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## **From DC(EC)I to DCI:**

### **Finalising the detail, delivering on the rhetoric**

#### **Briefing No. 36**

**August 2006**

This Briefing is part of a series which presents the Eurostep position on the negotiations of the new Development Instrument. In recent months these negotiations, aiming at the establishment of an instrument that provides a framework for the financing of the EU's co-operation with developing countries, have been moving forward. Agreement has been reached on the establishment of an instrument dedicated to the EU's co-operation with developing countries. At this crucial stage, it is important to focus on the detailed aspects of the instrument so that it will indeed be an instrument that honours the EU's Millennium commitment to the eradication of poverty.

Previous briefings are available at [www.eurostep.org](http://www.eurostep.org)

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### Point of Departure

Throughout the process to establish a new legal instrument covering the EC's co-operation with developing countries, NGOs have supported the position of the European Parliament's Rapporteur, Gay Mitchell MEP in calling for:

***...a single dedicated instrument based solely on the EU's treaty provisions for co-operation with developing countries (Article 179 TEC) and applicable to all developing countries.***

*The instrument should fully encompass the EU's acquis communautaire on development co-operation policy, which places the eradication of poverty as the principal objective and puts support for the agreed international commitments on development - including the Millennium Development Goals - at its heart.*

### Progress to Date

In **May**, the first reading of the European Parliament on the new instrument took place. Rapporteur Mitchell presented a report that was fully aligned to the acquis communautaire. The European Parliament adopted the position proposed by the Rapporteur.

In **July**, a political consensus was agreed by Coreper – on behalf of the Council, as part of its first reading.

This agreement makes provision for:

1. the establishment of a dedicated instrument for development co-operation by splitting the Commission's proposed DCECI into three separate instruments:
  - a. an instrument for development, now called DCI,
  - b. an instrument for co-operation with industrialized countries, and
  - c. a human rights instrument.
2. an instrument based solely on Treaty Article 179 TEC.
3. an instrument covering all developing countries as defined by the DAC 1 list.

The text of the DCI as adopted by Coreper is now being legally scrutinized. The final adoption by the Council in first reading will be taken when this process is complete, probably in October.

### Key Message

The proposal from Coreper appears to address some of the key issues and objectives of the European Parliament. But now, the devil is in the detail...

### State of Play

Negotiations will continue between the European Parliament and the Council with regard to the issues over which there remains disagreement.

Discussion will restart at the end of August, with the aim of reaching agreement between the Council and Parliament before Council's first reading so that the outcome

can be adopted by both institutions to finalise the process. Alternative processes are also still possible if agreement between the European Parliament and the Council appears to be impossible.

### **Outstanding issues**

The following issues require further negotiations between the European Parliament and the Council.

**a. Scope of the instrument**

The DCI is applicable to developing countries and it must be ensured that the resources used under the instrument are all DACable, with resources being applied only in developing countries.

**b. Incorporation of political priorities**

The need to establish clear, quantifiable priorities within the instrument to ensure that EC co-operation is directed towards the principal objective of poverty eradication and is used in support of achieving the MDGs and other internationally agreed commitments. In particular the long-standing commitments included in the budget by the European Parliament since 2000 with regards to 35% allocations to social services and 20% to basic social services (10% basic health and 10% basic education) must be included in the DCI.

There is increasing evidence that the issue of the disempowerment of women and girls can no longer be ignored as they make up 70% of the people living in poverty. The DCI should stipulate that 70% of all its resources have a demonstrable positive impact on gender justice.

The DCI should also stipulate that allocations should be made with regard to the partner countries' national budgeting in these areas. National budgets should also allocate 10% to basic education and 10% to basic health.

**c. Incorporation of resource allocation and consistency with the budget**

The thematic programmes identify the political priorities the Budgetary Authority has established over the years. As the budget lines are merged in one instrument, the thematic areas need to be reflected in the DCI as the key areas where financial support is needed in order to achieve the objectives of the instrument. Most critically these include (i) basic education, (ii) basic health, (iii) other basic social services and (iv) gender equality. The levels of financing available under the different geographical and thematic headings should be clearly identified within the DCI. Moreover, the DCI should establish clearly that the purpose of the thematic areas is to be a generator for more investment in those four areas in the geographic programmes.

**d. Creation of multi-annual and long-term continuity and accountability**

To ensure continuity and accountability in the implementation of actions under the DCI, the presentation of the budget nomenclature should be consistent with the instruments agreed under the Financial Perspectives 2007-2013.

## Technical Brief

### a. Scope of the instrument

The purpose of the DCI is the implementation of the European Commission's competence in development co-operation. The OECD/DAC sets the international framework for this policy area. Therefore, all of the actions supported by the EU through the DCI must meet the agreed criteria established in the DAC for defining official development assistance. These are commonly agreed by the international donor community and are regularly updated to reflect the evolution of discussions and common understanding of development co-operation. These are sufficiently broad and encompass all actions that the DCI needs to effectively contribute to the eradication of poverty and the achievement of the Millennium Development Goals, which provide the internationally agreed framework for this.

The OECD/DAC also defines 'developing countries' and only those should be eligible under the DCI.

### b. Incorporation of political priorities: 70%, 35% and 20%

The thematic budget lines have always served as an expression of political priorities for development co-operation by the Budget Authority. Since 2000 the Parliament has recognised that those political priorities also need to be recognised and implemented in the geographic programmes, so that the EU programme has the impact on the Millennium Development Goals that is needed.

The Budgetary Authority has included targets for allocation in the regional budget line since 2000: allocation of **35% to social services**, and **20% to basic social services**: 10% to basic education and 10% to basic health. Implementation of these remains a problem. Between 2000 and 2004 the allocations to basic education decreased from 6.38 % in 2000, to a meagre 1.53% of all EU ODA in 2004.

Technical discussion on the scope of definition of basic social services should not distract from the main intention of these commitments and targets, which is to increase allocations to basic health and basic education. There is increasing evidence that the allocation of 10% of national budgets to basic health and basic education is a figure that gives the best results and that incentives should be given to match such good practice by donors' support.

The Fast Track Initiative promoting *Education for All* has established that allocating 10% of national budget to basic education has given the best results on promotion of education. The Fast Track Initiative, which is managed by the World Bank, recommends that governments allocate 20% of their budget to education. It also recommends that 42-64% of the education budget should be allocated to primary education.<sup>i</sup>

The Abuja Declaration on HIV/Aids, Tuberculosis and other related infectious diseases (26-27 April 2001) by the Heads of State and Government of the Organisation of African Unity (OAU) pledged to set a target of allocating at least 15% of their annual budget to the improvement of the health sector.

The UNDP 20/20 compact, promoted in the context of the 1995 Social Summit, was based on similar calculations and promoted the idea that donors should give

incentives to partner countries which adequately invested in basic social services, and therefore match the national allocations. This in total should give adequate resources for achieving the commitments on health, education and gender equality brought together in the Millennium Development Goals.

The Commission has recognised that the Millennium Development Goals should provide an overall framework for the use of DCI resources. All commitments made under the DCI should be explicitly oriented towards the achievement of the MDGs. The DCI should stipulate that Country and Regional Strategy Papers and their Indicative Programmes all identify how they will contribute towards achievement of the goals in terms of the budget targets identified above.

In relation to gender equality, it is well known that women make up by far the majority of the people living in poverty. HIV & Aids is becoming increasingly a women's disease and its consequences are particularly borne by women who look after the ill and the orphans. Child labour affects girls more than boys. The disempowerment of girls and women is keeping in place a circle of poverty that needs to be broken. With 70% of the poor being women, the DCI should stipulate that **70%** of its expenditure must have a demonstrable positive impact in promoting **gender justice**. The DAC gender marker can be used as an instrument to measure this.

The Commission claims it is achieving the target of 35% to social services. The rapporteur for the Development Committee for the 2007 Budget has suggested that the allocation might therefore be increased. An indicative level of 50% of resources provided by geographic programmes supported under the DCI should be directed towards supporting investments in social services. These programmes are critical in providing direct investment towards achieving the MDGs.

### **c. Incorporation of resource allocation and consistency with the budget**

The budget should be structured on the logic provided by the instruments agreed under the 2007-2014 Financial Perspectives.

Moreover, the thematic programmes, which (according to the current Council position) would represent one third of the resources available within the instrument over the seven year period, need to be consistent with the priorities established in the DCI.

These strategic programmes need to be defined to correspond with the key themes identified within the DCI. In particular, the proposed programme *Investing in People* should be defined in more detail, categorizing basic education, basic health, and other basic social services, as well as the promotion of gender equality.

Specific allocations need to be identified for each of the themes, which are included within the annual budget and subject to determination and scrutiny by the budget authority.

The DCI should also clarify that the thematic programmes have the aim of putting in place political priorities for the DCI and are seen as a generator of activities in the identified areas with multiplier effects in the geographic allocations.

Since support from the thematic programmes of DCI will be applicable to developing countries whose geographic programmes fall within the ENPI and EDF, there must be consistency in the application of those geographical programmes with the development objectives of the DCI.

**d. Creation of multi-annual and long-term continuity and accountability**

The budget is the resource allocation mechanism for resourcing the identified competences of the European Community. The budget should therefore follow the definition of the instruments agreed under the financial perspectives.

The proper role of the European Parliament and the Council must be ensured within the DCI. The incorporation of the three measures set out above would help to provide tools for enabling the Parliament, as well as the Council, to provide the required oversight in the implementation of the EU's co-operation with developing countries. This would be enhanced by making provision within the DCI for Parliament to have the opportunity to scrutinise the programming strategies in their formative stages, so that any strategies it considers in danger of falling outside the DCI scope could be addressed before being finally adopted.

**Conclusions**

The establishment of a dedicated instrument for development co-operation – fully aligned to the EU's *acquis communautaire* and based on the EU's Treaty provisions for co-operation with all developing countries - is in sight. The final stage of the negotiations between the EU's institutions must result in an instrument that will actually deliver on the development commitments made by the EU.

The challenge is now to ensure that the DCI provides a clear and transparent framework for implementation and for clear accountability to the European Parliament and Council, both in determining the broad priorities and in assessing its implementation.

The current text of the Council is based on the principles for a dedicated instrument for the EU's co-operation with developing countries but still contains many caveats and loopholes, which can be used to undermine the integrity of the instrument. These must be removed from the instrument so that it will unequivocally focus on the achievement of the EU's development objectives. The devil is in the detail...

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<sup>i</sup> The recommendations are based on analyses of successful countries in raising education targets. See: Education for All, Fast – Track Initiative, Annex 1, Indicative Framework Benchmarking Tool for EFA/Education Sector Development Plans, p. 15.