COUNCIL OF
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Updated version

Council conclusions on
Supporting developing countries in coping with the crisis

2943rd EXTERNAL RELATIONS Council meeting
Brussels, 18 May 2009

The Council adopted the following conclusions:

"***EU support to developing countries on coping with the global economic and financial crisis***

1. Developing countries are being severely affected by the global economic and financial crisis. The economic and social progress achieved in many of these countries during recent decades, in particular on the Millennium Development Goals (MDGs), is being reversed. Millions are falling back into poverty and hunger. Coordinated initiatives with and towards developing countries must be part of the solution to the crisis, as they will contribute to poverty reduction and global economic and political stability. As part of the global initiatives to fight the crisis, the EU is firmly committed to take comprehensive, timely, targeted and coordinated action to support developing countries, especially the poorest and most vulnerable.

2. In this context the Council welcomes the outcome of the G20 meeting on 2 April 2009 and notes with satisfaction the positive impact of the continued European leadership. The Council also welcomes the Commission's Communication "Supporting developing countries in coping with the crisis" and its accompanying staff working papers[1] as a good basis for the EU response, which is outlined below.

[1] Commission Communication on "Supporting Developing Countries in coping with the crisis" (doc. 8695/09 + ADD1 + ADD2 + ADD3 + ADD4).

P R E S S

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3. To ensure a fair and sustainable recovery for all, the EU reaffirms its commitments to support developing countries in meeting the MDGs and to achieve our respective Official Development Assistance (ODA) targets[2]. The EU will take targeted, counter-cyclical measures aimed at protecting the most vulnerable countries and groups and at sustaining economic activity and employment, with particular attention to the private sector and productive capacity. The EU will also improve the effectiveness of its aid based on the principles outlined in the Accra Agenda for Action (AAA), work together for governance, stability and gender equality and promote an open global economy and more efficient and inclusive global institutions.

4. The EU response furthermore provides the framework for the EU position for the United Nations High-level Conference on World Financial and Economic Crisis and its Impact on Development (New York, 1-3 June 2009) and will be taken into account for the preparation of other related high-level events this year. The EU will strongly support a successful outcome of the UN High-level Conference and notes the importance of a broad and inclusive preparatory process and of the work of the Commission of Experts on reforms of the international monetary and financial system. The Council also looks forward to the forthcoming meeting of G8 Development Ministers in Rome on 11-12 June, leading to the L'Aquila G8 Summit in July 2009.

A coordinated and targeted approach

5. The Council encourages Member States, the Commission and the European Investment Bank (EIB) to take coordinated action in 2009, whenever possible on the basis of joint country impact analyses of the crisis, in cooperation with international institutions and partner countries, with a view to identifying the most vulnerable and less resilient countries and population groups. The Council recognises that the impact of the crisis reinforces the need for particular attention to those MDGs where least progress has been made, which according the UN MDG report of 2008 are MDG 1 and MDG 5[3], and recalls the EUs Agenda for Action on MDGs. The Council further underlines the importance of human rights, social justice, gender equality and women's empowerment as an asset for development.

6. With a view to developing a coordinated response, the Council invites Member States and the Commission to identify, for 2009, actions and instruments used in response to the crisis in developing countries as outlined below. The implementation of these actions should be monitored.

7. The Council recalls the importance of Policy Coherence for Development (PCD) and calls on all donors and international organisations to ensure that the measures to tackle the economic and financial crisis take full account of their impact on developing countries, especially the poorest and most vulnerable.

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[2] As set out in the Council Conclusions of 24 May 2005 (doc. 9266/05), the 2005 European Consensus on Development (OJ C 46 of 24.2.2006, p. 1), the Council Conclusions of 27 May 2008 (doc. 9907/08) and the Council Conclusions on Guidelines for EU participation in the International Conference on Financing for Development, adopted on 11 November 2008 (doc. 15480/08).

[3] http://www.un.org/millenniumgoals/pdf/The%20Millennium%20Development%20Goals%20Report%202008.pdf

Working together for governance and stability

8. The Council encourages developing countries to elaborate, in the context of their national development strategies, national response plans to the financial and economic crisis in consultation with civil society and with the private sector. Member States and the Commission will review, as appropriate, their respective development cooperation programmes and activities on the basis of partner countries' priorities.

9. Recognising the responsibility and ownership of partner countries on their own development, the EU will step up support for their efforts to mobilise domestic resources for development, including through improving public financial management (including gender responsive budgeting) and the soundness and effectiveness of their tax and customs systems. The EU will also support developing countries in creating an enabling business environment, in order to attract foreign investment. The EU underlines the importance of the concept of corporate social and environmental responsibility.

10. The Council supports closer cooperation between the Organisation for Economic Co-operation and Development (OECD), the Financial Stability Board and the Financial Action Task Force with a view to improve financial transparency and, along with the UN, to fight against corruption, money laundering and other forms of illicit finance. The Council invites the Economic and Social Council (ECOSOC) to strengthen its tax committee, including through a balanced representation of the different categories of countries, with a transparent selection process, a clearly defined mandate, transparent working methods and decision making and closer coordination with the competent international institutions, such as OECD. The Council stresses the development dimension of such actions, as well as the importance of international tax cooperation and the fight against illicit capital flight, including tax evasion and fraud, in line with the EU position with a view to the G20 Summit. In this regard, building on the Doha Declaration and the G20 Summits, and on the basis of the EU positions thereto, the Council welcomes the respective bilateral and multilateral initiatives and invites the Commission to present proposals for EU action on dialogue with, and assistance to, developing countries on promoting good governance in tax matters and more effective national tax systems in order to achieve development goals.

11. The Council expresses concern about the negative impact of the crisis on the remittances flows. Bearing in mind their importance for development, the EU will further work towards enhancing the impact of remittances on development, including through the reduction of transaction costs. In this regard, the Council welcomes the work in progress in international fora, including inter alia the G8 Global Remittances Working Group, chaired by the World Bank, and work towards the establishment of an African Remittances Institute.

12. The Council underlines that heavily indebted countries eligible for debt relief will not be able to enjoy full benefits unless all creditors contribute their fair share and become involved in the international debt resolution mechanisms to ensure debt sustainability of low-income countries. The EU will continue supporting the existing debt relief initiatives, in particular the Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI) and values the Evian approach as an appropriate flexible tool to ensure debt sustainability in times of financial crisis. The EU supports discussions, if relevant, on enhanced forms of sovereign debt restructuring mechanisms, based on existing frameworks and principles, including the Paris Club, with a broad creditors' and debtors participation and ensuring comparable burden-sharing among creditors with a central role for the Bretton Woods Institutions (BWI) in the debate.

Honouring aid commitments, leveraging other resources

13. The Council expresses satisfaction that the EUs collective ODA increased in 2008, reaching more than €49 billion and 0.40% of GNI, but emphasises the importance of continued efforts. In spite of the global economic and financial crisis, the EU strongly reaffirms its commitment to achieve its ODA targets [4]. It further reaffirms its commitment to channel at least 50% of collective aid increases to Africa and to meet collectively the target of 0.15% to 0.20% of GNP to the LDCs, while fully respecting Member States priorities in development assistance.

14. Underlining that this issue falls within the competence of Member States, the Council encourages Member States concerned to work on national timetables, by the end of 2010, to increase aid levels within their respective budget allocation processes, towards achieving the established ODA targets. The Commission and Member States will follow the ODA situation carefully and revert to the issue on an informed basis at GAERC in November 2009.

15. The Council stresses the importance of mobilising all possible sources of financing for development, as well as export credits, investment guarantees and technology transfers, as instruments to leverage assistance aimed at stimulating inclusive growth, investment, trade and job creation. The Council also underlines the importance of development-oriented support in the areas of research and technology, peace and security, migration, renewable energies and climate change. Such a comprehensive effort should constitute a "whole of the Union" approach, taking into account all instruments and processes and respecting PCD.

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[4] This language is taken from the Council Conclusions of May 2005 (doc. 9266/05 including Annexes 1 and 2). Paragraph 4 reads:
"Increased ODA is urgently needed to achieve the MDGs. In the context of reaching the existing commitment to attain the internationally agreed ODA target of 0,7 % ODA/GNI, the EU notes with satisfaction that its Member States are on track to achieve the 0.39% target in 2006 for ODA volumes contained in the Barcelona commitments. At present, four out of the five countries, which exceed the UN target for ODA of 0,7%, of GNI are member states of the European Union. Five others have committed to a timetable to reach this target. While reaffirming its determination to reach these targets, the EU agrees to a new collective EU target of 0,56 % ODA/GNI by 2010, that would result in additional annual EUR 20bn ODA by that time.
i. Member States, which have not yet reached a level of 0,51 % ODA/GNI, undertake to reach, within their respective budget allocation processes, that level by 2010, while those that are already above that level undertake to sustain their efforts;
ii. Member States, which have joined the EU after 2002, and that have not reached a level of 0,17 % ODA/GNI, will strive to increase their ODA to reach, within their respective budget allocation processes, that level by 2010, while those that are already above that level undertake to sustain their efforts;
iii. Member States undertake to achieve the 0.7% ODA/ GNI target by 2015 whilst those which have achieved that target commit themselves to remain above that target; Member States which joined the EU after 2002 will strive to increase by 2015 their ODA/GNI to 0.33%."

16. The Council welcomes the success of the pilot phase of implementation of innovative sources of financing and calls for a change of scale in this domain. It encourages all donors to participate to existing initiatives in the field of health which have shown their ability to provide stable and predictable resources in a coordinated manner.[5] The EU stresses the importance of further developing and implementing innovative sources of financing.

Acting counter-cyclically

17. The Council calls on Member States and the Commission to adapt as appropriate their strategies and support programmes in 2009 and 2010 with a view to reflecting developing countries' new needs and priorities. The Council calls on the Commission to accelerate, in cooperation with the Member States, the Mid-Term Review (MTR) of Country Strategy Papers (CSPs) and, if appropriate, Regional Strategy Papers (RSPs).

18. In the context of the current crisis, the Council invites the EIB to focus on counter-cyclical actions in areas such as quicker and more flexible lending to the financial and infrastructure sectors, including energy and climate change-related activities as well as financing SMEs and micro-financing. On the basis of its capital resources, the EIB is invited to make optimal use of its own resources within the Cotonou and other external mandates and to speed up implementation of the related development measures while ensuring overall sustainability of its lending.

19. The Council calls on Member States, the Commission and the EIB to apply, where feasible and without putting at risk subsequent funding requirements and the sustainability of EIB lending, more flexible implementation procedures to frontload aid levels and lending already in 2009 and to speed up disbursements, e.g. through accelerated budget support subject to a case by case assessment based on transparent criteria and risk management procedures.

Targeting social protection and supporting the real economy

20. The EU will take targeted social-protection measures in a gender sensitive way and support developing countries' actions to cope with the direct social impact of the crisis through the creation and strengthening of social protection systems and programmes, including enhancement of financial and in-kind transfers.

21. In the context of the current crisis, the Council takes positive note of the Commission's intention to present the details of its proposal[6] for delivering further support through an ad hoc vulnerability FLEX mechanism for ACP countries in 2009-2010. Such a mechanism would support the most vulnerable and, within the agreed financial framework, provide added value in relation to existing instruments, while ensuring alignment with ongoing aid effectiveness processes. The Member States look forward to discussing this proposal as soon as possible.

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[5] Council Conclusions of 11 November 2008 (doc. 15480/08).

[6] Commission Communication on "Supporting Developing Countries in coping with the crisis" (doc. 8695/09 + ADD1 + ADD2 + ADD3 + ADD4).

22. The EU will support investment with quick impact on productive activities and job creation for all. To this end, the Council notes the importance of increasing trade opportunities at all levels and of income opportunities for women. In this context, the Council invites all donors to work together in order to draw up a pipeline of accelerated infrastructure projects for 2009/2010. It further requests the EIB to reinforce its support to SMEs through the banking sector in all regions, including inter alia in the countries under the European Neighbourhood and Partnership Instrument (ENPI) [7], some of which are being severely hit by the current crisis.

23. The Council welcomes the Commission's intention to reinforce and reshape the EU-Africa Infrastructure Trust Fund and to allocate 200 million EUR for 2009-2010. This should include support to regional infrastructure including the closing of infrastructure missing links, as well as broadening the terms of reference to cover national infrastructure with a regional dimension[8]. The Council invites Member States to consider contributing to the Trust Fund. The Council also welcomes support to regional infrastructure in the Mediterranean in the framework of the Union for the Mediterranean. The Council invites the Commission to make an optimal use, and if necessary to strengthen, the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) and the Neighbourhood Investment Facility (NIF).

24. The Council welcomes the signature of the EU-ACP intra-ACP indicative programme for the 10th EDF and the Commission's intention to launch a second ACP-EU Energy Facility (200 million EUR under the 10th EDF) and calls on Member States to participate through co-financing. The new Energy Facility will contribute to reduce poverty and improve livelihoods through the support to innovative projects aiming at increased access to modern energy services in rural, isolated and peri-urban areas in ACP countries. It will focus on renewable energies, will work with decentralised actors and the private sector and will be anchored in ACP partner countries' strategies and priorities.

25. The Council welcomes the Commission's intention to launch a second ACP-EU Water Facility before the end of 2009 (200 million EUR under the 10th EDF).

26. The Council recognizes the crucial importance of revitalising agriculture in the context of the current food and economic crisis. In reviewing existing strategies and support programmes, Member States and the Commission should ensure continued support for, and increased investment in, agriculture and food security, with particular attention to small scale farmers, and take into account the crucial role of women. The Council welcomes the front-loading of the 1 billion EUR Food Facility and the recent financing decisions of respectively 314 million EUR and 394 million EUR for projects to be signed with international organisations, targeting 41 countries (for a total of 508 million EUR), and for launching a call for proposals which will target 35 countries (for a total of 200 million EUR). The Council also underlines the importance of the ongoing work on the Global Partnership on Agriculture and Food Security (GPAFS), in close collaboration with relevant food and agriculture international organizations and also in the context of the G8.

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[7] Regulation (EC) N° 1638/2006 of the European Parliament and the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument (OJ L 310 of 9.11.2006, p. 1).

[8] As discussed at the African Union Summit in Addis Ababa in February 2009.

27. The EU will work with regional organisations and the private sector to align investments in support of transport and trade infrastructure for agricultural products, linking markets and production areas, with particular attention to small farmers.

28. The Council considers of utmost importance that, in coping with the crisis, developing countries are encouraged and assisted to follow a sustainable development path. In view of the challenges posed by climate change to developing countries, the Council recalls its Conclusions of 16 March 2009[9] and the Presidency Conclusions of the European Council of 19-20 March 2009[10].

29. The Council welcomes the fact that, even though the deadline for meeting its Trade-Related Assistance (TRA) target has not been reached, the EU is already close to meeting its collective pledge of 2 billion EUR and reaffirms its commitment to reach its 2010 target. The Council further notes that the combined EU spending on Aid for Trade (AfT) in 2007 again exceeded 7 billion EUR. The EU will continue implementing its 2007 Strategy on Aid for Trade[11] in all its dimensions, including on financial commitments and aid effectiveness principles. The Council welcomes the recent improvement of AfT monitoring and encourages further harmonisation both within the EU and globally. The Council recalls the importance of supporting regional integration agendas, including by making progress on regional AfT packages.

30. Taking into account the substantial efforts already made by the EU, the Council invites all donors to consider supporting the core activities of the World Bank and the regional development banks in the context of targeting social protection and support to the real economy, and the World Bank Group's operational crisis response initiatives: the Vulnerability Financing Facility, including the Rapid Social Response Program and the Global Food Crisis Response Program, the Infrastructure Recovery and Assets Platform and the International Finance Corporation-led private sector platform, including the Infrastructure Crisis Facility and the Microfinance Enhancement Facility [12].

Improving effectiveness, a matter of urgency

31. The Council strongly encourages Member States, the Commission and other donors to accelerate progress in the implementation of the Paris Declaration and the Accra Agenda for Action, including through the EU Code of Conduct on Complementarity and Division of Labour. The Council recalls the key areas of aid effectiveness where the Union can really make a difference: division of labour, use of country systems, predictability of aid and mutual accountability for results, including less conditionality.[13] In particular, the Council invites Member States and the Commission to further discuss and work together in:
    - while underlining that such actions fall under the responsibility of each Member State, the preparation of individual action plans, outlining actions to remove, where possible, technical, legal and administrative obstacles to aid effectiveness;

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[9] Contribution of the General Affairs and External Relations Council to the Spring European Council (19 and 20 March 2009): "Taking into account the development dimension for a comprehensive post-2012 Climate Change agreement in Copenhagen" (doc. 7645 /09).

[10] Doc. 7880/1/09 REV1, paragraphs 25-28.

[11] Council Conclusions of 15 October 2007 on an EU Strategy on Aid for Trade: Enhancing EU support for trade-related needs in developing countries (doc. 14470/07).

[12] See http://www.worldbank.org/html/extdr/financialcrisis/pdf/WBGResponse-VFF.pdf

[13] Council Conclusions of 22 July 2008 (doc. 12080/08).

- advancing the implementation of the EU Code of Conduct on Complementarity and Division of Labour and identifying other issues where the implementation of aid effectiveness commitments would be better pursued through collective action of Member States and the Commission. These could include e.g. joint approaches, codes of conduct and other action-oriented EU initiatives on issues such as the use of country systems, technical assistance, vertical funds and incentives. To this end, concrete proposals for an "operational framework" should be presented to the Council before the end of 2009 to accelerate the implementation of the aid effectiveness commitments in view of the High Level Forum (HLF) IV in Seoul in 2011;
- coordinating and promoting EU positions and approaches at international level, in particular with a view to the HLF IV in Seoul in 2011.

32. With a view to a successful implementation of the aid effectiveness agenda, the Council:
    - encourages sharing experiences on lessons learned and best practices between Member States, the Commission and other donors, as well as partner countries, and carrying out transparent reporting;
    - invites Member States to make the best use of their comparative advantages, both geographical and sectoral, in implementing the aid effectiveness agenda;
    - underlines the specific transition management expertise of several Member States that could be put at the disposal of partner countries, where appropriate, and invites the Commission, in cooperation with Members States, to make proposals in this regard by the end of 2009.

Towards a fair, sustainable and inclusive globalisation

33. The Council is in favour of a key role for the United Nations in the efforts to help developing countries tackle a variety of global social, economic, financial and environmental challenges and foster sustainable development in all its dimensions. The UN's capacity to Deliver as One should be strengthened, as recommended by the UN Panel on System-Wide Coherence. Coherence and coordination of policies and actions between the UN, the international financial institutions and the relevant regional organisations should be strengthened. The Council calls on the UN, working with other relevant institutions, to monitor the impact of the crisis on the poorest and most vulnerable.

34. The EU remains fully committed to reaching swiftly an ambitious, balanced and comprehensive agreement on the WTO Doha Development Round, which should contain elements of real value for developing countries, particularly the poorest. The Council calls on all developed countries and developing countries in a position to do so to provide duty- and quota-free market access for LDCs, as the EU is doing with its Everything But Arms (EBA) initiative.

35. The Council also stresses the importance of progressing towards comprehensive, regional, WTO compatible and development-oriented Economic Partnership Agreements (EPAs) with ACP partners, with due regard to their choices, and successfully concluding other ongoing trade negotiations with developing countries.

36. Considering that world trade, investment and financial stability are essential for restoring global sustained growth, the Council welcomes the G20 agreement:

- to refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing WTO inconsistent measures to stimulate export and to promptly rectify such measures until the end of 2010;
- to ensure availability of at least 250 billion USD over the next two years to support the trade finance through export credit and investment agencies and through the Multilateral Development Banks (MDBs);
- to substantially increase resources for International Financial Institutions (IFIs) to boost their capacity to help countries in need, in areas such as social protection, trade finance and infrastructure and to call on the MDBs to make full and exceptional use of their balance sheets to create further capacity for lending to meet crisis needs;
- to double access for low income countries to concessional lending from the International Monetary Fund (IMF) using additional resources consistent with the IMF's new income model;
- on the reform of the mandates, scope and governance of these Institutions to reflect inter alia changes in the world economy and the new challenges of globalisation to ensure greater voice and representation for emerging and developing countries, including open, transparent and merit-based top management selection processes;
- to work to find consensus on, and adopt, a charter for sustainable economic activity.

37. The Council welcomes the outcome of the Development Committee Meeting of the World Bank on 26 April 2009, in particular its statement on measures to help developing countries respond to the crisis and its agreement to accelerate work on the second phase of governance reform of the Bank with a view to reaching agreement by the spring of 2010."