of climate change adaptation into other policy areas at the European, national and regional levels, and to define the role of EU-wide policies complementing action by Member States. To stimulate a wider dialogue on adaptation in Europe, the Commission recently

⁴¹ COM (2003) 85

⁴² See Council conclusions (15164/04), *Climate change in the Context of Development Cooperation*, 24/11/04

launched the Green Paper on 'Adapting to Climate Change in Europe – Options for EU Action'⁴³. Whilst the Green Paper focuses first and foremost on Europe, one of the pillars of EU action will be integrating adaptation into EU external actions. Beyond this, the EU will share the outcomes of the Green Paper dialogue with its development partners, and support them in the development of equally comprehensive approaches to adaptation.

While some aspects of the EU's internal climate and energy policies may not directly relate to developing countries, they can still have an indirect effect. For example, the introduction of tighter emission norms for cars in the EU has direct implications for third countries, both in terms of air quality and reducing the use of energy for transport. EU emission standards are being incorporated into legislation of a number of developing countries and lead to innovations in products that are sold and produced outside the EU. Positive spill-over effects could result from scientific research programmes. The EC is actively encouraging research collaboration between the EU and developing countries in areas such as climate measurement, mitigation and adaptation.

External Dimension

The EU is currently responsible for 15% of global GHG emissions and this percentage is decreasing. After 2020, emissions from developing countries are projected to account for more than half of global emissions. An EU effort alone is thus not enough to limit global temperature rise and to avoid the negative consequences projected for developing countries and the planet as a whole. The ambition of the EU approach is aimed at persuading other big emitters to cooperate on a strong post-2012 international climate change agreement.

The EU suggests that developing countries, in particular the major emerging economies, start reducing the growth of their emissions as soon as possible and cut their emissions in absolute terms after 2020. Emerging economies (China, India, Brazil, Mexico and South Africa) have repeatedly underlined their priority for economic growth and development, arguing that this should not be affected by policies to reduce their greenhouse gas emissions. Recent economic analysis is however increasingly demonstrating that tackling greenhouse gas emissions and economic growth are fully compatible and ambitious emission reduction policies can bring important benefits in a broad range of policy areas, including energy security, local air pollution and health. The EU is ready to step up its cooperation with these countries to enable low carbon development paths. In order to do so, strategic partnership agreements including climate change amongst priority issues were finalised in 2005 between the EU and large developing countries, i.e. China and India, and provide a forum for addressing these issues.

The EU emphasises the need for alliance building with LDCs and other vulnerable developing countries on climate change adaptation and mitigation. It underlines the importance of strengthened cooperation between the EU and LDCs in tackling climate change, in particular in the following areas: adaptation, monitoring of climate change, food security, disaster risk management, preparedness and response, as well as improving access to the CDM. The EU also calls for a complete halt to deforestation – predominantly occurring in developing countries – within the next two to three decades, with a reverse thereafter, through forest policies based on better governance coupled with economic incentives.

⁴³ http://ec.europa.eu/environment/climat/adaptation/index_en.htm

A market-based approach to PCD: the European Union Greenhouse Gas Emission Trading Scheme (EU ETS) and the Clean Development Mechanism (CDM)

An interesting new instrument to tackle climate change is the use of market-based mechanisms. The main instrument used is carbon transactions. They are defined as the transfer of actual emission reductions or a right to emit from one party to another, in return for a financial compensation. Through this transfer the acquiring party obtains the right to release a given amount of GHG emissions, which the buyer can use to meet its compliance – or corporate citizenship – objectives to reduce its greenhouse gas emissions. Carbon transactions can be grouped into two main categories:

- Allowance-based transactions, in which the buyer purchases emission allowances created and allocated (or auctioned) by regulators under cap-and-trade regimes.
- Project-based transactions, in which the buyer purchases emission credits from a project that can verifiably demonstrate GHG emission reductions compared with what would have happened otherwise. The most notable examples of such activities are under the CDM and the JI mechanisms of the Kyoto Protocol, generating Certified Emission Reductions (CER) and Emission Reduction Units (ERU) respectively.

The EU has established a scheme for allowance based transactions and carried out several project based transactions through the Kyoto Protocol's Clean Development Mechanism (CDM).

Started on 1 January 2005, the EU Emissions Trading Scheme (the 'EU ETS') is the largest multi-country, multi-sector greenhouse gas emission trading scheme worldwide: carbon transactions under the scheme account for over 80% of the monetary value and over 60% of the total volume of carbon trades in the world. It covers over 11 500 energy-intensive installations across the EU, which represent close to half of Europe's emissions of CO₂. These installations include combustion plants, oil refineries, coke ovens, iron and steel plants, and factories making cement, glass, lime, brick, ceramics, pulp and paper.

CDM investments generate project-based carbon allowances that can be traded on the carbon market. They cover a range of areas such as energy efficiency of power plants, renewable energy production (hydro, solar, biofuels), urban waste treatment and reforestation. The CDM has not only the objective of exploiting possibilities for emission reductions in developing countries, but also of encouraging sustainable development and technology transfer. CDM investments are not part of Official Development Assistance (ODA), but capacity building for CDM is. There are currently more than 750 registered CDM projects and the annual flow of funds is around €4 billion. However, participation is unevenly distributed, with a majority of the projects taking place in Asia, particularly in China and India (58 %), followed by Latin America, particularly in Brazil (38%). Africa is host to less than 3% of the registered projects, mostly in South Africa and Morocco. To address this imbalance, the EU has provided capacity building for CDM projects in developing countries.

Several EU Member States are investing in carbon funds which have so far raised about €9 billion worldwide. For example, Portugal has established the Portuguese Carbon Fund (PCF) as its Government's financial arm to meet the Kyoto target. The PCF was established in March 2006 and is managed by the Portuguese Designated National Authority for the Kyoto mechanisms. The budget allocation for the period 2006-2012 is equal to €354 million financed through two taxes on CO₂ emissions: a progressive tax on fuel for heating and a tax on light bulbs that are not energy efficient. The PCF will invest in the Luso Carbon Fund, a private carbon fund established in Portugal, and in the Carbon Fund for Europe, a trust fund managed by the World Bank and the European Investment Bank. PCF plans to invest its resources also in other carbon funds, bilateral projects, CDM and JI projects, and domestic projects.

Source: Definitions from *State and Trends of the Carbon Market 2007* (The World Bank, May 2007)

As part of the 2004 Action Plan on Climate Change and Development Cooperation, the EU has supported a wide range of projects whose objectives include fostering South-South cooperation on climate change, capacity building, awareness raising and information sharing, assessing climate risk and working out adaptation strategies at national level. Overall support provided under the Action Plan is currently being reviewed, and a progress report is soon to be published.

During the programming exercise for the 10th EDF, programming guidelines on climate change were drawn up to guide the integration of climate change into country and regional programmes. This being said, the analysis of the new CSPs of ACP countries reveals that climate change is one of the least frequently mentioned PCD issues. Indeed only six ACP countries mention climate change as being a relevant PCD area. These were mainly Small Island Developing States (Comoros, Solomon Islands, Tuvalu, Papua New Guinea and Nauru), which are threatened by rising sea levels. The recognition of climate change as an important PCD issue is also very low amongst other developing countries: only four of them address the issue in their CSP, making it the least frequently mentioned PCD area.

As regards regional programmes, a dedicated programme worth €19.5 million funded from the 9th EDF contributes to strengthening these countries' capacity to deal with Multilateral Environmental Agreements, including the United Nations Framework Convention on Climate Change. This effort will be pursued under the 10th EDF.

Much of the EC's support to partner countries in the area of climate change will be provided under the thematic programme addressing the environmental dimension of the EU's external and development policies: the Environment and Natural Resources Thematic Programme (ENRTP). With an indicative budget of €470 million for the period 2007-2010, the ENRTP will cover field projects mostly selected through calls for proposals, policy initiatives and support for the work of Multilateral Environmental Agreements (MEAs) and processes focusing on global and regional initiatives. The emphasis will be on integrating environmental concerns into development strategies; tackling climate change, biodiversity loss and desertification; promoting the sound management of chemicals and wastes; as well as providing access to affordable and sustainable energy services.

In relation to sustainable energy supply, the ENRTP includes the creation in 2007 of a new instrument: the Global Energy Efficiency and Renewable Energy Fund (GEEREF). GEEREF is an innovative public-private partnership designed to offer risk capital and co-funding options for investors to stimulate energy efficiency and renewable energy projects in developing countries and economies in transition. The EC's ENRTP funding over four years is €80 million, including €5 million for preparatory actions. Additional pledges, including those from Germany, Italy, and Norway, bring the total amount of funding so far to €122 million. This funding is expected to mobilise additional risk capital of between €300 million and €1 billion in the longer term.

In the context of the UNFCCC, the EU is committed to advancing issues of high importance to developing countries. On adaptation, for example, it has promoted the development of National Adaptation Programmes of Action (NAPA) in LDCs for inclusion of adaptation into national development plans, and setting up a five-year Work Programme on Adaptation aimed at international exchange on adaptation measures. The EU has provided substantial financial resources to allow for capacity-building and participation of developing country representatives in the negotiations, as well as to funds established under the UNFCCC and the Kyoto Protocol: the Least Developed and Special Climate Change Funds.

Furthermore, the Commission is working on proposals to establish a Global Climate Change Alliance (GCCA) between the EU and its developing partners, particularly the LDCs and other vulnerable developing countries. The Alliance is intended to present a platform for dialogue and cooperation to promote a shared vision between the EU and these countries to stimulate exchange of experience with the implementation of climate change-related measures. It is also intended to provide financial support to adaptation as well as mitigation measures focused in particular on curbing deforestation. The Alliance is thereby picking up on both the commitments made in the Communication "Limiting climate change to 2 degrees Celsius" and the progress report of the EU Action Plan.

The role of development cooperation on climate change: selected examples

Several Member States funded development cooperation activities to enhance developing countries' access to carbon markets and their ability to formulate and implement climate change policies and research as well as integrate climate risks into disaster preparedness activities.

The **Netherlands**, for example, is building capacity in 22 countries to enhance their access to carbon markets. Programmes and activities are being supported to reduce greenhouse gas emissions and address poverty alleviation at the same time, such as the 'energy for all' initiative, preventing deforestation, developing markets for clean products and coherent policies on bio-fuels. Regarding adaptation, the Netherlands supports activities in three areas: policy-influencing activities in both the Netherlands and developing countries; capacity building in about 20 countries to formulate and implement climate change policies; and research. Through the Red Cross Climate Centre, about 20 countries are helped to integrate climate risks into disaster preparedness activities. In three partner countries, the Netherlands did a quick scan of the climate risks of various aid modalities.

The **United Kingdom** is funding several projects on adaptation to climate change. For example, the *Bangladesh – sea level rise and coastal livelihoods* undertaking is a small-scale project lasting around five months looking at the effects of climate-change-driven sea-level rise on coastal communities in Bangladesh. Based on existing climate modelling data, the project is developing new estimates of the flooding likely to be seen over the next 80 years under different IPCC (Intergovernmental Panel on Climate Change) scenarios. It is also conducting extensive work looking at the impacts on different livelihood groups living in the coastal region.

3. Assessment

The EU has assumed a leadership position in the development of ambitious EU and global climate change policy, with increasing relevance for its development policy and cooperation. The coherence of this climate change policy with development policy is judged by Member States as well "above average".

Considering that developing countries are in the front line regarding the projected negative impacts of climate change, all efforts deployed to limit climate change will be beneficial to those countries. At the same time, internal measures to mitigate GHG emissions do not automatically have positive impacts on developing countries. The recent EU target for biofuels (10% of fuel consumption by 2020) could have both positive impacts on developing countries in their capacity as biofuel producers, and negative impacts if sustainability criteria are not observed.

A number of lessons are emerging from the current review of the EU Action Plan on Climate Change and Development⁴⁴. The policy profile and awareness of climate change amongst development actors have risen drastically. The Commission and EU Member States are supporting a broad range of climate-change-related activities in partner countries. Overall, however, systematic climate risk assessment and mainstreaming of climate change into development policies and programmes ('climate proofing'), are still at an early stage, both within development agencies and at developing-country level. Given that, according to the World Bank, approximately 40% of ODA programming is climate-sensitive, much more needs to be done both by European actors and their partners to address this issue.

⁴⁴ Progress Report – currently being finalised.

Biofuels and developing countries

The Biofuels Directive sets “reference values” of a 2% market share for biofuels in 2005 and 5.75% share in 2010 for the transport sector. (cf. Directive 2003/30/EC of 8 May 2003 on the promotion of the use of biofuels or other renewable fuels for transport - OJ L 283, 31.10.2003). On 10th January, the Commission adopted the Renewable Energy Roadmap which proposes to fix a legally binding target of 10% for biofuels by 2020 and to establish a mechanism for ensuring a sustainable biofuel production. The Spring Council endorsed these objectives.

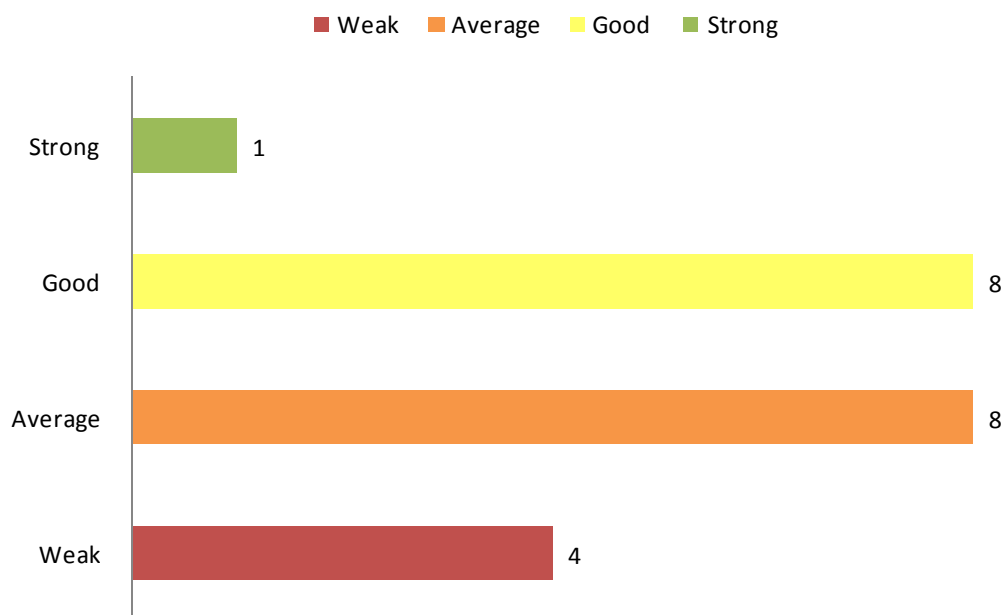
Although EU agriculture is technically capable of achieving the 10% biofuel target through domestic production, the Commission opted for a balanced approach to biofuel trade where domestic producers and third countries will benefit from this growing market.

International efforts are needed to ensure the sustainable production and consumption of biofuels. This means setting up a rigorous sustainability mechanism to underpin a new market for these products, as currently developed by European Commission within the forthcoming implementation of the RE Roadmap. Any such international mechanism should lead to globally agreed sustainability criteria (inter alia to reduce the risk of deforestation, loss of biodiversity, to improve GHG balance, and as much as possible to address the risk of negative socioeconomic impacts) to open up a credible and sustainable international market. It will be essential that this sustainability scheme be adapted to the specific production circumstances and administrative capabilities of developing countries.

The growing biofuels market could have both negative and positive impacts on developing countries. An increased demand for biofuel could lead to some risks for food security. An increase of corn prices has already put at risk the food security of several Latin America countries. But this risk should be offset by the benefits of improved terms of agricultural trade, and new opportunities for developing countries to expand the production and use of sustainably produced biofuels.

High priority is to be given to research in these areas, particularly second generation biofuels, industrial biotechnology, and biorefineries. A comprehensive research, development and deployment strategy will be necessary to develop a new generation of biofuels with better yields, better commercial viability and better environmental performance.

EU Member States' assessment of EU progress regarding its PCD commitments in relation to climate change



4. Outstanding Issues

- Impact assessments of EU climate change and energy policies need to continue to carefully examine the effect of these policies on developing countries.
- Development cooperation relating to climate change is an important element of the global effort to address climate change. The EU needs to reflect on how to better support mitigation and adaptation efforts in developing countries, in particular through more systematic integration of climate change into development cooperation programmes as well as partner countries' national policies and development strategies. To achieve this, the EU must assess its development portfolio for vulnerability to climate change, and take concrete action towards "climate proofing."
- Deforestation and degradation of tropical forests being important sources of greenhouse gas emissions (estimated 20% of global CO₂ emissions), performance-based funding mechanisms or incentives to halt net emissions from deforestation over the next two to three decades should figure prominently on the EU development agenda.
- The EU ETS is currently the largest source of demand for CDM projects. It has offered additional financial support to the climate change mitigation and abatement projects in developing countries, which have also often contributed to their sustainable development. The EU promotes an international carbon market, with an enhanced role for the CDM, to be at the heart of a global and comprehensive post-2012 agreement.

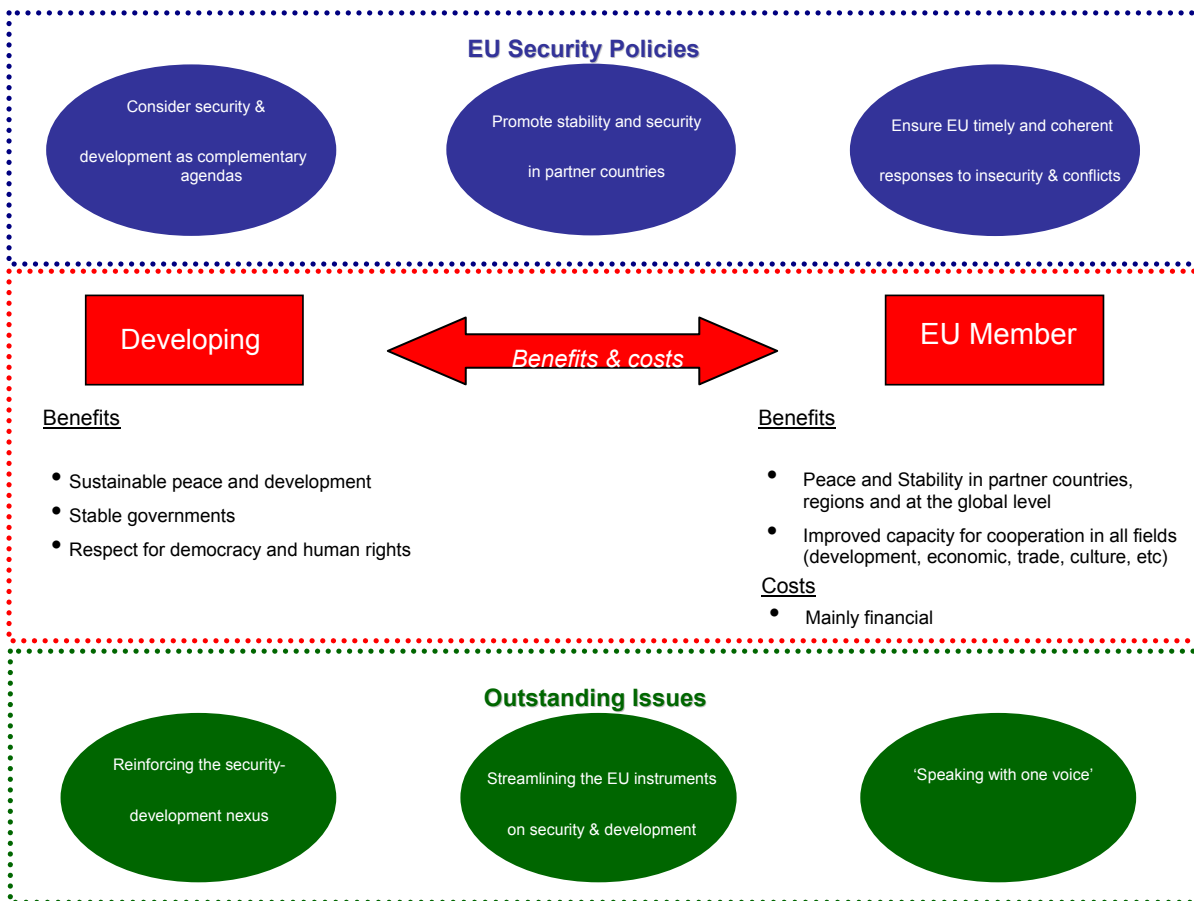
3.4. SECURITY

The price of insecurity is huge. Even though the number of conflicts in the world has declined, internal civil wars are devastating. Long-lasting conflicts such as in Sudan create conditions under which development reversals are transmitted across generations. Where whole generations of children do not have access to even basic education, development is seriously hampered. The Human Development Report concludes that while it is difficult to quantify the impact of conflicts on development, it is clear that the absolute amounts are very large and that they dwarf the potential benefits of aid flows⁴⁵.

Quick Facts

1. The Rwandan genocide in 1994 killed almost 1 million people. The civil war in the Democratic Republic of the Congo has killed some 7% of the population.
2. In Sudan the two-decade long civil war between the North and the South claimed more than 2 million lives and displaced 6 million people.
3. The Darfur crisis in Sudan has caused 200,000 deaths and over 2 million refugees so far.
4. More than half a million children under-18 have been recruited into government armed forces, paramilitaries, civil militia and a wide variety of non-state armed groups in more than 85 countries, according to Amnesty International.
5. A quarter of the estimated \$4 billion annual global gun trade is illicit.

The 2003 European Security Strategy identifies five key threats to the security of Europe: regional conflicts, organised crime, state failure, terrorism, and weapons of mass destruction.



⁴⁵ Human Development Report 2005, p.155

In developing countries these threats have different degrees of relevance and urgency and are compounded by further structural challenges: poverty, weak state structures and governance, but also the trafficking and violence around the wealth or scarcity of natural resources and the availability of large quantities of firearms. When these threats materialise, they can cause the loss of millions of lives, undermine governance structures, fuel corruption and delay the development of countries and regions by decades. These situations are furthermore at the origin of sudden and massive displacements of populations, malnutrition, disease and increased environmental degradation. Their negative impact goes well beyond the countries involved and threatens the stability of whole regions.

Security and development policies, together, have the potential to address these problems. The European Consensus on Development for instance commits the EU to develop comprehensive approaches to address situations of fragility. There cannot be sustainable development without peace and security, and development cooperation makes an essential contribution to promoting peace and stability by addressing root causes of insecurity and violent conflicts. Sustainable peace and poverty reduction can only be achieved if security and development policies are coherent with each other.

In response to this reality, the EU has been strengthening the links between the two policy areas⁴⁶. Development policy has a crucial role to play in order to prevent violent conflicts and build sustainable peace, while security measures are sometimes needed to provide the basis for humanitarian assistance and long-term development.

This report argues for an alliance between security and development and sets out avenues for implementing this alliance, can be implemented. But it is also evident that ensuring coherence between security and development is as important as it is difficult. Structural difficulties due to the nature of the problems to be addressed, the diversity of contexts in which they erupt as well as the complexity of the EU as a security actor constitute serious challenges. In situations of insecurity it is often difficult to act effectively, let alone ensure coherence. Often, there is no clear interlocutor in the partner country or it is not clear to what extent the individual actors are actually prepared to cooperate. The EU, for its part, has sometimes difficulties in speaking with one voice. Institutional and competence issues further complicate the task. Having a coordinated approach is however crucial if the EU wants to contribute to peace and development. It is hoped that the new Treaty under preparation following the June 2007 European Council will help overcome the institutional difficulties.

Despite these challenges, the EU is progressively becoming an important global security actor. It has been developing a wide array of instruments to prevent conflicts and to build peace in developing countries. It ranges from political dialogue, to more coercive or one-sided measures such as military operations, sanctions, EU embargos, through cooperation instruments in support of governance, including human rights initiatives, accountable management of natural resources, security sector reform, disarmament, demobilisation and reintegration of former combatants, control of flows of weapons, regional cooperation and reconciliation. The EU has been using these instruments in an increasingly coherent and convergent way for the benefit of sustainable peace and security world-wide.

⁴⁶ Cotonou Agreement, the EU Programme for the Prevention of Violent Conflicts and the Commission Communication of 2001, the European Security Strategy and the European Consensus on Development.

Several Member States, as described in the box below, have also adapted their security structure to ensure more policy coherence for development.

Examples of how Member States have adapted their security structures for PCD

Many Member States have reacted to the PCD commitments in security by adjusting their security institutional framework and creating/strengthening its links with the Ministry and other relevant agencies in charge of development cooperation. Below are examples from selected Member States.

In **Belgium** the MFA's Security Directorate actively contributes to defining ESDP policy and missions in such a way that the necessary security framework is put in place for the efficient implementation of development activities. A Peace-Building Office was set up within the MFA to develop the general concept of peace building in line with the priorities of foreign and development cooperation policy, and to promote coherence in the actions that will be undertaken in the execution of this policy.

In **Finland** the MFA established a Working Group for Security and Development in 2005. The WG brings different departments together to discuss security and development issues and provides a forum for enhancing coherence between development and security policies. The Ministries for Defence and of the Interior as well as the Office of the Council of State also participate in the WG.

The **Netherlands** has strengthened cooperation between the different departmental actors through more flexible financial instruments, joint planning from the start and a change of attitude and culture in order to facilitate mutual understanding. A white paper on Security Sector Reform was drafted by the Defence, Foreign Affairs and Development Cooperation Ministries. The Dutch government is also in close contact with the private sector in order to facilitate investment in post-conflict countries and other difficult environments.

In the **UK** DFID, and the Defence and Foreign Ministries share a public service agreement on security: "By 2007/8 improved effectiveness of UK and international support for conflict prevention, through addressing long-term structural causes of conflict, managing regional and national tensions and violence, and supporting post-conflict reconstruction, where the UK can make a significant contribution, in particular Africa, Asia, the Balkans and the Middle East." The UK recognises that difficulties in implementation largely arise from either a lack of understanding and/or coordination between different Ministries or a focus on different priorities (e.g. military stabilisation vs poverty reduction) or on different timescales, e.g. short-term vs long-term. To overcome these difficulties, DFID and the ministries have collaborated in producing a series of reports on 'Countries at Risk of Instability', which comprise a risk analysis of a fragile state, an independent review of national policy towards it and a comprehensive set of recommendations about how policy should be amended in order to mitigate the risk of instability.

Addressing Root Causes of Conflicts through Development Cooperation

The cost of prevention is extremely low as compared to the cost of conflicts.

The EU Programme for the Prevention of Violent Conflict of 2001 and the Commission Communication of the same year, set out detailed plans on how the EU can strengthen its contribution to conflict prevention. In the annual reports, drawn up jointly by the Council Secretariat and the Commission, progress in the implementation and mainstreaming of conflict prevention is reviewed in relation to thematic and geographical areas. The EU Strategy for Africa and the EU concept for strengthening African capabilities for the prevention, management and resolution of conflicts are good examples of the EU taking a comprehensive approach, contributing to the empowerment of Pan-African Institutions to face in an integrated way both security and development concerns.

Through the mainstreaming of conflict prevention in Country Strategy Papers and operational guidelines, training for headquarter and delegation staff and concrete projects the EC addresses the root causes of conflicts such as poverty, weak governance and the deterioration of unequal access to natural resources. While poverty by itself is not a reason for conflict, it can exacerbate the tensions created by for example legitimacy gaps, for example. The EC has therefore been taking an increasingly conflict-sensitive approach in its development cooperation.

The CSP for Rwanda is a good example of how conflict prevention can be mainstreamed into development cooperation. With rural development being one of the two focal sectors of cooperation, the Strategy aims to contribute – through rural economic transformation, including the creation of off-farm employment – to reducing of pressure on scarce land resources, one of the main causes of conflict in the country. The idea is that increasing rural incomes, progress in poverty reduction and broad-based economic growth will help to foster reconciliation and continued peace in the country.

With its work on governance, the promotion of democracy and human rights the EU makes an important contribution to the prevention of situations of fragility and the outbreak of violent conflicts. Internal and external security is one of the nine sectors analysed in the countries' governance profile, which inform the dialogue on partner countries' governance reform plans. Under the 10th EDF programming the Commission will grant additional financial support – amounting to €2.7 billion – to countries undertaking concrete efforts to improve governance.

It is interesting to note, however, that security is not often perceived as a coherence issue by developing countries in their Country Strategy Papers. Only 24 out of 123 analysed CSPs mention security. Besides conflict prevention, several countries have stressed the impact of EU policies on fighting drug smuggling: this is, for instance, the case for Bolivia, Ecuador and Nicaragua as well as Azerbaijan.

Preventing Situations of Fragility

Several Member States are also active in addressing situations of fragility

Finland actively participated in the work of the OECD-DAC on the prevention of state fragility and promotion of whole-of-government approach. Together with other partners it conducted training courses on crisis management in Africa and the Balkans. The coming-together of former ethnic or other enemies with the intention of jointly conducting peacekeeping operations has proved to be especially fruitful for strengthening the inner cohesion of these states.

France has launched an inter-ministerial debate on fragile state intervention to develop a national approach. The objective is to help countries to redefine their governance structure, by reconstructing state institutions, improving the security of the population and by reinforcing conflict prevention and management measures at national and international level.

Spain focuses its activities on national reconciliation, strengthening civil society and support for the regulatory and institutional framework. Priorities are adapted to the needs of each partner country, covering: (i) dialogue and public policy for poverty reduction; (ii) support for elections and the electoral system, (iii) promoting social networks for poverty reduction; and (iv)) capacity building in the public sector and public-service reform, including police and security systems.

In the **UK** DFID strengthened its mechanisms to deal with situations of fragility. After having published a Policy Paper on Fragile States in January 2005, it reviewed the implementation of the policy and subsequently developed an implementation plan. Since 2005, the UK has co-chaired the DAC Fragile States Group with the World Bank. The UK led three of the pilots of the DAC Principles for Good International Engagement in Fragile States and Situations. It has also been an active member of the Task Team on the Whole-of-Government Approach in Fragile States and contributed a case study on how the UK Government departments worked together in Yemen. The fragile states concept has provided a common framework to discuss the links between development, defence and diplomacy, enabling the UK to integrate efforts across government departments on security and justice issues through the Integrated Justice Sector Development Programme.

Situations of fragility are typical in countries where either governance structures are weak or deteriorating or in countries that suffered from a natural disaster or an economic or human shock. The EU has a tradition of engagement and pays particular attention to addressing and preventing situations of fragility with a view to establishing conditions which are more conducive to development. To that end the EU deploys specific efforts in all the areas of governance: political, economic, security/defence, environmental and social. Strengthening the social fabric and the

democratic culture of a country are further important avenues in dealing with situations of fragility. This also implies working with civil society organisations and other local actors. The EU also addresses threats posed by organised crime, the porosity of borders, and the lack of adequate legal frameworks or law enforcement capacity which fuel crime-based economies and perpetuate the grip of illegality and illegitimacy.

The EU is currently reviewing its approach and instruments with a view to providing more coherent, transparent and harmonised responses to partner countries facing situations of fragility. No 'one size fits all' model is to be considered here but rather improving knowledge of the reality and seizing the opportunities for rebuilding dialogue and cooperation channels. A concern not to marginalise the most vulnerable countries, both for security and for development aid effectiveness reasons, as well as a strong sense of solidarity for the populations living in those situations are an integral part of the EU's approach.

The Fight against Corruption, Organised Crime and Terrorism

Development assistance can erode the support base for terrorist networks and movements and prevent situations of fragility. Strengthening good governance and building up relevant institutional capacity, notably border controls, in partner countries are key elements of EU support to counter terrorism activities.

In addition, the EU addresses the problems of corruption, organised crime and terrorism as well as other security concerns of the populations in partner countries through its work on SSR, by taking a comprehensive approach including reforms in border management, justice and police.

The European Union and its Member States promote the ratification and implementation of the UN Convention against Transnational Organised Crime and related protocols and support developing countries in doing so.

The important work to fight bribery and corruption undertaken by the Council of Europe, OECD and the UN is supported by most EU Member States.

22 EU Member States have ratified the "OECD Anti-Bribery Convention"⁴⁷, which came into effect in February 1999. This agreement is aimed at reducing corruption in developing countries by encouraging sanctions against bribery in international business transactions carried out by companies based in the convention' member countries. The EU Member States having signed the convention also take part in the "OECD Working Group on Bribery in International Business Transactions".

All EU Member States except Estonia and Slovenia have signed the 'United Nations Convention against Corruption'⁴⁸ To date 14 EU Member States have ratified it. This convention has the objective of fighting corruption within both the public and private sector. States must endeavour to ensure that their public services are subject to safeguards that promote efficiency, transparency and recruitment based on merit. Transparency and accountability in matters of public finance must also be promoted, and specific requirements are established for the prevention of corruption in particularly critical public-sector areas, such as the judiciary and public procurement.

⁴⁷ OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, Dec. 17, 1997.

⁴⁸ United Nations Convention Against Corruption (UNCAC), UN Resolution 58/4, Oct. 31, 2003.

Examples of Member States' initiatives in the fight against corruption

Under the Helsinki Process on Globalisation and Democracy, **Finland** initiated consultations for the review of the UN Convention against Corruption. The aim is to introduce a monitoring mechanism for the Convention. The review intends to establish a framework for coordinating technical assistance on anti-corruption and for promoting international cooperation on asset recovery. Finland actively takes part in the OECD and the Council of Europe's work related to corruption.

France has developed an anti-corruption strategy to be approved at inter-ministerial level. In 2006 it earmarked €450 000 for initiatives such as training police officers and judges, raising awareness of the Merida Convention, and supporting Transparency International.

Germany is funding around 50 public-sector reform projects world-wide. They aim to promote standards of integrity, efficient human-resource management and transparent systems of public finance, particularly by establishing courts of audit and tax and customs administrations. Germany supports the Extractive Industry Transparency Initiative.

Examples of Member States' activities to fight organised crime and terrorism

In **France** the police structure for technical international cooperation carries out around 200 cooperation projects world-wide each year. The main geographical focus is Africa and the Middle East. France is also the founder of the G-8 Anti-Terrorism Group.

In **Greece** the law on criminal organisations was amended to include the European Arrest Warrant and provisions on terrorist acts. A law was passed on the fight against trafficking in human beings, crimes against sexual freedom, child pornography, and the financial exploitation of sexual life. A Special Committee of General Secretaries of Ministries was set up to deal with the fight against human trafficking. The International Development Cooperation Department of the MFA is part of this committee. Greece has signed 12 International Agreements on Anti-Terrorism and 25 bilateral agreements on police cooperation.

Sweden has established an internal dialogue between the MFA and the Swedish international development cooperation agency, SIDA, in order to outline how development aid can be useful in a security agenda. A working group was formed tasked with the drafting of a common strategy for development and security, with a focus on long-term measures to prevent radicalisation. The objective is to address the ambitions outlined in the EU Action Plan on Radicalisation, and the UN Strategy to Prevent Terrorism. The working group was established after an expert roundtable on the role of development cooperation in preventing radicalisation, held in Stockholm in mid-February 2007. It will launch a first round of meetings in April 2007

Poland has financed several projects with transition countries to strengthen security at common borders, counteract terrorist threats, and to fight international organised crime and drug smuggling. In Ukraine It financed four projects with the police as the main counterpart. The projects' aim is to establish cooperation in security and the introduction of EU standards in the fight against organised crime, narcotics and explosives.

Management of Natural Resources fuelling Violence

The EU addresses the management and the extraction of, and the competition over, natural resources such as timber, diamonds (Kimberley Process Certification Scheme), water and land which cause and fuel insecurity and violence. The EC supports the establishment of control mechanisms for trade in, extraction or use of these resources so that they can no longer be used to finance conflicts and so that access to these resources is organised in a more equitable way. The EC study on 'Addressing the Interlinkages between Natural Resources Management and Conflict in the EC's External Relations' has put forward several recommendations which are currently under discussion.

Addressing the Interlinkages between Natural Resources Management and Conflict in the EC's External Relations

This study reviews the EC's approach to addressing the inter-linkages between natural resources and conflict through its policies and programmes in external relations. It makes the following recommendations:

- Renew and update the Communication on Conflict Prevention and publish a Green Paper on natural resources and conflict
- Extend regulatory regimes on conflict resources
- Commission systematic research on environmental peacemaking strategies
- Increase staff training on conflict prevention and develop a manual on peace and conflict analysis
- Improve institutional coordination
- Form partnerships with selected international and regional initiatives

In order to better approach the sector and to coordinate the implementation of these recommendations the Commission has set up an inter-service group on Natural Resources Management and Conflicts that involves seven different DGs. Actions specifically addressing the issue of natural resources and conflicts can be financed from a 'conflicts resources' facility (€3 million have been earmarked for the period 2007-2008) within the Instrument for Stability.

The United Kingdom, the Netherlands and Germany support the Extractive Industries Transparency Initiative, dedicated to the improvement of governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining.

Water in the Middle East

The Middle East is an area where scarce fresh-water resources have clear strategic implications. Particularly in the region of Israel, Palestine and Jordan, the cross-boundary nature of shared water resources is believed by some to be a catalyst for conflict. The EC sees regional cooperation on water issues as a useful step towards lasting peace, precisely because of the interdependent nature of shared water resources. It has supported regional cooperation on water issues through a number of projects. These have included, since 1995, the EC's Water Data Banks project under the EXACT (Executive Action Team consisting of core parties – Israel, Palestinian Authority and Jordan – and some of the key donors). The project consists of a series of actions undertaken by the Israelis, Jordanians, and Palestinians designed to foster the adoption of common, standardised data collection and storage techniques, improve the quality of the collected water resources data, and to improve communication among the scientific community in the region. Specific attention was given to wastewater issues. Another example is the EC-supported Good Water Neighbours project. The project raises awareness of the water reality, and promotes sustainable water management at the household and municipal level. It thereby seeks to advance specific cooperation on common water solutions among Israeli/Palestinian/Jordanian communities.

Disarmament, Demobilisation and Reintegration, Security Sector Reform

The Commission and Member States have undertaken efforts to strengthen the complementarity between security and development policy by elaborating joint strategies on two security issues that are important for development cooperation: Disarmament, Demobilisation and Reintegration (DDR) and Security Sector Reform (SSR). DDR and SSR stand out as the two areas where the link between security and development has been best brought to light and which are financed from both security and development instruments. SSR and DDR have become increasingly important areas of cooperation between the EC and developing countries. They have been identified as priority areas in post-conflict situations in the EU's Africa Strategy. In the past few years, the EC has provided SSR support in over 70 countries in Africa, Latin America, Asia and Europe.

The EU has been active for a long time in supporting DDR processes all over the world, especially through Community programmes and policies and Member States' bilateral support. In the case of the European Community it includes support to around 20 DDR processes in Africa since the early 1990s, as well as support in Latin America and Asia. In 2005, the EU launched an ESDP civilian operation, the Aceh Monitoring Mission (AMM) which monitored and supervised disarmament operations in Aceh. The Aceh case shows the ability of the ESDP and EC to reinforce and complement each other, based on good coordination at headquarters and field level from the fact-finding phase through to the planning and the implementation of the operation and activities on the ground. The deployment of the AMM was preceded by the successful mediation efforts of President Ahtisaari funded by the EC's Rapid Reaction Mechanism and then accompanied by and followed up with EC programmes on reintegration support to ex-combatants and local communities.

Control of EU Arms Exports, the Limitation of the Uncontrolled Proliferation of Small Arms and Light Weapons

While the EU is still working to reinforce the EU Code of Conduct on arms exports, it is clear that weapons flowing illicitly into conflict-prone areas, notably in Africa, originate from diverse sources: legal exports diverted onto illegal markets, illicit trafficking from East European and, increasingly, Asian countries as well as own continental production.

Member States, too, have undertaken many initiatives to strengthen the control of arms exports

Austria, for example, incorporated the 8 criteria of the EU Code of Conduct on Arms Exports into its new Foreign Trade Act (2005). This gives the MFA a strong role when assessing licence applications for arms exports to developing countries. The Ministry of Defence passed a regulation enumerating war material and other weapons which are considered for destruction.

In **Bulgaria** the Law on the Control of Foreign Trade Activities in Arms and Goods and Technologies was amended to be in full harmonisation with the EU Code of Conduct on Arms Exports. There is a well established system of stockpile management and security of SALW inventories at the Ministry of Defence (MoD). All surpluses of SALW are located in a central storage facility. The MoD implements a policy of destruction of surplus SALW and ammunition. Since 2002 more than 100 000 SALW and over 700 tonnes of ammunitions have been destroyed.

Lithuania has taken steps to strengthen the control of arms-brokering activities in order to limit proliferation of SALW into conflict zones. Since 1 August 2004 all brokers operating in Lithuania must possess an individual brokering license from the Ministry of Economy for each individual intermediary deal involving items from the Common List of Military Equipment. As of 1 July 2006 the Law on the Control of Strategic Goods was amended to include an extended definition of brokering. According to the new provision, brokering covers not only the conduct and arrangement of negotiations but also the performance of transactions.

The **Netherlands** contributes more than €3 million each year to various projects and programmes that focus on the further integration of small arms policies in national poverty-reduction strategies and programmes, e.g. in the Great Lakes Region and the Horn of Africa, both through regional and bilateral activities. In 2005, it submitted a resolution on Small Arms and Development to the UN General Assembly, advocating the need for a stronger link between arms and poverty-reduction policies, and inclusion of small arms policies within SSR and DDR programmes. The Netherlands has been a member of the Task Group on Armed Violence and Poverty of the DAC Network on Conflict, Peace and Development Cooperation since 2006. It supports multilateral activities (EU, OSCE, NAMSA, UNDP) in Eastern European and Asian countries for the destruction and secure stockpiling of large quantities of illegal or surplus stockpiles of small arms/light weapons and conventional ammunition.

In December 2005, the Council adopted the EU strategy to combat the illicit accumulation and trafficking of SALW and their ammunition was adopted by Council. As a concrete step to limit the uncontrolled proliferation of small arms and light weapons, in 2006 the EC, has supported a number of projects world-wide; further initiatives include a data-base on illicit arms trading in Southeast Europe, an EU-AU dialogue on de-mining and disarmament, with the focus on illicit trafficking of small arms and light weapons. Work has also started on measures to combat the illicit trade in weapons by air, notably via rules related to air-transport safety. The EC applies programming

guidelines for the integration of disarmament issues, ranging from mine action and the illicit trafficking of small arms and light weapons to the causes and impacts of armed violence. These guidelines are part of the 'fragile states/conflict prevention' programming cluster. Disarmament projects are financed as part of post-conflict rehabilitation and development.

The Commission adopted a Communication on the security of explosives, detonators, bomb making equipment and firearms in the EU in 2005⁴⁹ and proposed amendments⁵⁰ to the EC Weapons Directive 91/447/EEC in order to implement the UN Firearms Protocol⁵¹. A third legislative proposal is planned for 2008 to further implement the UN Firearms Protocol as regards import, export and transit of firearms. These proposals, once adopted have the potential to improve dramatically the tracing of firearms as well as explosives and prevent their diversion to illicit markets.

Ensuring Timely and Coherent EU Responses to Insecurity and Violent Conflict

Many of today's armed conflicts are marked by active and deliberate targeting of civilians, widespread human rights abuses, the use of rape and other crimes of sexual violence as brutal weapons of war and the displacement of hundreds of thousands of people, while the suffering inflicted on innocent civilians is often aggravated by restrictions on access.

EC humanitarian assistance affirms the EC's solidarity with victims of natural and man-made disasters. It is aimed solely at saving and preserving lives through the provision of protection, relief and assistance without taking any side in an armed conflict and on the basis of the victims' needs. Humanitarian aid is provided in accordance with the principles of neutrality, impartiality and independence. These tested principles are designed to safeguard the ever-fragile access and security of humanitarian organisations in carrying out this endeavour in volatile, fragmented and contested environments.

Over the years through humanitarian aid instrument, the EC has funded numerous projects to provide humanitarian assistance in areas such as water and sanitation, health and psychosocial support, food aid, shelter and rehabilitation, etc, to victims of many armed conflicts such as Sri Lanka, DRC, Angola, West Africa and the Horn of Africa, Middle East and Colombia.

The EU has also at its disposal a range of conflict-prevention and crisis-management instruments, including action undertaken in the framework of CFSP and ESDP and under European Community and Member States' cooperation programmes.

In order to ensure a proper transition between relief, rehabilitation and development and to restore national capacity to provide essential basic services, it is vital that all EU external instruments are used in the best coordinated way possible.

⁴⁹ COM(2005) 329 final

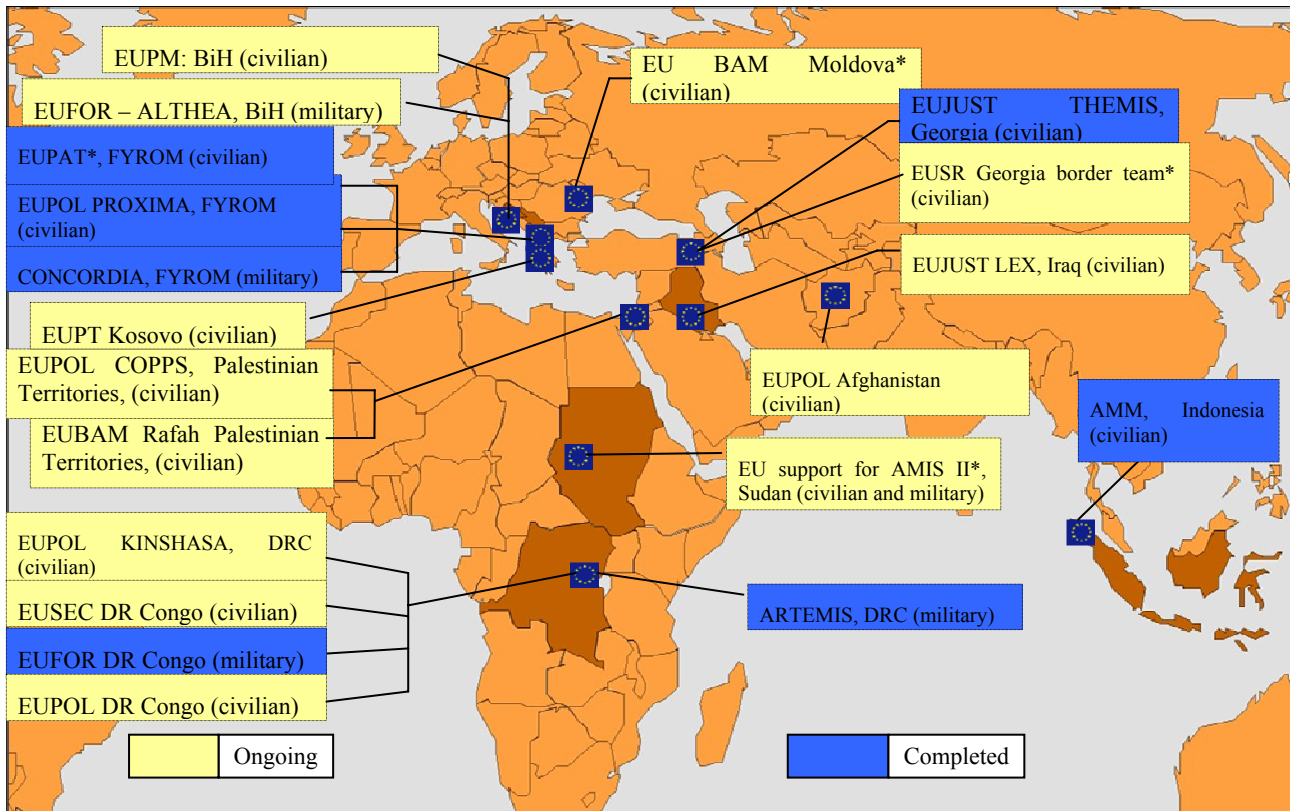
⁵⁰ COM(2006) 93 final

⁵¹ United Nations Protocol on the illicit manufacturing of and trafficking in firearms, their parts and components and ammunition

Short-term Instruments

Under **CFSP/ESDP**, political dialogue is an important instrument for EU engagement, not least through the role of the EU Special Representatives. Through ESDP missions, so far 15 in total, the Member States are able to undertake civilian and military joint action.

Map of Past and Current EU Crisis Management Operations [2/2007]



Map adapted from a presentation made by Mikko Kinnunen, Ministry of Foreign Affairs of Finland on *The European Security and Defence Policy (ESDP); Finland's EU Presidency; The Case of Israeli-Lebanon Conflict and the ESDP*, Bratislava, Slovak Republic, June 2007

The **Instrument for Stability (IfS)**, which came into operation on 1 January 2007, enables the EC to provide strategic support in relation to potential or real crisis situations and kick-start assistance that will then be followed up with long-term support under other Community instruments. It can be used in response to situations of crisis or emerging crisis, initial post-crisis political stabilisation, and early recovery from natural disasters, complementing or spearheading support under the mainstream EC external instruments. The long-term component of the IfS deals with trans-regional threats, including drugs, terrorism and organised crime, thereby complementing efforts at the national level. Through a Peace-Building Partnership to be established under the new instrument the Commission will strengthen the operational links with Member States, specialist non-state actors and multilateral actors as well as regional and sub-regional organisations.

The **Civil Protection Mechanism** can mobilise search and rescue teams, specialist environmental protection teams and coordinate the delivery of EU Member State assistance.

The **Crisis Platform** in the Commission allows for better coordination and more efficient implementation of crisis-response measures. This includes the deployment of planning and assessment teams and the establishment of standby arrangements with the UN and World Bank to ensure joint post-conflict and post-disaster needs assessments. The Commission is also developing its scientific support, using satellite imagery, alert systems and open-source information.

Long-Term Instruments

The **Enlargement Instrument** can contribute to long-term stability and conflict prevention through financial support. The perspective of joining the EU is a strong incentive for candidate countries to strengthen democratic governance and minority rights.

The **European Neighbourhood Policy** (ENP) plays an important role as a foreign policy tool. It draws on all available EU instruments. ENP Action Plans include commitments in political areas such as democratic reforms, minority rights, rule of law, regional cooperation, cooperation on CFSP and ESDP issues, organised crime, terrorism, ICC, weapons of mass destruction.

The **European Development Fund** (EDF) for the ACP countries is increasingly used for conflict prevention and peace-building. In countries, such as the Democratic Republic of Congo, Burundi, Liberia, Somalia and Sierra Leone the EDF provides substantive resources to security-sector reform, disarmament, demobilisation and reintegration of former combatants, reconciliation, democratic governance, human rights and natural resource management.

The **Development Cooperation Instrument** for Asia and Latin America is providing support to conflict prevention and peace-building in a range of countries including Colombia, Bolivia, Guatemala, Afghanistan, Sri Lanka, the Philippines, Timor Leste, Cambodia, Indonesia and Nepal. This is done either as a follow-up to the Stability Instrument and in relation to ESDP or through stand-alone activities in the areas of dialogue processes, security-sector reform, demobilisation and reintegration of former combatants, natural resource management, mine action, human rights, democratic governance, transitional justice and reconciliation.

Under the **European Initiative on Democracy and Human Rights** the EC contributed to conflict prevention by supporting human rights and democratisation projects at the global, regional and national level, with a special focus on the role of civil society. The main areas over the past years have included: the promotion of UN principles and guidelines and national laws on anti-discrimination as well as promoting minority rights and multi-ethnic dialogue; freedom of expression, with special emphasis on media and conflicts and the rights of women and particularly protection of women's and young girls' rights in conflict and post-conflict situations; and justice and rule of law.

Specific Mechanism for Peace Support Operations and Support to Regional Organisations/The African Peace Facility: an Innovative Mechanism to Bridge the Gap between Security and Development.

Regional organisations play a key role in promoting peace in the ACP sub-regions.

In response to recent African efforts to take responsibility for peace and security on the continent, notably through the establishment of the African Peace and Security Architecture, the EU, in its Strategy for Africa (December 2005), committed itself to further stepping up its support at all stages of the conflict cycle, from conflict prevention and early warning to conflict management, resolution and post-conflict reconstruction. In the Joint EU-Africa Strategy currently under preparation peace and security feature as one of the key areas of the new strategic partnership between the EU and Africa.

A practical example of the EU support for African leadership in peace and security on the continent, in order to create conditions for sustainable development is the African Peace Facility (APF) created in response to the call from African partners. Through this innovative instrument, which amounts, to date to €345 million, significant support has been provided to peace-keeping operations led by relevant regional organisations, in particular the two African Union Missions in Sudan and Somalia, AMIS and AMISOM and FOMUC, the multinational mission led by CEMAC (Communauté Économique et Monétaire de l'Afrique Centrale). These operations strive to recreate an environment conducive to peace and stability in the country and to allow people to gradually take up their economic activities again.

Furthermore, the EU supports the strengthening of the conflict-prevention and crisis-management capacity of sub-regional organisations including IGAD, ECOWAS and ECCAS in areas such as early warning, SALW, peacekeeping and mediation. The EU has supported the International Conference of the Great Lakes Regions and is embarking on a major programme of support for the Great Lakes Economic Community.

Cooperation with Other Actors

Implementation of the measures agreed at the **United Nations** World Summit in September 2005 is one of the EU's priorities.

The European Union supported the establishment of the Peace-Building Commission as a key achievement of the UN reform process that is in line with the European Union's comprehensive approach to conflict prevention, development and peace-building. It is committed to strengthening the efficiency of this new organ.

The UN continues to be the EU's primary partner for a number of ESDP missions and UN peacekeeping missions and for support in the areas of landmines, small arms light weapons, SSR, DDR and other peace-building, post-conflict reconstruction tasks. This is the case for example in Afghanistan where the EC contributes to the Law and Order Trust Fund (LOFTA) for Afghanistan covering police and justice reform, through EC support to IOM and UNDP and the DDR programme in Liberia through the UNDP trust fund.

Working contacts with the UN have been further developed. The 5th and the 6th meetings of the EU-UN Steering Committee on Crisis Management in June and November 2006 as well as the 5th "desk-to-desk" dialogue on conflict prevention in October 2006 further deepened the mutual

understanding of each other's working methods and provided the opportunity to discuss a broad array of topics ranging from horizontal issues to specific discussions on countries emerging from conflict.

The EU has pursued its fruitful cooperation with the **OSCE** in Central Asia (Border Management Programme for Central Asia), the Caucasus (Economic Rehabilitation Programme in South Ossetia), Eastern Europe (Border Assistance Mission to Moldova and Ukraine, Border Support Team of the EUSR for the South Caucasus), as well as in the Balkans. Cooperation between OSCE field operations and Commission's Delegations has made further progressed. With now 27 participating states out of 56, plus 10 others aligning themselves with its statements and initiatives, the EU's relative weight in the OSCE has again increased.

In the area of conflict prevention, the Commission and a number of EU Member States are active in the **OECD-DAC** Conflict, Peace and Development-Cooperation Network. This enables close cooperation between bilateral (EU MS, US, Canada, Japan etc) and multilateral donors (UN and WB) on policy and operational guidance, which has included work in the areas of SSR, evaluation of conflict prevention and peace building and the mainstreaming of conflict prevention plus the development of training modules in the past year. The SSR work was especially instrumental for the development of the ESDP Concept of 2005 and the Commission Communication of 2006.

Particular attention was given to **cooperation with civil society**, in particular NGOs/CSOs.

Through the **Conflict Prevention Network** the EU also enhanced cooperation with civil society actors, academia and think-tanks, which in turn helped to raise awareness and provided EU institutions and Member States with analyses and policy recommendations in relation to specific geographical settings in prevention. This complements the more operational cooperation that the EC pursues with non-state actors in implementing conflict prevention and peace-building support in different parts of the world. The EIDHR was an especially important instrument in 2006 in supporting the capacity and role of local NGOs/CSOs in conflict prevention and peace-building.

In addition to cooperation with international and regional organisations and partner countries, coordination with other major players, including the US, Canada, Japan, China, Russia, Brazil, India and South Africa, is essential for ensuring a coherent international approach to security and development.

DRC and Columbia – two good examples of coherence between security and development policy

The **DRC** is a very good example of how coherence between security and development can be developed. In a situation of fragility such as in the DRC key security-related reforms were necessary in order to build peace, allow for reconciliation and to prepare the ground for sustainable development. These security-related reform priorities include:

- Stabilisation, especially in the East of the DRC.
- Security-sector reform in general.
- Demobilisation of ex-combatants and reform of the army.

The EU has used practically all its instruments in responding to the above challenges. Firstly, in promoting stabilisation in the East, the EU deployed a military mission to Bunia in 2004, Operation Artemis. The EU also helped stabilisation efforts in the East through political steering by the Commissioner, the Head of Delegation, the EUSR for the Great Lakes and the EUHR.

A number of EU instruments supported stabilisation efforts during the historic election process in 2006. These instruments included a project to secure the election process funded by the EDF with €24 million, an EU Election Observation Mission, and an ESDP Police Mission (EUPOL) that helped to secure the election process and the deployment of an EU military Mission (EUFOR) to Kinshasa during the elections.

In terms of promoting security-sector reform the Commission has worked closely with the two ESDP Missions (EUPOL and EUSEC), in addition to EU Member States in developing a common and coherent approach. In this regard, the Commission and the Council Secretariat prepared a Comprehensive Overview of the SSR sector in the DRC in 2006, outlining key priorities and a strategic approach. This document was highlighted by the recent OECD peer review of the European Commission as a positive initiative. The OECD peer review also positively appraised the recent joint DRC evaluation mission undertaken by the Commission and EUPOL. The purpose of the evaluation was to plan the future of the EUPOL policing mission and ensure that there is full coherence between the policing work carried out by the Commission and EUPOL.

Meanwhile, in line with the Paris Declaration on Aid Effectiveness, the European Commission is leading the way in developing donor-government strategic coordination committees in the policing and justice sector in the DRC. The Commission, as a lead donor in the justice sector, is a co-chair – with the DRC authorities – of the justice coordination committee.

Finally the Commission and the ESDP defence reform mission (EUSEC) work closely together on reform of the army and the demobilisation and reintegration process for ex-combatants. The Commission has supported an EUSEC-led chain of payments project so that soldiers receive a regular salary. The Commission has also supported the families of soldiers within integrated military brigades, mainly with water and health care.

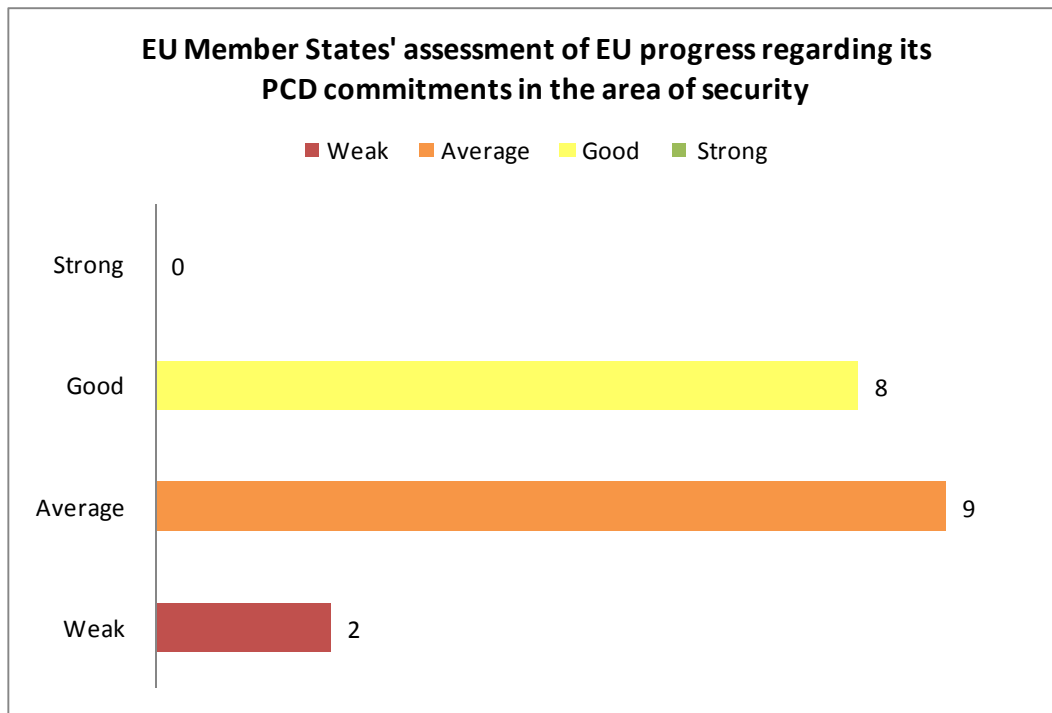
While the EU has managed to work in a consolidated way in the DRC on security-related matters, there are nevertheless a number of key challenges, including:

- 1) The political nature of security reform requires constant political engagement with other key donors and with the DRC authorities and is different in that respect from more traditional developmental activities.
- 2) In the case of DRC it has been difficult to find financial sources to finance all aspects of army reform.

In **Colombia** the EU is contributing to peace efforts through Member States' bilateral support and EC assistance by mediation and by addressing the root causes of conflict. In the case of the EC this includes alternative development, justice sector reform and preventing the expansion of violence through peace laboratories, de-mining and the fight against landmine proliferation. The EC is also engaged in promoting and protecting human rights and assisting victims. The Rapid Reaction Mechanism has been used to fund a programme of activities, which focused on helping individual victims and victims' organisations to seek legal redress through the channels provided by law, and on assistance to the newly created National Commission for Reconciliation and Reparations in drawing up a global strategy for national reconciliation and support for the design of strategies for communities receiving demobilised paramilitaries.

Assessment

The EU has managed to work increasingly on the synergies between security and development. However, many questions are still open and the different elements do not yet add up to a comprehensive and coherent approach.



The Member States' overall assessment of the EU's progress on its PCD commitments in the area of security is moderately positive: out of 19 respondents, eight gave a score of 'good' to the EU progress in this PCD area, while most rated it 'average'. The conceptual framework of the Common Foreign and Security Policy (CFSP) and of the European Security and Defence Policy (ESDP) was praised. Special mention was made of the various ESDP operations, especially in Africa (e.g. the EUSEC and EUPOL in the DR of Congo). The Africa Peace Facility, funded under the EDF, is considered to be a good practice example of how to strengthen African crisis-management capabilities.

The coordination between ESDP and Community support as in the case of DRC, Afghanistan, Aceh, Kosovo and Sudan shows the ability of the European Union to draw together different capacities in this area.

Further Elaborating the Security and Development Nexus

When conflicts in far-away places can have impacts on Europe be it through economic consequences, environmental effects or migrants having to leave their country, Europe has not only a moral responsibility to address suffering but it also has an interest in building a world where people can live in security and are free from violent threats to their lives. This enlightened self-interest in the resolution of far-away conflicts in poor countries goes beyond the pure restoration of stability and includes the promotion of sustainable peace and development. This in turn points to the need to integrate as far as possible into security interventions the principles of ownership and partnership that guide development cooperation. One Member State stresses that more efforts are

needed to achieve a quality of engagement with partner countries that is more balanced, productive and sustainable. In its view, this is important in order to improve security within partner countries and regions as well as at the global level.

While there is no doubt that development cooperation has a role in promoting peace and security, there is some concern that by promoting security objectives, development resources are diverted from the prime objective of eradicating poverty.

For example, the African peace-keeping operations are financed from the African Peace Facility, despite the fact that the EDF was not meant to become the only long-term funding source. As the need for continuing financial support for peace operations will remain significant, sustainable financing solutions will have to be found.

The point of departure for development cooperation must therefore continue to be to address security issues from a poverty-reduction and aid-effectiveness perspective. Given the impact that insecurity and violent conflict have by undermining development and creating poverty, the development community has come to realise the importance of addressing both the root causes and expressions of violence.

In the OECD-DAC the donor community is working together to develop relevant common policy and approaches and has extended ODA eligibility to better reflect what development cooperation is doing today in the area of conflict prevention and peacebuilding, without undermining the credibility of ODA. By approaching issues such as security-sector reform from a poverty-reduction and governance perspective the primary aim of development cooperation can be upheld while creating conducive environments for sustainable development.

A comprehensive policy framework should be established to clarify these issues as well as the more concrete questions of how the EU's various development and security instruments could be better used to promote sustainable peace and development.

Improving the EU's Capacity to act Consistently

One structural difficulty for ensuring coherence of security policy with development objectives arises from the pillar structure of the EU. While the Community Method is applied to development cooperation, as well as to external assistance through the IfS, ENP, EIDHR and Enlargement, the intergovernmental method of decision-making is applied to CFSP. More than in other policy areas therefore, PCD depends on Member States subscribing to the principle of coherence too.

Member States voice the concern that first- and second-pillar activities need to be better coordinated. Their concerns relate both to the planning and the conducting of ESDP missions. ESDP missions are judged to be too short-term interventions to be able to integrate them well with long-term development assistance programmes, in order for the overall EU intervention to be effective. Five Member States therefore ask for further efforts to harmonise ESDP missions (pillar²) and Community external assistance programmes (pillar¹). They also ask for better coordination among the different EU actors, mainly the Commission and the Council.

Three Member States mentioned the legal challenge to CFSP action to combat the proliferation of small arms and light weapons as an example of the risks undermining the focus on pragmatic and coherent working practices between the Commission and Council in the joint promotion of security and development. At the same time, they suggested that decisions by the Council on security areas

such as conflict prevention, peace keeping, and combating human trafficking should be more systematically assessed under the development perspective.

The future High Representative of the Union for Foreign Affairs and Security Policy will be in a better position to overcome these institutional problems. According to the mandate given by the June 2007 European Council for the Inter-Governmental Conference, the High Representative will conduct and implement the CFSP on behalf of the European Council and be one of the Vice-Presidents of the European Commission. In the latter capacity, s/he will be responsible for handling external relations and for coordinating other aspects of the Union's external action.

Joint papers such as EU strategies or papers on DDR and SSR are remarkable not only because of the agreement reached on the substance but also because they are joint Commission-Council papers. The pillar structure of the EU requires considerable cooperation and coordination between the Council's different structures and the Commission and the Member States. The joint meetings between the Working Party on Development and the Political Military Group in formulating the DDR concept shows that this is possible if the Presidency is willing to pursue it. Double hatting⁵² arrangements are one way to overcome these obstacles on the ground. The Commission and Council have also started to undertake joint assessment missions, which enable coordinated planning and implementation. Programming of integrated projects also seems to be a useful approach. But how can we move from ad hoc solutions to more systematic approaches and what other ways are there to improve coordination?

The Organisational Set up to ensure Coherence between Security and Development in the Commission and the Council

At the organisational level, mechanisms both at the Commission and the Council should be improved with a view to facilitating coherence between security and development instruments.

The OECD DAC Review observes that there is a lack of a systematic approach when it comes to thematic issues such as conflict prevention, security and fragile states. In order to systematically apply a conflict lens risk analysis to country strategies and programming and to pay more attention to these issues it is necessary to review the pooling and establishment of expertise to the benefit of country desks, delegations and the Inter-Service Quality Support Group.⁵³

With the exception of sudden crises, security challenges are generally the result of gradual deterioration. This degree of predictability offers room for more in-depth consultation between the Council and the Commission. The EU therefore has to consider how it can better monitor and act on early signs of tensions and instability, by allowing for regular strategic political and conflict analyses and screenings.

It is also important to establish organisational mechanisms in the Council at the highest political level that ensure that development objectives are taken into account when security decisions are taken and vice versa. Concretely, Development Ministers should participate more frequently in GAERC meetings. The PSC, the geographical and CODEV working groups, as well as the European Union Military Committee and the Committee for Civilian Aspects of Crisis Management

⁵² One person representing and reporting to both the Commission and the Council

⁵³ Review of the Development Co-operation Policies and Programmes of the European Community, OECD DAC Peer Review, Secretariat Report, 26 June 2007, p. 56

should improve their coordination and have more joint meetings on areas that span the security-development nexus.

Streamlining the Financial Instruments

With the new financial instruments, the Community has a more effective instrument for crisis response through the new Instrument for Stability, but the transition between the different instruments does not always work smoothly. Member States ask for more determination to bridge short- and long-term initiatives in partner countries to promote sustainable development and stability.

The conflict prevention perspective should be further strengthened in the implementation of the financial instruments in order for the Community to act long-term in preventing violent conflict and insecurity and to build peace. To further strengthen the links between the other financial instruments it is important not to look at them independently but to view them as elements of a comprehensive EU response. Streamlining Community instruments and increasing coordination are crucial to better managing the transitions between them.

The Multilateral Environment

In most conflicts the EU is not the only outside actor. Strengthening the United Nation as the actor with the primary responsibility for peace and security must continue to be a European priority. In addition, the EU must build and sustain mutually reinforcing and effective partnerships for conflict prevention with the OSCE and other international and regional organisations as well as civil society. Coordination with Canada, Japan, the US and emerging donors like Brazil and China is equally important. Increased cooperation is needed at all levels, from early warning and analysis to action and evaluation. Coordination in the field is of particular importance.

Outstanding Issues

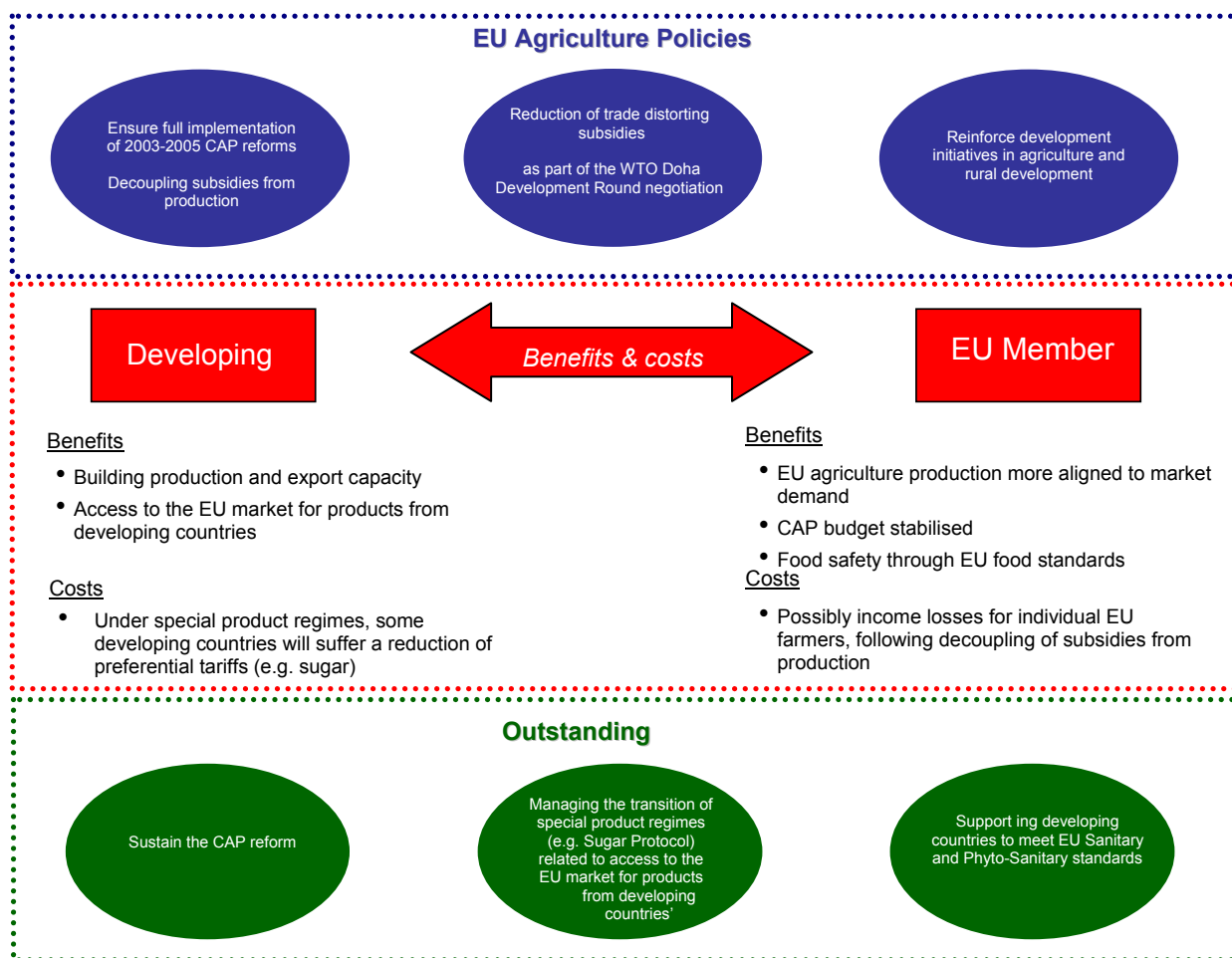
- Establish a comprehensive policy framework to further develop the security development nexus
- Ensuring better coordination between the pillars through better information exchange and more regular joint meetings between first and second pillar working groups in the Council
- Strengthen organisational mechanisms in the Commission and the Council to better take account of development concerns in security decisions and to systematically apply a conflict prevention lens to development cooperation, including through strengthening the analysis of security and conflict prevention related issues in the future CSPs.
- Improve the transition between the different financial instruments and further strengthen a conflict prevention perspective in the implementation of all the financial instruments as appropriate
- Continue to build and sustain partnerships with the different international and regional organisations and civil society
- Put more emphasis on joint training and mainstreaming of development and security policies

3.5. AGRICULTURE

Agriculture is a particularly important sector for developing countries. The sector plays a key role in economic growth, as well as in poverty reduction and in food security. "Agriculture is a source of livelihoods for an estimated 86% of rural people. It provides jobs for 1.3 billion smallholders and landless workers, "farm-financed social welfare" when there are urban shocks, and a foundation for viable rural communities".⁵⁴ Growth in the agricultural sector will be important to achieve MDG 1: Reduce by half the proportion of people who suffer from hunger. The EU can contribute to achieving this goal both through its development cooperation and through its own agriculture policy.

Quick Facts

1. 3 billion people in developing countries live in rural areas; of these 2.5 billion are employed in agriculture.
2. The Common Agricultural Policy (CAP) absorbs around 45% of the EU Budget; 20 years ago that percentage was 70%.
3. Farming accounts for around 4.7% of the EU workforce.
4. Resources allocated to agriculture, food security and rural development to ACP countries will increase from less than 10% (9th EDF) to about 13% (10th EDF).
5. As part of the WTO Doha negotiations, the EU has made a conditional offer to eliminate all export subsidies by 2013 and to reduce trade-distorting domestic support by 70%.



⁵⁴ Forth coming World Development Report 2008. Agriculture for Development p.4

In the past the economies of developing countries had to face competition from subsidised EC agriculture exports. The situation began to change in recent years, when the effects of the Common Agricultural Policy (CAP) reforms started to show. The analysis of the CSPs of developing countries shows that besides trade, agriculture is the sector that is most often mentioned in the coherence section of the CSPs. The distorting effect of subsidies under the CAP is still mentioned on several occasions including in the CSPs of Botswana, Swaziland, Ghana and Tanzania but also in the CSPs of Latin American countries.

The EC plays a pivotal role in international trade in farm products. The EC is the world's largest importer and second exporter of agri-food products. In particular, the EC is the largest buyer from developing countries. Two thirds of our imports (almost \$40 billion) come from developing countries. Moreover, the EC has for many years now granted substantial trade preferences to developing countries and in particular to the ACPs under the Cotonou Agreement (preferential access that will be significantly enlarged in the framework of EPAs) and more recently to LDCs through the EBA initiative which provides duty-free and quota-free arrangements for all LDCs exports. As a result, the EU absorbs more than 55% of ACP agricultural exports and about 70% of LDC agricultural exports goes to the EU. The main trade-related issue in the agriculture sector still of concern to developing countries are Sanitary and Phyto-Sanitary Standards (SPS). Many developing countries have been unable to seize preferential trade opportunities due to difficulties in complying with EU SPS. The Trade chapter of this report addresses these issues.

1. Policy Framework

CAP Reform

The EC is aware of the concerns of developing countries and took them into account when reforming its CAP. In particular, the major reforms of 2003 and 2005 made a strong contribution to reducing the trade-distorting effects of EU support to agriculture and enhancing positive social and

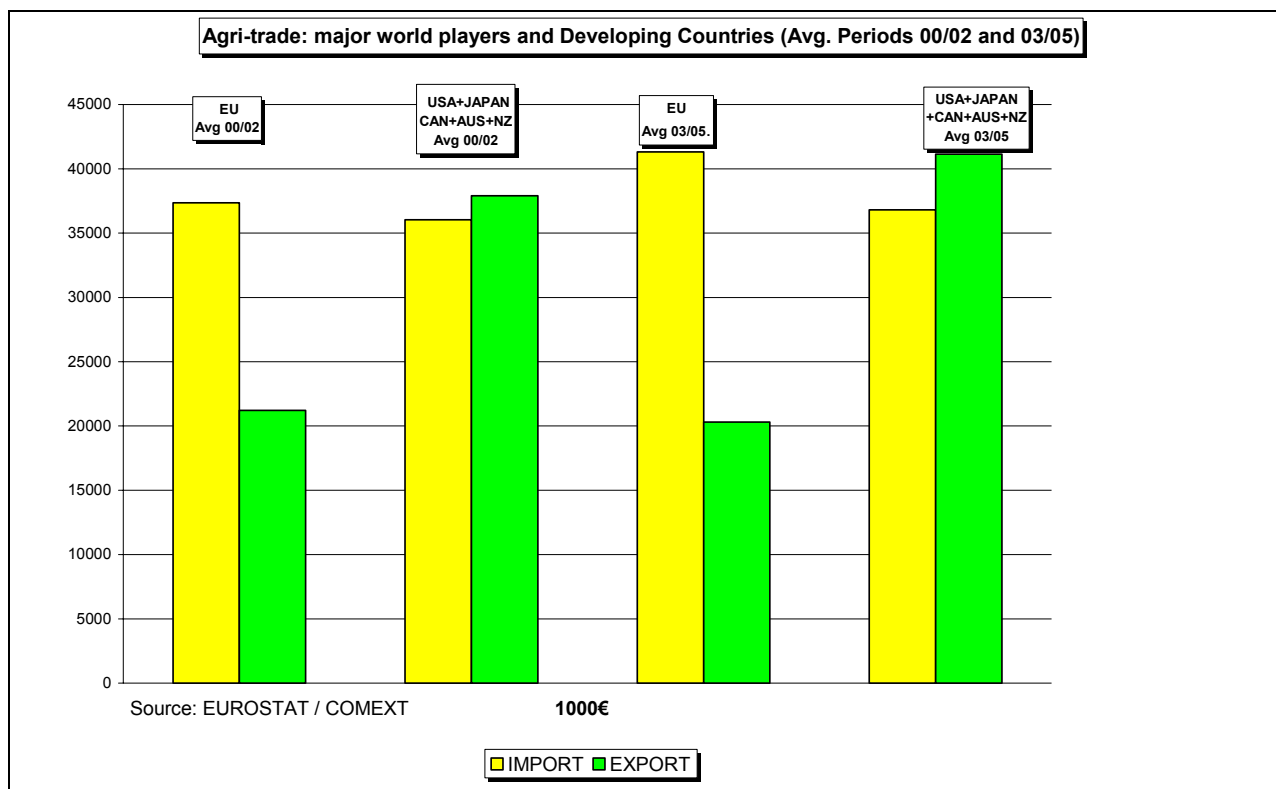
Key elements of the reformed CAP

- A single farm payment for EU farmers, independent of production; limited coupled elements may be maintained to avoid abandonment of production,
- This payment will be linked to the respect of environmental, food safety, animal and plant health and animal welfare standards, as well as to the requirement to keep all farmland in good agricultural and environmental condition ("cross-compliance"),
- Strengthened rural development policy with more EU money, new measures to promote the environment, quality and animal welfare and to help farmers to meet EU production standards starting in 2005,
- Reduction in direct payments ("modulation") for bigger farms to finance the new rural development policy.
- Mechanism for financial discipline to ensure that the farm budget fixed until 2013 is not overshot.
- Revisions to the market policy of the CAP:
 - Asymmetric price cuts in the milk sector: The intervention price for butter will be reduced by 25% over four years, which is an additional price cut of 10% compared to Agenda 2000; for skimmed milk powder a 15% reduction over three years, as agreed in Agenda 2000, is retained.
 - Reduction of the monthly increments in the cereals sector by half, the current intervention price will be maintained.
 - Reforms in the rice, durum wheat, nuts, starch potatoes and dried fodder sectors.

Source: EC Agricultural and Rural Development web-page:
(http://ec.europa.eu/agriculture/capreform/index_en.htm)

environmental effects. By 2011, the date by which the CAP reforms launched in 2003 and 2005 will be fully implemented, almost 90% of EU direct payments will be decoupled from production. The new aid, the 'Single Farm Payment', is based on past individual, regional or national receipts. Farmers are free to produce what the market wants. This is an enormous boost for competitiveness and, at the same time, reduces trade distortion. It needs to be acknowledged, however, that some net importers of certain agricultural products which previously benefited from lower world market prices resulting from higher production and export subsidies are likely to lose from these reforms. Furthermore, EU support to farmers will continue to have an impact on world markets and developing countries.

These reforms have translated into an improved agricultural trade balance with developing countries.



WTO

With these unprecedented reforms of its agricultural support since 2003, the EC has taken the lead at the WTO by encouraging other WTO members to follow its example. In the current round of trade negotiations the Commission has proposed to consolidate its reforms in an international agreement. It has made a conditional offer to eliminate all export subsidies by 2013 and to reduce trade-distorting domestic support by 70%.

The offer to eliminate all export subsidies was made under the condition of a parallel phasing-out of all other forms of export subsidies such as non genuine food aid transactions or trade-distorting privileges of State trading enterprises. The proposed move towards untied and cash-based food aid would help to bring food aid into line with the OECD/DAC recommendations for untying of aid and improve aid effectiveness. Recent progress has been made in the Doha Round negotiations to achieve appropriate disciplines on food aid.

EU Support to Agriculture in Developing Countries

In EU development policy, agriculture and rural development are considered crucial for poverty reduction and growth.

To contribute to sustainable agricultural growth, the Community focuses on increasing productivity, strengthening access to regional and international markets, risk management and improvement of the investment environment. This should be facilitated by making use of technological development and innovation, supported by agricultural research, plus regional integration and institutional strengthening.

Responding also to the Comprehensive African Agricultural Development Programme endorsed by the AU, the European Commission outlined its vision on cooperation on agricultural development with Africa in its Communication 'Advancing African Agriculture'⁵⁵, focusing on cooperation at regional and continental levels. Moreover, a Strategy for Agricultural Research for Development is in preparation that will advocate greater research alignment, including at global level, with priorities set by developing countries and increased availability and use of research products by the final beneficiary (the poor farmer).

Future cooperation will also aim to strengthen African farmer and research organisations, for example through linkages with European organisations and to strengthen African capacities to set, discuss, negotiate and cope with SPS standards, possibly by creating twinning arrangements between the European Commission and the African counterparts in the African Union Commission. Additional work on SPS is important so that developing countries do not face undue trade barriers, while at the same time consumers need assurances about the quality of a product without which they may not be interested in buying the product at all⁵⁶.

Support for rural development will focus on strengthening local governance and institutions, diversification of sources of incomes and sustainable use of natural resources.

Food Aid

For more than a quarter of a century, support to boost agricultural output and massive food aid were the major instruments of the North to assist developing countries in their struggle to deal with food shortages and food crisis situations. This had sometimes grave side-effects on developing countries since the prices of locally-produced food products fell and local farmers lost income.

To avoid these negative effects, since the beginning of the 1990s, donors have been shifting their aid towards supporting broad-based food security strategies along the lines of availability, access and crisis prevention.

In 1996, the European Commission reviewed its food aid policy and integrated food aid into a broader food security strategy that takes into account the interests of partner countries and improves the effectiveness of its aid. The policy has evolved from the simple delivery of food aid to the support of broad-based food security strategies at the national, regional and global level where food aid is an instrument which should be limited to emergency situations. When delivering food aid the Commission favours local and regional procurement wherever this is feasible and justified. The

⁵⁵ COM (2007) 440 final

⁵⁶ For a discussion of the capacity building and WTO related aspects of SPS, please see the chapter on trade

rationale of this approach is to avoid negative effects and to support the local economy by stimulating agricultural production, sustaining local markets and enhancing the livelihood of producers.

2. Practical Steps

CAP Reform

The CAP reforms generally benefited a number of developing countries, but not all of them. The Commission therefore put in place adjustment support where needed. This is for instance the case of the sugar market reform. At the heart of the reform is a 36% cut in the guaranteed minimum sugar price in the EU market, which is expected to contribute to a planned reduction in EU production between 6 and 7 million tonnes and to higher world market prices.

Countries benefiting from the various reforms include least-developed countries, which will enjoy fully liberalised access to the EU market from 2009 under the Everything But Arms⁵⁷ Initiative, and efficient producers such as Brazil. The countries that have benefited from the Sugar Protocol, where producers were paid the EU price which was significantly above world market levels, will suffer from a loss of export earnings.⁵⁸ To assist the Sugar Protocol countries in their adjustment process, the EU adopted accompanying measures for an indicative amount of €1 284 million for the period of 2006-2013. Community assistance pays specific attention to (i) enhancing the competitiveness of the sugar and cane sector, where this is a sustainable process, (ii) promoting the diversification of sugar-dependent areas, and (iii) addressing broader social, environmental, macro-economic impacts generated by the adaptation process

⁵⁷ In February 2001, the Council adopted the so-called 'EBA (Everything But Arms) Regulation' (Regulation (EC) 416/2001), granting duty-free access to imports of all products from least-developed countries without any quantitative restrictions, except on arms and munitions. At present, 49 developing countries belong to the category of LDC's. The provisions of the EBA Regulation (Council Regulation (EC) No 416/2001 of 28 February 2001) have been incorporated into the GSP Regulation (Council Regulation (EC) No 2501/2001). Rice and sugar are however not yet fully liberalised. Duties on those products will be gradually reduced until duty free access is granted in the course of 2009. In the meantime, there will be duty-free tariff quotas for rice and sugar.

⁵⁸ Since 1975, special sugar trade arrangements have been incorporated into the Sugar Protocol, agreed between certain ACP States and the EU alongside the wider EU-ACP Partnership Agreement. Under this Protocol, the EU has undertaken to purchase and import 1.3 million tonnes of sugar at guaranteed prices from these States, which, in turn, have committed to supply these volumes. The Sugar Protocol Countries still benefiting from this arrangement are: Barbados, Belize, Congo (Brazzaville), Cote d'Ivoire, Fiji, Guyana, Jamaica, Kenya, Madagascar, Malawi, Mauritius, Mozambique, St. Kitts & Nevis, Swaziland, Tanzania, Trinidad & Tobago, Zambia, Zimbabwe.

The reform of the fruit and vegetables regime

The reform of the fruit and vegetable (F&V) CMO endorsed by Council on 12 June 2007 will bring some changes that could have a positive impact on developing countries.

The old F&V CMO had limited impact on developing countries with regard to Fresh F&V. For fresh F&V, the old CMO relied mainly on support to producers' organisations and very little on price support (under the form of withdrawals and export refunds). In that sense, market distortions were limited and hence effects on developing countries were limited, too.

As regards processed F&V, the regime was to a certain extent trade distorting because it relied on processing support for a number of products and because the EU is a significant exporter of some of these products, such as canned peaches and processed tomato products.

The revision of the CMO for processed F&V will eliminate the distorting impacts of processing aid and export refunds. This could be beneficial for some developing countries if there is the potential to set up a viable industry there. The reform will also integrate the F&V sector into the Single Farm Payment Scheme that has proved to reduce unfair competition on export markets of EU fruit and vegetables. The reform will further contribute, in addition, to the minimisation of costs of compliance to standards in so far as it bases EU standards on international ones where possible.

EU Support to Agriculture in Developing Countries

Community assistance in the field of agriculture and rural development to the poorest countries is increasing substantially. Preliminary figures indicate that financial resources allocated to agriculture, food security and rural development under the 10th European Development Fund are increasing to about 12.5% of the national-level EDF envelopes (from 9.5% under the 9th EDF) and reaching well over €1.1 billion (up from €660 million). Under the geographical programmes of the DCI, around 9% or 364 MEURO of the financial resources for the period 2007-2010 has been initially allocated to food security and rural development. In addition, the new thematic instrument in support of food security (€925 million for the period 2007-2010) has a strong focus on agriculture, recognising that food insecurity is closely related to increases in agricultural productivity and rural incomes.

The range of agricultural projects and programmes that are being supported include initiatives on SPS, agricultural research, agricultural commodities, supportive infrastructure, competitiveness, livestock disease control, risk management and institution building. These programmes are meant to both increase the capacity of developing countries to benefit from the opportunities (regional, international) provided by trade and to create a competitive domestic basis for agricultural production and employment creation.

EU Member States have been active both at multilateral and bilateral level providing support to developing countries in agriculture. At multilateral level most Member States are financing, directly or through projects, international organisations like FAO and IFAD and agricultural research initiatives such as the work of the Consultative Group on International Agricultural Research (CGIAR). Bilaterally, many Member States are actively providing direct support to developing and transition countries in various areas of the agricultural sector and in rural development. Member States are also financing agriculture projects under their private sector development initiatives, as in the case of the Netherlands. A few examples of Member States' development cooperation are presented in the box on the following page.

Examples of EU Member States' development cooperation initiatives in agriculture

Germany provides support in agriculture to developing countries in the framework of a broad concept of rural development, with a regional focus on Sub-Saharan Africa. In 2005, around €250 million were committed to this end. The Federal Ministry for Economic Cooperation and Development (BMZ) hosts the Secretariat of the 'Global Donor Platform for Rural Development', in which 25 donor countries and organisations coordinate their strategies for rural areas. The promotion of agricultural production and marketing, improvement of access to productive resources such as land, machines and other production facilities as well as to adequate extension services are important components of the concept. Examples of successful intervention are: support of the West African Cotton Initiative, assistance to the Comprehensive Africa Agriculture Development Programme; support to peer reviews on agricultural policy; capacity building for standards; fair trade; public-private partnerships; promotion of international agricultural research through co-financing of the Consultative Group on International Agricultural Research (CGIAR) and assistance in its strategic orientation and administration.

Finland supports FAO, IFAD and CGIAR research institutions to promote agricultural development. Joint research programmes between the CGIAR institutions and Finnish research institutions are in preparation.

Sweden has funded the project 'Support to Seed Sector Development' carried out by the National Board of Agriculture in Central Asia. In Kyrgyzstan the purpose is to develop production of seed that complies with international standards. The high-quality seed of improved varieties will have a positive impact on farmers' practices and incomes. The objective in Tajikistan is to support the establishment of a seed industry.

Poland has been financing investment projects in the field of agriculture and fisheries in Angola and Montenegro (improvement of hygiene standards in agricultural production and increasing its competitiveness). Support was also provided to the Ministry of Agriculture in Ukraine in setting up food market institutions and in strengthening veterinary administration to improve food safety. In Moldova assistance was provided in the reorganisation of agricultural markets and harmonisation with EU legislation.

Spain contributes to agricultural development in developing countries mainly through capacity building and technical cooperation. These activities mainly target Latin American countries, under the 'Latin American Programme for Specialised Technical Training'. A significant part is also directed towards the Mediterranean region through the Advanced Seminars of the Azahar Programme and the cooperation programme with Morocco in the fight against certain epizootic diseases such as foot-and-mouth disease.

The UK supports enabling agricultural development through budget support (in the last year it has provided over £0.5bn through budget support with some 28% of this supporting agriculture), sector-wide approaches and agricultural projects. In Africa these initiatives are enhanced by UK support to the Comprehensive African Agricultural Development Programme of the African Union/NEPAD. Other specific activities include improving poor people's access to agricultural markets, rural finance, land and useful technologies.

3. Assessment

The EU has come a long way in making its Common Agricultural Policy more development friendly. Export subsidies and domestic-trade distorting subsidies have been reduced drastically through the successive CAP reforms. With these reforms the EU has undertaken efforts to reconcile EU farmers' interests with the objectives of its development policy.

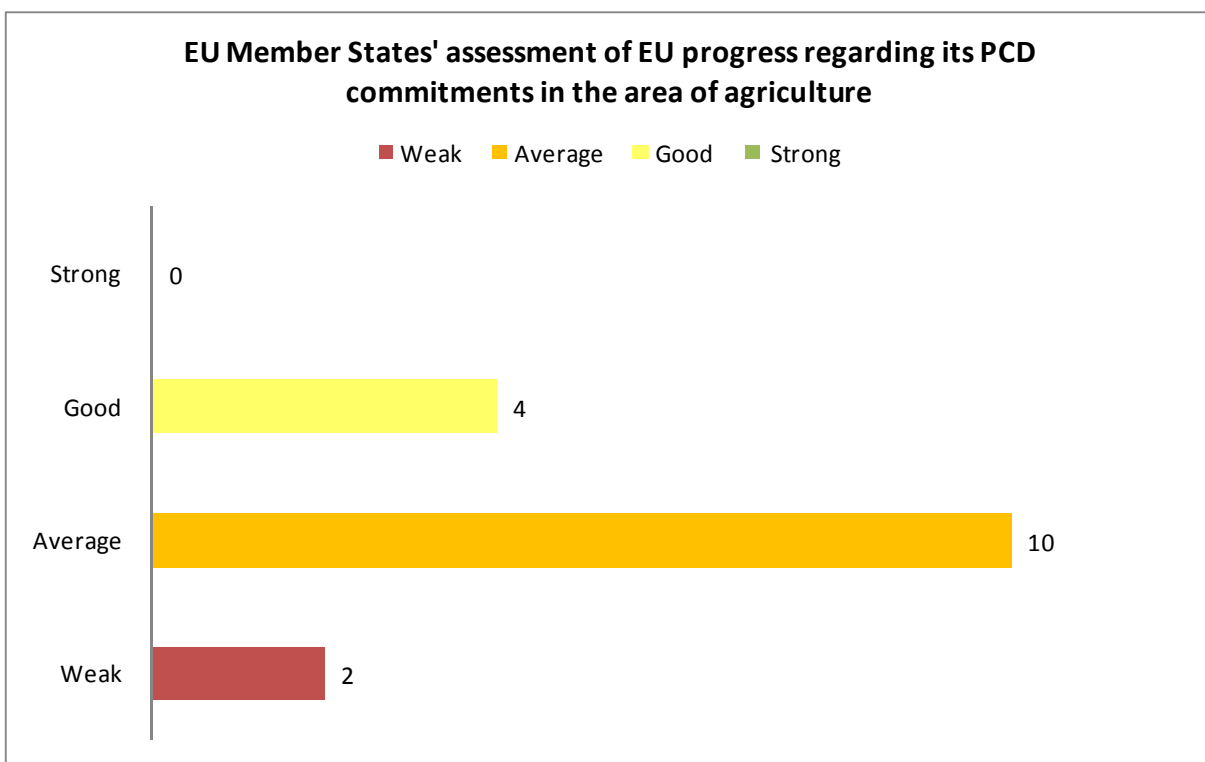
Cotton is a case in point. The EU reforms in the cotton sector took effect in 2006 and involved decoupling of aid from 65% of production, while the remaining (coupled) part was no longer linked to harvesting of cotton. These reforms enhanced the coherence of the regime with development objectives. But some Member States consider it to be a modest success only. The EU continues to spend €800-900 million per year related to cotton farming, while the same product is grown in Africa at a lower cost supporting the livelihood of over 15 million persons. The EU is not an important cotton producer globally. But by further reducing its cotton production, the EU would take a step that is likely to assist African producers. The EU would also gain in credibility in trade negotiations.

The overall assessment made by the Member States concerning EU progress in the area of agriculture is 'average' (see chart below). This result, though, encompasses different views of individual Member States. Some countries consider that export subsidies and domestic trade distorting subsidies have been reduced drastically through the successive CAP reforms initiated in 2003 and 2005. Judging the current subsidies to be economically inefficient, other countries call for a further adjustment of the agricultural policy in accordance with a competitive global economy. They call for a more competitive and pro-poor EU position in agriculture, capable of setting aside vested interests and opening the way to an adjustment of agricultural business in Europe.

Member States see the ongoing WTO Doha Development Round negotiations as an opportunity to reduce agricultural trade distortions on a multilateral basis. The EU offer to eliminate all forms of export subsidies by 2013, as part of efforts to restart the Doha Development Round talks, is to be seen as a sign of renewed PCD commitment in this area.

At the time of writing, the WTO negotiations are still ongoing. A development-friendly outcome of these negotiations and an agreement to reduce trade-distorting support for agricultural products is crucial for the future of the agricultural sector in developing countries. In order to seize the new trade opportunities, the least-developed countries will, however need to improve their own business environment and development policies in order to be competitive on the world market. The EU will support them in these efforts.

Ensuring coherence of agriculture policy with development objectives is sometimes difficult due to the fact that the same measures have different consequences on different countries. A good example for this is sugar. While the sugar reform benefited efficient producers such as Brazil, the countries in the ACP group that benefited from the Sugar Protocol will suffer from income losses. Similarly EU Member States have different interests in CAP reforms. Greece will be the most affected by a reform of the cotton sector and Germany by the sugar sector.



4. Outstanding Issues

- Agriculture is a Community policy in which Member States take a strong and often diverging interest. Often consensus is only reached at the highest level. The Agriculture and Fisheries Council is known for having the longest negotiation sessions and the most contentious debates. It is therefore important that Member States integrate development concerns into their position from the beginning and that development experts follow closely the decision-making process.
- The reform of the CAP should continue with a view to taking better account of the development dimension. Domestic subsidies have moved a long way, but in a number of cases they are still partly 'coupled' to production and therefore distorting. The development perspective calls for a complete decoupling. While the end of all export subsidies is highly desirable to end unfair competition, the overall positive effect on poor developing countries must not be overestimated: the export subsidies may have negative impacts where the EU's exports compete with local/or regional production, but can have beneficial effects for importing countries that are far from being self-sufficient or are net importers
- The capacity of developing countries to participate in the formulation of international standards on trade and SPS should be strengthened
- The increasing difference between the prices paid by final consumers and those received by producers for agricultural commodities may reflect the growing market power of intermediaries. This issue however needs to be further analysed, including from a competition policy point of view..

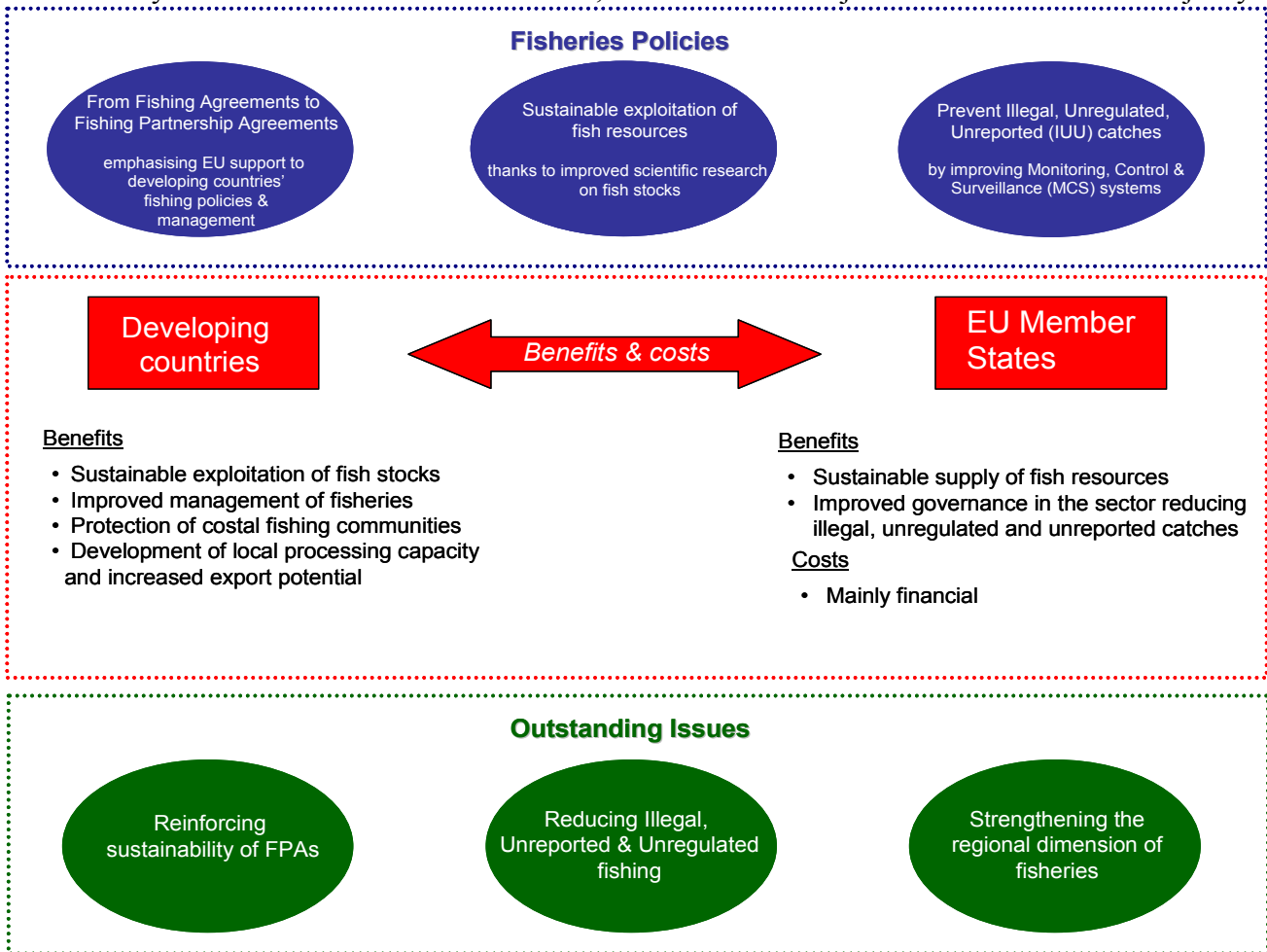
3.6. FISHERIES

Fisheries is an important economic activity in many coastal developing countries where sections of society derive a large part of their income from the exploitation, processing and marketing of these resources. Fish is an essential element in ensuring food security, it is an important part of the diet of many people in developing countries and even more so in coastal areas. It contributes to, or exceeds, 50% of the total animal protein intake in some small island and coastal developing states. Even consumed in small quantities, fish can have a significant positive impact on improving the quality of dietary protein⁵⁹. In Guinea, 40% of the total animal protein intake is sourced from fish, while in Nigeria this amounts to 20-25% on average, but up to 80% in coastal regions⁶⁰.

Quick Facts

1. Fish contributes to, or exceeds, 50% of the total animal protein intake in some small island and coastal developing states.
2. In Guinea, 40% of the total animal protein intake is sourced from fish; in Nigeria this amounts to 20-25% on average, but it may go up to 80% in coastal regions.
3. Financial resources from FPA represent almost 40% of the budget of Guinea Bissau and 19% of the budget of Mauritania and five times the amount of development cooperation between Mauritania and the EC.

The analysis of the Country Strategy Papers shows that while fisheries is mentioned as a coherence issue in only 38 CSPs out of the 123 reviewed, it is an area of major concern for the vast majority



⁵⁹ FAO, The State of World Fisheries and Aquaculture 2006, Rome, 2007

of coastal states, which indeed stress the importance of the impact of fisheries agreements on the country's development.

The Common Fisheries Policy (CFP) is an exclusive competence of the Commission, but Member States play an active role in shaping this policy too. On the basis of the negotiating mandate agreed by the Member States, the Commission negotiates and concludes the fisheries agreements. Both the Commission and the Member States are responsible for the management and monitoring of these agreements.

To ensure PCD, the CFP promotes not only the interests of the EU's distant-water fishing fleet but also the conservation and sustainable management of the marine resources of coastal developing countries.

1. Policy Framework

Fisheries Partnership Agreements with Third Countries

The EU and several African and Pacific coastal countries have long-standing bilateral relations in the fishery sector. In 2007, of the EU's 17 fisheries agreements with third countries, 15 are with ACP states, one with Morocco and one with Greenland.

The negotiation and implementation of bilateral fisheries agreements between the EC and third countries is a key component of the CFP. With developing countries which do not fully exploit their fishery resources, the EU concludes agreements with a financial contribution for access to their Exclusive Economic Zone (EEZ).

In the past, the EU has been criticised for applying a policy of 'pay, fish and go' in developing countries. It was argued that the agreements did not sufficiently take account of these countries' environmental, economic and social needs.

This criticism is no longer valid. With the reform of the CFP in 2002 and the Council Conclusions on FPAs with third countries of July 2004, the agreements the EU has with developing countries have undergone a major overhaul and the emphasis has been put on partnership. The Commission and the Member States, including the Member States with important fishing fleets, have worked towards strengthening the development dimension of the agreements.

In 2004, the Council of Ministers decided that all fisheries agreements should be replaced by FPAs by 2008. Since then the EC has negotiated 11 FPAs with countries in West Africa, the Gulf of Guinea, the Indian Ocean and the Pacific, and with Morocco and Greenland. In 2007 the Commission will renegotiate FPAs with four countries in order to complete this process by the end of 2008.

Under an FPA, the two parties engage in a policy dialogue on fisheries. At the same time, a percentage of the financial contribution attached to the agreement is set aside to support the sectoral fisheries policy in the third country with a view to introducing responsible and sustainable fishing.

The beneficiary country allocates and manages this percentage of the financial contribution on the basis of the priorities identified jointly with the Commission. The two parties agree upon an annual

⁶⁰ FAO, Fishery Country Profiles

and a multi-annual plan and meet within a joint committee every year to evaluate the progress made on implementation of the plan. In this way it is ensured that the FPAs take into account the fisheries policy of the country and contribute towards the sustainable management of fisheries as defined by the coastal State.

How EU policies have influenced the fish industry in developing countries: the case of tuna

Background

Tuna, according to FAO statistics, is the third most-fished group of species worldwide (6 million tons) and the third most-traded internationally (at 8.7% of the total value of internationally traded fishery products in 2004). Tuna is not a species at risk or over-fished, although there is limited room for any further expansion. EU countries account for 35% of the world consumption of tuna and own the largest tuna fishing fleet. Thailand is the largest tuna processor, accounting for about a third of world exports. Spain – the third-largest producer – accounts for 65% of Europe's tuna-based activities. The Spanish tuna industry, mainly based in Galicia, has opened processing plants across South America and Central America (El Salvador and Guatemala). Traditional tuna products, caught by boats from the EU fleet, are mostly processed by wholly or partly French-owned canneries in the Seychelles, Cote d'Ivoire, Mauritius and Madagascar. The Italian tuna industry is by contrast entirely home-based.

How EU trade and fishery policies have influenced the tuna industry so far

Starting from the second half of the 1970s three events influenced the development of fish industries – including tuna – in developing countries: GATT's dismantling of several trade barriers, the signature of the Lomé conventions between the EC and ACP countries and the establishment of national exclusive economic zones (EEZs), generally extending 200 nautical miles into the sea. The combined effect of these three events was a rapid growth of international trade in fish and fish products by developing countries, where fishery exports are now significantly higher than those of other agricultural commodities such as rice, coffee and tea, having reached almost US\$1 billion a year just for LDCs. Today, half a million people in developing countries depend on tuna exports to the EU market for their livelihood.

EU tariffs and rules of origin. ACP countries and LDCs have been favoured by a zero-rate of duty for their exports of fresh, frozen and processed tuna to the EU since the early 1980s. 56% of EU imports of tuna come from ACP countries and 12% from GSP countries (particularly Ecuador). Other countries are subject to a tariff between 15% and 24% depending on the level of processing of the tuna they export to the EU market. The EU and the ACP states are in the process of revising the rules of origin for tuna exported from ACP states to the EU, taking into account the Commission Communication dated 16 March 2005 (COM(2005)100) concerning the future rules of origin in preferential trade arrangements.

Compliance with SPS standards. The fixed costs associated with technical compliance with EU food-safety standards and SPS regulations are often very high, and in order to be economic, these fixed costs need to be carried across a large volume of production and/or exports, making the investment affordable for large Latin American or Asian tuna processors but a problem for relatively small-scale ACP exporters. In addition, ACP fish exporters may face difficulties in accessing the EU market not necessarily because their products are unsafe, but often because they lack access to the necessary monitoring, testing and certification infrastructure that would enable them to demonstrate compliance with import requirements. In recent years the EU has provided technical assistance programmes to ACP countries to enable them to develop the necessary skills and procedures and explore access to facilities to allow export possibilities.

Possible social, political and economic consequences of reform under the DDA

As foreseen the existing Cotonou trade provisions will be replaced by Economic Partnership Agreements (EPAs), to be concluded with 6 ACP regions by the end of 2007 when the WTO waiver on the existing unilateral preferences for ACPs expires. An immediate and full trade liberalisation of the EU tuna market under the DDA is not expected. If and when it happens Spain - and Galicia therein - , would be the most affected due to the dominance of the tuna market as well as certain ACP countries simply because the other GSP Developing Countries would no longer be discriminated in the EU market. However a recent study on the European tuna industry shows that reduced tariffs towards GSP Countries introduced progressively would allow the industry to adapt and therefore minimise the impact on the EU and ACP sectors. Progressive liberalisation over a decade and substantial aid for trade, is considered sufficient to allow the time and resources for adjustment and thus minimise negative impacts on all countries involved.

Main Sources: (1) FAO (2007) – *The State of World Fisheries and Aquaculture 2006*; (2) OECD (2007) – *Fishing for Coherence – Fisheries and Development Policies*; (3) Oceanic Developpement (2005) – *The European Tuna Sector: Economic Situation, Prospects and Analysis of the Impact of the Liberalisation of Trade*, prepared on behalf of DG FISH; and (4) IDDRA (UK) Ltd (2004) - *Analysis of the impact on ACP countries of opening up the EU import market for canned tuna*. Commissioned by CTA and the Commonwealth Secretariat.

Illegal, Unreported and Unregulated Fishing

In many countries fisheries monitoring, control and surveillance regimes are often inadequate and under-resourced. This makes it difficult to control fleets in third countries' waters operating under various flags. Insufficient resources for fisheries control relates to both physical assets (such as patrol vessels, vessel monitoring system capability), lack of regulation and human resources and appropriate skill levels. These deficiencies mean that control regimes do not act as a sufficient deterrent to Illegal, Unreported and Unregulated (IUU) fishing activities.

IUU fishing occurs everywhere, both on the high seas and in EEZs, in EU waters as well as in waters of developing countries. The EC intends to adopt in July 2007 a package on a new EC policy to address IUU fishing, consisting of a Communication and a proposed Council Regulation. Member States and the Commission consider illegal, unreported and unregulated fishing to be a threat to the sustainability of fishing resources, seriously damaging the partner countries' fisheries policies and the commercial interest of the EU industry. Civil society organisations advocate a more effective system of prevention and penalties for IUU fishing, which should include centralised vessel monitoring and traceability schemes, EU blacklisting of vessels and harmonised penalties

From a PCD point of view, the challenge is to enhance the capacities of coastal developing countries to better monitor fishing activities occurring in their EEZs. It is also to make sure that the proposed EC measures do not result in new trade barriers for developing countries, which may have difficulties complying with the new rules due to institutional weaknesses.

Moreover, coastal developing countries generally face significant difficulties in monitoring whether vessels comply with the agreements or not. In particular, they often lack the technical means to assess whether the catch declarations are accurate or not. This is particularly true for tuna fisheries. Tuna fishing normally takes place in the EEZ far from shore and is difficult for coastal states to monitor because they often have very limited monitoring, control and surveillance (MCS) capacity for sea patrol or air surveillance.

Regional Fisheries Management Organisations and International Agreements

Regional Fisheries Management Organisations (RFMOs) are international bodies set up to ensure the conservation and sustainability of high sea fisheries resources. RFMOs adopt management and conservation measures that determine the conditions in which fisheries resources may be exploited in the region covered by the organisation. Participation in these bodies by the EC, EU Member States, coastal developing countries and other countries with maritime resources, is important to avoid the over-exploitation of fishing stocks and to ensure the sustainability of the fisheries sector, including in developing countries.

Development Cooperation in the Fisheries Sector

A significant hindrance to sustainable development of the potential of the fisheries sector in developing countries is that several countries have no comprehensive fisheries policy or that they are unable to fully implement it effectively and efficiently. A well developed fisheries policy is, however, essential for development of the fisheries sector, sustainable management of the maritime resources and for combating IUU fishing. The EU addresses this not only through the institutional and financial support resulting from the conclusion of FPAs with developing countries but also through development cooperation.

2. Practical Steps

Fisheries Partnership Agreements

All the agreements the EU has initialled since 2004 are fully in line with the Council Conclusions on Fisheries Partnership Agreements, which aim to ensure the economic, social and environmental sustainability of fisheries wherever EU vessels are engaged in fishing activities. The idea is no longer solely to secure access for the European fleet but also to assist developing countries in putting in place their own fisheries policies which can help them meet their fisheries development objectives while protecting fishing resources.

While FPAs are not the only solution for solving all challenges in the fisheries sector of developing countries, it is widely acknowledged –including by the large majority of EU Member States – that the development dimension of the FPAs has been reinforced.

In some countries, FPAs have a very important impact on national economies in so far as they contribute to creating or securing jobs and the financial contribution increases the partner country's budget revenues. In the case of Guinea Bissau the FPA represents almost 40% of the country's total budget. In Mauritania the FPA represents around 19% of the budget, close to 45% of foreign exchange earnings, almost similar to petroleum export earnings after a sharp decrease in production, and five times more than development cooperation with the EC (see box).

The process of jointly agreeing on the use of the financial contribution has ensured that most of these funds are used for the conservation and sustainable management of fisheries resources. Madagascar, for example, has decided to allocate 80% of its contribution in support of its fisheries policy. The CSP of São Tomé and Príncipe under the 10th EDF stresses the positive contribution of the 2006-2010 Fisheries Partnership Agreement, particularly to improving the dialogue on the sectoral policy.

However, a partner country can also decide to use this funding in a way that is not compatible with its development agenda. The contribution an FPA can make to development depends, too, on the partner country and how serious it is about the fight against poverty and the coherence of its own policy initiatives with its development objectives. Partner countries should use this funding either to contribute to their MDG-related strategy or to develop their fisheries sector and strengthen their institutional capacity to regulate and control the sustainable exploitation of their maritime resources. A recent study from DFID concludes that FPAs might not be the best mechanism to provide this kind of support as they risk becoming a "distraction from effective management, rather than an incentive, due to the steady stream of guaranteed income to the fisheries sector for several years"⁶¹. The authors argue that improving fisheries management may require more technical support.

FPAs are a major step towards more sustainable use of maritime resources. They strengthen the government's position to manage the country's marine resources and to ensure that the fisheries sector can continue to make its contribution to the fight against poverty. However, vessels from other countries have also access to the EEZ and exploit a country's marine resources albeit in a less regulated and normally less sustainable way.

⁶¹ Walmsley, S.F., Barnes, C.T., Payne, I.A., Howard, C.A. (2007) Comparative Study of the Impact of Fisheries Partnership Agreements – Executive Report, May 2007. MRAG, CRE & NRI. P 18

Also, FPAs do not allow the European fleet to compete with the national fleet in partner countries. They ensure that the economic basis of the local fisheries sector is not undermined by the European fleet and only provide for access to stocks that are not fully exploited by the national fleet.

The available surplus is evaluated on the basis of sound scientific and technical advice. When the Commission negotiates tuna agreements it takes into account scientific advice and recommendations of the regional fisheries organisations, when they exist. In the case of mixed agreements, with a demersal component, for which there are no recommendations from regional fisheries organisations, scientific committees, bringing together experts from both parties to the agreement, monitor the fishing resources. In addition, the EC systematically undertakes sustainability impact assessments and consults relevant stakeholders.

As regards the link between FPAs and Economic Partnership Agreements (EPAs), some regions have shown an interest in including a chapter on fisheries in the EPAs. This would provide an opportunity to encourage a cooperative and coherent approach on fisheries issues in order to promote sustainable fisheries development and responsible management of marine resources at regional level. Moreover a regional approach would be more suitable for taking into account the fact that some species, and in particular tuna, are highly migratory and would thus be better managed on a regional basis.

Some civil society organisations consider the negotiation of collective fishing agreements under EPAs the way forward for a stronger development agenda in the sector while guaranteeing a greater sustainability approach at regional level. Three options are proposed for consideration: (i) a 'head' agreement with subsidiary bilateral agreements; (ii) a centralised multilateral agreement; (iii) a centralised sub-regional multilateral agreement.

On the other hand it is true that in most cases the economic regional groupings used in EPAs do not fully coincide with the geographical-political regional groupings needed for regional fisheries management.

The case of Mauritania: An example of a FPA contributing to the development of a country

A good example of the way the new FPAs work is the agreement initiated with Mauritania in July 2006. This is the EU's single largest agreement with a third country, both in financial terms (€86 million a year directly from the EU; licence fees from ship owners should add approximately €22 million annually), and in terms of fisheries opportunities (approximately 200 licences are now available for European vessels to fish in Mauritanian waters).

This agreement is also very important for Mauritania, since the total financial resources from the FPA, which are expected to amount to €108 million a year, represent around 19% of the budget and close to 45% of foreign exchange earnings, almost similar to petroleum export earnings after a sharp decrease in production. Under the FPA the country receives five times more financial resources than under its cooperation with the EC, amounting to €124.8 million for a 6-year cooperation period from 2008 to 2013 (A envelope under the 10th EDF).

The agreement reflects the interests of the European fleets which are active in these waters, Mauritania's rich maritime resources and the country's interests in developing its national fishing industry. Fishing opportunities for stocks which scientific advice suggests are overexploited, such as cephalopods and other demersal species, have been substantially reduced compared to the previous agreement, which ran from 2001 to 2006.

At the same time, important fishing possibilities for small pelagics have been introduced. This should have a significant impact on the Mauritanian economy, as EU vessels should unload in the port of Nouadhibou. It will help Mauritania develop its own processing and manufacturing industry, and thus capture more of the value of the catch for the national economy. At the same time, out of the annual €86m contribution, €10 million a year have been allocated to support the Mauritanian national fisheries strategy, with a strong emphasis on sustainable fishing. That strategy will be developed with ongoing support from the EU, through a recently established joint committee. In addition to the financial contribution, €1m has been also earmarked for conservation of the Banc d'Arguin.

Illegal, Unreported and Unregulated fishing

Through partnership actions in fisheries control, the EC and the Member States are trying to respond to the control, monitoring and surveillance weaknesses encountered in the implementation of FPAs. At the same time, the EC addresses the issue of IUU at regional level.

As an example, in January 2007 the Community and the Indian Ocean Commission (IOC) signed a framework convention for three years with a financial envelope of €7 million in order to implement a Regional Plan for fisheries surveillance in the South West Indian Ocean. Both parties have also signed a Ministerial declaration which commits the Fisheries Ministers of the IOC to fighting against IUU activities in the South West Indian Ocean. The general objective of this Regional Plan is to reduce the number of IUU vessels in this region and to contribute to the sustainable conservation and management of the tuna resources.

Regional Fisheries Management Organisations and International Agreements

The EC ensures the synergistic implementation of its policies through its active participation in several RFMOs. The EC is a contracting party to 12 RFMOs⁶² and is a cooperating non-member or an observer in those organisations to which it has not yet acceded. The EC actively contributes to the work in the different RFMOs' areas of competence. In 2006, the EC tabled 44 proposals for conservation and management measures in different RFMOs. The EC is also very actively involved in the work carried out by RFMOs on measures for the purpose of compliance and combating IUU fishing.

Within the RFMOs the EC supports the creation of mechanisms to assist developing countries in enhancing their participation in RFMOs, and improving, for example data collection or training. Stock assessment and information on how many vessels exploit a particular stock of fish are normally more readily available where there is a regional body that is responsible for regional management, such as, in the case of tuna, the IOTC that collects data and information on all catches.

⁶² NAFO Northwest Atlantic Fisheries Organisation
NEAFC North-East Atlantic Fisheries Convention
NASCO North Atlantic Salmon Conservation Organisation
IOTC Indian Ocean Tuna Commission
CCMLR Commission for the Conservation of Antarctic Marine Living Resources
ICCAT International Commission for the Conservation of Atlantic Tuna
GFCM General Fisheries Commission for the Mediterranean
WECAFC Western Central Atlantic Fishery Commission
CECAF Fishery Committee for the Eastern Central Atlantic
IATTC Inter-American Tropical Tuna Commission
SEAFO South East Atlantic Fisheries Commission
WCPFC Commission for the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean

The Indian Ocean Tuna Commission (IOTC)

The Indian Ocean Tuna Commission (IOTC) is an intergovernmental organisation of currently 25 countries mandated to manage tuna and tuna-like species in the Indian Ocean and adjacent seas. Its objective is to promote cooperation among its members with a view to ensuring, through appropriate management, the conservation and optimum utilisation of stocks and encouraging sustainable development of fisheries based on such stocks. EU Member States and the European Commission cooperate with other members in the Indian Ocean Tuna Commission (IOTC).

In particular the discussion within this organisation has made it possible to take a certain number of measures or make recommendations as regards:

- freezing fishing efforts for the purse seiner fleet (fishing tuna)
- establishing a programme of transshipments by large-scale fishing vessels
- recommendations on sea turtles (to mitigate the impact of fishing operations on them)
- recommendations on incidental mortality of sea birds
- record of vessels authorised to fish within IOTC area of competence
- freezing all fishing fleets (vessels more than 24m in length, and less than 24m if fishing in international waters) fishing for highly migratory species
- establishing a Vessel Monitoring System
- establishing a list of vessels presumed to have carried out Illegal, Unreported and Unregulated (IUU) Fishery within IOTC area of competence
- IOTC programme of inspection in port

The EC and several Member States are also active in supporting multilateral commitments and agreements. Several are worth mentioning: the commitment on recovery of fish stocks by 2015 made at the World Summit on Sustainable Development in Johannesburg, the UN Convention on the Law of the Sea and the Code of Conduct for Responsible Fisheries, and the WTO negotiations on limitation of fisheries subsidies that are undermining sustainable fishing.

Development Cooperation in the Fisheries Sector

The EC supports a wide range of activities in the fisheries sector both at national and regional level through the European Development Fund (EDF). The EC is currently financing about 15 fisheries initiatives in ACP countries (programming periods 1997-2002 and 2002-2007 respectively), with a total financial envelope of roughly €170 million. Key themes in this respect are the management of aquatic resources, including monitoring, control and surveillance of fishing activities (MCS), research activities (particularly stock assessment), sanitary control, artisanal fisheries and institutional building.

There is a concern that the financial resources to support the development of the partner countries' fisheries sector are not sufficient. As a matter of fact, no ACP country chose fisheries as a focal sector either under the 9th or the 10th EDF. In countries where the fisheries sector could make an important contribution to poverty reduction, this might be a missed opportunity and a lack of policy coherence for development on the part of the partner country.

The EU Member States assist and support developing countries by different means, primarily through the exchange of knowledge, experience and good practice.

Examples of EC and EU Member States' support in Mauritania

The EC provides a comprehensive assistance programme to the national fishing policy to guarantee sustainable exploitation of fish stocks. The assistance is an integral part of the FPA, which includes a financial envelope of €100 million per year in the period 2006-2008.

France is financing a three-year programme to strengthen the production and commercial capabilities of the national fishing industries. To this end, It provides support to the private sector through the National Fish Federation, to strengthen the quality control of fish processing in the area of EU sanitary standards, thus increasing export volumes to the EU markets. Tailor-made diagnostics and training are offered to individual companies. To protect fish stocks and facilitate fish reproduction, France supported the creation of the National Park Banc d'Arguin. The Banc d'Arguin plays an important role in the conservation of numerous species. It lies in tropical currents which supply organic material providing a rich and diverse marine and littoral environment able to support important communities of fish, birds and marine mammals.

Germany has a €5.5 million programme for fish monitoring and surveillance in the waters off the coast of Nouadhibou, Nouakchott, Diago, Nouamghar, Tafarit and Belewach. Satellite technology has been introduced and training provided to the surveillance personnel both at sea and on land.

Lithuania supports cooperation between its Institute of Coastal Research and Planning of Klaipeda University and the 'Institut Mauritanien de Recherches Océanographiques et des Pêches' (IMROP) with a view to upgrading the Mauritanian EEZ cartography.

The **Netherlands** cooperates with the 'Institut Mauritanien de Recherches Océanographiques et des Pêches' to monitor the impact of fishing and to do research on sustainable fishing. Before negotiation of the new EC-Mauritania FPA started in 2006, local fishermen in Mauritania expressed their concern about possible overexploitation of octopus stocks and the fact that the EU was issued too many licences for this segment. The Netherlands, therefore, financed a research and capacity-building project by IMROP to obtain stock data of certain species so as to monitor the impact of fishing efforts and provide scientific input for renewal negotiations. The outcome of this project was twofold: as the data confirmed the concerns that the octopus stock was being depleted, the Commission asked for fewer licences than before. At the same time the fishermen associations had evidence with which to pressure their government to sell fewer licences than before. The Netherlands also supported the creation of a new category for pelagic fishing and its introduction into the FPA, which should open up new opportunities for the local industry in the landing and processing of this fish.

Spain provides funds for port infrastructure development. At Nouadhibou the fishing facilities of the port are being expanded for a total investment value of about €26 million (the EC is also contributing funds to this investment). In the Tiguent coastal area an integrated fishing centre is being established, including new infrastructure and equipment and direct support to the local fishing community in the areas of processing and commercialisation.

3. ASSESSMENT

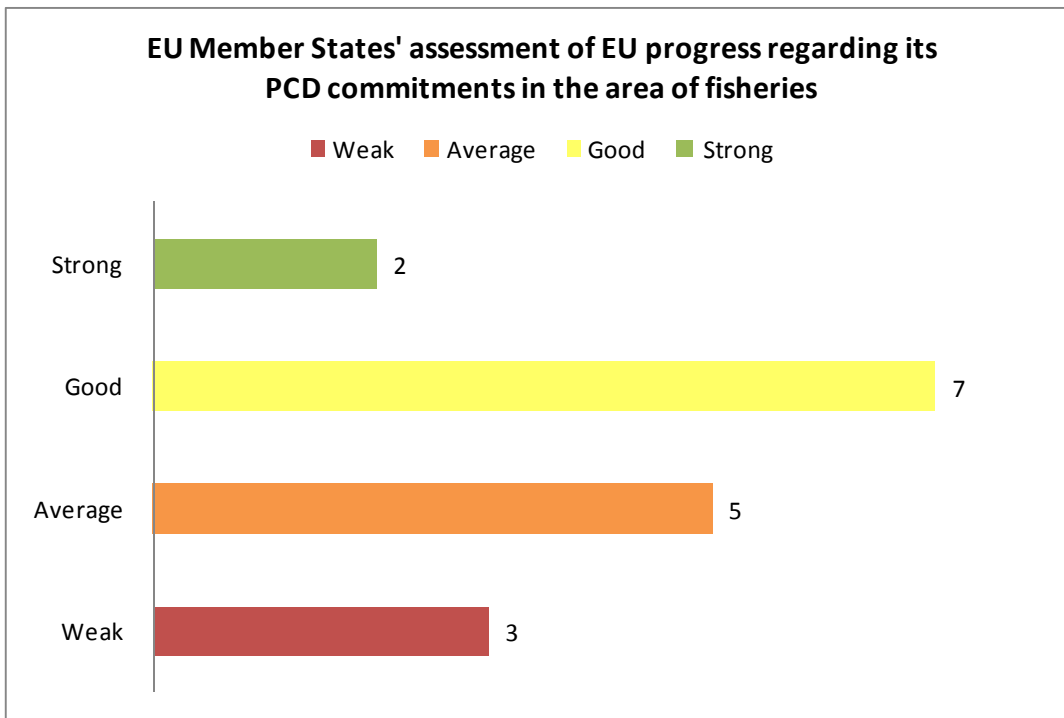
The EU has made good progress in developing synergies between its fisheries policies and the development objectives. Member States⁶³ rate the progress made so far well above 'average', as shown in the figure below.

The CFP has managed to take much better account of development objectives since its reform in 2002. The 2002 Communication on an integrated framework for fisheries partnership agreements with third countries⁶⁴ provides a framework, and has effectively managed to ensure better coherence between EU fishing interests and development policy objectives. Fisheries policy therefore seems to have benefited from a policy framework ensuring PCD.

However, the challenge is still there to fully implement these policies. The Commission pursues the transformation of all existing fisheries agreement into FPAs in order to have a full set of instruments in line with the 2004 Council Conclusions by 2008. Due to implementation of the FPAs starting only recently, it is as yet too early to assess the real impact of these FPAs on the development of the sector in developing countries and on poverty reduction. This should be fully measured in the light of the ex-post evaluations of each FPA.

⁶³ Ten Member States did not answer this question.

⁶⁴ Com (2002) 632



Strengthening governance in the fisheries sector in developing countries remains work in progress. In its dialogue with developing countries, the EC continues to encourage the development and implementation of sustainable fisheries policies. The EU supports financially the formulation and implementation of developing countries' fisheries policies, using existing instruments.

The use of the financial contribution attached to the FPA is an issue. On the part of the partner countries a policy coherent with development objectives would imply using this funding in line with their development strategies, to strengthen their institutional capacity to regulate and control the sustainable exploitation of their maritime resources and where relevant to develop the fisheries sector.

The fisheries sector is normally not selected as a priority sector for development cooperation even though in some countries this sector could make an important contribution to the reduction of poverty.

Over-fishing is widely recognised as a problem. Fish stocks are evaluated on a scientific basis, but three Member States expressed concerns regarding the accuracy and transparency of the scientific assessment of the fish surplus stock that is at the core of the agreements. They stress that there is still the risk of over-fishing in some partner countries due to the issuing of an excessive number of licences for the EU fleet. Other reasons are that coastal states are not always transparent about agreements they may have with other distant-water fishing nations.

Similarly, civil society organisations are concerned with over-fishing beyond sustainable levels. Excessive subsidies to EU fishing industries and fleet, and increased numbers of processing joint ventures in partner countries accelerate stock depletion. In their views FPAs favour large companies at the expense of local fishing communities and small-scale fishing industry. To counteract this trend CSOs propose independent impact assessments of FPAs. The results of these independent evaluations should inform a new EU marine policy that takes into due consideration sustainable development and biodiversity. The creation of a network of high-sea reserves is also recommended.

At the multilateral level, the EU encourages the participation of developing countries in RFMO, as well as multilateral fisheries agreements and bodies, in particular in the UN, and development of measures to reduce IUU fishing and preserve endangered stocks and biodiversity. The EU assists developing countries in implementing those internationally agreed measures in national and international waters.

4. Outstanding issues

Building on progress made, the following issues deserve further debate:

- Reinforce the sustainability of FPAs by improving and making more transparent the process of the scientific research assessing the fish surplus stock that is at the core of the agreements. In this context and as recommended under the UN Fish Stock Assessment agreement, the ecosystem approach to fisheries should be promoted. The strengthening of FPAs' impact evaluation and marine research is also to be considered.
- Reduce IUU fishing by strengthening monitoring, control and surveillance systems (MCS) in partner countries.
- Promote and strengthen the Regional Fisheries Management Organisations, and encourage the active participation of partner countries in these fora. The regional dimension of fisheries should also be prominent in EPAs and CSPs negotiated by the EC and the partner countries.
- Tackle PCD-common issues shared by fisheries with trade, agriculture and environment policies.
- Encourage partner countries to:
 - strengthen the governance of the fisheries sector;
 - use the financial contribution of the FPA in line with the countries' development strategy;
 - focus on fisheries in development cooperation in countries where this sector can make an important contribution to poverty reduction.

3.7. SOCIAL DIMENSION OF GLOBALISATION, EMPLOYMENT AND DECENT WORK

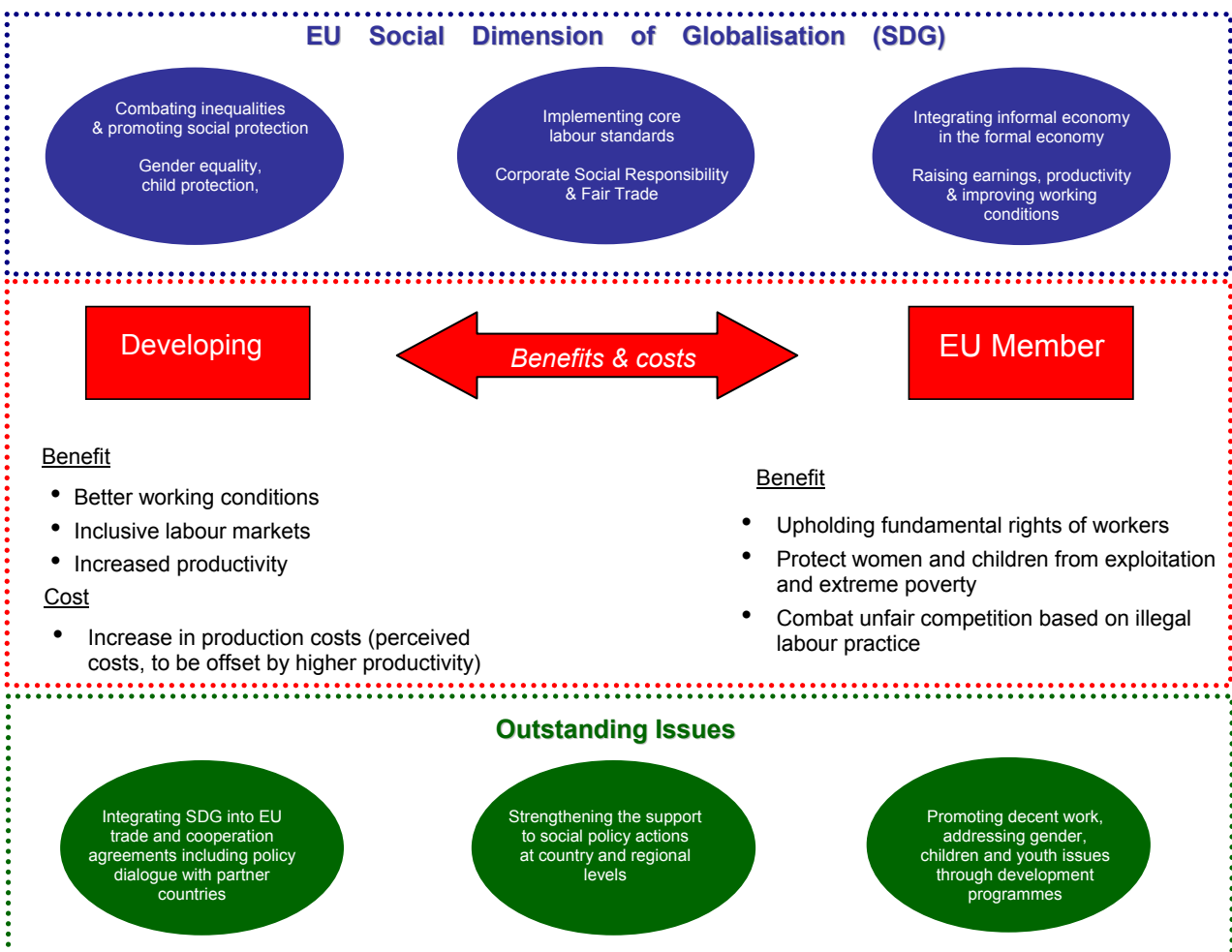
The social dimension of development is a fundamental one which is directly reflected in the MDGs agenda. Four out of the eight MDGs are about progress in social and human development.

Social justice and equal opportunities are important values in the European Union's internal and external policies. The promotion of employment, social cohesion and decent work is part of the European Social Policy Agenda and of the European Consensus on Development. The European Council in December 2004 and June 2005 underlined the importance of strengthening the social dimension of globalisation and of taking it into account in various internal and external policies and in international cooperation.

Quick Facts

1. 1.37 billion people work but earn less than US\$2/day.
2. 250 million children (aged 5 to 14 years) are engaged in economic activities in developing countries; half of them are employed full time
3. 12.3million people are victim of forced labour; more than 2.4million have been trafficked
4. Women represent 70% of world poor
5. The informal economy in Africa and Latin America is estimated at 42% and 41% of GDP in 2000, respectively
6. The Fair Trade sector had a turnover of € 1.1 billion in 2005 – with an increase of 35% over the previous year.

Through their employment and social policy the Member States and the Community pursue the objectives of a high level of employment, social protection, social inclusion and equal opportunities throughout the EU.



The Community and the Member states have developed numerous policies and initiatives centered on these objectives. Employment, social affairs and equal opportunities are predominantly shared competences between the Community and the Member States. The Community has launched a number of initiatives to cover the supranational dimension such as on free movement of workers, the European Works Councils Directive and the promotion of social dialogue at EU level.

The impact of internal European employment and social policies on developing countries is limited. This impact is mainly linked to migration. European employment and social policies going together with relatively prosperous economies constitute an increasingly important pull factor for migration, for example from the health sector of some African countries. With geographic distances becoming less of an obstacle to migration, the better working conditions and social protection systems in Europe attract people from developing countries, and can contribute to brain drain with its positive and negative consequences leading to a situation where developing countries lose their best skilled and most dynamic people, possibly receiving back remittances or better trained people later.⁶⁵ This impact is, however, mitigated through migration policy and the incentives and disincentives it sets for emigrating to the EU.

One could also argue that the higher social standards in Europe encourage investment in poorer countries where goods can be produced cheaper and services are delivered at lower costs. However, such impact is difficult to assess since other factors such as the level of productivity, skills of the workforce, political stability of a country and proximity to markets also influence investment decisions. Moreover, such investment contributes to development in the partner country and thereby to improving social conditions, too.

Developing countries rarely point to European Social and Employment Policies as having a major impact on their development paths. Indeed, only the CSPs of Latin American countries as well as Rwanda, Lesotho, Thailand and China include the Social Dimension of Globalisation in the PCD sections, but they do not specify through which channels the European Social and Employment Policies affect their economies.

Generally speaking though, development countries are not directly affected by European employment and social policies. However, the Commission and Member States address social and employment issues outside the EU through multilateral organisations and fora and through increasing cooperation and policy dialogue between Member States and the Commission on the one hand and partner countries and regions on the other hand. An increasing number of these countries and regions are interested by the EU economic and social model and the social dimension of its regional integration. At the international, regional and country level Member States and the Community also promote better working and social conditions. It is with regard to these initiatives that the application of the coherence commitments needs to be assessed.

1. Policy Framework

Contributing to the International Debate

The EU is increasingly active in the international debate and actions on employment. The EU voice has contributed to the outcome of the UN 2005 September Summit and of the July 2006 High-Level-Segment of the UN Economic and Social Council that affirmed that the goal of full and

⁶⁵ For a more detailed discussion of this issue, see the migration chapter of this report.

productive employment and decent work for all has to be a central objective of relevant national and international policies as well as development and poverty-reduction strategies.

The EU participates actively in the ILO Working Party on the Social Dimension of Globalisation. It supports the 2004 recommendations of the World Commission on the Social Dimension of Globalisation and the ILO Decent Work concept. The EU has also consistently insisted on stronger cooperation between the WTO and the ILO. This resulted in February 2007 in the first joint ILO and WTO report on trade and employment. The report highlights the need for an integrated and coherent policy approach between economic, trade, employment and social policies in order to maximise the benefits and minimise the costs of globalisation. The report concludes that there is much scope for, and potential value in, a further intensification of cooperation between the ILO and the WTO.

Main policy papers prepared by the Commission

on the social dimension of globalisation, employment and decent work

In the past years the Commission has carried out an intense policy dialogue with Member States on issues related to the social dimension of globalisation. This dialogue was translated into a series of communications that have helped shape the EU common position in the international debate in this area. The main communications cover the following areas:

1. Social Dimension of Globalisation
2. Thematic Programmes (Investing in People, Democratisation and Human Rights, Non-State Actors)
3. Decent Work
4. Promoting Core Labour Standards
5. Promoting Employment through EU Development Cooperation
6. Promoting Gender Equality in EU External Actions
7. Fair Trade

In addition, the EU has firmly contributed to the affirmation by the G8 Heiligendamm Summit in June 2007 of the importance of social responsibility in shaping globalisation. The G8 Summit highlighted the importance of promoting decent work, including core labour standards, of strengthening the principles of corporate social responsibility and of corporate governance, and of adequate and effective social protection both in industrialised and developing countries.

Regional and National Policy Dialogue

At the regional and national level, social and employment issues are gaining importance. The EU is increasingly integrating employment and social aspects into its dialogue, cooperation and trade relations with Asia, Latin America, the ACP countries as well as regional organisations such as the African Union.

The December 2006 Council Conclusions on Decent Work For All emphasise the importance of supporting the integration of employment and decent work into national and regional poverty-reduction strategies and other development strategies. The recent Commission Staff Working Document on Promoting Employment through EU Development Cooperation⁶⁶ makes the case for stepping up efforts to promote employment through development cooperation (see dedicated box).

⁶⁶ SEC (2007) 495

The thematic programme 2007-2013 for human and social development will finance initiatives on employment, social cohesion and decent work.

**Commission Staff Working Document on Promoting Employment
through EU Development Cooperation**

The document identifies as main problems the demographic challenges; underemployment and the working poor; gender discrimination; informal economy; weak governance & inadequate labour regulations.

It suggests that Member States and the EU address these problems by:

- fostering employment through private-sector development;
- establishing a broad partnership and building institutional capacity (labour market policies and standards; social protection, social dialogue);
- policy coherence for development;
- mainstreaming employment into key development areas (infrastructure, rural development & agriculture and private-sector development);
- making effective use of the EU thematic programmes 'Investing in People' (decent work and social cohesion, education, knowledge and skills, and youth and children), 'Non-State Actors and Local Authorities in Development' (social dialogue), 'Migration and Asylum' (managing labour migration and decent work for migrant workers in third countries) and 'Democratisation and Human Rights' (core labour standards, indigenous people);
- considering identifying social-sector development, particularly social cohesion and employment, as a focal area for 2007-2013 in bilateral and regional cooperation programmes with Latin American, Asian, ACP and ENP partner countries.

In an effort to promote both growth and social development and cohesion the EU has to take into account the characteristics and diverse nature of the economic and social situations across the world. Two issues in particular stand out: the developing countries' concern about becoming less competitive and the importance of the informal economy.

Many low-income countries might initially have to focus on creating of new productive jobs in the formal economy, on improving the poor living and working conditions in the informal economy and on integrating the informal economy into the formal. However it should be highlighted that promotion of the effective application of core labour standards should be taken up by all countries in line with their international commitments⁶⁷. CLS do not jeopardise the competitiveness of developing countries. They envisage only the elimination of the worst aspects of exploitation and inhuman working conditions and ensure non-discrimination in respect of employment. The effective application of CLS makes for growth combined with decent employment opportunities so that people can earn the income needed to lift themselves out of poverty.

Another key constraint for employment and social policy in developing countries is the size of the informal economy. A key challenge is to formalise the informal economy without taking away the only means of livelihood for millions of people. Focus must be on creating more jobs in the formal economy, thus raising earnings, productivity and improve the – very often poor – working conditions in the informal economy. Taking into account the circumstances and priorities at national and regional level and following a step-by-step strategy will make it possible to combine economic competitiveness with social cohesion.

⁶⁷ Conventions on freedom of association and collective bargaining (Conventions 97, 98), on elimination of forced and compulsory labour (Conventions 29, 105), on elimination of discrimination in respect of employment (Conventions 100, 111), on abolition of child labour (Conventions 138, 182).

2. Practical Steps

The Commission has been working closely with the ILO to promote employment and decent work. On 19 July 2004, the European Commission and the International Labour Organisation agreed on a strategic partnership to reinforce their joint efforts to reduce poverty and improve labour conditions in developing countries. The partnership also fosters closer collaboration towards the achievement of the Millennium Development Goals, the Decent Work for All Agenda and other internationally agreed development targets. The aim is to make the greatest possible contribution to strengthening the social dimension of development cooperation.

Member States have been active both at multilateral and bilateral level. Together with the European Commission they have supported the ILO, other UN agencies and the WTO in promoting the employment and social policy agenda, financing thematic and country specific initiatives. In addition, during the last two years several important conferences have been organised and/or facilitated by Member States in cooperation with those international organisations.

At bilateral level some Member States have launched development programmes that support partner countries in improving their legal and institutional framework in the area of employment and social protection. In some cases they also directly support companies in adopting employment standards for their workers. Examples of these interventions are presented in the box below.

Examples of EU Member States' social initiatives in third countries

Germany has launched a series of initiatives on social standards. They are designed to improve the social standards of third countries' suppliers to German industries. A Code of Conduct on Social Standards (www.coc-runder-tisch.de) was developed and focused on collective labour negotiation between trade unions and participating companies, resulting in increased and more regulated employment. This experience was extended to Southeast Asia where SMEs have been trained in social management best practice (countries involved are Vietnam, Philippines, Indonesia). Germany is also promoting Fair Trade (www.fair-feels-good.de), supporting coffee-growers in developing countries.

Sweden has worked towards strengthening Corporate Social Responsibility. Through the Swedish Partnership for Global Responsibility Swedish companies are encouraged to adhere to the OECD guidelines for multinational enterprises and the UN Global Compact's ten principles, including human and labour rights. Participating companies adopt responsible ways of combining their growth strategies with improved conditions of their workforce, their families and the local community. This is particularly important in 'weak-States' where the fundamental rights of workers may not be respected. Sweden also supports the Youth Employment Network, which the UN, World Bank and the ILO has created. The network mobilizes the resources of stakeholders, including young people themselves, towards more and better youth employment possibilities, as a contribution to poverty reduction.

The **Czech Republic** has financed an exchange programme with policy-makers in developing countries in the labour market field and in other related policy areas such as unemployment support, active employment measures, work migration and illegal employment. This programme was expanded to full-fledge technical cooperation projects in the social domain. Six projects have been financed in Namibia, Mongolia, Vietnam and Serbia.

Asia and Latin America

The ASEM Labour and Employment Minister Conference (3-5 September 2006) and the ASEM Summit (10-11 September 2006) recognised the key role of employment, social policies and decent work for socio-economic development and poverty reduction. Subsequently, the social and employment issues were formally recognised as a dimension of the ASEM dialogue. The ASEM Labour and Employment Minister Conference and the ASEM Summit recommended increased regional cooperation, including in the relevant international fora on employment and social policy issues and the full involvement of social partners in future ASEM dialogue and cooperation.

As part of its cooperation with Latin America, the EU undertook several initiatives with a view to reinforcing the social dimension of globalisation. In March 2006 it organised a high-level seminar on social cohesion in Brussels, with ministers and social actors from EU and LAC countries, to exchange views on the most effective mix of policies to increase social cohesion and reduce inequalities. On the basis of the high-level seminar's final document, the EU-Latin America and Caribbean Summit in Vienna (2006) addressed the issue of social cohesion in its final declaration. Bilateral dialogues have been launched on social and employment policies with Chile, Mexico and Brazil.

EC support for the fight against Child Labour in Pakistan

The fight against Child Labour is a priority area for the EC support in several countries and regions. In **Pakistan** the EC, in cooperation with the ILO and in agreement with the government, supports a project of €5 million to eliminate the worst forms of child labour through prevention, protection, rehabilitation.

The programme will target two districts in particular, preferably one in the province of Sindh and one in the North-West Frontier Province (NWFP). The programme aims to address a wide variety of formal and informal sectors at the district level, such as child domestic labour, street children/rag pickers, children working in agriculture, and coal and marble quarries. In addition, the EC programme will provide technical assistance to the Child Labour Units of the Ministry of Labour at the federal level in Islamabad and in Pakistan's four provinces: Sindh, NWFP, Baluchistan and Punjab.

The project is expected to achieve the following results:

- Develop a sustainable and holistic district-based model to reduce and gradually eliminate abusive child labour across sectors in the target districts.
- Strengthen the institutional and technical capacity of the target district governments and the four provincial and one federal Child Labour Units.
- Expand the knowledge base regarding child labour, including its worst forms in Pakistan, and increase awareness so as to promote child-labour-friendly policies and legislative framework.

ACP and AU

The Cotonou Agreement in its section 2 on social and human development includes important provisions on social and employment policies. It encourages the promotion of participatory methods of social dialogue as well as respect for basic social rights and it states that cooperation is to support capacity building in social areas such as programmes for training in the design of social policies and modern methods for managing social projects and programmes. The development and implementation of policies and systems of social protection and security in order to enhance social cohesion and to promote self-help and community solidarity are also outlined as areas of cooperation.

In its conclusions on EPAs of 14 and 15 May 2007, the Council and the Member States support the integration of social provisions into the EPAs as part of efforts to reduce poverty, improve living conditions and enable sustainable development.

In the negotiations for a revision of Annex IV of the Cotonou Agreement, on implementation and management procedures the Commission has proposed to the ACP States a new Article 19c that contains an obligation for all contractors under EDF fundign to respect and apply the different key ILO conventions linked to the protection of workers and children.⁶⁸

⁶⁸ The Conventions indicated in point 4 of Article 19c are: freedom of association and collective bargaining (conventions 87 and 89), elimination of forced and compulsory labour (conventions 29 and 105), elimination

Cooperation in the field of employment and social policy between the African Union and EU took a decisive step forward with the Commission-to-Commission meeting of October 2006 in Addis Ababa. It was agreed, in particular, to cooperate as part of the overall EU Strategy for Africa in the following areas concerning employment and social policy:

- The follow-up and implementation of the 2004 Ouagadougou Declaration and Action Plan on Employment and Poverty Alleviation in Africa, with its focus on decent work.
- Expert advice to and support of the ongoing development of regional frameworks for integrated programmes in Africa. Cooperation is expected to advance further within the overall Joint EU/Africa Strategy planned to be adopted at the EU/Africa Summit in Lisbon in the second half of 2007.

Under the future EU-Africa Strategic Partnership, Africa and the EU will specifically address the issue of migration of skilled labour such as health workers, and seek to minimise the negative impact of European recruitment on Africa, with lack of health-workforce capacity now recognised as a major barrier to progress towards the MDGs³. Indeed, in Ethiopia a recent World Bank survey of recent graduates from medical and nursing schools indicated that 70% of doctors and 62% of nurses plan to leave the country "whenever they get the chance" and it is estimated that at present some 80 000 qualified people leave the African continent each year, including 23 000 executives or professionals. The Commission has also adopted the decision on allocating € 15 million to the fight against all forms of child labour in ACP countries through basic education and training, in the framework of its strategic partnership with the ILO.

Generalised System of Preferences

The EU Generalised System of Preferences (GSP) plays a key role in the promotion of core labour standards. Since 1998, the EC has been granting trade preferences under the GSP special incentive scheme for the protection of labour rights. In the framework of the GSP+ scheme adopted in 2005, a new GSP incentive for sustainable development provides additional tariff preferences for vulnerable countries which have signed and effectively implemented 16 UN/ILO conventions on core labour standards and human rights⁶⁹. In September 2006, El Salvador was the final GSP+ beneficiary country to ratify all ILO core conventions ahead of its GSP review. On 15 June 2007, the ILO adopted its assessment that Belarus had not acted to ensure freedom of association, and GSP trade preferences for Belarus were therefore withdrawn from 21 June 2007. Due to lack of progress in the case of Myanmar, the temporary withdrawal of GSP on the basis of forced labour decided in 1997 has remained in place.

of discrimination in respect of employment and occupation (conventions 100 and 111) and abolition of child labour (conventions 138 and 182).

⁶⁹ listed in Annex III of Council Regulation 980/2005

EU development programme on employment opportunities in Senegal

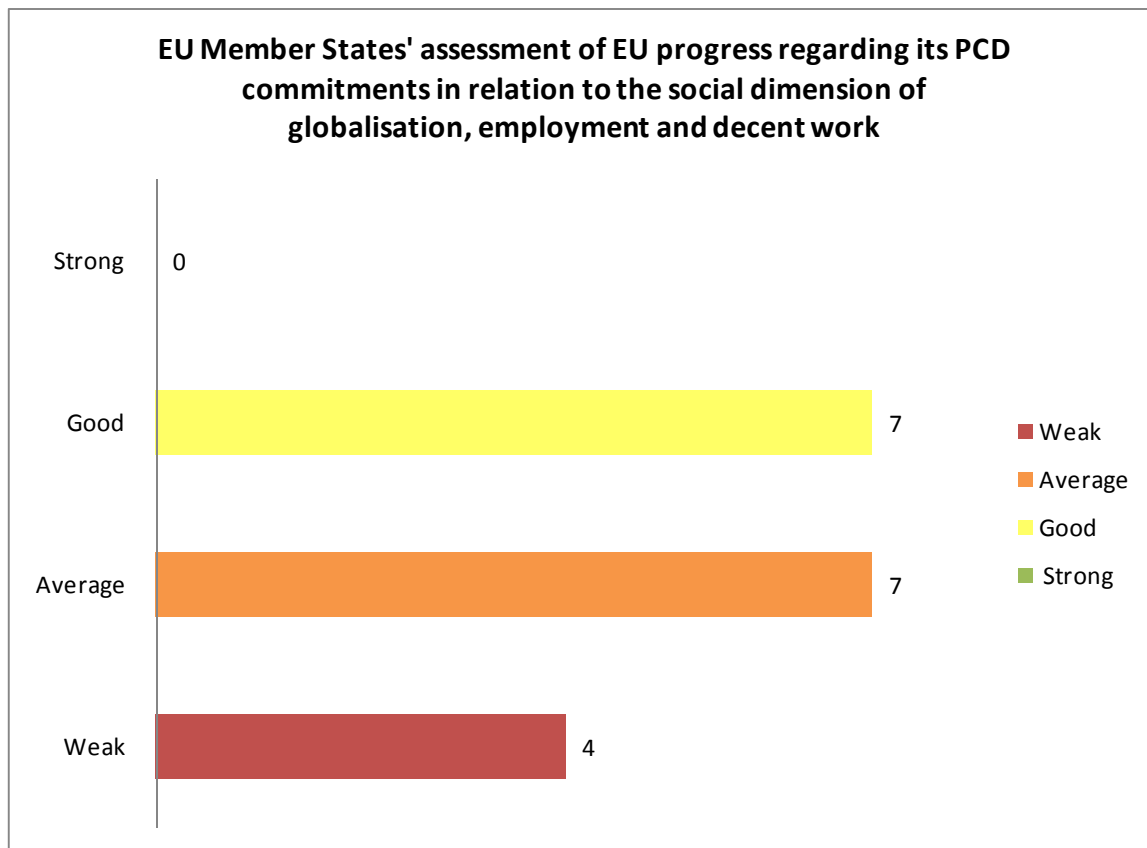
In response to the recent phenomenon of increased illegal migration from Senegal towards Europe, the EC is planning a major programme that is meant to offer more employment opportunities for potential migrants through income generation at the local level. The programme, funded under the 9th EDF to the tune of €27.6 millions, will consist of road rehabilitation, including the drainage structures, in urban and sub-urban areas. The programme aims to create about 13.100 quarterly full-time jobs.

In order to prepare the local workforce for potential jobs, on-the-job training and introduction to labour-based methodologies will be provided by a local specialised organisation (AGETIP). Once implemented, the project should promote greater labour force participation in the job market, not least for young people, and increased skill levels of the workers.

3. Assessment

While the impact of European Social and Employment Policies on developing countries remains limited compared to other PCD areas, the Community and the Member States increasingly address employment and social issues as part of their external development and trade policies.

The EU's active attitude largely contributed to the notable progress made in 2005/2006 in promoting the social dimension of globalisation and decent work, as shown in the recognition of their importance for development and poverty reduction at international level and at UN, G8 and ASEM meetings in particular. It is crucial to continue to strengthen international and multilateral governance in order to promote the social dimension of globalisation and to deliver on commitments given. Another challenge is to ensure that partner countries take ownership of the decent work agenda and prioritise these issues in their poverty reduction strategies.



Member States rate the EU progress towards more coherence in this area predominantly 'average' or 'good'.

To ensure coherence with development objectives the EU has to focus on the efforts undertaken in the framework of its development cooperation and external policies to create more and better jobs in developing countries and to increase the level of social protection. The Commission Staff Working Document 'Promoting Employment through EU Development Cooperation' addresses these questions in further detail.

4. Outstanding issues

- Provide for systematic integration of employment and decent work into EU trade and cooperation agreements with third countries.
- Strengthen support to regional social policy actions (e.g. the African Union's Social Policy Framework), thus avoiding regional organisations from only dealing with trade and other economic concerns.
- Integrate social dimension of globalisation (SDG) issues into the policy dialogue with individual partner countries and into programming of EU assistance.
- Identify and promote mechanisms to integrate the informal economy into the formal economy, providing incentives and financial support to increase earnings through productivity.
- Support the development of Decent Work Country Programmes.
- Ensure gender mainstreaming in all EU initiatives while at the same time promoting gender-specific actions (twin-track approach).
- Strengthen support for all CLS, including fighting all forms of child labour, trafficking and sexual violence and enhance partner countries' attention and capacity to address children and youth issues through development programmes
- Consider the possibility to integrate the principles guiding Fair Trade in relevant Community policies.

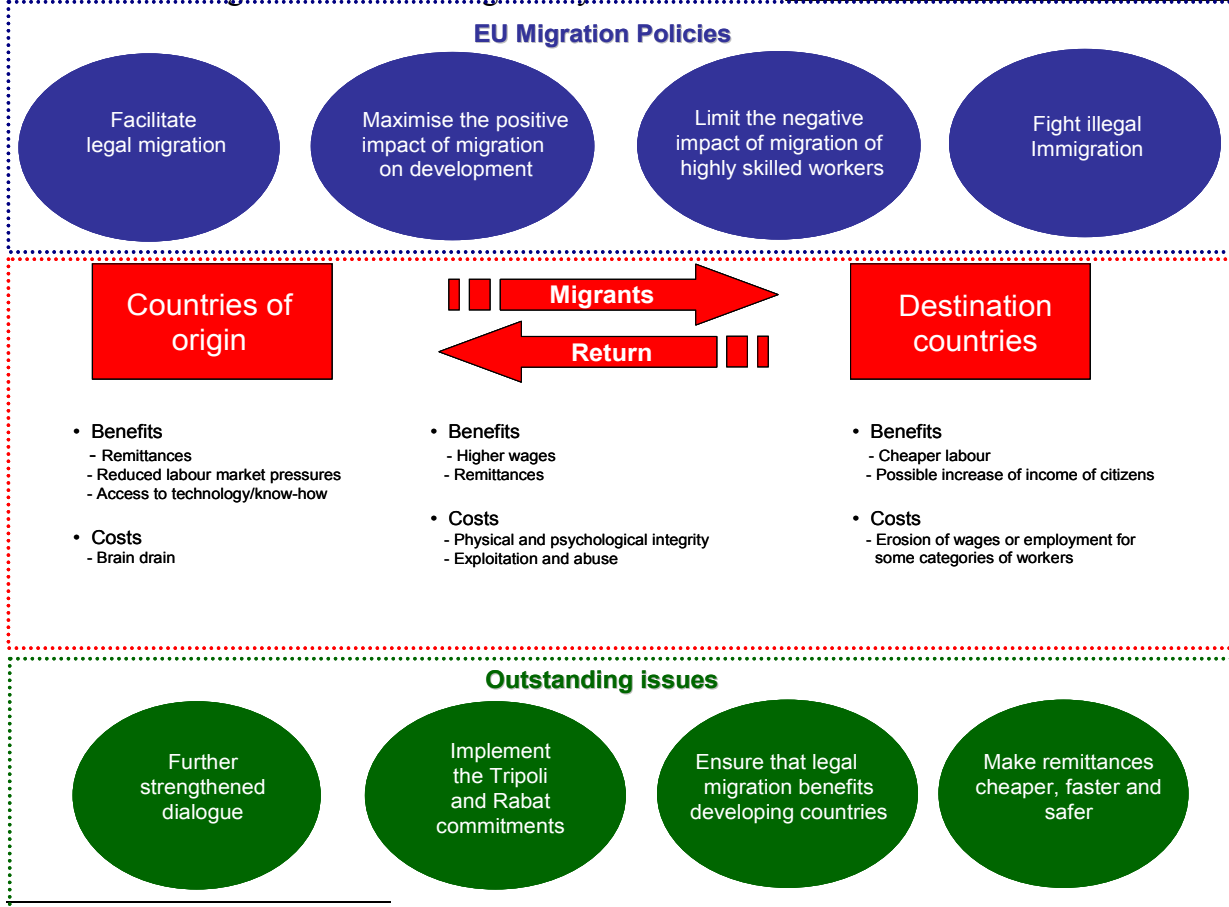
3.8. MIGRATION

Migration, if properly managed, can contribute to the reduction of poverty in developing countries. Both migrants and countries of origin and destination can benefit from migration. Migrants can improve their lives, earning higher wages with better social security benefits and the ability to spend or invest their savings in their home countries, as well as acquire skills and experience. Countries of origin benefit from remittances, both financial and social⁷⁰, and from reduced labour market pressures. Destination countries benefit from the increased availability of labour that improves returns on capital and lowers production costs, and, if migration flows are not excessive, from increased income for their citizens.

There are of course some trade-offs. Migrants may suffer social and human costs, often leaving their families behind. They may also be exposed to exploitation and abuse, particularly if they reach their country of destination through illegal channels, or be subject to human trafficking. Countries of origin may suffer from

Quick Facts

1. 191 million people (3% of the world's population) lived outside their country of birth in 2005.
2. 1 out of 10 people living in a developed country is a migrant.
3. 40% of migrants moved from one Southern country to another.
4. Migrant remittances to developing countries in 2005 (US\$167 billion through formal channels and an additional US\$70 billion through informal channels) were higher than Official Development Assistance (US\$107 billion) or Foreign Direct Investment (US\$111 billion).
5. Remittances can reduce the incidence of poverty (from by 5% in Ghana to by 20% in Guatemala).
6. 45% of FDI to China came from the 30-40 million Chinese living in about 130 countries.
7. Only 50 out of 600 Zambian doctors trained since independence are still practising in Zambia.



⁷⁰

Social remittances are the transfer of ideas, ways of doing things and a sense of belonging between migrants and their home communities (Levitt, P., *Social Remittances – Culture as a development tool*. Wellesley College and Harvard University)-

'brain drain', when the migration of highly skilled workers leads to skill shortages in critical sectors (e.g. health). Finally, some workers in destination countries may see an erosion of wages or employment, while illegal immigration and human trafficking can foster criminal activities and reduce security. Such trade-offs can be addressed through migration policy tools by countries of origin, transit and destination at national, regional and international level.

1. Policy Framework

During the last decade, there has been a substantial shift in the international debate on migration. From an approach mainly focused on security issues, recognising however the need to address the root causes such as poverty, instability and conflict in a long-term perspective, the debate has now moved to a wider understanding of how migration can be used as a development tool.

The attention devoted to the development dimension of migration has increased tremendously both through the media and the political debate in Member States. The UN High-Level Dialogue on Migration and Development which took place in September 2006 is another example of the political importance and visibility given to this field. In parallel, substantial progress has been achieved on drawing up an EU vision and policy on migration and development over the last five years.

Initial EU steps in migration and development were taken in 2002 with the adoption of a Commission Communication on 'The integration of migration issues in the external relations of the EU'⁷¹. The document aimed to explore the links between migration and development, ensure coherence between the two, and propose specific actions. This was followed in September 2005 by a further Commission Communication on 'Migration and development: Some concrete orientations'⁷² which looked in particular at remittances, the brain drain, brain circulation and the involvement of diasporas. More recently, the Commission adopted a Communication⁷³ in preparation for the UN High-Level Dialogue on Migration and Development which was held in New York in September 2006, and contributed actively to the EU Common Position that was presented to the Dialogue.

The current framework for the external dimension of EU migration policy, of which the migration and development agenda is a key part, is the 'Global Approach to Migration'. Adopted by the European Council in December 2005⁷⁴, the Global Approach brings together migration, external relations and development policy with the aim of addressing migration in an integrated, comprehensive and balanced way in partnership with third countries. It comprises the whole migration agenda, including legal and illegal migration, combating trafficking in human beings and smuggling of migrants, strengthening protection of refugees, enhancing migrant rights and harnessing the positive links that exist between migration and development. It is underscored by the fundamental principles of partnership, solidarity and shared responsibility, and it uses the concept of 'migratory routes' to develop and implement policy.

Until now, the focus has been on enhancing dialogue and cooperation on migration issues with African countries and regional organisations. At the request of the European Council of December

⁷¹ COM(2002)703 final of 3 December 2002

⁷² COM(2005)390 final of 1 September 2005

⁷³ 'Contribution to the EU Position for the UN High-Level Dialogue on Migration and Development' – COM(2006) 409 final of 14 July 2006.

⁷⁴ Brussels European Council of 15/16 December 2005

2006⁷⁵, which called for a further strengthening of the Global Approach, the Commission adopted a Communication on 'Applying the Global Approach to Migration to the Eastern and South-Eastern regions neighbouring the EU'⁷⁶, which will extend the geographical scope of the Global Approach. Once again, the migration and development agenda will be a key dimension of the dialogue and cooperation with these regions.

Regarding the particular issue of brain drain, the Commission adopted in December 2006 a Communication on 'A European Programme for Action to tackle the Critical Shortage of Health Workers in Developing Countries (2007-2013)'⁷⁷, as well as proposed actions that were endorsed by Council in May 2007. The Programme for Action includes establishing networks of health diasporas, financing networks of excellence, supporting links between countries and institutions in developing countries and facilitating South-South exchanges. This will be complemented by the provision of technical support, including through e-learning networks, in order to make the prospect of remaining and working in one's home country more attractive, and by supporting the improvement of working conditions and terms and conditions of service.

Finally, regarding remittances, in April 2007 the European Parliament approved a Directive on Financial Services⁷⁸ which is expected to increase competition and enhance transparency by requiring payment-service providers to make charges (including exchange rate conversions) and other conditions (e.g. execution times) fully transparent to customers. The initial Commission proposal was coherent with the migration and development agenda as it covered payments with one part outside the EU, which corresponds to most remittances, yet this element was not retained in the adopted Directive. However, the Directive will be reviewed within three years, which will make it possible to examine the need to expand its scope to include payments where either the payer or the recipient is outside the EU (known as 'one-leg payment transactions') as well as non-EU currencies.

The link between migration and development is also being increasingly recognised in the national legislative and/or policy framework of EU Member States. Several Member States, including Belgium, France, Finland, Greece, the Netherlands, Sweden and the UK, have officially adopted migration laws or policies that explicitly take into account the different implications of migration for developing countries and recognise the strong link between migration and development policies.

2. Practical Steps

Dialogue with Africa

Dialogue is a key component of the Global Approach to Migration, in particular on the migration and development agenda. Political dialogue on migration should continue to be coherent and Article 13 of Cotonou provides the basis for a balanced and comprehensive approach. Individual Member States are increasingly aligning themselves with this EU approach, through reference to Article 13 in bilateral agreements with third countries.

Two major ministerial conferences on migration and development were held in 2006, the first focusing on West Africa in Rabat in July, the second covering the whole of Africa in Tripoli in

⁷⁵ Brussels European Council of 14/15 December 2006

⁷⁶ COM(2007) 247 final of 16 May 2007

⁷⁷ COM(2006) 870 final of 21 December 2006

⁷⁸ Proposal for a Directive on "Payment services in the internal market", COM(2005) 603 final of 1 December 2005

November. The EU was actively involved in preparing and financing both conferences, which should be seen as major milestones. For the first time, European and African Ministers – and in the case of Tripoli, Ministers from across the two continents – came together to take a joint commitment on migration and development. They acknowledged that migration can make a positive contribution to development, and that it needs to be managed in the interests and concerns of countries of origin, transit and destination alike, as well as migrants themselves.

The Tripoli Conference was also the occasion to adopt the EU-Africa Action Plan to Combat Trafficking in Human Beings, especially women and children. The Action Plan lists key measures to be implemented at country level as well as through coordination and cooperation at regional and EU-Africa level in the areas of prevention and awareness-raising, protection and assistance to victims, as well as law-making and law enforcement.

With regard to Community aid programming, migration is progressively being integrated into the CSPs of all relevant countries, including ACP countries. Furthermore, dialogue – covering a wide range of migration and development issues – is being enhanced with African countries, either in the context of the Partnership and Cooperation Agreements with the Mediterranean countries, or for ACP countries, on the basis of Article 8 on Political Dialogue and Article 13 on Migration of the Cotonou Agreement. In 2006, some three specific Article 13 missions were sent from Brussels to Mauritania, Mali and Senegal and so far in 2007 missions have visited Cape Verde, Ghana and Mauritania. As a result of this dialogue, in February 2007 it was decided with the Malian authorities to create a Migration Information and Management Centre in Bamako. The centre's main tasks will be to collect and disseminate information on migration, and in particular on working conditions, job opportunities and training at national, sub-regional and European level, on the hazards of illegal migration, and on accompanying measures to facilitate the reintegration of returning migrants. This initiative follows a similar EU project launched with Community funding one year ago in Morocco with the aim of reinforcing the Moroccan National Agency for the Promotion of Employment and Competences (ANAPEC).

Addressing migration issues in Mali

The programming of 10th EDF funding in Mali provides an example of how relevant migration issues are being integrated into CSPs. The Migration Profile provides an overview of the migration situation in the country: there are significant flows of migration both within the country, from rural to urban areas, and abroad; there is a large diaspora community in the EU, notably in France, and households in all regions in Mali rely heavily on remittances to survive.

Migration and development issues have been incorporated into the draft indicative programme:

- Under the governance focal sector, support is envisaged to assist Mali manage migration flows and promote the transfer of technical and financial resources from the diaspora. Prior to the availability of 10th EDF funds, the EC agreed with the Malian government, France, Spain and ECOWAS on a pilot project to set up a Migration Information and Management Centre to: (i) provide information about the conditions and work opportunities at national, regional and European level; (ii) warn about the risks of illegal migration; (iii) provide services for the return of migrants with a view to their socio-economic reintegration; (iv) facilitate remittances and the use of the competences of the diaspora; (v) undertake research on migration flows and prospective labour market analysis and operational support to related Malian institutions.
- Regarding the focal sector on support to economic development in the northern and Niger Delta regions, activities will be directed to infrastructure and productive sector development in the Northern regions and the Niger delta, areas of high potential for employment of youth and would be migrants. A key objective is to create local jobs, particularly for the youth, and thus remove the need to migrate.

Policy Implementation

Progress on policy execution has so far been more limited, although this is not surprising considering that a large part of the policy framework was adopted only recently. Nonetheless, several important tools for policy execution have been identified and have either been implemented or are currently in the process of being discussed and formulated.

Italy, Spain and Malta –Views on PCD in Migration

Due to their position in the Mediterranean, Italy, Spain and Malta are entry points for illegal immigrants. Their views on migration and their experience in managing the flow of migrants are of particular relevance.

They all believe that a well managed migration policy, most notably in the area of labour migration, is instrumental in promoting development opportunities for origin/transit countries. **Italy** has concluded a number of labour agreements with Moldova, Morocco, Egypt and Tunisia, whose main aim is to create mechanisms which maximise the opportunities for emigrants through vocational/language training while increasing the capacities of the institutions in charge of migration policies and management in partner countries. For instance, an integrated information system was established in the Ministry of Labour and Migration in Egypt to facilitate matching the supply of Egyptian skilled workers with the demand of potential employers in Italy.

Spain has developed a new concept, 'co-desarrollo' or co-development that is based on the idea that migrants can make significant contributions to their communities of origin as well to the society to which they emigrated, in economic, social and cultural terms. The concept has been introduced by a special working group with representatives of the administration and civil society, including unions, NGOs, immigration fora, and academicians. It has been included in the Annual Plans of International Cooperation since 2005 and is among the key issues which are receiving funds from the Spanish Agency of International Cooperation. Every co-development project has two interconnected fields of action, one in the origin countries and the other in the host country. Projects have been launched so far in Ecuador, Columbia and Morocco.

Malta, with the highest per capita influx of immigrants in the EU, is focusing on cross-border cooperation with Italy, sharing knowledge and exchange of best practice and experience on illegal immigration. The maritime border with Sicily has been recognised as an area requiring closer cooperation. Malta is also actively participating in several EU Initiatives in the field of migration. ESF interventions targeting refugees and asylum seekers are complemented by other funds: the European Refugee Fund, ARGO and the External Borders Fund. Since accession, the process of regularising foreign workers has been simplified: by September 2006 4,000 work permits have been issued for non-EU nationals, of which 850 were for recognised refugees, persons with temporary humanitarian protection or asylum seekers. Permits for non-EU workers are issued on a case-by-case basis in line with labour market shortages.

All the initiatives of the three EU Member States require the active participation of the local authorities in the origin/transit countries. Their collaboration is extended to the fight against illegal immigration, including agreements for readmission of illegal immigrants. All three countries have raised several issues relating to:

- Basic concepts such as circular or temporary migration and their criteria should be better defined;
- Financial instruments and initiatives available in the area of migration should be harmonised and their availability extended to all interested actors. There is also a need for an improved exchange of information across the various EU working parties focusing on migration and development.
- Modalities for channelling funds towards migration initiatives should be clarified (e.g. how the 3% of ENPI funds referred to in the 2005 European Council Conclusions will be used).
- A common position within the EU should be agreed on core migration issues (i.e. readmission, visa and labour policies) to be able to speak with one voice with partner countries.
- Absence of an official policy of cooperation between the EU and Libya. The limited capacity of Libya to patrol its own borders for illegal immigrants provides a jump-off point for tens of thousands attempting to leave Africa and cross the Mediterranean.

Migration profiles are now annexed to the new CSPs of all relevant ACP countries. The migration profile contains any information relevant to the design and management of a joint migration and development policy. It includes information on migratory flows (refugees and economic migrants), taking into account gender issues and the situation of children. It also provides information on the country's needs in terms of skills, skills available in the diaspora and remittances to the country. Where relevant, the profile analyses the routes taken by illegal migrants and the activities of people-trafficking networks.

Migration is mentioned in some 18 ACP CSPs out of 59, which makes it the fifth most frequently named PCD area. The main issues mentioned in relation to migration are the brain drain, particularly in the health sector, trafficking of human beings, and visa restrictions. Migration is also one of the main PCD areas in other developing countries, being addressed in 19 CSPs out of 43. It tends to be mentioned frequently in the CSPs of Eastern European, Central Asian, and Latin American countries, but more rarely in the CSPs of Asian and Middle Eastern countries.

Mobility Partnerships are a new concept aimed at better managing migration, included in the recent Commission Communication on circular migration and mobility partnerships⁷⁹. The underlying thinking is that specific 'packages' could be established between the EU and interested third countries that contain benefits for both sides – incentives such as visa facilitation, quotas from certain Member States or circular migration schemes, in return for cooperation on fighting illegal migration and issues related to return and readmission. By incorporating a legal migration component, mobility partnerships have the potential to make a positive contribution to development.

Cooperation platforms on migration and development will be a further tool to implement policy in this field. First proposed in the 2006 Communication on the Global Approach⁸⁰ and endorsed by the December European Council, the idea of such platforms is to bring together migration and development actors in a country or region to manage migration more effectively, in the interests of all, along specific migratory routes. The platforms would provide a way for representatives of the country or countries concerned, the EU Member States, the Commission and international organisations to discuss policy implementation and exchange information.

The EU is supporting initiatives on 'migration routes', which is part of the Global Approach to Migration. The idea is to encourage origin, transit and destination countries along specific routes used by migrants to reach the EU, to work together to address illegal migration. Action is at an early stage and has focussed on setting up regional networks of Immigration Liaison Officers.

Several EU Member States concluded bilateral labour migration management agreements and readmission agreements with developing countries.

Labour Migration Management Agreements. These types of agreements are aimed at allowing the partner country to make full use of the opportunities of legal migration through the allocation of entry quotas for its citizens. They also include training, selection and job matching for candidate emigrants. Italy, for example, signed bilateral labour migration management agreements with Moldova (November 2003), Morocco (November 2005) and Egypt (November 2005) and is negotiating a similar agreement with Tunisia. Similarly, Spain has signed agreements with several developing countries (Morocco, Dominican Republic, Ecuador, Colombia), in order to organise the temporary legal labour flows between these countries and Spain. In parallel to these agreements Spain has worked on building the capacities of developing countries' governments on migration management. Hungary is finalising several bilateral cooperation framework agreements with some developing countries. A bilateral cooperation framework has been concluded between the Hungarian Office of Immigration and Nationality and the relevant agency of Mongolia. The framework agreement includes exchange of information on national legislation regarding

⁷⁹ Commission Communication on "Circular migration and mobility partnerships between the European Union and third countries", COM(2007) 248 final of 16 May 2007.

⁸⁰ Commission Communication on "The Global Approach to Migration one year on: Towards a comprehensive European migration policy", COM(2006) 735 final of 30 November 2006.

migration; regular exchange of experience and statistics; exchange of specimens of documents; creation of working groups; and delegation of experts. Similar framework agreements are being negotiated between Hungary and China and Moldova. Hungary plans to reach similar agreements with Serbia, Croatia, Vietnam and Korea in the near future.

Readmission Agreements. Readmission agreements have been signed by several EU Member States. Italy, for example, signed readmission agreements with several developing countries including Croatia, Albania, Tunisia, Algeria, Sri Lanka, Moldova, Serbia and Montenegro, the Philippines, Bosnia-Herzegovina.

Five Member States reported measures taken to facilitate financial or social remittances and only two had taken substantial measures to address the brain drain. Remittance partnerships with selected developing countries are an interesting tool introduced by Member States as discussed in the box. A few Member States have taken action, for example through setting up websites, to improve the transparency of remittance transfers with the aim of reducing costs.

Remittance Policy Tools

UK. One of the main areas of work is developing 'remittance partnerships' with the governments of Bangladesh, Ghana and Nigeria – countries that receive large volumes of remittance transfers from the UK. These partnerships will include a range of measures to remove obstacles to transfers, improve access for poor people to remittances and other financial services, and strengthen the ability of the financial sector to provide efficient and widespread transfer payment services. Other areas of work include support for the setting-up of the Inter-Agency Remittances Task Force, work with the private sector on reducing costs and improving access, and research to improve the quality of remittance data.

France. The 'Compte épargne codéveloppement' is a special account that can be opened by legal immigrants from 54 developing countries. All sums deposited in the account are tax-deductible, subject to their investment in development projects in the country of origin. Another example is the UK's www.sendmoneyhome.org

France, Germany, the Netherlands and the UK have introduced websites providing information on the costs of remittance transfers to selected developing countries

Financial Support

There are several financial instruments available for implementation of initiatives relating to the migration and development agenda. In March 2004, the Commission established the Aeneas Programme providing technical and financial assistance to support third countries in better managing migratory flows in all their dimensions. This budget line has financed many migration- and development-related projects. For example, under the Aeneas 2005 budget several projects currently underway include: projects in Moldova, Tajikistan, Ghana and Suriname on developing a legal, regulatory and institutional framework for leveraging migrant remittances for entrepreneurial growth; one project to develop a model for using transnational networks to optimise migrant remittances between Ecuador and Spain; and an IFAD-led worldwide project on promoting better remittance transfers for migrants through micro-grants. Projects to be funded by the Aeneas 2006 budget are in the final selection process, and will most certainly include another good proportion of migration and development projects.

The new thematic programme on migration and asylum was drawn up on the basis of experience gained with the Aeneas programme and builds on lessons learned. A key innovation is that the financial resources will now be allocated either geographically, taking into account the 'migratory route' concept, or transversely, through global and multiregional initiatives not exclusively linked to a single migratory route.

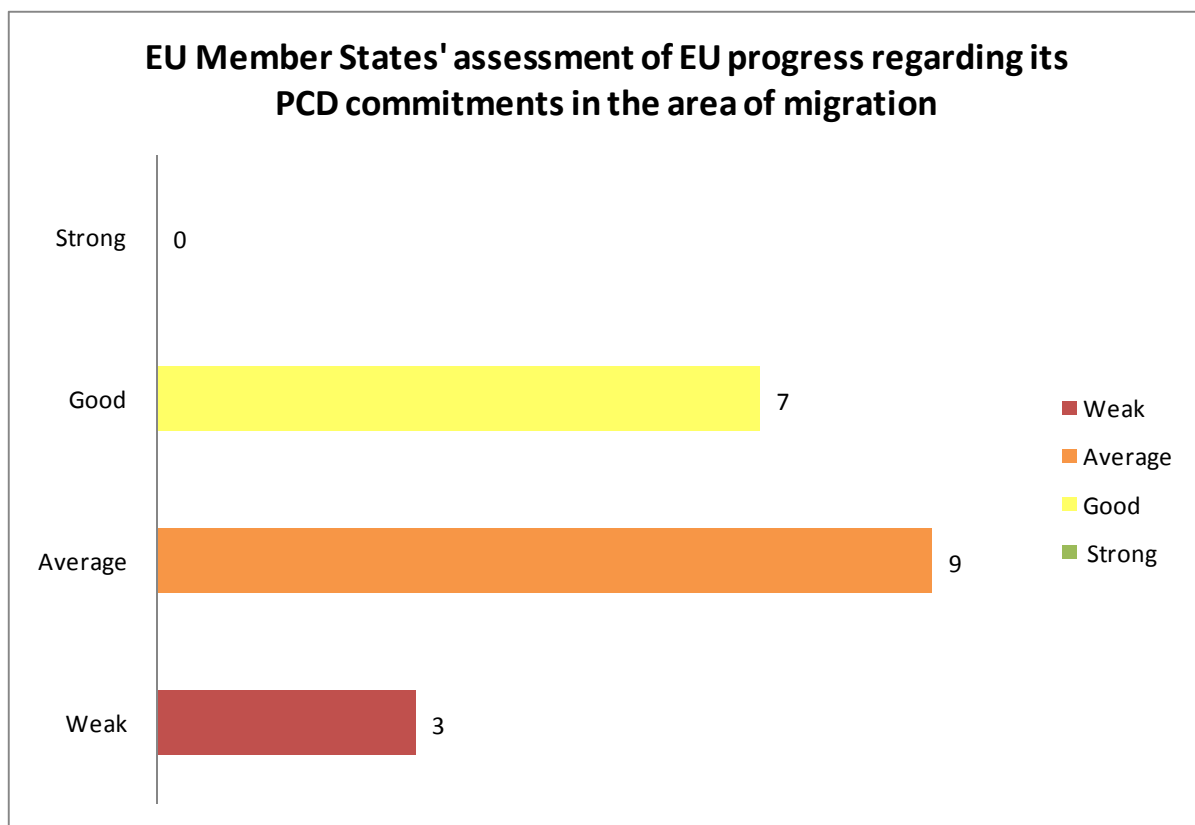
The European Development Fund (EDF) also provides opportunities to fund migration and development projects both at a national and regional level. National EDF funds are financing a

child-trafficking project in Benin and have recently been identified to support a migration project in Zimbabwe. Under the 10th EDF, support is also envisaged to build the capacity of ECOWAS to deal with migration issues.

Given the importance of assisting developing countries in managing migration, an intra-ACP migration facility of €25 million has been created. The facility is currently being programmed but is likely to focus on establishing a network of migration observatories and capacity-building projects to support governments, regional organisations and civil society.

3. Assessment

There is now a clear understanding that migration can be good for development and vice versa, hence the importance of trying to harness the positive links and synergies that exist between the two policy areas to the fullest degree possible. Whether this is an actual indication of policy coherence, however, is still open to debate. While important steps have been taken to incorporate migration into Country Strategy Papers, examples of concrete action in the field remains limited. Indeed, progress in the migration and development field so far has been good in establishing the policy framework and in launching the political dialogue. It has however been more limited in policy execution. This nuanced picture explains why Member States⁸¹ rated the progress made so far only slightly above 'average', as shown in the figure below.



The Global Approach to Migration has so far concentrated on strengthening dialogue with partners on migration and dialogue. These discussions now need to translate into actions. With a solid

⁸¹ Italy and Malta have not submitted their questionnaires yet, while seven Member States did not answer this question.

framework in place, the next step regarding the migration and development agenda will be to translate policy orientations, agreements and action plans into concrete actions that have a genuine impact. This is, for instance, the case regarding bilateral cooperation with ACP countries, where the effective integration of migration concerns and opportunities into programming remains an important challenge. Indeed, a clear link with programming has been established in only three ACP countries. At the same time, only few actions have so far been taken in the areas of remittances, cooperation with diaspora communities and reduction of brain drain, areas where most Member States are just beginning to develop adequate measures. Further projects on these issues are however being financed by the Aeneas programme and will continue to be financed by the new thematic programme. Political dialogue may open avenues for more concrete cooperation in the future. Furthermore, within the framework of the future EU-Africa strategic partnership, the EU has proposed developing a partnership on Migration, Mobility and Employment, which would include a series of practical initiatives on migration and development.

4. Outstanding Issues

It will be important to remain aware of the potential risks to policy coherence for development in the migration and development agenda. The EU's new approach on governance is based on dialogue and positive incentives as opposed to sanctions and conditionality. The EDF includes an 'incentive tranche' linked to governance reform plans. This positive approach should be applied to migration policies, too, if we want to achieve active cooperation and sustainable results. Moreover, although the Community is taking important initiatives to counter the drastic skills shortages in the health sector in Africa, the risk of brain drain is still not always adequately taken into account in the design of EU Member States' national migration policies. In this regard, the following issues that are currently on the table or forthcoming will be of particular importance in the continued search for policy coherence between migration policy and development policy:

- Dialogue and cooperation with partner countries within existing political frameworks as well as within the Global Approach to Migration should be continued and enhanced where possible.
- Implementation of the commitments taken at Rabat and Tripoli should continue in a way that harnesses the positive links between migration policy and development policy to the fullest extent possible.
- The legislation envisaged under the first phase of implementation of the Policy Plan on Legal Migration (i.e. a directive on conditions of admission to the EU for highly-skilled workers and a directive on the rights of legal immigrants in employment) should be passed. Legislation on highly skilled workers should take into account the risks of brain drain.
- Proposals for circular migration initiatives that can benefit all parties should be encouraged.
- Policy action on remittances, namely making transfers cheaper, faster and safer, is still to be done.
- Mobility partnerships should be taken forward in line with the policy coherence agenda.

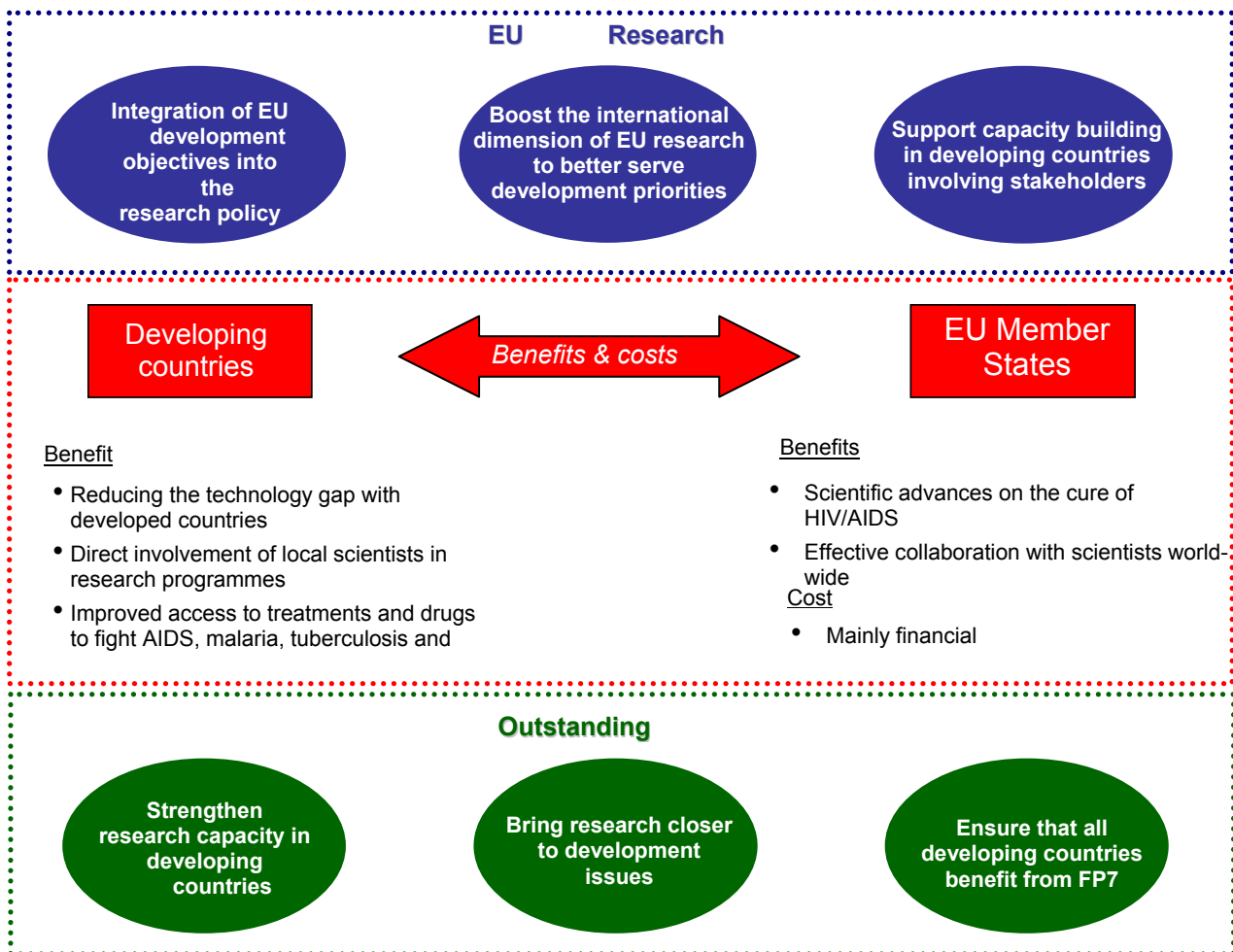
3.9. RESEARCH

The international competitiveness of modern economies is increasingly linked to their ability to generate, absorb and apply new knowledge. Science and technology (S&T) are considered to be key factors contributing to achieving sustainable development, prosperity and economic growth.

S&T are also prime examples of the international nature of the quest for knowledge, as it is obvious that many issues cannot be effectively addressed by institutions or even countries on their own. Moreover, key issues such as climate change, energy security, biodiversity conservation in conjunction with health and public health, food security and safety, management of natural resources, attention to demography and knowledge infrastructure and ethically sound research activities need to be addressed in integrated ways. Many of these challenges have international ramifications.

Quick Facts

- In the last decade, withdrawal of government funding from public research institutions in Africa resulted in the loss of about two thirds of institutional and human resources.
- The brain drain has increased considerably as many professors and researchers cannot feed a family on their normal income and have therefore chosen to emigrate.
- The entire African continent lost 25% of the above mentioned human capital over the last 10 years compared to Europe.
- South Africa alone is responsible for a third of the publications of the continent, as is North Africa.
- While major emerging economies have approached the lower-end R&D/GDP ratios of OECD countries (for example, India allocates 1.2 percent; Brazil, 0.91 percent; and China, 0.69 percent), most developing nations devote less than 0.5 percent of their GDP to R&D.



Yet developing countries, particularly in Africa, often lack the human and institutional resources necessary to address these challenges from the S&T angle. According to latest UN estimates⁸², they are the least prepared to take advantage of progress in S&T or prevent any risk associated with such advances. Effective responses to these deficits require integrated analyses over different scales (from global to local) in order to identify the broad trends affecting societies and groups within societies in differentiated ways. Better understanding of the trends and risks inherent in different options enables contextualised responses to seize opportunities that also come with these challenges.

1. Policy Framework

The crucial role of science and technology for development was recognised by the EU as early as 1997 in the Commission Communication on 'Scientific and Technological Research: a Strategic Part of the European Union's Cooperation with Developing Countries'⁸³. In 2001, the Commission Communication on the international dimension of the European Research Area⁸⁴ emphasised the crucial role of international scientific cooperation and opened up the Framework Programmes to third countries, including developing countries.

The consolidation of the European Research Area in the years to come is aimed at creating a vast intellectual, scientific and cultural area which the EU is willing to share with other countries and regions for the benefit of global sustainable and equitable development. Making knowledge more usable means enhancing the capacity of societies to obtain, evaluate and adapt it to their own needs.

Priority-setting in S&T international cooperation is necessarily based on a comprehensive dialogue with partner countries. In the case of the ACP group of countries, this dialogue was enhanced on the occasion of the Cape Town ACP Ministerial Forum on Research and the Johannesburg World Summit on Sustainable Development in 2002. It led to the setting-up of a Programme for S&T Innovations and Capacity-Building in ACP Countries (PSTICB) aimed at building and enhancing strong scientific and technological capacities to support research and innovation in the ACP region. Furthermore, the 2006 EU-LAC Summit in Vienna addressed knowledge sharing, human capacity building, higher education and S&T as focal points for further cooperation⁸⁵, and promoted the 'shared Knowledge Area between Latin America, Caribbean and Europe' adopted in 2002⁸⁶.

African leaders also recognise that Africa's objective of sustainable development will not be achieved without investment in S&T. As a result, the NEPAD and the African Union launched an African Consolidated Action Plan for Science and Technology in August 2005, endorsed by the African Ministerial Council on Science and Technology in September 2005. The Commission supports the AU-NEPAD S&T Plan of Action and is engaged in a regular dialogue with the African Union through the AU-EU Joint Task Force.

⁸² UN 2005 Report on Investing in Development. A practical plan for achieving the MDGs.

⁸³ COM(1997) 174 final: Scientific and Technological Research: a Strategic Part of the European Union's Cooperation with Developing Countries.

⁸⁴ COM(2001) 346 final 'The international dimension of the European Research Area'.

⁸⁵ <http://ec.europa.eu/world/lac-vienna/index.htm>

⁸⁶ A 'Shared Vision' adopted at the 2002 Rio S&T Ministerial Conference <http://ec.europa.eu/research/iscp/index.cfm?lg=en&pg=regions>

In 2007, the Commission published a Green Paper on new perspectives for the European Research Area⁸⁷ whereby international S&T cooperation should become more central to the main external policy objectives of the EU. With developing countries, cooperation should be more significantly focussed on strengthening their S&T capacities and supporting their sustainable development in close liaison with EU development policy, while at the same time working with them as partners in global initiatives.

2. Practical Steps:

From the Origins to the 6th Research Framework Programme

In response to the 1978 UN Conference on S&T for Development, in 1982 the EU launched the first European research programme solely dedicated to development issues. It was called the "Science and Technology for Development (STD) Programme", originally with a focus on agriculture and health. The environment was later added as an essential basic need. STD went through three editions constantly improving its mechanisms and thrust through analyses of its strengths and weaknesses. Policy functions were added and different strands of international S&T cooperation were united 'under one roof' since the 4th Research Framework Programme under the name of International S&T Cooperation (INCO) Programme. INCO has a large number of achievements and breakthroughs such as demonstrating the link between HIV and tuberculosis, the development of a high-altitude rice variety for use in the Great Lakes region, the development of a vaccination against tick-borne cattle diseases, etc.

Over the last 20 years, some 40 000 researchers from more than 100 countries have engaged in various forms of scientific cooperation and capacity-building with the EU.

Within the 6th Framework Programme (FP6) for 2002-2006, there were three principal roads to international cooperation:

- The generic opening of all thematic and horizontal priorities within the first Specific Programme (SP1) of FP6 entitled 'Integrating and Strengthening the European Research Area' with an embedded budget of €285 million.
- Specific measures in support of international cooperation (INCO III, priority 10 in SP1) initially endowed with €315 million.
- International researcher mobility through the Marie Curie Fellowships as part of the second Specific Programme 'Structuring the European Research Area'.

Teams from 188 non-EU countries have participated in research and research coordination proposals. Of these, 121 were developing countries and emerging economies, so-called INCO target countries. Eventually, some 3 316 teams from 99 INCO target countries have been selected for funding after competitive and independent evaluation of proposals.

Participation of teams from INCO partner countries in the opening mechanisms of FP6 was particularly prominent in the following thematic priorities: life sciences and health, food and biotechnology, environment and sustainable development (including energy and climate change with specific research dedicated to supporting of the UN Framework Convention on Climate

⁸⁷ COM(2007) 161 final: The European Research Area: New Perspectives

Change, the Kyoto Protocol and European environmental policies, several of which have international implications). Other important activities for capacity building have been financed in the field of science in society, in particular with a view to strengthening the ethics review process and to ensure that Community research conducted in and with developing countries complies with fundamental ethical principles.

International Collaborative Mobilisation Effects of FP6 (2002-2006)

| Region (Number of participating INCO countries) | Number of participations in proposals | Number of participations in contracts | Number of countries in the region | Total financial contribution from FP6 (rounded to next '000 Euro)** |
|--|--|--|--|--|
| Africa (47) | 2,285 | 476 | 35 | 60,868,000 |
| Asia (15) | 3,842 | 689 | 15 | 60,237,000 |
| Caribbean (15) | 85 | 9 | 5 | 813,000 |
| Latin America (17) | 3,010 | 507 | 17 | 45,549,000 |
| Mediterranean Partner Countries (8) | 2,224 | 523 | 8 | 37,917,000 |
| Pacific (2) | 21 | 2 | 2 | 89,000 |
| Russia and other New Independent States (12) | 4,021 | 684 | 12 | 57,982,000* |
| Western Balkan Countries (5) | 2,652 | 426 | 5 | 39,934,000 |
| Total (121) | 18,140 | 3316 | 99 | 303,389,000* |

* plus about 50 mio Euro invested into scientific cooperation through INTAS

** total resources were higher because contributions to European partners are not included

Most of these projects are still ongoing, building on existing knowledge and delivering new results over years to come. Particularly in the fields of climate, energy and water research the pool of knowledge and competences is considerable. There is room for greater coherence in using this capital in the future.

WHO takes up research results for new initiatives

Policy research performed as part of the INCO-FP5-funded project PRACTIHC (PRAGmatiC Trials in Health Care Systems), an international RTD network to facilitate information for action on priority health problem, provides an outstanding example of impact-oriented health systems and policy research. WHO has already reacted by reviewing its procedures on the development of guidelines as a result of this study (www.practihc.org), INCO Contract ICA4-CT-2001-10019.

Retailer announces international sourcing of sustainably produced fisheries products

The budget retailer Lidl with over 3000 shops in several European countries announced in May 2007 that it will offer and promote seven Marine-Stewardship-Council-certified fish products in its stores. The Marine Stewardship Council gives its MSC-label to products from fisheries certified as sustainably managed. Pressure on retailers to offer certified fish products is coming, inter alia from public-awareness activities of INCO projects, such as the fish ruler for identifying immature fish and the corresponding 'don't eat babies' campaign (www.incofish.org/results/tools/Fishruler.php; www.incofish.org/donteatbabies). This campaign has been taken up by several groups in the Philippines, Senegal and Peru and by a consumer protection agency in Germany.

Information-sharing as a prerequisite for better cooperation

EIARD (European Initiative for Agricultural Research for Development) initiated a web-based EIARD InfoSys. The pilot phase was funded by the European Commission.

The Commission has also developed and/or supported a number of specific synergies with the core development agenda of the EU and extended this approach to EU Member States, by offering them means for coordination of research policies and programmes. For instance, it is supporting the European Initiative for Agricultural Research for Development (EIARD), whose role is to promote coordination among its 28 European partners (EU Member States, Norway, Switzerland, European Commission). Activities encompass: (i) at the policy level: developing common European approaches towards the CGIAR (Consultative Group on International Agriculture Research) and its restructuring process, and towards other partners in the Global Forum for Agricultural Research, such as the Regional Organisations in the South (FARA, CORAF, ASARECA and SACCAR (for Central Africa, West Africa, East Africa and Southern Africa); and (ii) at the institutional level EIARD initiated the European Forum for Agricultural Research for Development in order to strengthen institutional and thematic networks of European universities and research organisations.

New Opportunities in the 7th Research Framework Programme (2007-2013)⁸⁸

The approach to international cooperation under FP7 is significantly different from that under FP6. It aims to integrate international research collaboration throughout the Framework Programme and includes both geographical and thematic targeting. To maximise impact, the international activities across all programmes will be complementary and synergistic.

The Specific Programme within FP7 with the highest endowment is **the Cooperation Programme**⁸⁹. The themes with the highest direct relevance for development cooperation and contributing to developing the required knowledge base are: Health (€6.1 billion), Food, Agriculture and Fisheries, and Biotechnology, (€1.935 billion), Energy (€2.35 billion), Environment (including Climate Change) (€1.89 billion), and Socio-economic Sciences and the Humanities (€0.623 billion). Information Society accounts for about one third of the cooperation resources⁹⁰.

The Cooperation Programme enables research cooperation to take place between different global research partners in collaboration with European researchers. International collaborative research is supported in two ways to ensure balanced thematic and geographic participation by third countries and regions:

- The opening-up of the thematic areas to all third countries. This includes new dedicated actions and calls for third countries (mainly industrialised and emerging economies).
- Specific International Cooperation Actions (SICAs) in each thematic area to address the specific needs of the International Cooperation Partner Countries (ICPCs)⁹¹. For these actions, the consortium of the proposals has to be composed at least by two teams from different Member

⁸⁸ Key documents relating to FP7 can be found at http://ec.europa.eu/research/fp7/home_en.html

⁸⁹ FP7 Cooperation Specific Programme: 1) [Health](#), 2) Food, Agriculture and Fisheries, Biotechnology, 3) [Information & communication technologies](#), 4) [Nanosciences, nanotechnologies, materials & new production technologies](#), 5) [Energy](#), 6) [Environment \(including Climate Change\)](#), 7) [Transport \(including aeronautics\)](#), 8) Socio-economic Sciences and the Humanities, 9) [Space](#), 10) [Security](#). Detailed information available on http://cordis.europa.eu/fp7/cooperation/home_en.html

⁹⁰ See also the Information Society Chapter of this report.

⁹¹ The list of the ICPCs, including the developing countries, is available on http://cordis.europa.eu/fp7/capacities/international-cooperation_en.html

States /Associated States and at least two partners from two different countries of one region of the ICPC list, respectively (2+2).

A range of specific actions addressing developing countries are already available in a number of thematic research fields, e.g. in the Environment theme (health impacts of drought and desertification in the Mediterranean Partner Countries), in the Food, Agriculture and Fisheries, and Biotechnologies theme (improving research in support of scientific advice to fisheries management outside EU waters) and in the Health theme (HIV/AIDS, malaria and tuberculosis research with India)⁹².

Synergies between Instruments

The Programme for S&T Innovations and Capacity Building in ACP Countries (PSTICB)

PSTICB provides a good example of the complementarity between Research and Development policies. It responds to the conclusions of the *Cape Town ACP Ministerial Forum on Research* and the *Johannesburg World Summit on Sustainable Development (WSSD) 2002*. At the operational level, it addresses the issue of building and enhancing strong scientific and technological capacity to support research, development and innovation in the ACP region. This €35 million programme, financed by the 9th EDF, will be allocated to an ACP-wide S&T capacity-building and innovation programme, which will promote the interdisciplinary approach to sustainable development through three main axes: (i) coordination and networking in applied research; (ii) development of appropriate instruments for collaborative research; and (iii) management of research activities and reinforcement of research quality.

The programme is open to all ACP countries. Projects selected for funding will be identified through an open Call for Proposals, to be published in September/October 2007. In many ways, the successful participation of Developing countries in FP7 will very much depend on the 10th EDF to S&T capacity building.

S&T Cooperation with South Africa

The Commission has recently strongly supported the position of the South African government as regards having an S&T-dedicated chapter, supported by an earmarked budgetary envelope, in the revised version of the Trade and Development Cooperation Agreement (in 2004, a review of the TDCA was carried out and initiated a process that will lead to a revision of the agreement by the end of 2007). The negotiations with South Africa for the adoption of the revised text took place in Pretoria from 27 to 29 March 2007. The revision of the TDCA will finally include a new article on S&T (Article 83) supported by a dedicated earmarked budget (between €25m and €30m) and by the *Strategic Partnership between the EU and South Africa*, to be adopted by the end of 2007.

International cooperation: EU and Egypt

After two years of preparation by the Commission services RELEX and RTD, a landmark funding agreement totalling €11 million has been reached between the European Union and Egypt, signalling the first-ever grant of its kind offered by the EU to an Arab country. The funding will support a four-year technology and knowledge exchange between science researchers and institutions, focusing on development in areas such as biotechnology, information technology, renewable energy and health. It heralds the initiation of a fruitful partnership between the Mediterranean neighbours and a declaration towards the creation of a Euro-Mediterranean area for higher education and research. http://ec.europa.eu/research/headlines/news/article_07_07_11_en.html

The Food Security Thematic Programme (FSTP)

The new Food Security Thematic Programme (FSTP) is a concrete sign of the Community's continuous commitment towards achieving MDG1 on hunger. The Communication "Advancing the Food Security Agenda to Achieve the MDGs" (COM(2006)21) laid the foundations for the present FSTP strategy. The Development Cooperation Instrument (DCI) is the legal basis for the FSTP. The objective of the FSTP strategy, under the DCI, is "to improve food security in favour of the poorest and the most vulnerable and contribute to achieving the first MDG, through a set of actions which ensure overall coherence, complementarity and continuity of Community interventions, including in the area of transition from relief to development". The total financial allocation for the period 2007-2010 is €925m, of which, €233.1m are allocated to "Support the delivery of international public goods contributing to food security: research and technology". This priority area will include support to agricultural research at the global level (including CGIAR) and at the continental/regional level (including regional and sub-regional research organisations). One of the expected results of the FSTP is to generate complementarity and synergy with research programmes and activities financed through the FP7.

⁹² For more examples, please visit <http://ec.europa.eu/research/iscp/index.cfm?pg=allpublications>

The **Capacities Programme** includes seven activities⁹³, one of which is fully dedicated to international cooperation. This activity fosters international cooperation through support measures for third countries and regions on the ICPC list via a new type of project named INCO-NET. INCO-NET will support dialogues (an example of an existing dialogue is the Monitoring Committee for the Mediterranean Countries which brings together representatives of Higher Education/Research/Industry Ministries from EU Member States and Associated Countries and the Mediterranean Partner countries), and information exchange activities with third countries and regions on the ICPC list. The objective of these activities is to enable the EU, third countries and regions to discuss current and future research priorities. The outcomes of these dialogues will provide intelligence for developing research policy, provide input to the respective FP7 specific programmes and inspire research topics for international cooperation, in particular in the Cooperation Programme. Specific opportunities for stakeholder networking are afforded to countries that have an S&T cooperation agreement with the EU so as to broaden and deepen such cooperation for mutual benefit.

Other activities of the Capacities Programme can also address international cooperation. The Science in Society activity intends to specifically develop the international dialogue in capacity building in developing countries and encourage further efforts to set landmarks for an ethically sound research activity in the light of fundamental rights.

The international dimension of the **People Programme** reinforces international cooperation in FP7 by supporting researcher mobility and their career development. Allocations are subject to open competition. Regarding international cooperation for and with researchers from third countries, the following actions are envisaged:

- International incoming fellowships for experienced researchers for knowledge transfer with Europe, and enrichment of research collaboration. Researchers from third countries will be offered support to undertake research projects in Europe with a view to enhancing the possibility of future collaborative research links with Europe. To avoid brain drain, a reintegration scheme is also applied, through a Marie Curie Action ("International Reintegration Grants"/ (IRG), system of funding to enable researchers who go back to their country to launch or continue their own research activity upon return. A contract will be issued with the return host organisation, which will commit itself to assure an effective return of the researcher. The grant is to be used as a contribution to the scientific costs relating to the researcher's project at the return host. This system was already in place in FP6.
- Marie Curie host-driven actions: as a general rule (e.g. the Research Training Networks targeting doctoral candidates), they all are open to third country nationals.
- A partnership scheme: these grants focus on staff exchanges between several European research organisations and organisations from countries covered by the European Neighbourhood Policy, and countries with Community S&T Agreement.
- Support for scientific diasporas: a new action to support expansion of the successful pilot exercise to network European researchers abroad by means of European Researchers Abroad

⁹³ These activities are: Research Infrastructures; Research for the Benefit of SMEs; Regions of Knowledge; Research Potential; Science in Society; Coherent Development of Policies; Activities of International Cooperation.

networks – the ERA-Link initiative⁹⁴. These activities will establish links between Europe and expatriate European researchers, promote collaborations with the European research community, as well as support networking activities of third-country researchers in Europe.

The **Ideas Programme** aims to reinforce European activities in leading-edge or 'frontier' research, providing support for individual teams rather than for multinational consortia. Individual international researchers will be encouraged to join with Europe-led teams, where they will bring specific expertise from outside Europe to enrich the research being undertaken.

Member States' Initiatives

The United Kingdom and Sweden are among the most active Member States in this PCD area. The two countries have a comprehensive framework for providing support to research in developing countries, backed up by significant financial resources. In the **UK**, the government has established new mechanisms to enhance the development perspective in the research and technology arena. The government's Global Science and Innovation Forum (GSIF) is a vehicle for cross-governmental information and exchange of ideas to improve coordination of the UK's engagement in international science and innovation activities. In October 2006, the GSIF published its strategy for International Engagement in Research and Development, including its objectives for the use of research and innovation to meet international development goals. The 2006 White Paper on International Development announced a doubling of DFID research budget to almost €300 million, making DFID one of the largest bilateral donors in the field of 'research for development'. These research funds explicitly address development issues. DFID ensures that outputs from research are accessible and used by developing countries. Research commissioned by DFID requires at least 10% of the budget to be spent on technology transfer to users and DFID retains a licence to the intellectual property so it can be made freely available to users.

While recognising that development objectives have not yet been fully integrated into its national research and innovation policies, **Sweden** has a long tradition of support for research in poor developing countries as part of Swedish development cooperation. Around 6% of ODA funds channelled through SIDA are allocated to research. Out of these, over €30 million are allocated to building the foundation framework for research in 12 partner countries (i.e. Burkina Faso, Ethiopia, Mozambique, Rwanda, Tanzania, Uganda, Laos, Sri Lanka, Vietnam, Bolivia, Honduras and Nicaragua). In addition to support for research in poor countries, SIDA supports several research programmes on development. Over €50 million go to regional research networks, international research organisations and special research initiatives addressing highly relevant development issues.

Other Member States recognise that their attempt to integrate development elements into their research programmes is not yet systematised under an overarching policy framework but sometimes fragmented into several initiatives. A few bilateral and regional initiatives are mentioned below.

Greece has financed RTD capacity-building activities in the Balkans through the Hellenic Development Cooperation. Under the new programming period for 2007-2013, the General Secretariat for Research and Technology in the Ministry of Development intends to support specific measures aimed at enhancing international cooperation activities involving target groups in

⁹⁴ <http://cordis.europa.eu/eralink/>

developing countries. Appropriate amendments of the relevant legal framework will be required to finance research organisations in those countries.

UK's and Sweden's success stories in the PCD area of research and innovation

UK: Much of DFID's research funding includes capacity-building as a cross-cutting issue – a priority for the DFID 2005-07 Research Funding Framework. For example, DFID has joined up with the Wellcome Trust, an independent charity funding research, to implement a capacity-building programme in East Africa in health research capability. Similarly, DFID is building capacity in the transport research area in the Mekong. DFID helped to fund the development of NEPAD's Consolidated Plan of Action for Science and Technology which would draw together a range of projects and initiatives costing an estimated €115 million over the period 2006–2010. The Plan, amongst other issues, advocates enhanced African domestic investment and capacity and stronger integration of science and technology into development plans.

Sweden: An example of success is the outcome of long-term support for research at the Eduardo Mondlane University in Mozambique. A growing tradition of research at the emerging university stimulated the establishment of the Ministry for Science and Technology, which has formulated research strategies and engaged in dialogue with potential supporting agencies. In Tanzania, SIDA has supported the University of Dar Es Salaam to successfully reform its research programme and management. A series of productive research activities and training events have been carried out. At present, innovation clusters are being funded in addition to the research. In Uganda and Bolivia, research capacity efforts have been thematically focused: in Uganda on Lake Victoria and in Bolivia on the Alto Plano and the Aymara population and culture.

Hungary, together with **Austria, Bulgaria, Poland, Slovenia and Slovakia**, is a member of the Central European Exchange Programme for University Studies, with a network of 45 coordinators and 427 partner institutions. The programme coordinates the bilateral research programmes between the Western Balkans, the EU Member States and the candidate countries.

Portugal has established bilateral cooperation on science and technology with Portuguese-speaking developing countries, namely Angola, Cape Verde, Guinea-Bissau, Sao Tome and Principe, Mozambique and East Timor. This cooperation focuses on support to higher education and advanced training of human resources at post-graduate level.

The Academy of **Finland** and the Ministry for Foreign Affairs have established a funding scheme for development research. In the January 2006 call, €3 million were granted to twelve projects for the years 2007-10. The partner countries involved are China, Ethiopia, Tanzania, Malawi, Uganda, and Namibia. The SADEC and the Southern African regions were also targeted.

In the fight against infectious diseases, eight Member States contribute to the GAVI Alliance, the public/private Global Health Partnership committed to saving children's lives and protecting people's health through the widespread use of vaccines. In addition, long-term commitments by the Governments of five Member States have been earmarked for the new International Finance Facility for Immunisation (IFFIm).

Fourteen Member States, together with the EC, (FP6), and Switzerland and Norway, are co-financing the European and Developing Countries' Clinical Trials Partnership (EDCTP), which aims to develop new clinical interventions to fight HIV/AIDS, malaria and tuberculosis, through European research integration and in partnership with Sub-Saharan African countries.

Ireland has HIV/AIDS as one of the four cross-cutting issues for all its development activities. In 2006 it spent €20 million on health-related research, of which €17 million was for new drugs and vaccines for HIV/AIDS, TB and malaria. €2 million were given to the Health Research Board to support research by Irish institutions to benefit the poor. In its programme countries, Ireland is supporting research as part of its country strategies. It also supports the Global Forum for Health Research, an independent international foundation, and the Council on Health Research for Development, an international organisation, both based in Switzerland.

For the period 2006-2009 **the Netherlands** has committed a total of €80.5 million to R&D on new drugs, vaccines and diagnostics for AIDS, TB and malaria through subsidies to public private partnerships. It is also a Board Member of the WHO/WB/UNDP/UNICEF special programme for Tropical Disease Research and Training (TDR) and contributes yearly €1 million to the programme.

The **UK** has provided almost €37 million in the last year for developing new drugs, vaccines and technologies to fight diseases in developing countries. It has been active in developing innovative financing mechanisms to support health programmes in developing countries. **France** and the **UK** provide support to UNITAID, an international drug-purchase facility established at the end of 2006, which will help scale up access to drugs and diagnostics to fight AIDS, malaria and tuberculosis for people who need them most in developing countries. This new initiative is funded primarily by innovative financing mechanisms such as the tax contribution on air tickets.

3. Space Cooperation

Following the international community's commitment in 2000 to achieve the Millennium Development Goals, the need for timely access to accurate and reliable satellite-based information was stressed as one of the top priorities of the World Summit on Sustainable Development (WSSD) held in Johannesburg in August 2002. The 2003 G8 Summit of Evian further recognised that, in order to meet the objectives of the WSSD Plan of Implementation, developing countries and countries with economies in transition need to build and strengthen their capacity to assimilate and generate knowledge. In particular they are encouraged to increase knowledge of their environment, using modern technologies such as satellite imaging technologies.

Meanwhile, it has been recognized in other fora such as the World Summit on Information Society (WSIS, Tunis, 2005) that new technologies can also be an enabler for knowledge sharing and can contribute to develop social and economic innovations. Thus, satellite communication and navigation have strong relevance in development policies, particularly in areas where broadband and infrastructures are marginal.

Moreover, African States have identified in the Addis Ababa Declaration the following elements, among others, as key enabling factors for development: infrastructure, science, research and technologies. Space assets and EU-AU cooperation, purpose of this Working Group, must build upon these priorities

In parallel, European Space Policy discussions with Member States have highlighted that sustainable development was an intrinsic and strategic element of an international policy. The EU Strategy for Africa has highlighted the use of research, science and technology as a key factor for a developing country's growth. In particular, space has been recognized at a policy level as a central tool to contribute to Africa's development.

The European Commission together with other European partners such as EUMETSAT and the European Space Agency (ESA) has launched and continues to propose a number of initiatives in the field of space technologies, such as earth observation, telemedicine, etc.

In the field of Earth Observation, in the last decade, a significant number of projects have provided decision makers useful information on issues such as vegetation coverage, desertification, water quality, urban growth, human and wild-life migration flows (e.g. elephants) or detection of illegal diamond exploration pits (usually associated with local conflicts). In this frame specific cooperation with the Africa continent initiated in 2000 with the PUMA initiative and is confirmed

with AMESD (African Monitoring of the Environment for Sustainable Development). This cooperation will continue in the frame of the GMES (Global Monitoring for Environment and Security) Programme.

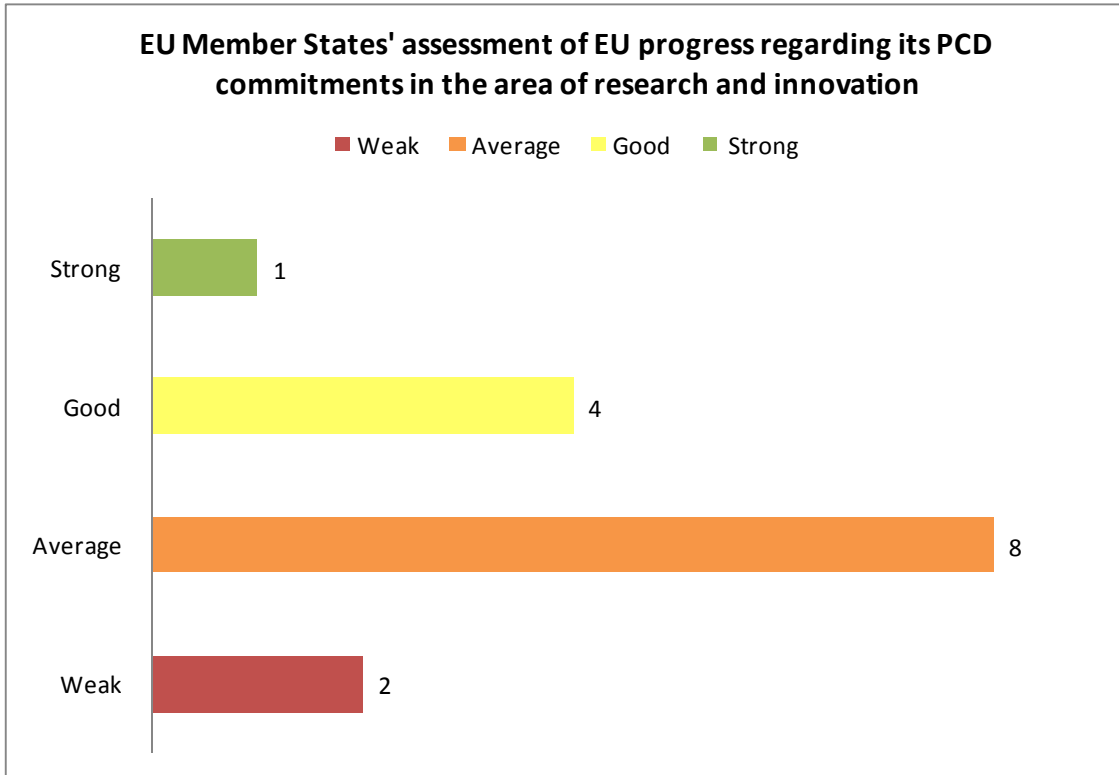
Today, the EU strategy is to assist the African Union in order for Europe to have a single counterpart in the region and rationalise initiatives and Euro-African partnerships in key areas.

The challenge is for the EU and AU to determine together how space tools can best support sustainable development policies and lead to joint EU-AU endeavours: this is the key to their relevance and sustainability.

4. Assessment

The EU progress in relation to research and innovation is seen by Member States as significantly above 'average'.

The main aspect judged positively by most Member States is the decision to further encourage collaboration with developing countries under the EU Research and Development Framework Programme. The Specific International Cooperation Actions (SICAs) with regions outside the EU, an integral part of FP7, were mentioned as a positive example. The INCO-NET scheme was also mentioned as potentially capable of bringing together relevant policy-makers, scientific community, civil society and private-sector stakeholders of the EU and of third countries to identify S&T priorities and define cooperation-policy orientations. Finally, one Member State credited the decision to include Member States in the ERANET programme⁹⁵ to have contributed to PCD, by increasing the focus of European research on priority areas for developing countries, such as water and agriculture.



⁹⁵ The ERANET scheme promotes the coordination of research activities carried out at national or regional level in the Member States and Associated States.

Four Member States pointed out that the risks in this PCD area lie at the implementation level. The EU Framework Programme is not easily accessible for LDCs. Participation of LDC researchers is hampered by the terms and conditions (selection based on excellence), content (little attention to poverty issues) and procedures (too difficult). FP7, instead, should ensure that the research commissioned is demand-led and focused on making progress towards the MDGs at regional and national levels.

This concern is shared by the Commission. Within the various INCO programmes⁹⁶, most of the developing countries and emerging economies which participated in various forms of scientific cooperation belonged to the middle-income bracket, with an existing research infrastructure. Few developing countries in the low-income bracket (annual per capita income below €1 000) have strong policies of investing in people across the entire spectrum covering education, research and innovation.

Member States also request measures in support of the participation and capacity building of developing countries' research institutes, so that research funded under EU programmes is not only for, but also by developing countries. One Member State considers the level of resources under the FP7 to be insufficient for cooperation between research groups in EU Member States and partners in third countries.

The Commission recognises that there is a need for much closer synergies between EU Research and Development policies and tools. The participation of developing countries in FP7 will not be made easier than in FP6, despite the large opening of FP7 to third countries. Indeed, the FP's primary goal is scientific excellence and the primary means for reaching it is the competitive selection. The participation of developing countries in FP7 will very much depend on existing human and institutional S&T capacities. In many ways, the creation of basic S&T capabilities is incumbent on countries themselves, supported by development cooperation. Without a real investment effort to reinforce the S&T capacities of these countries, which cannot be done via the FP as it is currently designed, some developing countries research organisations and universities will have serious difficulties in successfully passing the criterion of scientific excellence in the evaluations.

To address this issue, the Commission seeks to develop stronger synergies and coherence between the FP and the development instruments. At Commission operational level, this is addressed by an inter-service group covering DG Development and DGs of the research family (Research, Joint Research Centre, Information Society and Enterprise). Furthermore, external relations DGs are regularly invited to participate in the EC-Third Countries' S&T Joint Steering Committees where the prioritisation of S&T cooperation is designed and agreed. DG Research has collaborated with DG DEV since the early phase for the formulation of the Food Security Thematic Programme and Multi Year Indicative Plan. This programme has an important component on Agricultural Research and Technology (€233.1 million for the period 2007-2010). One of the expected results of the FSTP is to generate complementarity and synergy with research programmes and activities financed through the FP7.

The Commission also favours a regional approach and FP7 provides the instrument, the INCO-NET, for a bi-regional dialogue, including priority-setting and definition of S&T cooperation

⁹⁶ See the report 'Increasing impact of the EU's international S&T cooperation for the transition towards sustainable development', DG RTD, March 2005.

policies; bringing together policy-makers, the scientific community, civil society and private-sector stakeholders from the EU and third countries to identify priorities and define policy orientations; implementing specific activities dedicated to strengthening participation from targeted countries and regions in FP7.

INCO-NETs will be established soon for the following regions: Western Balkans, Mediterranean Partner countries, Eastern European and Central Asia, Latin America, Africa, the Caribbean and the Pacific, and Asia.

The review of the new CSPs of ACP countries reveals that S&T is not perceived as a major PCD issue by the vast majority of countries: only three CSPs mention research and innovation (Botswana, Mauritius and South Africa). S&T is mentioned more frequently in other developing countries (11 times), particularly in Latin America (Argentina, Brazil, Ecuador, El Salvador, Guatemala and Mexico) and all major emerging economies, including China. Most of these CSPs refer to the EC Framework Programmes as the general scheme of cooperation with the EU in this area.

5. Outstanding Issues

- As FP7 is based on scientific excellence, there is an urgent need for the EU to develop synergies between its various instruments so that developing countries can benefit to the utmost from the possibilities the Framework Programme offers them. A closer link between development aid and FP is to be established to reinforce S&T capacities in developing countries.
- Even with FP6 and FP7 being open to research collaboration with scientific institutions in developing countries, the research outcomes are considered not yet sufficient to close the gap between research projects and policy-related MDGs. It is important that funds for research specifically targeted on poverty issues are increased and, more importantly, that research is not only 'for' but 'in and with' developing countries. This particularly concerns areas such as health, (including HIV/AIDS prevention and treatment – including through public-private partnerships), agriculture, biotechnologies, natural resources and environmental management, energy (including renewable energy and energy efficiency), and climate change, ethics and the overall social dimension of globalisation.
- Compared to the previous Framework Programmes, increasing attention is given to the role of the private sector in FP7. This is intended to increase European companies' R&D spending, which lags behind in international cooperation by comparison with other industrialised countries, and to address the well known gap between the extent of scientific production and its use in social and technological innovation in Europe (many third countries are concerned). While this does not reduce the chances of international cooperation, there is a risk that countries from the North and leading emerging economies will be the ones that will benefit most from the programme.
- Cooperation regarding space is expected to increase in late 2007, then reinforced in 2008. Political momentum in this direction must be maintained, and concrete results achieved.

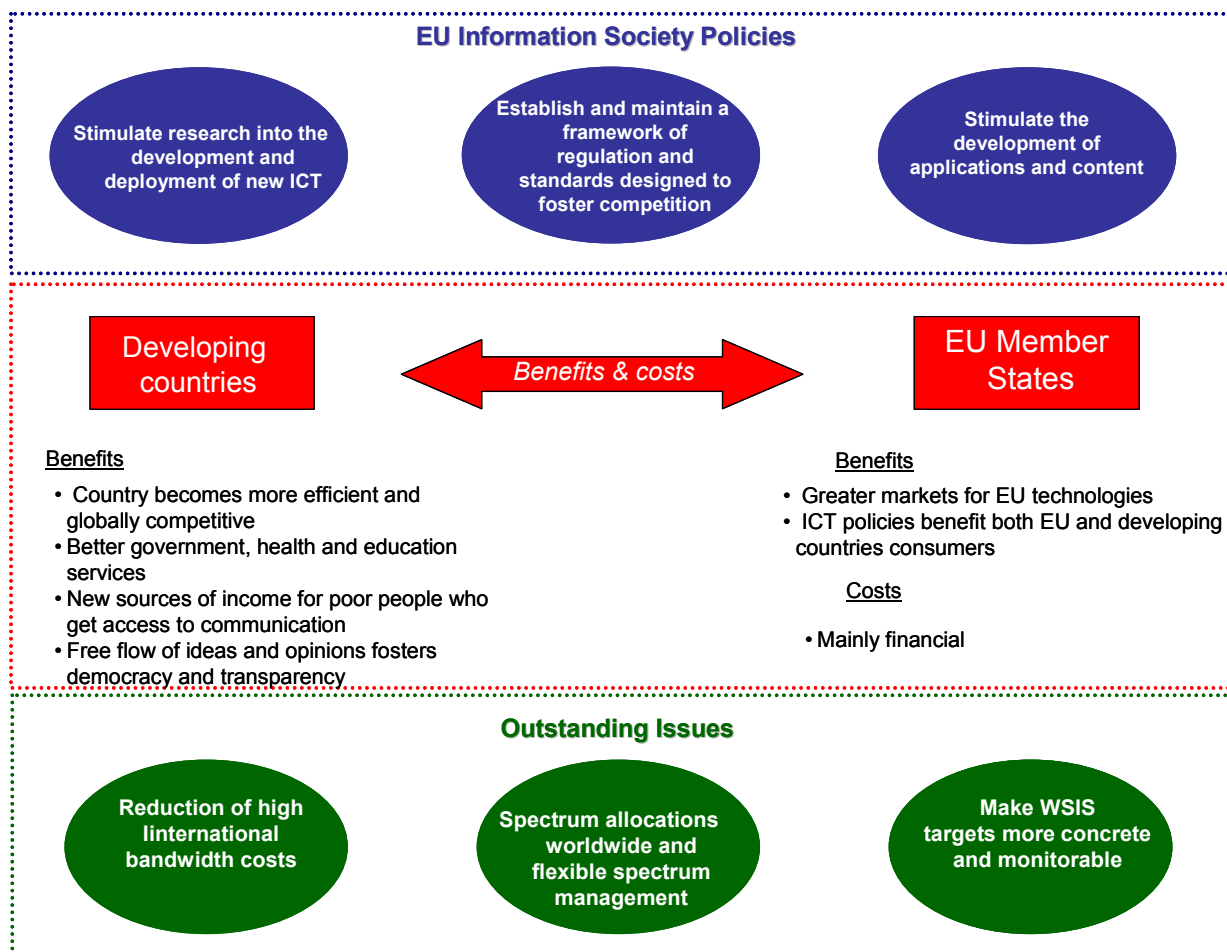
3.10. INFORMATION SOCIETY

Access to electronic communication networks and use of information and communication technologies (ICTs), which enable the instant exchange and dissemination of information and knowledge all around the world, have become major factors driving competitiveness, economic growth and social progress. At the same time, information society technologies open up new channels for the free flow of ideas and opinions which can promote democracy, freedom of speech, human rights and mutual understanding amongst people.

ICTs are also crucial to poverty reduction as they make a country's economy more efficient and globally competitive, improves health and education services, and creates new sources of income and employment for poor people⁹⁷.

Quick Facts

1. Developing countries account for over 60% of the world's telephone lines (fixed/mobile) – up from 20 % in 1980.
2. In 2003, 130 out of 164 developing countries had at least three providers of mobile services.
3. While most developed nations have connected nearly all of their primary and secondary schools to the internet, only 38% of developing countries have done so. For Africa, the figure is less than 1%.
4. Only 38% of developing countries have connected primary and secondary schools to the Internet.
5. Between 1990 and 2003, 122 out of 154 developing countries financed telecommunications infrastructure projects with foreign investments.
6. The price for broadband access in low income countries is 11 times greater than in developed countries (2004).



⁹⁷ World Bank (2006), *Information and Communication for Development – Global Trends and Policies*.

In the last decade, ICTs, particularly mobile phones and the Internet, have permeated all countries in the world with astonishing speed. Yet there remain substantial discrepancies in access to ICTs between countries, particularly at North-South level, and within countries, depending on key factors such as gender, revenues and educational level. Thus, ICTs are also a new factor of marginalisation.

In 2004, the developed world still had eight times the Internet user penetration rate of the developing world. The gap was particularly striking in Africa, where 3% of the population used the Internet compared to half of the population in G8 countries. At the same time, Africa has its own digital divide: in 2004, Sub-Saharan Africa had a teledensity of 1% compared to 10% for North Africa. High-speed access to the Internet was available to some 15% of the world's Internet users in 2003, mainly concentrated in a few economies and regions in Asia-Pacific, Europe and North America⁹⁸.

1. Policy Framework

The EU Dimension

In the field of ICTs, the European Union has used three methods:

- (1) stimulating research into the development and deployment of new ICTs;
- (2) establishing and maintaining a framework of regulation and standards designed to generate competition; and
- (3) stimulating the development of applications and content while supporting initiatives that encourage and enable all European citizens to benefit from, and participate in, the information society.

As shown in the box below, the first two methods have had a significant impact on mobile telephony not only in the EU, but also in developing countries. The adoption of the GSM standard and the parallel liberalisation of the EU telecom market has resulted in the creation of a huge market in Europe, which has driven down the price of GSM services and equipment. This has had a positive spillover effect on the prices and availability of GSM services in developing countries, especially where it was accompanied by the liberalisation of mobile phone markets.

The EU has extensive experience that it can share with developing and emerging countries in defining a comprehensive approach to ICTs, which found its expression in the eEurope 2005 Action Plan and the i2010 policy initiative⁹⁹.

eEurope 2005, which ended in 2005, focused in particular on deploying broadband access at competitive prices, the security of the networks and development and use of information technologies by the public authorities ('eGovernment'). All three objectives are relevant for developing countries. eServices in general have no real boundaries and could revolutionise the provision of specialised services to developing countries. The Action Plan included for example eLearning and eHealth initiatives that could provide access to know-how and health services, in addition to providing tools for 'virtual' return for developing countries' diaspora (e.g. a Kenyan

⁹⁸ All data from International Telecommunication Union (ITU) World Telecommunication Indicators.

⁹⁹ Commission Communication on 'i2010 – A European information society for growth and employment' – COM (2005) 229 final of 1 June 2005.

doctor practicing in the United Kingdom could visit a patient in a Nairobi hospital from London using eHealth services).

Adopted in 2005, i2010 is the Commission's strategic policy framework laying out broad policy guidelines for the information society and the media in the years up to 2010. It supports the EU Lisbon strategy, which was adopted in March 2000 to make the EU the most dynamic and competitive economy by 2010, by addressing simultaneously the following issues: (1) the development of a harmonised modern regulatory framework for the information society; (2) the coordination and benchmarking of broadband policies and services; (3) support to the development of content and applications of high socio-economic impact (e.g. e-education, e-health, e-government); and (4) support to the regional integration of ICT research and innovation capabilities.

How EU Telecom Policy brought phones to poor households in developing countries

Mobile phones have a dramatic impact in developing countries where they are a substitute for scarce fixed lines. With prepaid and calling cards, even poor households have benefited from mobile phones.

During the early 1980s, analogue mobile phone systems started to take hold in France, Germany, Scandinavia and the United Kingdom. The main problem was that each country developed its own system and mobile phones would not work outside national boundaries. To address this issue, in 1982, the Conference of European Posts and Telegraphs (CEPT) assembled a research group on a mobile phone system in Europe (Group Spécial Mobile - GSM). In 1987, the EU launched its telecommunication policy with three major objectives: to liberalise the market segments under monopoly; to harmonise the European telecommunications sector through common rules and standards; to apply strict competition rules to liberalised market segments to prevent collusive agreements and the creation and abuse of dominant positions. By 1989 the GSM group had designed the standards and a way to implement a pan-European mobile phone network and transferred its responsibilities to the European Telecommunication Standards Institute (ETSI). The name GSM was transposed to name the type of service invented: the acronym GSM changed from Group Spécial Mobile to Global Systems Mobile Telecommunications.

The GSM system was launched in the early 1990s as a standard for pan-European mobile communications. The EU's mobile communications market was liberalised in 1996. The combined effect of a high-quality standard and full competition resulted in a very rapid take-up of GSM. It also allowed for high economies of scale in production of network equipment and handsets, making setting up mobile networks cheaper and making mobile phones affordable for developing countries' consumers, especially where it was accompanied by the liberalisation of local mobile phone markets. As a result of its success in Europe, GSM has imposed itself as a worldwide standard: today, there are almost 3 billion GSM customers in over 130 countries. Two thirds of phone lines in developing countries are now mobile and most run on the GSM standard.

The External Dimension

Recognising the importance of the information society for developing countries, including in the attainment of the MDGs, the World Summit on Information Society (WSIS) called on the international community to take the necessary measures to ensure that all countries have equitable and affordable access to information society technologies, thus bridging the North-South digital divide. In so doing, special attention should be devoted to the particular needs of countries with economies in transition, least-developed countries, small island developing states, landlocked developing countries, highly indebted poor countries, countries and territories under occupation, and countries recovering from conflict and natural disaster. Particular emphasis also ought to be placed on overcoming the gender dimension of the digital divide.

Against this background, the aim of the EU, which played an active role in both the WSIS Geneva 2003 and the WSIS Tunis 2005, is to contribute to reaching the WSIS commitment that everyone benefits from the information society.

The Commission played a leadership role in the formulation of EU positions in the WSIS held in Geneva in 2003 and in Tunis in 2005, including aspects related to bridging the North-South digital

divide. The Tunis Commitment to build a people-centred, inclusive and development-oriented information society is fully integrated in the Commission's approach, which is spelled out in the April 2006 Communication entitled "Towards a Global Partnership in the Information Society: Follow-up to the Tunis Phase of the WSIS"¹⁰⁰.

2. Practical Steps

A political dialogue on the information society has already been initiated with several developing and emerging countries, whether at country or regional level, including Latin America (@LIS), the Mediterranean region (EUMEDIS), ASEAN and emerging economies (Brazil, China, India, South Africa).

These dialogues are based on the principle that the development of the information society cannot be perceived only in terms of the deployment of communication infrastructures. A comprehensive strategy needs to be put in place and promoted in order to both foster investments in infrastructures and to ensure affordable access to and use of electronic services by the largest number of citizens.

The Commission has also engaged in a dialogue with the African Union (AU) to elaborate such a comprehensive and coherent approach based on synergies identified between i2010 and ARAPKE, the African Regional Action Plan for the Knowledge Economy, which was drawn up in the context of the WSIS. The aim is to accompany the EU-Africa Partnership on Infrastructures, which will cover both investments in physical infrastructures and support for regulatory reforms. This will be based on a set of complementary initiatives designed to build or reinforce capacities in terms of ICT literacy and human resources in general, and to support the development of content and applications as well as the deployment and interconnection of research and education networks.

In the field of ICT research, several research projects and support actions launched under the 6th Research Framework Programme for 2002-2006 involved organisations from developing countries. This is, for instance, the case for the €1.18 million worth BEANISH Project¹⁰¹ – Building Europe-Africa collaborative Network for applying IST in Health care sector – which involves universities from Botswana, Ethiopia, Malawi, Mozambique, South Africa and Tanzania.

Another example is the €0.76 million worth ENGAGE Project¹⁰² – Encouraging and Stimulating future RTD cooperation in the field of Information Society Technologies between Europe and Asia-Pacific region – with participating universities from Indonesia, Malaysia, the Philippines and Thailand.

The 7th Framework Programme for 2007-2013 has been opened up to participation by developing and emerging countries. It envisages specific development-related action lines, notably in the fields of e-health, disaster management and prevention, language technologies, open source and adoption of ICTs. The latter focuses on low-cost approaches as well as the development of mobile web applications to widely diffuse the benefits of ICTs and related services.

¹⁰⁰ COM (2006) 181 final of 27 April 2006.

¹⁰¹

http://cordis.europa.eu/fetch?CALLER=PROJ_IST&ACTION=D&DOC=2&CAT=PROJ&QUERY=1171992299881&RCN=74593

¹⁰²

http://cordis.europa.eu/fetch?CALLER=PROJ_IST&ACTION=D&DOC=11&CAT=PROJ&QUERY=1180599599402&RCN=74576

The Commission has also initiated a number of research cooperation projects in the priority field of societal applications (e.g. health, education and environment) through the exploitation of regional research and education networks, whose deployment and interconnection are partially funded by EU cooperation programmes. This includes the TEIN2 network in the Asia-Pacific region, ALICE in Latin America and EUMED Connect in the Mediterranean. These networks, and their interconnection with GEANT, the pan-European education and research network, provide access to digital libraries and geographically dispersed databases, and make it possible to share remote scientific instruments and facilities. Many of the supported applications have a high potential social impact with benefits for the general population beyond the scientific community, for instance in the fields of telemedicine or distance education. Such initiatives also contribute to creating the right conditions for retaining highly skilled people, particularly academics, researchers and scientists, or encouraging them to return to their home country (circular migration) after studies or experience abroad.

The role of development cooperation in fostering ICT for development: selected examples

Capacity-building initiatives in the information society sector have also been launched with encouraging results, in particular regarding support for regulatory reforms. For instance, the **Commission** provided about €1.5 million of financial support to the International Telecommunications Union (ITU) to set up a legal framework for telecommunications in Western Africa in collaboration with the Western African Economic and Monetary Union (UEMOA), the Economic Community of West African States (ECOWAS) and the West African Telecommunications Regulators Association (WATRA). Directives were approved by Western African Foreign Affairs Ministers in December 2006 and are now being transposed into national legislations. **Denmark's** support to Uganda's legal system, to the tune of \$19 million, includes a strong ICT element. **Germany** supported the establishment of ICT-assisted information systems for small and medium-sized enterprises in the SADC region and in Southeast Asia and contributed to InfoDev and the Development Gateway Foundation. **Ireland** and **Sweden** are founding supporters of the Global e-schools and communities initiative (www.gesci.org). The **Netherlands** supports an NGO, the International Institute for Communication and Development (IICD), in its work with local partners in developing countries to incorporate ICT into existing sustainable development activities. For example, NGOs in Ghana have produced a comic CD-Rom on HIV/AIDS, designed to catch young people's attention and support the anti-AIDS campaign of Ghana's AIDS Commission. **France** is supporting a network of community Internet access points in Sub-Saharan Africa via the ADEN programme (€6 million, 2004–2006). This project also includes training of network administrators and telecentre managers. **Finland** supported a study by the International Telecommunications Union of Asian ICT strategy; and also supports with the EDF the ICT activities of the UN Economic Commission for Africa, and of SADC. The **UK's** Catalysing Access to ICTs in Africa (CATIA) project is a £9 million programme of support for new regulatory frameworks and capacity development (2003–2006). **Spain** and **Portugal**, in partnership with Global Development Learning Network (GDLN), support distance learning centres for Latin America and East Timor/Angola, respectively.

Source: Financing ICT for development: the EU approach and PCD questionnaires

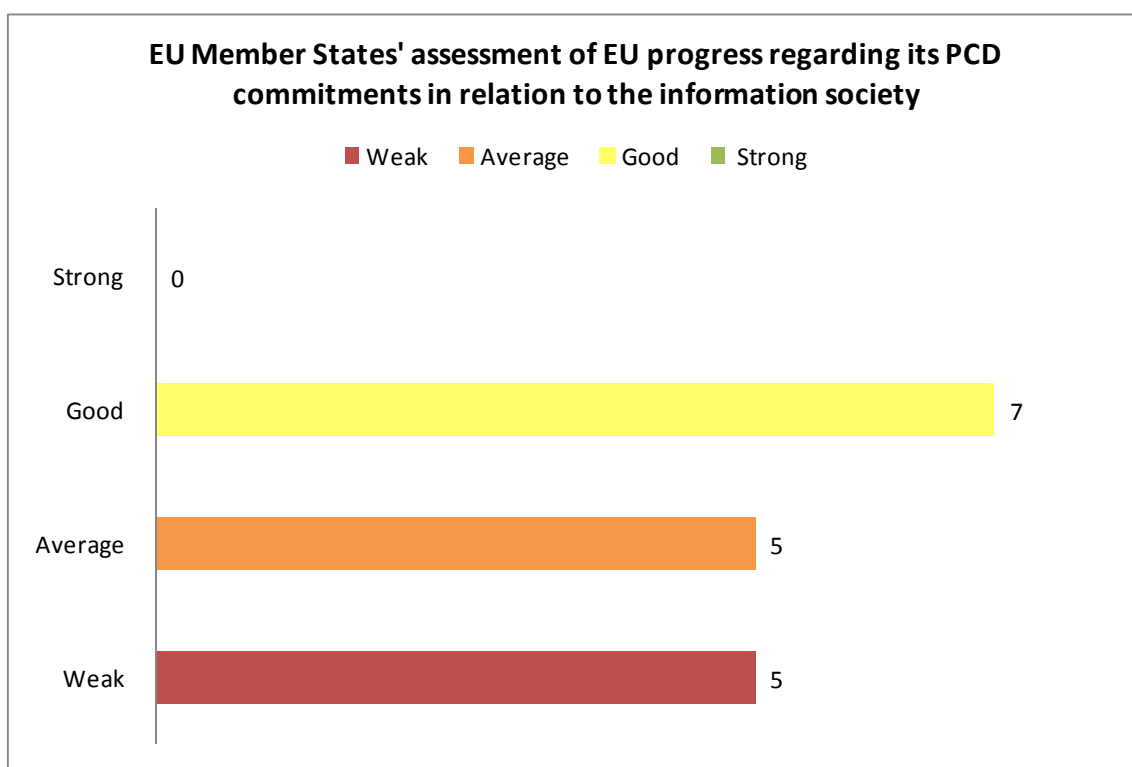
3. Assessment

There is limited awareness of the potential impact of ICT policies on development amongst EU Member States. The overall assessment of the progress made in this area is slightly above “average” as shown in the figure below.

While ICTs can be a powerful tool to contribute to development, they can also be a factor contributing to widening the North-South gap, as well as the divide between info-rich and info-poor. Policies and positive measures are therefore needed to promote harmonious and balanced development of the information society in developing countries. Yet ICTs are usually not perceived by partner countries as a priority in fighting poverty. This is reflected in the fact that ICTs are not a programming priority for the Commission in any developing countries. Furthermore, the analysis of the new CSPs of developing countries reveals that apart from Latin America, where seven countries mention information society, the information society does not seem to be considered a major PCD issue. Indeed, only seven other countries mention the information society (Azerbaijan, Botswana, China, Georgia, Niger, the Seychelles and Ukraine). These figures show that, in spite of the

existence of an EU policy framework and a number of encouraging initiatives, there is room for the EU to further strengthen its actions regarding its PCD commitments in relation to the information society.

One important factor that must be taken into consideration is that support to and investment in ICT cannot be conceived as a stand-alone operation, as shown *inter alia* by the great number of countries (over 90 according to UNDP) that have adopted e-strategies. The European experience shows that the involvement of public authorities, based on a comprehensive information society strategy, is essential to create the right context. This includes the creation of a favourable regulatory environment and fair market conditions capable of attracting private investors, as well as the adaptation of the education and training system in order to foster the emergence of an ICT-literate society and an ICT-skilled workforce. To this end, policy dialogue and support for capacity building should be further promoted at both regional and national level, in particular in Sub-Saharan Africa. This should be based on strengthened coordination with key international organisations, such as ITU and the World Bank, and with the main development stakeholders.



In the field of research, the most successful initiatives are those based on the use of research and education networks, which allow researchers from developing countries to interact with their European counterparts and thus to operate on a truly global scale. Such actions need to be further developed and promoted in other developing regions, notably Sub-Saharan Africa.

Furthermore, developing countries' participation in the Information Society Technology (IST) activities of the 6th Research Framework Programme has remained marginal. In particular, the participation of Sub-Saharan African organisations, not including South Africa, makes up less than 2% of the total international participations to the programme. Thus, specific international cooperation actions targeting developing countries based on common research priorities need to be further promoted under the 7th Research Framework Programme in order to foster scientific partnerships with a sizable impact.

4. Outstanding Issues

- A comprehensive and coordinated approach should be promoted to fight the digital divide in developing countries through complementing investments in ICT infrastructures by a coherent set of capacity-building measures. This should notably be achieved in exploiting synergies with the EU i2010 initiative, in particular in the fields of regulation, human capital and ePolicies.
- Follow-on measures are required regarding ICT research initiatives in the fields of e-health, disaster management and prevention, language technologies, open source and adoption of ICT and the further promotion of developing countries' participation in the 7th Research Framework Programme. This should be achieved through the inclusion of SICAs (Specific International Cooperation Activities) in the next ICT/FP7 Work Programme for 2009-2010.
- The EU should support the deployment of research and education networks to other developing regions, notably Sub-Saharan Africa, and their interconnection with GEANT, the pan-European education and research network.
- The WSIS targets have an important function, as they are the first globally agreed targets to measure ICT development. However, they are broadly defined and need specific indicators that are internationally comparable and pertinent to a wide set of countries. The EU should ensure that such indicators are agreed within the WSIS follow-up process.
- The digital divide has moved from phone lines to Internet subscribers and broadband access. The price of international bandwidth, in particular, is blocking the growth of Internet-based companies and services. The EU should assist with the deployment of high bandwidth interconnections for developing countries, for instance under the EU-Africa Infrastructure Partnership.
- New wireless technologies offer great potential for bridging the digital divide. There is a need, however, to look for economies of scale – which means agreeing common spectrum allocations worldwide – and to have common approaches to spectrum management moving away from the current 'command and control' system towards greater flexibility in spectrum allocation¹⁰³. The Commission expects to issue a Communication on this issue during 2008.

¹⁰³ See for example COM (2006) 334 final.

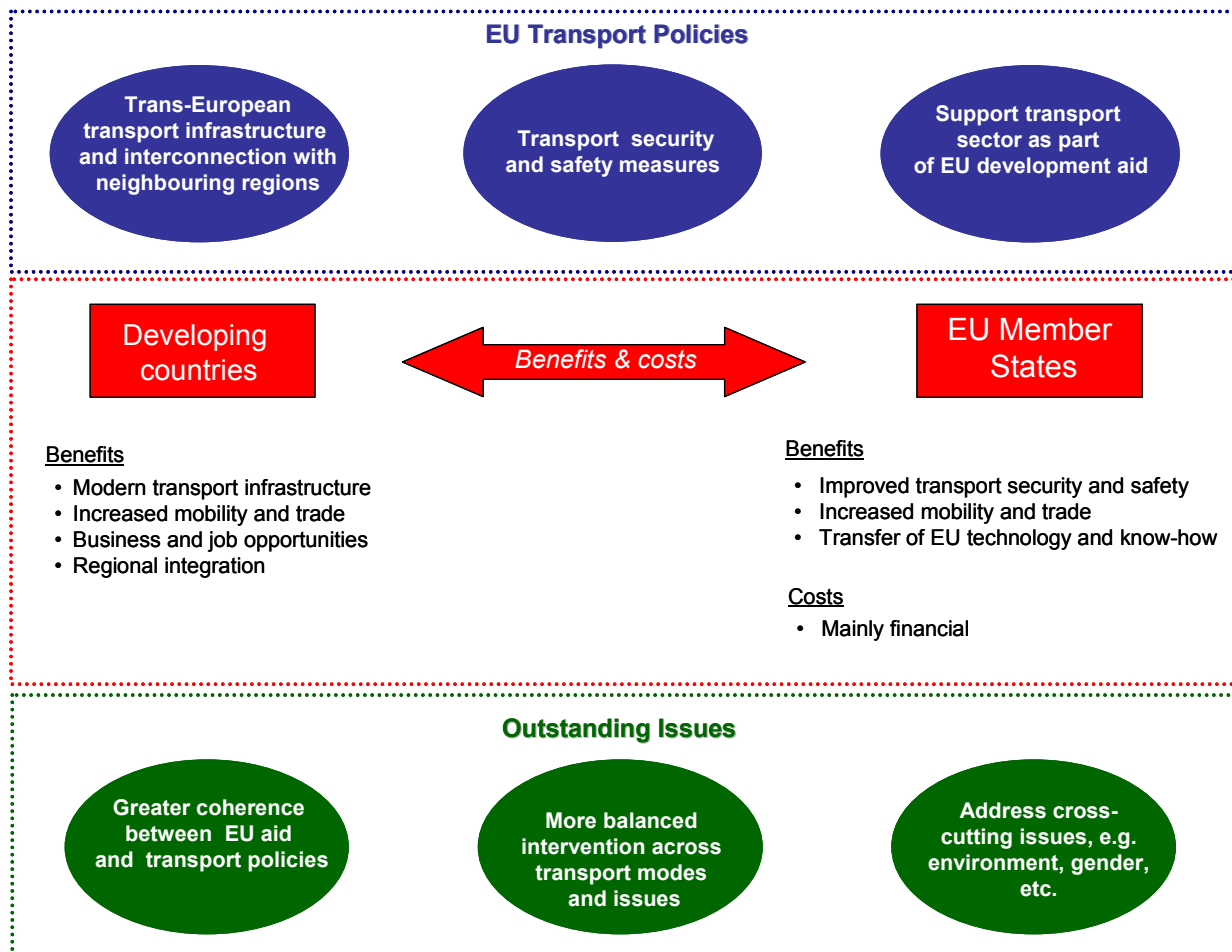
3.11. TRANSPORT

The provision of an effective and efficient transport infrastructure is a key element underpinning competitiveness, economic growth and social development. Yet access to such infrastructure is lacking in developing countries, particularly in least-developed countries, and amongst them landlocked and insular countries. While transport is not specifically included in the MDGs, well functioning land, maritime, inland waterway and air transport infrastructures are a necessity for achieving the MDGs.

The OECD-DAC confirmed that tackling the challenges of infrastructure and related services can effectively contribute to attaining and sustaining the 7% growth rate it considers necessary for achieving the MDGs¹⁰⁴. For example, a good road network providing access to and from remote areas is both necessary to improve food security by facilitating food distribution, and to facilitate school attendance by making it easier for children to reach school and for teachers to accept to work in

Quick Facts

1. IMF estimates that average spending on infrastructure in low-income and lower-middle-income countries may have to almost double from the levels of the 1990s (when such spending fell by 2 to 4% of GDP) to bridge the gaps in the availability and quality of key infrastructure.
2. Much of the additional aid recorded by OECD in 2005 (a 13% real increase over 2004) was targeted on improving infrastructure, in the transport, communications and energy sectors.
3. The 9th EDF devoted over €2 billion to transport (almost a third of programmable country aid available to the ACP), mostly for Africa, of which close to 90% went to road transport). This represents about 90% of overall EC funding of transport.



¹⁰⁴ DAC Network on Poverty Reduction, *Four Guiding Principles for Using Infrastructure to Reduce Poverty*, in 'DAC Guidelines and Reference Series Promoting Pro-poor Growth: Policy Guidance for Donors' 2007.

rural areas. Similarly access to health services depends on roads and transport services.

However, financing and managing the major and cost-intensive infrastructure investment required to meet the needs of growing populations, both for transport and other sectors like water and energy, is often beyond the means of governments in developing countries, particularly in the least-developed ones. At the same time, the private sector – both domestic and foreign – has often been too weak and/or relatively reluctant to contribute to transport infrastructure funding, notably in Sub-Saharan Africa. Thus, while there are signs that the private sector may become more active in some sectors such as ports and railways, governments will continue to rely on donors for a major part of such investment, especially in roads.

Developing countries also suffer from a lack of infrastructure-related services such as navigation and tracking aids for air and maritime transport. This leads to increased safety and security risks that divert international traffic and thus reduce the potential economic benefits of such traffic (e.g. over-flight fees, employment, etc.).

1. Policy Framework

Internal Dimension and its External Projection

The original focus of EU transport policy was to facilitate the achievement of the European internal market by precluding discrimination of transport operators based on national grounds. It evolved through the addition of new objectives concerning trans-European infrastructure, environmental sustainability, safety and social concerns, including more recently a security strand.

The EU has established an effective and efficient transport infrastructure within its borders with the support of its Trans-European Transport Network (TEN-T) initiative. The initiative has proven to be a key factor in the operation of the internal market, fostering economic growth and social development. The progress made also includes quality aspects such as improved network connectivity, inter-modal services, security and safety issues, environmental concerns, and the use of new technologies and promoted competition in transport services.

Reflecting the global nature of transport issues¹⁰⁵, the internal market has an external projection on issues such as the representation of the EU in international bodies with a view to setting international standards, aviation agreements, for instance with the USA or developing countries, or cooperation in an international project such as Galileo.

The global nature of transport issues is underlined in the 2001 White Paper on 'European Transport Policy for 2010: time to decide'¹⁰⁶, which calls for steps to help the Commission assert European principles and objectives on transport in international fora such as the International Civil Aviation Organisation (ICAO) and the International Maritime Organisation (IMO). The Mid-Term Review of the 2001 White Paper¹⁰⁷ envisages the further development of international regimes which would lead to the improved conformity of developing countries' transport policies with international policies and standards.

¹⁰⁵ E.g. COM (2005) 79 final of 11 March 2005 on Community's external aviation policy.

¹⁰⁶ COM (2001) 370 final of 12 September 2001.

¹⁰⁷ COM (2006) 314 final of 22 June 2006.

External Dimension

Regarding developing countries, the EU adopted in 2000 a Communication on 'Promoting sustainable transport in development cooperation'¹⁰⁸, which was endorsed by the Council in June 2001. This sets the policy framework for supporting the development of the transport sector in developing countries, and includes guidelines on the optimal use of aid funds in the sector. It is valid for all transport modes – roads, railways, air, maritime and waterway transport as well as services to facilitate movement of goods and people. The approach is based on a framework of principles and policies agreed to be essential for achieving transport sector development goals – in summary, a sustainable transport system which contributes effectively to economic growth, poverty reduction and regional integration, is safe, affordable and efficient, and has minimal negative impact on the environment.

The EU sector approach argues strongly for the adoption by partner governments of sustainable transport sector strategies which cover all transport modes, are integrated into Poverty Reduction Strategies, worked out with all sector stakeholders (including the private sector and donors), and articulated through unified medium-term sector plans/programmes bringing together all financing sources in the sector. In line with this strategy, the Commission, through its Delegations, takes a leading role in transport sector dialogue and in sector programme preparation in many developing countries, particularly in Africa, including ensuring close coordination with EU Member States and other donors. The Commission also organises periodic sectoral experts' meetings with EU Member States at headquarters level to ensure regular coordination on the EU sectoral approach for transport.

The success of this policy approach depends heavily on partner countries' readiness to adopt reforms and implement policy changes (e.g. liberalisation of markets, commercialisation of ports, airports and air transport providers). At regional level, support is provided to regional organisations to promote the facilitation of regional transport systems and hence trade, and to remove regulatory obstacles to the movement of goods and people which slow down or reduce domestic or cross-border traffic.

The new European Neighbourhood Policy places emphasis on cooperation with neighbouring countries for the development of integrated transport networks. In the air transport sector, a European Common Aviation Agreement was signed in June 2006 with the Western Balkan partners through which they will become part of the EU single aviation market. The experience gained in extending the TEN-T to third countries shows the need to identify key cross-border links and network bottlenecks within more broadly defined long-distance continental corridors so as to ensure proper interconnections. In the case of railways it is necessary to improve the interoperability of the infrastructure and equipment. In all cases, but particularly for ports and airports, it is important to avoid duplications of costly infrastructure and equipment by some degree of division of labour. In addition, proper maintenance of the existing infrastructure is essential.

Another important dimension of transport relates to the EU's efforts to identify innovative sources of financing for development, and in that context the decision by France and the United Kingdom to jointly devote estimated annual revenues of more than €200 million from an airline ticket tax to an International Drug Purchasing Facility (UNITAID).

¹⁰⁸ COM (2000) 422 final of 6 July 2000

2. Practical Steps

EU Transport Cooperation with ACP countries and the African Union

Historically, partner countries in Africa have often given higher priority to transport in their EC-financed programmes than have developing countries in other regions. For example, under the 9th EDF, the EC devoted over €2 billion to transport, mostly for Africa, which amounted to almost a third of total programmable aid available to the ACP.

Complementary to the EDF's geographical programmes, the Commission proposed the establishment of an EU-Africa Partnership on Infrastructure¹⁰⁹, which was approved by the Council in October 2006. The objective of the partnership is to support programmes that facilitate interconnectivity at regional and continental level in Africa, and thereby strengthen regional integration. The Partnership is supported by an Infrastructure Trust Fund, established in April 2007 in association with the European Investment Bank (EIB) and with the participation of interested EU Member States. The Trust Fund will concentrate on supporting investment in trans-boundary infrastructure in the widest sense – transport as well as water, energy and ICT infrastructure and connections which are coherent with AU/NEPAD continental plans. Commission grant funding will be used to stimulate and leverage funding from development finance institutions. The Trust Fund will receive €60 million from intra-ACP resources and the EIB is planning loans of between €220 and €260 million for the period 2006-07. The EU-Africa Infrastructure Partnership demonstrates the EU's commitment to infrastructure as a tool for poverty reduction in African countries.

The Commission also provides major support to the Sub-Saharan African Transport Programme (SSATP), which assists African governments to develop effective transport policies, in collaboration with other donors (e.g. Denmark, France, Sweden and UK). The programme aims *inter alia* to ensure that the 35 African members anchor their transport sector strategies into their poverty reduction strategies.

EU Transport Cooperation with Other Developing Countries

Civil aviation programmes in North Asia, South and Southeast Asia aim to promote safety and security through training civil aviation authorities, national administrations and local operators such as controllers and aviation companies. The projects were defined in close coordination with the civil aviation authorities of the countries concerned. They address various themes, such as airworthiness and flight standards, regulatory work, etc. The projects are based on an analysis of regulatory differences in design, manufacturing, maintenance, operations and licensing for aircraft, helicopters and engines, with the objective of understanding the respective rules and their interpretations. The concerned countries in Southeast Asia are China, Mongolia, Republic of Korea, Democratic People's Republic of Korea, Brunei, Cambodia and Indonesia, in South Asia they are Bangladesh, Bhutan, Nepal, Pakistan, Sri Lanka and the Maldives.

In the Mediterranean, the Transport Ministers Group of the Western Mediterranean (GTMO) was created in 1995 with the objective of advancing regional cooperation in transport in the Western Mediterranean and contributing to the process of the Euro-Mediterranean Association in this sector. The members of the GTMO are the ministers responsible for transport of 10 countries (Spain, France, Italy, Malta, Algeria, Morocco, Portugal, Tunisia, Libya and Mauritania) and the European Commission.

¹⁰⁹ COM (2006) 376: Interconnecting Africa: the EU-Africa Partnership on Infrastructure

The cooperation activities of the GTMO include the following priorities: (i) definition and development of a multimodal transport network in the Western Mediterranean, which places the emphasis on its interconnection with the Trans-European Transport (TEN-T) network and with the networks of neighbouring countries; (ii) identification of financial sources and modalities for infrastructure development; (iii) improvements in the legal, institutional and operational framework in the sector with a view to establishing a free trade zone; and (iv) establishment of a database and systems which allow the regular identification of priorities in the region.

Global EU Transport Initiatives

Non-aid EU actions that are relevant to transport in developing countries are largely derived from the EU's concern to apply high environmental, social, safety and security standards to the aircraft, ships and land vehicles that enter its territory and to its own fleets. Thus, the EU is committed to improving international standards issued by the international organisations such as the International Maritime Organisation (IMO) and the International Civil Aviation Organisation (ICAO), and the level of compliance with those standards achieved by IMO and ICAO member countries, including developing ones.

Regarding maritime transport, the EU supports IMO measures such as the proposed IMO system for port inspections of all ships. It also implements its own EU measures to improve environmental standards and safety of ships, for example to avoid the risk of oil spillages or other environmental hazards arising from the use of old ships not meeting international standards. Also important in this respect is the creation of the European Maritime Safety Agency (EMSA), whose goal is to contribute to reducing the risk of maritime accidents, marine pollution from ships and the loss of human lives at sea.

The adoption by the EU of the ILO Maritime Labour Convention of 2006 will have an impact on the labour standards on board vessels, whatever the flag and nationality of the crew. Once it enters into force, it will contribute to providing better working and living conditions on board as well as creating fairer conditions of competition and improving maritime safety. Given this Convention's importance for the maritime sector, the Commission is now urging swift ratification by Member States and supporting the social partners in their efforts to reach an agreement pertaining to implementation of the Convention in the EU.

As far as air transport is concerned, the Commission envisages the negotiation of horizontal aviation agreements in order to bring existing bilateral air services agreements between the EU Member States and developing countries into legal certainty and to prepare the basis for further cooperation. With Africa, the EU's objective is to work with the African Union, regional economic communities (UEMOA, SADC, CEMAC) and the main EU aviation partners (notably South Africa). Increased cooperation could include institutional capacity building in general and technical assistance in the area of aviation safety, security and air traffic management.

Air safety in Africa

The EU blacklist process has highlighted the particular problems of eight African countries (Sudan, Rwanda, Angola, Democratic Republic of Congo/DRC, Equatorial Guinea, Liberia, Sierra Leone and Swaziland) by banning some or all their airlines from the EU. Given the close inter-linkages between EU and Africa in aviation, both in terms of flights (most flights to/from Africa are via Europe) and in terms of the airlines involved (many are fully or partially European-owned), there is a strong case for cooperation. This is already being pursued via policy dialogue with the AU and REC, the provision of technical assistance to the Agency for the Security of Air Navigation in Africa and Madagascar (ASECNA), as well as some cooperation projects, for instance to strengthen civil aviation authorities in the DRC. An ICAO-led programme to support the aviation sector in Africa is under discussion with the AU and donors, and may provide an appropriate framework for considering further support, possibly at a continental or regional level

The Commission also aims to improve air safety, for instance by supporting projects of the Cooperative Development of Operational Safety and Continuing Airworthiness Programme (COSCAP). Regarding EU measures, the Commission, in consultation with Member States' aviation safety authorities, regularly updates a list of airlines banned from operating in Europe – a majority of which are from Africa. This acts as an incentive for these companies to improve their safety standards. In addition, the EU has created a European Aviation Safety Agency (EASA), whose mission is to promote the highest common standards of safety and environmental protection in civil aviation.

Furthermore, the Commission envisages extending the European satellite navigation services (GALILEO/EGNOS), the EU air traffic management modernisation programme (SESAR) and the Single European Sky Initiative. These projects may contribute to a positive catalyst effect for developing countries by shortening travel times, reducing accidents, transferring knowledge and creating job opportunities for the local population.

Member States' Contribution to PCD in Transport

Due to their geographical position in Europe, EU-12 Member States have a specific, double interest in the transport sector. First is the integration of their national transport networks with that of other Member States. Second, these countries intend to play a role in the transport inter-connectivity process with EU-bound external transport networks. This is the case, for instance, of **Bulgaria, Lithuania and Slovakia.**

In Bulgaria the Ministry of Transport is building on a recently completed project funded by the EC to further develop a network for intermodal transport, which includes modernisation of existing and establishing new intermodal terminals. In parallel Bulgaria is a signatory to several bilateral agreements on international combined transport of goods, with Albania, Armenia, Azerbaijan, Georgia, Uzbekistan, Serbia and Montenegro. In these agreements financial incentives are provided and concrete measures contracted at intergovernmental level to promote of inter-modal transport.

Lithuania regularly organises meetings of the Ministries of Transport of Lithuania, Moldova, Ukraine and Belarus, including representatives of customs. The initiative's aim is cooperation and exchange of information and experience on optimisation of freight carriage by road and railway transport.

For the period 2007-2013, Slovakia has planned the establishment of four public inter-modal transport terminals within the Transport Operational Programme. They will strengthen regional integrated transport strategies and promote regional trade with EU and third countries.

In the area of transport safety, EU Member States, such as the **UK, Sweden and Germany** support high-level policy dialogue at regional and international level. For instance, they support the Global Road Safety Partnership (GRSP), the main global body which brings together stakeholders working on road safety issues. National EU companies are also actively involved in these for a, as is the case of the main Swedish and German car manufacturers in GRSP.

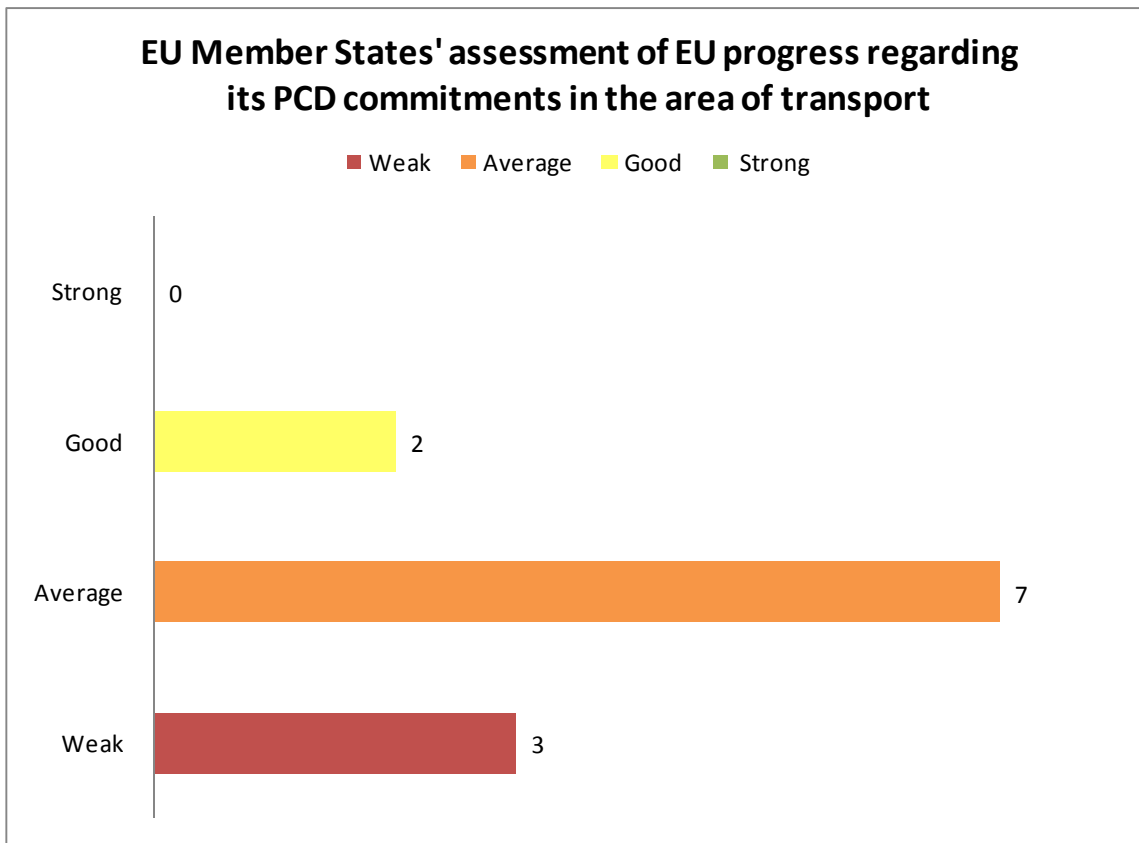
These standards protect all transport users and transport workers, including those from developing countries, whenever they use the EU transport system or its air and sea fleet, or whenever they buy transport aircraft, ships or vehicles, sometimes with favourable commercial conditions or even development aid involved.

3. Assessment

There are no conflicts between the orientation of EU development and transport policies, but rather complementarity. This is reflected by the fact that transport is not mentioned very often as a relevant PCD issue in the new CSPs of partner countries (nine times in the case of ACP countries, and 13 times in the case of other developing countries) and they mention mostly general issues such as safety. There are, however, some more specific mentions of cooperation in the civil aviation sector by a few countries (e.g. China and Mexico).

EU transport policy is mainly relevant to the air and maritime transport sectors in developing countries, particularly from the safety angle. As for EU development policy, it takes a more sector-wide multi-modal approach and is in operational terms focused more on road transport. Another important dimension is the interconnectivity of Trans-European Transport Networks with EU-bound external networks, which is a shared interest of the EU and third countries. This being said, a large majority of Member States rate the EU PCD commitment in the field of transport as 'average'.

The most recent evaluation of transport aid carried out by the Commission in 2004 and covering the period 1995-2001, found that "significant progress had been made by the Commission towards a sectoral approach in many ACP countries, where the clear majority of funds had been spent during the period under review (1995-2001)". However, the Report recommended inter alia that the EC approach should be based consistently on a multi-modal sector definition of transport and take a comprehensive view of logistic chains, as well as giving more attention to the protection of the environment, the promotion of transport safety, and the integration of gender issues. It was also noted that in some countries and regions an imbalance in types of support remains, resulting in a lack of appropriate attention to institutional and legislative accompanying measures, as well as to the maintenance of existing infrastructure.



Some Member States, including the **UK, Sweden and Bulgaria**, propose to increase the emphasis on cross-cutting issues such as environment, rural access and urban transport, gender and HIV/AIDS. The aim is to strengthen infrastructure initiatives by building up a stronger development agenda. A good precedent that is cited is the preparation of the EC Maritime Policy Green Paper that seeks to strike the right balance between the economic, social and environmental dimension of sustainable development in the international context.

Successful promotion of transport safety and security issues will require an intense policy dialogue with developing countries to avoid giving the impression of exporting EU transport regulations. This will be achieved by the sustained involvement of EU with ICAO and IMO to bring about improvements in air safety outside the EU.

Interestingly, not all Member States have given a score to the EU PCD commitment in transport. This could point to a possible 'difficulty' by some Member States in understanding the policy coherence dimension in the transport sector. One Member State noted that 'if the Transport Working Parties are supposed to analyse legislation and other documents from a PCD point of view, the general knowledge about PCD has to be improved. The members of the Transport Working Parties have to be informed about the PCD goals'. It was also noted that the transport section of the PCD Work Programme was discussed only by one of the four Transport Working Parties through written procedure and no comments were made, a sign that the PCD Work Programme was given little consideration.

4. Outstanding Issues

- Improving complementarity between EU aid and transport policies by raising awareness on PCD issues related to transport among EU practitioners. This would in turn allow for an improved, coherent policy dialogue on transport with partner countries, particularly in Sub-Saharan Africa, and also encourage partner governments and regions to integrate PCD issues into their sector programmes.
- A more balanced intervention logic targeting all transport modes (i.e. road, rail, air, seaports), operation and maintenance costs ensuing from new infrastructure, as well as regulatory framework and institution building, taking full account of partner countries' specific characteristics.
- Addressing transport cross-cutting issues, i.e. environment, rural access and urban transport, gender and HIV/AIDS.

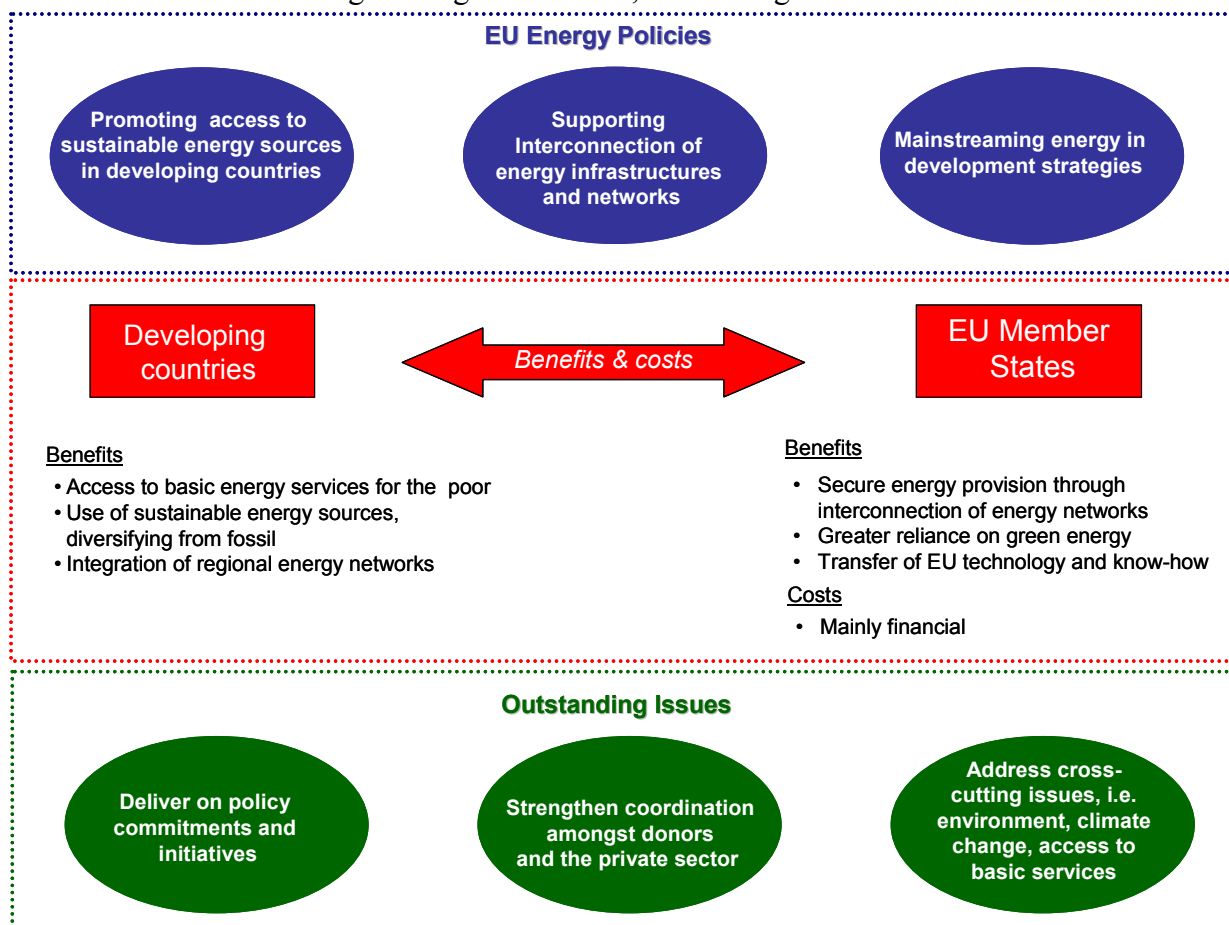
3.12. ENERGY

Even though it is not explicitly included in any of the MDGs, the energy sector is unanimously recognised by the international community as a key factor in achieving them. For the two billion people in the world who rely on traditional biomass fuels for cooking and/or have no access to modern energy services, electrification and the availability of clean cooking fuels could substantially improve sanitary and health conditions and increase standards of living¹¹⁰.

Electricity is critical for production and income generation, as well as for providing basic social services, including education and health. Lack of electricity limits productive activities, the number of study hours and access to educational media and communication tools, and limits sterilisation, access to clean water and refrigeration of essential medicines. Moreover, a link exists between the provision of modern and affordable energy services and the promotion of gender equality by freeing girls' and young women's time from survival activities such as gathering firewood, fetching water and manual farming.

Quick Facts

1. In 2001, coal was responsible for 66.6% and 63.3% of electricity produced in Sub-Saharan Africa and Asia Pacific, compared to only 37.9% in OECD countries. Some 600 million Africans do not have access to electricity.
2. Renewable energy currently provides 13% of the world's energy needs. The main sources of renewables are geothermal and hydro-electric power and biomass.
3. Algeria is the third-largest supplier of gas to the EU, after Russia and Norway. 60% of world's gas is concentrated in three countries: Russia, Iran and Qatar.
4. About 70 out of 150 developing countries have embarked on reforming their power markets since the early 1990s.



¹¹⁰ "The World Energy Assessment: Overview - 2004 Update" – UNDP, UNDESA and World Energy Council. See: <http://www.undp.org/energy/weaover2004.htm>

Considerable efforts have yet to be made to allow people in developing countries, particularly in South Asia and Sub-Saharan Africa, to have access to the modern energy services that are considered standard in high-income countries.

1. Policy Framework

In July 2002, the Commission adopted a Communication on 'Energy cooperation with the developing countries'¹¹¹, which sets up a comprehensive policy framework for energy cooperation with developing countries, with a focus on poverty reduction, security of supply and environmental protection. Renewable energy policies often prove to be cost-effective, including for meeting rural electricity needs. Through policies addressing economic, security or local environmental concerns, many developing countries already make efforts that result in significant reductions in the growth of their GHG emissions. There are many policy options for developing countries, where benefits outweigh the costs and air quality policies that considerably improve people's health or address low productivity of energy use.

Reflecting the cross-cutting nature of energy and its importance for development, the EU then launched several initiatives linking the energy sector to development. The most notable one is the EU Energy Initiative for Poverty Eradication and Sustainable Development (EUEI), which was launched at the 2002 World Summit on Sustainable Development (WSSD). The EUEI is a joint effort of the Commission and Member States aimed at supporting the provision of adequate, affordable, sustainable energy services to the poor.

The EUEI is an important vehicle for coordination and synergies between EU Member States and the Commission, as well as for dialogue with development partners. It led to the inclusion of energy as a priority area in the European Consensus and to the creation of a number of specific instruments, such as the ACP-EC Energy Facility, the COOPENER Programme and the Member-State-funded Partnership Dialogue Facility (PDF). Following the WSSD, the EU also launched the Johannesburg Renewable Energy Coalition (JREC), which is a high-level initiative focusing specifically on renewable energy issues and complementing the EUEI and other EU-led energy partnerships¹¹².

In January 2007 the Commission issued a Communication titled 'An Energy Policy for Europe'¹¹³, an initiative aimed at delivering sustainable, secure and competitive energy to all EU Member States. This Communication also states that it is aimed at "integrating Europe's energy and development policies in a 'win-win' game". Specifically, the EU will support developing countries in promoting sustainable and secure supply and use of energy. The result of the EU action would be of a "win-win" situation because developing countries, particularly in Africa, would benefit from the EU's efforts to diversify energy supply and to develop energy efficient and renewable energy technologies, which is of vital importance for both Europe and developing countries.

¹¹¹ COM (2002) 408

¹¹² As of March 2005, JREC counted 91 member governments, including 57 developing countries. JREC members are committed to cooperate on the basis of national and regional targets and timetables towards achieving a significant increase in the share of renewable energy in the global energy mix as agreed at the WSSD.

¹¹³ COM(2007)1 final of 10 January 2007.

2. Practical Steps

EU Energy Cooperation with ACP Countries and the African Union

To follow-up on the EUEI commitments, the EU and ACP countries agreed in 2005 to create an EC-ACP Energy Facility which aims to improve access to sustainable, modern and affordable energy services, including energy efficiency and renewable energy. This will, in turn, strengthen economic growth and improve social conditions in ACP countries. The Energy Facility is now close to completing its first call for proposals, and will allocate €198 million as co-financing to about 80 projects. The proposals will aim to improve energy access, applying a number of different energy systems and delivery mechanisms, including renewable energy and energy efficiency, and involving a wide number of actors from local authorities, private sector, utilities and civil society.

The future development of the EC-ACP Energy Facility will be linked to the EU-Africa Infrastructure Partnership, which was approved in 2006. In the energy area, it aims to facilitate investments essential for generation, cross-border interconnections, grid extension and rural distribution. This will be done applying a balanced approach combining, on the one hand private investment in energy infrastructures, and on the other hand government action aimed at creation a favourable regulatory environment at the regional and continental level. The Infrastructure Partnership will be supported by a new EU Infrastructure Trust Fund for Africa, set up together with the European Investment Bank (EIB). The Trust Fund covers transport, energy, water and ICT. It will receive €60 million from the 9th EDF, and so far Member States have contributed €27 million. This is expected to release €260 million in loan financing from the EIB. Significant additional resources for the Trust Fund are expected to be made available from 2008.

The importance of the energy cooperation between the EU and Africa was also highlighted by the joint EU-Africa Ministerial Troika, which in October 2006 called for a comprehensive Africa-Europe Energy Partnership. The Partnership, which is to be launched as one of the flagship initiatives at the EU-Africa Lisbon Summit in December 2007, will be a framework for policy dialogue on security of supply, energy access and climate change. It should mobilise increased investments in the African energy sector, including from European and African sources, and promote transparency of energy markets and respect for good governance. The main elements of the Energy Partnership are outlined in the Council Conclusions of 14 May 2007 on 'Energy Cooperation between Africa and Europe'.

It is also envisaged to hold an energy conference bringing together partners from the EU, Middle East and Africa before the end of 2007 to discuss key areas of mutual interest and the possibilities for practical cooperation in the energy sector.

EU Energy Cooperation with other Developing Regions

The EU has been participating in the development of the energy sector in other developing countries in its immediate neighbourhood as well as in Asia and Latin America.

It has been involved in energy sector development in the countries of Eastern Europe (see box on the Athens Process below), the Caucasus and Central Asia since their independence, particularly through the TACIS Programme. To take this cooperation further, a new initiative, the 'Baku Process', was launched in November 2004 with the aim of enhancing the energy relations between these countries and the EU based on gradual energy market integration. Energy partnerships were

also developed between the EU and Azerbaijan and the EU and Kazakhstan in the form of memoranda of understanding on energy signed in November 2006.

Energy cooperation between the EU and the countries of the Southern Mediterranean has been developed in the framework of the 'Barcelona Process' from November 1995 onwards, aiming to promote the integration of energy markets, the development of interconnected gas and electricity rings, as well as the development of sustainable energy. Enhanced energy relations are being developed with Algeria and Egypt.

Since 2004, the Mediterranean Partners and the countries of Eastern Europe and the Caucasus have been included in the European Neighbourhood Policy, under which bilateral action plans were developed. These include a comprehensive energy chapter.

In Asia, the EC and the Association of Southeast Asian Nations (ASEAN) launched an EC-ASEAN Energy Facility (EAEF) with the aim of facilitating partnerships between ASEAN and European organisations in developing specific joint regional projects in the energy sector. This initiative, which benefits from €18 million worth of EC support, launched its first projects in 2003 and came to an end in December 2006. Exploratory talks for an enhanced energy dialogue with ASEAN are currently underway. As far as bilateral cooperation in Asia is concerned, dialogue is ongoing with China, India and Japan.

The Athens Process for the creation of the Southeast Europe Regional Electricity Market (REM)

<http://www.seerecon.org/infrastructure/sectors/energy/rem.htm>

In addition to focusing on the development of energy infrastructure networks, the countries of Southeast Europe started in 2002 to cooperate on the creation of a regional electricity market (REM). The Commission has spearheaded work in this field and proposed that the countries open their national electricity markets by 2005, based on the rules currently in force and being developed by the EU and integrated within the EU's Internal Electricity Market. In practice, this means that South Eastern European countries will have to establish compatible national electricity market models in line with the EU Electricity Directive (Directive 96/92/EC; OJ L 027 of 30 January 1997) and secondary EU legislation. This proposal was discussed in detail and a preliminary agreement was reached at the first Southeast Europe Electricity Regulation Forum (SEERF) held in Athens on 13 and 14 June 2002. A final agreement was reached in the Athens Memorandum of Understanding, signed 15 November 2002.

The Athens Process Initiative for Southeast Europe led to the signing of the Energy Community Treaty. The Energy Community, which came into force in July 2006, is strongly supported by the EU. The initiative for the establishment of a regional market in Southeast Europe is of significant importance. The introduction of a regional energy market can expand the mutual benefits of all countries involved and create a level playing field for the operation of the electricity sector and new investment opportunities.

In Latin America, the EURO-Solar Regional Aid Programme for Latin America¹¹⁴ aims to reduce poverty by enabling remote rural communities still without access to electricity, to benefit from renewable electric energy. The Programme's total budget amounts to €30 million of which 6 million will be provided by the Programme's eight beneficiary countries¹¹⁵. In addition, bilateral energy cooperation is being developed with Brazil and an Energy Policy Dialogue agreement between Brazil and the EU was signed on the margins of the International Biofuel Conference of 5 and 6 July 2007.

¹¹⁴ http://ec.europa.eu/europeaid/where/latin_america/regional_cooperation/euro-solar/index_en.htm

¹¹⁵ These are Guatemala, El Salvador, Honduras, Nicaragua, Ecuador, Peru, Bolivia and Paraguay.

Non-geographical EU Energy Initiatives

In addition to regional and country-specific energy initiatives, the EU also supports programmes that target poorest countries independently of geographical considerations. The COOPENER Programme was set up as the external component of the 'Intelligent Energy – Europe' (IEE) Programme¹¹⁶, which promotes policies, technologies and best practices in the fields of renewable energy and energy efficiency. COOPENER provides support for strengthening capabilities in developing countries so that local stakeholders and decision-makers can better specify their energy requirements, as well as for establishing appropriate legal frameworks and programmes for sustainable use of energy resources, and financing arrangements to attract investments. COOPENER was received very positively by the international energy and development community.

Running from 2003 until the end of 2006, with a €18 million budget, COOPENER co-financed 36 projects addressing the role of sustainable energy for poverty alleviation in the poorest countries of Africa, Asia and Latin America, with special focus on sub-Saharan Africa. Each project involves several developing countries and many will continue to produce valuable results until 2009.

The EC's new Thematic Programme on "Environment and Sustainable Management of Natural Resources, including Energy" (ENRTP), which started in 2007, contains a specific energy strand (COOPENER II). It will include institutional support related to improving access to sustainable energy services for poverty reduction in developing countries and regions. It will also support actions in emerging economies which aim to improve the security of global energy supplies and protect the global environment.

MEPRED - Mainstreaming Energy for Poverty Reduction and Economic Development into EU Development Assistance (<http://www.mepred.eu/>)

MEPRED is a COOPENER project funded under the EU Energy Initiative, which runs in the period 2005-2008. It applies a multi-stakeholder and multi-sector approach in order to mainstream energy for poverty reduction and economic and social development into national and regional development strategies and programmes. This approach aims to lay the foundation for bringing public support, both from developing country public authorities and from donors, to projects and programmes delivering essential energy services. Burkina Faso, Mali, Niger, Senegal and ECOWAS participate in MEPRED. Apart from COOPENER, the project is also co-funded by Denmark, France, Germany, the Netherlands and UNDP. In these African countries and ECOWAS, the project has:

- Identified energy services essential for achieving the MDGs in areas such as water, health, education, gender equality, rural development, etc.
- Made proposals for integrating energy into development strategies.
- Developed economic and financial models for energy service delivery.
- Proposed institutional actions for using local sustainable energy resources (notably biomass and hydropower).
- Developed institutional mechanisms to ensure that energy meets the needs of poverty eradication and national development.
- Provided training and built capacity for these activities.

Moreover, in October 2006 the Commission proposed the creation of a Global Energy Efficiency and Renewable Energy Fund (GEEREF) in order to support energy efficiency and renewable energy projects and businesses¹¹⁷. Indeed, this sector continues to face difficulties in raising

¹¹⁶ http://ec.europa.eu/energy/intelligent/index_en.html

¹¹⁷ Commission Communication on 'Mobilising public and private finance towards global access to climate-friendly, affordable and secure energy services: The Global Energy Efficiency and Renewable Energy Fund', COM (2006) 583 final of 6 October 2006.

sufficient finance for investment, particularly in developing countries. An estimated \$9 billion of risk capital is needed for renewable energy generation in developing countries by 2010. The GEEREF, which would be set up as a global public-private partnership, would provide risk capital and technical assistance to support renewable energy and energy efficiency project developers and small and medium-sized enterprises. The initial funding target is set at €140 million, including an EC contribution of €80 million from the ENTRP Programme over four years. Several international financial institutions and Member States have shown interest in co-financing the project. It is expected that GEEREF will be able to mobilise up to €1 billion in investment capital.

Finally, the Commission has also decided to join several international energy initiatives, namely the World Bank Global Gas Flaring Reduction Initiative (GGFR), which aims at progressively reducing gas flaring and venting of associated gas in oil-producing countries worldwide, and the Extractive Industries Transparency Initiative (EITI). The EITI supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining. Good governance is a precondition for converting large revenues from extractive industries into economic growth and poverty reduction. When transparency and accountability are weak, the extractive industries may instead contribute to poverty, corruption, and conflict – the so-called 'resource curse'. The EITI is an important step in defeating this 'curse'.

Member States' Contribution to PCD in Energy

Member States have had an active role in designing, programming and implementing most of the EU initiatives and partnership agreements described above, and their cooperation aid contributes directly to the PCD commitments in the energy sector. Key areas of intervention have been sustainable energy resources, energy efficiency and improvement of regulatory and institutional frameworks to foster energy network connection at regional level.

Four Member States have explicitly declared that a large share of the increase in their ODA resources has been directed to energy: (i) France increased its aid resources to energy from €120 to €800 million in the period 2002-2006; (ii) the Ministry of Industry and Trade in the Czech Republic financed projects in the field of energy amounting to 30% of its aid budget in the period 1996-2006; (iii) the Netherlands recently decided to provide an additional €200 million to its aid programme specifically earmarked for sustainable energy development; and (iv), in the last five years German financial cooperation commitments in the energy sector have accounted for some 20% of total development cooperation commitments.

In relation to energy and climate change, there are several initiatives worth mentioning using the Kyoto Protocol Clean Development Mechanisms (CDM). Sweden is currently running CDM projects in Botswana concerning biogas, in China on energy efficiency and wind power, in India on biofuels, and in Brazil on renewable energy. Spain uses CDM projects as a vehicle for transfer of lower-emitting technologies to developing countries in the areas of wind power and hydro technologies. Germany provides developing countries with a wide range of support to help them use CDM in cooperation with the private sector.

An important policy contribution by Member States concerns the special case of energy-producing developing countries. The Extractive Industries Transparency Initiative (EITI) is supported amongst others by the UK (it is housed by DFID), the Netherlands and Germany.

Examples of EU Member States' aid initiatives in Energy

Bulgaria is financing initiatives on interconnecting the electric power systems of the member states of the Organisation of the Black Sea Economic Cooperation. The objective is to establish rational and more effective production and utilisation of electric power in the region. Other projects in the pipeline are related to energy efficiency, renewable energy, as well as oil and gas transportation.

Finland has selected energy and rural electrification as a focus area of its cooperation with Kenya. Finland provides assistance in updating the Rural Electrification Master Plan and supports institutional development in this field. In Central America, Finland finances the Central American Partnership for Energy and Sustainable Development through an innovative guarantee instrument. The Partnership has supported more than 120 investment projects in renewable energy (photovoltaic). These projects could become a springboard to generate energy and environment related investments in the sub-region worth €200-300 million.

France has supported a programme of rural electrification in Morocco, including the provision of photovoltaic units in remote villages. In Africa, it has supported the establishment of a regulatory framework for the West Africa Power Pool. In China, it has financed several energy efficiency projects.

Germany is currently funding energy projects in about 40 countries for a total amount of €1.6 billion. The regional focus is on Asia and the themes are the use of renewable energies and the efficient use of energy. Energy is a priority area of development cooperation in seven countries in this region: Afghanistan, Albania, Bangladesh, Georgia, India, Nepal, and Pakistan. Germany has also established a credit facility to fund measures in the field of renewable energies and energy efficiency. With the aid of this facility, funding of up to €500 million will be provided between 2005 and 2009 to promote marketable technologies.

Greece is financing the upgrade of its electricity interconnection with Macedonia (Florina – Bitola) through the upgrading of the existing transmission line from 150 to 400 kV. The transmission line will start operating during the summer of 2007. Moreover, a new transmission line of 400 kV is under construction between Greece and Turkey (Alexandroupolis - Babaeski).

Italy has financed projects to promote access to sustainable energy in many partner countries. Recent examples are the Karnafuli Hydroelectric Power Station Project in Bangladesh and the Bumbuna Hydroelectric Project in Sierra Leone.

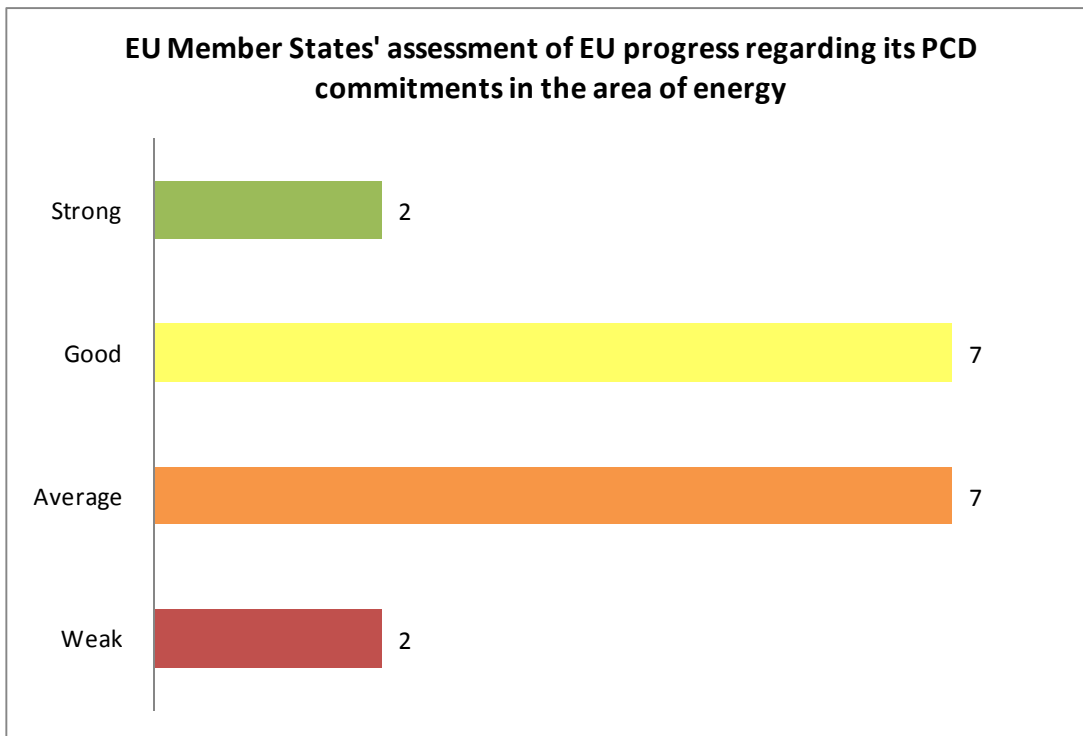
The **Netherlands** has set up output targets for its energy initiatives: to supply sustainable access to modern energy services to 10 million energy-poor people in developing countries, with the focus on Sub-Saharan Africa, before 2015. As a result, the supply of energy to 6.2 million people was contracted in 2007, while the remaining 3.8 million will be contracted by 2008. An example is the Dutch-German energy partnership 'Energising Development', co-funded by the Dutch Government and implemented by GTZ, which aims to give 3 million people access to modern energy. With the planned activities, more than 150 000 people will gain access to electric energy, 500 000 will live within the reach of social institutions with a modern energy supply, and 3 million will benefit from improved stoves up to 2008. Dutch funds are used in Africa, where most of the world's two billion people without access to energy live, either to supplement existing programmes and projects that GTZ is already supporting in the Netherlands' partner countries, or to initiate new projects.

Slovenia has signed a memorandum of understanding with Macedonia on a project for construction of a large number of small hydroelectric power plants. The memorandum also includes a project to reduce methane emissions from existing disposal facilities. A further project has been initiated for the restoration and reforestation of the Krivolak military testing ground in Macedonia.

The **UK** led the establishment of the Infrastructure Consortium for Africa (ICA), which is aimed primarily at promoting regional infrastructure, including electricity, oil and gas transmission. A secretariat, which includes DFID secondees, has been established in the African Development Bank. The UK would support closer and more collaborative working between the ICA, and the EU-Africa Partnership for Infrastructure could accelerate the development and implementation of projects.

3. Assessment

In the energy sector, the EU has made important steps towards PCD through initiatives at regional level as well as specific pro-poor programmes. The EU Energy Initiative for Poverty Eradication and Sustainable Development (EUEI) has played an important role in this respect by creating synergies between Commission and Member State policies and programmes, by facilitating dialogue with development partners and by creating a number of specific financial instruments. It will also play an important role in new major initiatives, particularly the EU-Africa Energy Partnership. These steps are positively acknowledged by Member States in their score for the EU PCD progress in the area of energy, with 50% of respondents giving a 'good' or higher score.



This overall positive assessment is based on the consideration that in the external component of its energy policy, the EU puts significant emphasis on geographically and thematically diversified relationships and dialogues with developing countries. This has been made possible by a shift in European energy policy from a rather narrow European focus and demand-driven perspective to a broader one covering issues such as an emerging energy partnership with Africa. This is considered by Member States to be a positive step that will contribute to achieving PCD commitment in the long run. The future challenge will be to combine the European demand-driven objectives in the energy sector with mutually beneficial partnerships between the EU and energy-supplying developing countries.

In this context, only one Member State expressed a specific criticism, stating that the PCD Work Programme does not contain sufficiently concrete actions on energy and that, despite some general statements on external relations, the Energy Council is still mainly concerned with internal EU energy issues.

The EUEI is considered by Member States to be the EU's main success story, including its COOPENER programme and the EUEI Partnership Dialogue Facility (PDF). This positive perception is based on the quality of the initiatives that the EUEI has helped finance in the area of renewable energy, energy efficiency and interconnectivity of energy networks. Several Member States requested that the EUEI receive additional funds in order to guarantee a critical mass for its intervention and to maintain its present quality. One Member State expressed concerns about the lack of formal status of the EUEI and its PDF. A possibility currently being debated is that the EUEI provide energy and development policy guidance to the Commission and the Council, with its PDF acting as a resource centre.

Other initiatives explicitly mentioned as positive by individual Member States are the ACP-EC Energy Facility and the forthcoming Europe-Africa Partnership on Energy. The Facility is seen favourably as it co-finances projects aimed at increasing access to modern energy services for the population of developing countries. The Partnership, announced under the German Presidency, is

considered important as it links several dimensions, including energy security and access to reliable and affordable energy sources away from fossil energies. In the Partnership, a supporting role will be given to another PCD area, i.e. climate change and the need to introduce mitigation and adaptation measures.

The Council Working Party on Energy has been criticised by Member States for not dealing with PCD issues. While Council Conclusions may touch upon external aspects and highlight the importance of developing countries, on the whole, the Transport, Telecommunications and Energy (TTE) Council mainly focuses on internal EU energy matters.

In fact, some Member States have highlighted the risk of development interventions in energy being sidelined due to the focus given to other priority sectors. According to Member States, the sidelining of energy in CSPs is also due to the fact that relatively few partner countries identify energy as a priority for EU assistance. The links between energy, development and growth are still not well articulated, although there is a wide recognition that energy supply and access must be improved to achieve development objectives.

Lack of awareness of the importance of energy as a PCD issue is confirmed by the analysis of the new CSPs of both ACP and other developing countries. Energy is mentioned as a relevant PCD area in only 12 countries (Algeria, Argentina, Azerbaijan, Botswana, China, Comoros, Egypt, Georgia, Niger, Syria, Swaziland and Ukraine). Furthermore, only the Pacific Island countries have set the use of renewable energies and energy efficiency as focal sectors in the context of the ongoing programming for the 10th EDF.

4. Outstanding Issues

- While the policy framework is largely in place and several policy initiatives are ongoing, efforts are still needed to turn political intentions into a reality at country level, for instance by giving higher priority to energy in EU country programmes, by facilitating the energy dialogue between partner governments, the Commission, Member States and other donors, and through implementing of specific actions. This would include taking the EUEI, a major success story, a step further by strengthening its financial and human resources. There are also high expectations regarding the launch of the EU-Africa Partnership for Energy, as it promotes cooperation on energy initiatives, emphasising African countries ownership. These expectations will have to be met.
- Using multiple and innovative assistance and financial mechanisms (i.e. partnerships, facilities, public-private partnerships) will require stronger coordination amongst donors. On infrastructure projects, development considerations should be matched by an industry-driven approach, based on economic considerations.
- Addressing cross-cutting issues such as environment, climate change, and poor people's access to energy services, including in rural areas, will be key to the overall success of energy initiatives in developing countries.

Annex 1 – List of Acronyms

| | |
|---------|---|
| @LIS | Alliance for the Information Society |
| ACP | Africa, Caribbean and Pacific |
| ACWL | Advisory Centre on WTO Law |
| ADEN | Appui au Désenclavement Numérique |
| AGETIP | Agence pour l'Exécution de Travaux d'Intérêt Public contre le Sous-emploi |
| AITIC | Agency for International Trade Information and Cooperation |
| ALICE | América Latina Interconectada Con Europa |
| AMIS | African Mission in Sudan |
| AMISOM | African Mission in Somalia |
| AMM | Aceh Monitoring Mission |
| ANAPEC | Agence Nationale de Promotion de l'Emploi et des Compétences |
| APF | African Peace Facility |
| ARAPKE | African Regional Action Plan on the Knowledge Economy |
| ASARECA | Association for Strengthening Agricultural Research in Eastern and Central Africa |
| ASEAN | Association of Southeast Asian Nations |
| ASEM | Asia-Europe Meeting |
| AU | African Union |
| BEANISH | Building Europe Africa collaborative Network for applying IST in Health care Sector |
| BMZ | Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung |
| CAP | Common Agricultural Policy |
| CATIA | Catalysing Access to ICTs in Africa |
| CBD | Convention on Biological Diversity |
| CDM | Clean Development Mechanisms |

| | |
|----------|--|
| CEMAC | Communauté Economique et Monétaire de l'Afrique Centrale |
| CEPS | Centre d'Etudes de Populations, de Pauvreté et de Politiques Socio Economiques |
| CEPT | Conference of European Posts and Telegraphs |
| CER | Certified Emission Reductions |
| CFP | Common Fisheries Policy |
| CFSP | Common Foreign and Security Policy |
| CGIAR | Consultive Group on International Agricultural Research |
| CICID | Interministerial Committee for International and Development Cooperation |
| CICS | Interministerial Committee for Development Cooperation |
| CIRCA | Communication & Information Resource Centre Administrator |
| CLS | Core Labour Standards |
| CMO | Common Market Organisation |
| CODEV | Working Party on Development Cooperation |
| COOPENER | Cooperation on Energy |
| CORAF | Conseil ouest et centre Africain pour la Recherche et le Développement Agricole |
| COREPER | The Permanent Representatives Committee (" <i>Comité des représentants permanents</i> ") |
| CSO | Civil Society Organisation |
| CSPs | Country Strategy Papers |
| DAC | OECD Development Assistance Committee |
| DDA | Doha Development Agenda |
| DDAGTF | Doha Development Agenda Global Trust Fund |
| DDR | Disarmament, Demobilisation and Reintegration |
| DFID | UK Department For International Development |
| DG | Directorate-General |

| | |
|---------|---|
| DRC | Democratic Republic of Congo |
| EAEF | EC-ASEAN Energy Facility |
| EBA | Everything But Arms |
| EC | European Community |
| ECCAS | Economic Community of Central African States |
| ECCP | European Climate Change Programme |
| ECDPM | European Centre for Development Policy Management |
| ECHA | European Chemical Agency |
| ECOWAS | Economic Community Of West African States |
| EDCTP | European and Developing Countries Clinical Trials Partnership |
| EDF | European Development Fund |
| EEZ | Exclusive Economic Zones |
| EGNOS | European Geostationary Navigation Overlay System |
| EIARD | European Initiative for Agricultural Research Development |
| EIAs | Environmental Impact Assessments |
| EIB | European Investment Bank |
| EIDHR | European Instrument for Democracy and Human Rights |
| EITI | Extractive Industries Transparency Initiative |
| EMSA | European Maritime Safety Agency |
| ENP | European Neighbourhood Policy |
| ENRTP | Environment and Natural Resources Thematic Programme |
| EOSDOS | Interministerial Committee for the Coordination of International Economic Relations |
| EPAs | Economic Partnership Agreements |
| ERA-NET | European Research Area Network |
| ESDP | European Security and Defence Policy |
| ETS | Emission Trading Scheme |

| | |
|---------------|---|
| ETSI | European Telecommunication Standards Institute |
| EU | European Union |
| EUEI | EU Energy Initiative |
| EUFOR | EU Force |
| EUHR | European Union High Representative |
| EUMED | Euro-Mediterranean |
| EUMED CONNECT | European initiative for Mediterranean Research Networking |
| EUMEDIS | Euro-Mediterranean Information Society |
| EUPOL | EU Police |
| EUSR | European Union Special Representative |
| F&V | Fruit and Vegetable |
| FAO | Food and Agriculture Organisation |
| FARA | Forum for Agricultural Research in Africa |
| FLEGT | Forest Law Enforcement Governance and Trade |
| FOMUC | Force Multinationale en Centrafrique |
| FP6 | 6th Framework Programme |
| FP7 | 7th Framework Programme |
| FPA | Fishery Partnership Agreement |
| FTA | Free Trade Agreement |
| GAERC | General Affairs and External Relations Council |
| GCCA | Global Climate Change Alliance |
| GDLN | Global Development Learning Network |
| GEANT | Gigabit European Academic Network |
| GEEREF | Global Energy and Renewable Energy Fund |
| GFCM | General Fisheries Commission for the Mediterranean |
| GGFR | Global Gas Flaring Reduction |
| GHG | Greenhouse Gases |

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| GRSP | Global Road Safety Partnership |
| GSIF | Global Science and Innovation Forum |
| GSM | Global Systems Mobile Telecommunications |
| GSP | Generalised System of Preferences |
| GTMO | Transport Ministers Group of the Western Mediterranean |
| GTZ | Gesellschaft für Technische Zusammenarbeit |
| IA | Impact Assessment |
| ICA | Infrastructure Consortium for Africa |
| ICAO | International Civil Aviation Organisation |
| ICPC | International Cooperation Partner Countries |
| ICT | Information and Communication Technology |
| IDCD | Inter-Departmental Committee on Development |
| IF | Integrated Framework |
| IFAD | International Fund for Agricultural Development |
| IFAD | International Fund for Agricultural Development |
| IFFIm | International Financial Facility for Immunisation |
| IfS | Instrument for Stability |
| IGAD | Intergovernmental Authority on Development |
| IICD | International Institute for Communication and Development |
| ILO | International Labour Organisation |
| IMO | International Maritime Organisation |
| INCO | International Cooperation |
| INCO-NET | International Competence Network for Vocational Education and European Integration |
| IOC | Indian Ocean Commission |
| IOM | International Organisation for Migration |
| IOTC | Indian Ocean Tuna Commission |

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| IPCC | Intergovernmental Panel on Climate Change |
| ISC | Inter-Service Consultation |
| ITC | International Trade Centre |
| ITU | International Telecommunications Union |
| IUU | Illegal, Unreported and Unregulated |
| JI | Joint Implementation |
| JREC | Johannesburg Renewable Energy Coalition |
| LAC | Latin America and Caribbean |
| LDCs | Least-Developed Countries |
| LOFTA | Law and Order Trust Fund |
| MCS | Monitoring, Control and Surveillance |
| MDGs | Millennium Development Goals |
| MEAs | Multilateral Environmental Agreements |
| MEDA | Mediterranean Region Assistance Programme |
| MFA | Minister of Foreign Affairs |
| MFN | Most-Favoured-Nation |
| NEPAD | New Partnership for Africa's Development |
| NGOs | Non Governmental Organisations |
| NSDS | National Sustainable Development Strategy |
| NWFP | New West Frontier Province |
| ODA | Official Development Assistance |
| OECD | Organisation for Economic Cooperation and Development |
| OSCE | Organisation for Security and Cooperation in Europe |
| PCD | Policy Coherence for Development |
| PCF | Portuguese Carbon Fund |
| PDF | Partnership Dialogue Facility |
| PIC | Prior Informed Consent |

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| POPs | Persistent Organic Pollutants |
| PRSP | Poverty Reduction Strategy Paper |
| PSC | Political and Security Committee |
| PSTICB | Programme for Science and Technology Innovations and Capacity Building |
| REACH | Registration, Evaluation, Authorisation and Restriction of Chemicals |
| RFMOs | Regional Fisheries Management Organisations |
| RoO | Rules of Origin |
| RPTF | Regional Preparatory Task Force |
| SACCAR | Southern African Centre for Cooperation in Agriculture and Natural Resources Research and Training |
| SADC | Southern African Development Community |
| SAICM | Strategic Approach to International Chemicals Management |
| SALW | Small Arms and Light Weapons |
| SCP | Sustainable Consumption and Production |
| SDG | Social Dimension of Globalisation |
| SDS | Sustainable Development Strategy |
| SEA | Strategic Environmental Assessment |
| SGAE | Secrétariat Général des Affaires Européennes |
| SIA | Sustainable Impact Assessment |
| SICA | Specific International Cooperation Actions |
| SIDA | Swedish International Development Cooperation Agency |
| SMEs | Small and Medium Enterprises |
| SP1 | 1st Specific Programme |
| SPS | Sanitary and Phyto-Sanitary |
| SSR | Security Sector Reform |
| TB | Tubercle Bacillus, Tuberculosis |
| TBTs | Technical Barriers to Trade |

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| TDCA | Trade and Development Cooperation Agreement |
| TEIN2 | Trans-Eurasia Information Network |
| TEN-T | Trans-European Transport Network |
| TRIPS | Trade Related Intellectual Property Rights |
| TSIA | Trade Sustainability Impact Assessments |
| TTE | Transport, Telecommunications and Energy |
| UEMOA | Union Economique et Monétaire Ouest Africaine |
| UNCAC | United Nations Convention Against Corruption |
| UNCCD | United Nations Convention to Combat Desertification |
| UNCTAD | United Nations Conference on Trade and Development |
| UNDP | United Nations Development Programme |
| UNEO | United Nations Environment Organisation |
| UNEP | United Nations Environment Programme |
| UNFCCC | United Nations Framework Convention on Climate Change |
| UNHRC | United Nations Human Rights Council |
| UNICEF | United Nations International Children's Emergency Fund |
| UNITAID | International Drug Purchase Facility |
| VPA | Voluntary Partnership Agreement |
| WATRA | West African Telecommunications Regulators Association |
| WB | World Bank |
| WG | Working Group |
| WHO | World Health Organisation |
| WIPO | World Intellectual Property Organisation |
| WSIS | World Summit on Information Society |
| WSSD | World Summit on Sustainable Development |
| WTO | World Trade Organisation |

Annex 2 – Quick Facts and their Sources

Trade

1. World trade grew vigorously in 2006, the 8% expansion in merchandise trade being the second highest since 2000. In 2007 it is expected to settle at 6%.
 - World Trade 2006, Prospects For 2007 – Risks lie ahead following stronger trade in 2006, WTO reports, WTO press release 472 available at http://www.wto.org/english/news_e/pres07_e/pr472_e.htm
2. Least-developed countries' trade grew by about 30% in 2006, fuelled by higher prices for petroleum and other primary commodities.
 - Ibidem
3. Full trade liberalisation would lift up to 440 million people out of \$2-a-day poverty by 2015.
 - World Development Report 2006 – World Bank, p. 220 (using OECD statistics)
4. During 2006, more than 100 developing countries were engaged in over 67 bilateral or regional trade negotiations. More than 250 regional and bilateral trade agreements now govern more than 30% of world trade.
 - UNCTAD (2006) 'World Investment Report 2006. FDI from Developing and Transition Economies – Implications for Development', mentioned in 'Signing Away The Future' – Oxfam Briefing Paper No 101, March 2007 (http://www.oxfam.org/en/files/bp101_regional_trade_agreements_0703/download)
5. The EU has pledged to increase its aid for trade to €2 billion a year from 2010 for all developing countries.
 - EU Council Conclusions December 2005

Environment

1. Between 1960 and 2000, world food production increased 2.5 times, water use doubled, timber production grew by over 50% and hydropower capacity doubled.
 - Millennium Ecosystem Assessment, Ecosystem and Human Well Being: Synthesis, p. 5.
2. Between 1959 and 2003, atmospheric concentrations of carbon dioxide grew by 20% above pre-industrial levels.
 - Ibidem, p. 4.
3. Since the late 1970s, an area of tropical rain forest larger than the EU has been destroyed: an area equivalent to the size of France is destroyed every 3-4 years.

- COM(2006) 216 final, Halting the Loss of Biodiversity by 2010 – and Beyond, p. 5.
4. Species' extinction rates are now around 100 times greater than that shown in fossil records and are projected to accelerate, threatening a new 'mass extinction' of a kind not seen since the disappearance of the dinosaurs.
 - Same as above.
 5. The environment technology sector has an annual turnover of €227 billion (2.2% of EU GDP) and represents 3.4 million full-time jobs (1.7% of total EU employment).
 - COM(2007) 225 final, Mid-term review of the Sixth Community Environment Action Programme, p. 5.

Climate Change

1. The Earth's average surface temperature has risen by 0.76°C since 1850.
 - Climate Change, DG Environment Website, http://ec.europa.eu/environment/climat/home_en.htm;
2. Without further action on greenhouse gases, the global average surface temperature is likely to rise by a further 1.8 - 4.0°C this century.
 - Same as for Quick Fact No 1.
3. While a citizen of India generates around 1 tonne of CO₂ per year, a European generates 9 tonnes, and a US citizen as much as 20 tonnes per year.
 - United Nations Statistics Division.
4. Greenhouse gases emissions from deforestation amount to 20% of the total.
 - Mid-term review of the Sixth Community Environment Action Programme, COM(2007) 225 final, p. 7.
5. A rise in sea levels of between 18 and 59 cm which will endanger coastal areas and small islands.
 - Same as for Quick Fact No 1.
6. The costs of extreme weather alone could reach 0.5 - 1% of world GDP by the middle of the century.
 - Stern Review: The Economics of Climate Change, Chapter 5, p. 1.
7. The Global Carbon Market reached US\$30 billion in 2006, 80% through the EU ETS.
 - The World Bank - State and Trends of the Carbon Market 2007.

8. US\$11.8 billion (€9 billion) had been invested in 58 carbon funds as at March 2007.
 - Same as for Quick Fact No. 7.
9. Clean technology investments in 2006 reached a record US\$70.9 billion.
 - Same as for Quick Fact No. 7.

Security

1. The Rwandan genocide in 1994 killed almost 1 million people. The civil war in the Democratic Republic of the Congo has killed some 7% of the population.
 - Human Development Report 2005, p. 153.
2. In Sudan the two-decade-long civil war between the North and the South claimed more than 2 million lives and displaced 6 million people.
 - Human Development Report 2005, p. 153.
3. The Darfur crisis in Sudan has caused 200 000 deaths and over 2 million refugees so far.
 - The Economist 29 May 2007.
4. More than half a million children under 18 have been recruited into government armed forces, paramilitaries, civil militia and a wide variety of non-state armed groups in more than 85 countries, according to Amnesty International.
 - From the campaigns page of the Amnesty International website <http://web.amnesty.org/pages/childsoldiers-index-eng>
5. A quarter of the estimated \$4 billion annual global gun trade is illicit.
 - From the Secretary-General's Address to the UN Small Arms Review Conference, June 2006 (<http://www.un.org/events/smallarms2006/pdf/arms060626anna-eng.pdf>)

Agriculture

1. 3 billion people in developing countries live in rural areas; of these 2.5 billion are employed in agriculture.
 - Forth coming World Development Report 2008. Agriculture for Development p4.
2. The Common Agricultural Policy (CAP) absorbs around 45% of EU Budget; 20 years ago that percentage was 70%.
 - EC internal sources.
3. Farming accounts for around 4.7% of the EU workforce.

- Ibidem.
4. Resources allocated to agriculture, food security and rural development to ACP countries will increase from 10% (9th EDF) to 15% (10th EDF).
 - Ibidem.
 5. As part of the WTO Doha negotiations, the EU has made a conditional offer to eliminate all export subsidies by 2013 and to reduce trade-distorting domestic support by 70%.
 - EC internal sources.

Fisheries

1. Fish contributes to, or exceeds, 50% of the total animal protein intake in some small island and coastal developing states.
 - FAO, The State of World Fisheries and Agriculture 2006, Rome, 2007.
2. In Guinea, 40% of the total animal protein intake is sourced from fish; in Nigeria this amounts to 20-25% on average, but it may go up to 80% in coastal regions.
 - FAO, Fishery Country Profiles.
3. Financial resources from FPA represent almost 40% of the budget of Guinea Bissau and 19% of the budget of Mauritania and five times the amount of development cooperation between Mauritania and the EC.
 - EC internal sources.

Social Dimension of Globalisation

1. 1.37 billion people work but earn less than US\$2/day.
 - ILO – Global Employment Trends 2007.
 - http://www.ilo.org/global/About_the_ILO/Media_and_public_information/Press_releases/lang--en/WCMS_081866/index.htm
2. 250 million children (aged 5 to 14 years) are engaged in economic activities in developing countries; half of them are employed full-time.
 - ILO statistics on working children and hazardous child labour in brief, Kebebew Ashagrie, ILO (first published 1997, revised April 1998).
3. 12.3 million people are victims of forced labour; more than 2.4 million have been trafficked.
 - ILO quick statistics on forced labour – Work in freedom (<http://www.ilo.org/public/english/region/asro/manila/downloads/flstats.pdf>).

4. Women account for 70% of the world poor.
 - Considering gender and the WTO services negotiations, research paper by Meg Jones, South Centre (April 2006).
5. The informal economy in Africa and Latin America is estimated at 42% and 41% of GDP in 2000, respectively.
 - Size and measurement of the informal economy in 110 countries around the world, by Friedrich Schneider (paper financed from World Bank Doing Business project and presented at the Workshop of Australian National Tax Centre, ANU, Canberra, Australia in July 2002).
6. The Fair Trade sector had a turnover of € 1.1 billion in 2005 with an increase of 35% over the previous year.
 - The Economist 7 December 2006.

Migration

1. 191 million people (3% of the world's population) lived outside their country of birth in 2005.
 - UNFPA State of World Population 2006.
2. 1 out 10 people living in a developed country is a migrant.
 - Ibidem.
3. 40% of migrants moved from one Southern country to another.
 - Ibidem.
4. Migrant remittances to developing countries in 2005 (US\$167 billion through formal channels and an additional US\$70 billion through informal channels) were higher than Official Development Assistance (US\$107 billion) or Foreign Direct Investment (US\$111 billion).
 - World Bank for remittances, OECD DAC for total ODA and FDI.
5. Remittances can reduce the incidence of poverty (from by 5% in Ghana to by 20% in Guatemala).
 - World Bank (2006), Global Economic Prospects 2006 – Economic Implications of Remittances and Migration. See p. 120 for details. "Although the available evidence is still relatively limited, growing evidence from household survey data complements the findings of the model that international remittances have reduced the incidence and severity of poverty in several low-income countries. According to that evidence, remittances are believed to have reduced the poverty headcount ratio by 11 percentage points in Uganda, 6 percentage points in Bangladesh, and 5 percentage points in Ghana (Adams 2005b)."

6. 45% of FDI to China came from the 30-40 million Chinese living in about 130 countries.
 - Global Commission on International Migration, Final Report, p. 23.
7. Only 50 out of 600 Zambian doctors trained since independence are still practicing in Zambia.
 - Ibidem.

Research and Innovation

1. In the last decade, withdrawal of government funding from public research institutions in Africa resulted in the loss of about two thirds of institutional and human resources.
 - UNESCO Science Report 2005
http://www.unesco.org/science/psd/publications/science_report2005.pdf
2. The brain drain has increased considerably as many professors and researchers cannot feed a family on their normal income and have therefore chosen to emigrate.
 - Ibidem.
3. The entire African continent lost 25% of its human capital over the last 10 years compared to Europe.
 - Ibidem.
4. South Africa alone is responsible for a third of the publications of the continent, as is North Africa.
 - Ibidem.
5. While developing nations with large economies have approached the lower-end R&D/GDP ratios of OECD countries (for example, India allocates 1.2 percent; Brazil, 0.91%; and China, 0.69%), most developing nations devote less than 0.5% of their GDP to R&D.
 - 'Inventing a better future. A strategy for building worldwide capacities in science and technology', Inter Academic Council, Chapter 1, p. 32, January 2004. available at <http://www.interacademycouncil.net/?id=9988>

Information Society

1. Developing countries account for over 60% of the world's telephone lines (fixed/mobile) – up from 20 % in 1980.
 - World Bank (2006), Information and Communication for Development – Global Trends and Policies.

2. In 2003, 130 out of 164 developing countries had at least three providers of mobile services.
 - Ibidem.
3. New wireless technologies are expanding access to voice and data in remote areas.
 - Ibidem.
4. Only 38% of developing countries have connected primary and secondary schools to the Internet.
 - Ibidem.
5. Between 1990 and 2003, 122 out of 154 developing countries financed telecommunications infrastructure projects with foreign investments.
 - Ibidem.
6. The price for broadband access in low income countries is 11 times greater than in developed countries (2004).
 - Ibidem.

Transport

1. The IMF estimates that average spending on infrastructure in low-income and lower-middle-income countries may have to almost double from the levels of the 1990s (when such spending fell by 2 to 4% of GDP) to bridge the gaps in the availability and quality of key infrastructure.
 - Global Monitoring Report 2004 – Policies and Actions for Achieving the MDGs, IMF Development Committee, April 2004, p. 7.
2. Much of the additional aid recorded by OECD in 2005 (a 13% real increase over 2004) was targeted on improving infrastructure, in the transport, communications and energy sectors.
 - 2005 Development Cooperation Report, OECD.
3. The 9th EDF devoted over €2 billion to transport (almost a third of bilateral aid available to the ACP), mostly for Africa, of which close to 90% went on road transport). This represents about 90% of overall EC funding on transport.
 - EC internal sources.

Energy

1. In 2001 coal was responsible for 66.6% and 63.3% of electricity produced in Sub-Saharan Africa and Asia Pacific, compared to only 37.9% in OECD countries. Some 600 million Africans do not have access to electricity.

- World Energy Assessment Overview: 2004 Update, UNDP, figure 8, p. 30, <http://www.energyandenvironment.undp.org/undp/indexAction.cfm?module=Library&action=GetFile&DocumentAttachmentID=1010>
2. Renewable energy currently provides 13% of the world's energy needs. The main sources of renewables are geothermal and hydro-electric power and biomass.
 - The Economist 31 May 2007.
 3. Algeria is the third-largest supplier of gas to the EU, after Russia and Norway. 60% of the world's gas is concentrated in three countries: Russia, Iran and Qatar.
 - The Economist 12 April 2007.
 4. About 70 out of 150 developing countries have embarked on reforming their power markets since the early 1990s.
 - Reforming Power Markets in Developing Countries, What Have We Learned?, World Bank Discussion Paper No. 19, September 2006, available at <http://siteresources.worldbank.org/INTENERGY/Resources/Energy19.pdf>