New Challenges, New Beginnings

Next Steps in European Development Cooperation

Executive Summary

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New Challenges, New Beginnings:

Next Steps in European Development Cooperation

It is a coincidence that two things have happened simultaneously - and the coincidence will be a happy one if the two can be brought together.

On the one hand, Europe has emerged from eight years of introspection with new structures, a new leadership team and a new platform (the Lisbon Treaty) for more effective collective action.

On the other hand, the global financial crisis has provided a sobering wake-up call about the extent of mutual inter-dependence and the scale of the challenges the world must face.

The global challenges will shape international development cooperation in coming years and have already led to new thinking and new approaches. The financial crisis affected all countries and revealed new vulnerabilities. The most affected suffered a combination of falling export volumes and values, lower financial flows, lower remittances, and sometimes lower aid.

Although global recovery has begun, it is uneven in scale and speed. Countries entered and will leave the recession very differently equipped to manage the next wave of challenges. There is likely to be greater differentiation among developing countries as a result. Climate change will be by far the biggest of the next wave, but developing countries must also deal with rapid urbanisation, demographic change, and a whole range of global risks, from disease pandemics to the risk of new food crises. Fragile states pose an especially demanding challenge, to their own populations but also to the global community. A new age of challenges requires a new approach.

New thinking identifies three strands on which a new approach to development cooperation can be built:

- First, the Millennium Development Goals (MDGs) will be reviewed in 2010, but are likely to remain an essential benchmark of progress, rooted in a model of human development which emphasises rights and human freedoms as much as material well-being;
- Second, achieving the MDGs and other development goals, including successful management of climate change, will require joined-up thinking and action across the full range of EU policies. The phrase for this in the EU is Policy Coherence for Development (PCD). It is important to emphasise that a strongly pro-active approach is required, calling down policy and resources right across Member State and European Union (EU) institutions; and
- Third, the financial crisis illustrated an important truth: that global problems can only be dealt with by collective action. This is the case whether the problems are related to the elimination of poverty, finance, climate change, global shocks such as the food crisis, the risk of pandemics, or the framework for trade and other components of globalisation. In this sense, the future of international development is multilateral.

Development cooperation has not been an easy 'sell' during the recession. Liberal trade regimes have been hard to sustain when jobs at home are at risk. Aid budgets have been difficult to sustain when public expenditure cuts have been the order of the day. Peace-keeping and other foreign policy interventions abroad (including in Afghanistan, the Democratic Republic of the Congo (DRC) and other African countries) have often been particularly unpopular.

Far-seeing Governments have made the case, however. They have emphasised the common interest in solving global problems, adding a self-interest motivation to the altruism underpinning the moral case. They have emphasised the need to mobilise all resources, not just financial. They have protected aid spending or found new ways to raise additional money. And they have reiterated a commitment to the multilateral global system, for example by supporting moves to democratise the Bretton Woods Institutions.

The EU is well-placed in 2010 to lead a new engagement. Although not a multilateral organisation like the World Bank or the United Nations (UN), the EU operates in multilateral space. In that contested arena, the EU acts both as a grouping of Member States and as a unified body. In some areas, like trade, the Union speaks and acts as one. In others, development aid being an example, Brussels and the Member States work in parallel. When the EU works together, it brings specific comparative advantage, by means of:

- Shared values, enshrined in the Lisbon Treaty as human rights, freedom, democracy, equality and the rule of law;
- A commitment to poverty reduction in the world, applied across the range of policies – again enshrined in the Lisbon Treaty;
- Shared approaches in development policy, laid out in the European Consensus on Development, with a commitment to PCD, and with links to other policy areas like the Common Foreign and Security Policy and the Common Security and Defence Policy;
- New structures which at least potentially facilitate joined-up engagement in international development, particularly the new High Representative for Foreign Affairs and Security Policy (as de facto 'Foreign Minister'), leading the European External Action Service (EEAS), as well as there being a team of Commissioners in development, humanitarian aid and crisis response, trade, and enlargement and neighbourhood policy;
- International political and economic partnerships, including with sub-Saharan African, Caribbean and Pacific (ACP) countries, through the Cotonou Partnership Agreement, but also (and with varying degrees of contractuality and mutual accountability) with Asia, Latin America, the Mediterranean, the European Neighbourhood and the entire African continent; and
- Economies of scale in funding instruments, including the Development Cooperation Instrument (DCI), the European Development Fund (EDF), the European Neighbourhood Partnership Instrument (ENPI), the Instrument for Stability (IfS), the European Instrument for Democracy and Human Rights (EIDHR) and the Humanitarian Aid Instrument (HAI), together disbursing some €10 billion per year through the European Commission (EC). Overall, including the aid programmes of Member States, the EU provides 60% of all global development aid.

No other agent in the multilateral sphere has the range of resources available to the EU. The World Bank and the other multilateral development banks have the financial resources, but not the voice on trade, nor the role in foreign and security policy. The UN has the political role, but not the capacity to disburse on the same scale or with the variety of instruments available to the EU. This gives the EU a unique role.

At the same time, the EU has much to do if it is to fulfil its potential and lead new global initiatives on international development and poverty reduction. Despite recent improvements, in delivery especially:

- EU development thinking has lagged behind as the global context has changed;
- Policy coherence has remained more of an aspiration than a reality;
- Development partnerships have become too complex, with overlapping geographies and inadequate accountability;
- Funding has fallen behind targets, there are too many instruments and too much money is spent in ways that do not benefit the poorest; and
- Coordination between Member States has proved to be an uphill task.

The European Consensus on Development

The place to start is with the European Consensus on Development,[1] agreed in December 2005 by the EC, the European Council and the European Parliament. This landmark statement sets out common objectives and principles for development cooperation, shared by all Member States. It emphasises poverty reduction as the central goal, with a strong commitment to aid effectiveness and policy coherence. The Consensus also defines the comparative advantage and priorities of the collective development effort implemented by the EC. It emphasises the value of a global presence, with a differentiated approach based on context and need. Nine priority themes are identified for the EC (Box A), ranging from rural development to regional integration, with cross-cutting themes including promotion of democracy, gender and environmental sustainability.

The European Consensus was hard-won and remains a useful guide. However, it will at some stage need revision or re-interpretation in the light of recent events and new thinking on development. In particular, development thinking is being re-cast in the language of shared interests, matching altruism with self-interest. It lays even greater emphasis than before on joined-up thinking and policy coherence. And it implies significant new commitments to collective action and multilateral approaches.

Bringing the Lisbon Treaty to life

The Lisbon Treaty puts sustainable development and

Box A: The nine priority themes of the European Consensus on Development (2005)

- Trade and regional integration
- The environment and the sustainable management of natural resources
- Infrastructure, communication and transport
- Water and energy
- Rural development, territorial planning, agriculture and food security
- Governance, democracy, human rights and support for economic and institutional reforms
- Conflict prevention and fragile states
- Human development
- Social cohesion and employment

Box B: The European External Action Service (EEAS): Opportunity and risk for development

The EEAS could have a very significant impact on how the EU deals with development cooperation. On the one hand, it offers real potential for greater political coherence, a more effective platform for the delivery of EU aid and a strengthened ability to leverage the EU's political and economic weight. It also offers the opportunity to raise the profile of international development and its impact on other external aims. On the other hand, it could lead to development objectives being overridden by short-term foreign policy objectives. Too little funding for the EEAS might create incentives to eat into the development budget. Over-ambitious aspirations from the outset might have the same effect.

poverty reduction at the heart of the EU's external relations. In 2010, Europe also has new posts (the EU Council President and the de facto Foreign Minister), new structures (with a stronger Parliament and the creation of the EEAS), and new people at the helm. Put all this together, and the potential for more active and effective policy is remarkable – with an emphasis on coordination and networking rather than centralisation. An urgent task is to 'bring the Lisbon Treaty to life' and avoid institutional paralysis or battles over funding while new arrangements bed down. There are still many decisions to make about functions, staffing and resources. A successful launch of the EEAS will be crucial (Box B).

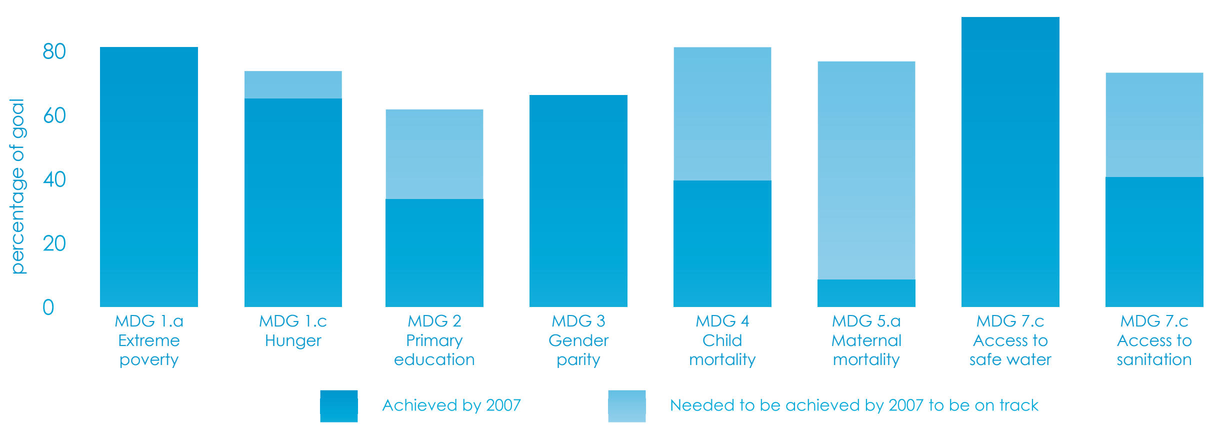
The primacy of poverty reduction

The MDGs have provided an effective and long-lasting paradigm, to which the EU has been fully committed. The economic crisis will slow progress, but the target for reducing income poverty remains within reach at the global level. Goals relating to gender parity in primary and secondary education and for access to safe water are making relatively good progress, and are expected to be met by 2015. Non-income human development goals are where the greatest challenges lie – especially for child and maternal mortality, but also for nutrition, primary school completion, sanitation and gender parity. Based on current trends, these goals are unlikely to be met. Africa, as is well known, falls behind other regions (Figure A).

The MDGs have 'worked' as a guiding framework because of their simplicity and obvious 'rightness'. However, they have often been seen as donor-driven and top-down, focusing on quantity rather than quality (for example, of education), and also oblivious to the unequal distribution of wealth and power which cause poverty. The MDGs are also weak on issues of risk and vulnerability.

There is an opportunity in 2010 to renew existing commitments to 2015, and re-think priorities for the period beyond 2015. The EU can be in a leadership position. There will be arguments for new goals, partly because of new development challenges (e.g. climate change, inequality, demography, global governance); partly because current goals may be achieved in the majority of countries (e.g. primary education), and partly because of pressure to bring in other, hitherto neglected Millennium Declaration themes (e.g. human rights).

Figure A: MDG progress at the global level



source: IBRD and World Bank, 2009

Promoting policy coherence

The old dividing line between domestic and external policies is rapidly losing relevance, for the EU as for others. This is true in politics and economics – in trade, migration, approaches to fragile states and climate change. While the collective contribution of the Union towards development cooperation amounted to around €50 billion in 2008, the Union is also known for its agricultural subsidies and for policies in sectors like fisheries which overwhelm the impact of aid (Box C). This is why PCD is so important.

However, putting PCD into practice is a formidable task. The EU Council has recently adopted a set of statements that set out the future of the EU's efforts on PCD, with five broad priority areas: (a) trade and finance, (b) addressing climate change, (c) ensuring global food security, (d) migration, and (e) security and development. This list of issues is an ambitious one, and the inclusion of finance also goes beyond the 2005 mandate of the Consensus.

The proposed objectives and scope of the PCD work plan go much further than the previous work plan, among other issues by stressing results-orientation, developing indicators to track progress and facilitating dialogue on PCD with developing countries. In 2010, the main challenge will be that all actors play their part in the complex choreography of promoting PCD. After quite a number of experiments, the EU's international credibility and legitimacy may not survive many more occasions where the Union fails to meet its self-imposed standards.

Climate change and development

Copenhagen revealed the fragility of international consensus on how to tackle climate change. Within the Organisation for Economic Cooperation and Development (OECD), the EU has been in the lead in setting reduction targets and establishing instruments in so far as its own carbon emissions are concerned. Its leadership has extended to the development sphere, through the Strategy and Action Plan for Climate Change in the Context of Development Cooperation and the creation of the Global Climate Change Alliance (GCCA). But the European Consensus on Development does not give climate change the prominence it needs and there is a history of mistrust between the EU and developing countries, partly caused by a failure to meet past promises.

For the future, it will be necessary to target inherent conflicts between the climate and development agendas.

First, the EC will have to overcome the implementation gap with regard to its own strategy and policy. Despite policy innovation, committed funding from the EC's budget remains insufficient and Member States have not yet been convinced to make significant contributions to support the EC's proposals. Moreover, there has been poor coordination of EC and Member State activities.

Second, climate change-related transfers have to be additional to Official Development Assistance (ODA). Broad overlaps exist, especially between reducing vulnerability to the impacts of climate change and reducing poverty. Nevertheless, the two agendas are not interchangeable.

Third, the design of the future carbon market and of public financing instruments, as well as of new planning instruments – such as low-carbon development plans – needs to ensure full complementarity and coherence between European, bi- and multilateral funds. This must also be ensured for the financial mechanisms and instruments under the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol and/or a new legal instrument to be established after 2012. A related, open question is the application of the principles of the Paris Declaration to climate financing: there is a clear tension between, on the one hand, establishing thematic funds for mitigation and adaptation, and, on the other hand, principles such as aligning partner countries' policies and using country systems for accountability and transparency.

Peace, security and conflict

More than 30 developing countries in the world are classified as 'fragile states' (Table A). They are found in all regions of the world, contain a high concentration of the world's poorest people and are a source of exported security problems. They constitute the biggest political, military and development challenge facing the EU in the developing world. And they require the highest-level leadership and team-work. EU development policy and external action overall will be judged in great measure by their success in responding to fragile states.

The list of fragile states includes Afghanistan, Haiti

Box C: EU fisheries policy and development in Senegal

The EU is contributing to serious fisheries problems in Senegal, simply because it is the nearest major market. Demand from EU consumers is encouraging over-fishing and illegal fishing in Senegalese waters by boats from all over the world.

An effective and joint European policy response that promotes sustainable fisheries along the West African seaboard would serve both EU and West African interests. A tool exists, in the form of Fisheries Partnership Agreements under the Common Fisheries Policy. There are currently 16 FPAs, providing considerable funding. In the case of Mauritania, for example, FPA funding exceeds 80 million euros, four times the level of development aid.

The key issue is not only the number of EU boats fishing in Senegalese waters, but rather the overall policy for conservation, regeneration, fisheries management and protection, research, adequate surveillance, and policing. Support is also needed for the major effort that has to be made to reorient fishing people into new areas of economic activity.

Some of the work of diversification and widening economic opportunities is already being funded out of EU development cooperation funds. However, serious fisheries management on the major scale that is required is also an issue for the EU's Common Fisheries Policy.

Myanmar, Nepal, Pakistan and Tajikistan as well as a raft of countries in Africa, from Somalia to Zimbabwe (Table A). Just to list this selection of countries highlights their importance, but also their diversity. What they all have in common is that they lack the core functions of the state, such as the existence of a state monopoly on the legitimate use of force or a rudimentary system of public welfare.

Geopolitically, the EU adds value to the 'global peace and security architecture' which is different in nature from the UN, the Organisation for Security and Cooperation in Europe (OSCE), Organisation for Economic Cooperation and Development (OECD), World Bank or International Monetary Fund (IMF). Furthermore, and in addition to the presence of Member States, the EU has delegations in more than 130 countries, many of which are based in fragile states. It has cast a web of dense and privileged political and economic relations over many countries – in particular within the framework of the Cotonou Partnership Agreement with the ACP. The EU is also involved in a number of special missions in many (mostly post-conflict) countries, such as for instance its police mission in Afghanistan.

Table A: Fragile states and countries at high risk of violent conflict according to three relevant indexes

	Peace and Conflict Instability Ledger	BTI State Weakness Index	Failed States Index
Afghanistan	x	x	x
Iraq	x	x	x
Somalia	x	x	x
Central African Republic	x	x	x
Côte d'Ivoire	x	x	x
Chad	x	x	x
Haiti	x	x	x
Niger	x	x	x
Liberia	x	x	x
Nigeria	x	x	x
Lebanon	x	x	x
Kenya	x	x	x
Guinea	x	x	x
Democratic Republic of the Congo		x	x
Sudan		x	x
Myanmar		x	x
Ethiopia	x		x
Sierra Leone	x		x
Mali	x	x	
Nepal		x	x
Yemen		x	x
Bangladesh	x		x
Pakistan		x	x
Angola	x	x	
Burundi	x		x
Zimbabwe		x	x
Tajikistan	x	x	
Malawi	x		x
Sri Lanka		x	x
Congo		x	x

PCIL: Countries at "high risk" of future state instability according to the 2008 Peace and Conflict Instability Ledger (University of Maryland)
BTI-SW: "Failed", "very fragile" and "fragile" states according to the 2008 Bertelsmann Transformation Index – State Weakness Index (Bertelsmann Stiftung)
FSI: Countries at "alert" status in the 2008 Failed States Index (Fund for Peace)
Grouped according to number of mentions across the three indices and sorted according to the mean standardised score for each country across all three indices. Only countries with a population above two million are included.
Source: List developed specially for this reportr by Sebastian Ziaja of DIE

The EU itself has been a remarkably successful project in ending inter-state conflict between its members, securing political transitions towards democracy, and promoting economic development and security. Beyond its borders, however, the EU's record is mixed at best. Despite considerable progress in policy development on security, conflict prevention, fragility and their interface with development, it is widely thought that the EU suffers from a policy 'implementation gap'. The EEAS provides an opportunity to strengthen the EU's presence 'on the ground' in order to close this gap.

A pro-development trade policy in a post-preference world

For over three decades, the EC has integrated trade and development policy, most recently with the conclusion of interim or full Economic Partnership Agreements (EPAs) with many poor and vulnerable states. This has created a European development policy that is distinct from those of the Member States, and it has focussed attention on the vital role of trade in achieving the MDGs. However, economic gains have been made possible by the residual import controls maintained on some very competitive suppliers. As the EU continues to liberalise, whether multilaterally through the Doha Development Round or via Regional Trade Agreements (RTAs), these differences of treatment will disappear and so will the commercial advantages of its web of trade preferences. Preference erosion is a major risk to African, Caribbean and Pacific (ACP) countries (Box D).

Without new tools, rooted in Union-level policies, EU 'development policy' will lose a fundamental trade link. The EU can (and should) offer Aid for Trade (AfT)

Box D: Preference erosion

The end is in sight for the policies that have allowed poorer countries to maintain or establish themselves in the European market without facing full competition from the most competitive producers in the world.

Clothing - the only significant manufacture for which preferences are still commercially valuable - will be the first to go. By the time the World Trade Organisation (WTO)-approved transitional safeguards on China's exports expire in 2013, the remaining tariff preferences may well have been eroded further by a conclusion to Doha and/or RTAs with India and the Common Market of the South (Mercosur).

The next phase of reform to the Common Agricultural Policy in 2013 could alter substantially the value of the remaining agricultural preferences if they have not already been eroded by RTAs that increase competition on the European market.

– but so can all the 27 Member States. What could form the new link to allow the Community institutions to continue projecting a specifically 'European' position? The answer is to be found in the powers that the Members States find it necessary increasingly to develop at a European level to ensure, for example, a barrier-free internal market. There are opportunities in the area of rules of origin, service-related trade and in helping the private sector to move up the value chain.

Engaging with the private sector

Europe is home to around a third of the world's largest and most successful businesses, spanning the oil and gas, financial services, manufacturing, telecommunications, retail and consumer industries.[2] It is not difficult to envisage the enormous possibilities, were the economic power and dynamism of such businesses to be harnessed fully for development. Inclusive business models revolutionise the ways in which development and business is done: they are good for business and also have clear development impact. Specifically, inclusive business engages low-income communities across the value chain – through direct employment, the expansion of supply, distribution and service opportunities for low-income communities, or through the innovative provision of affordable goods and services directed to meet the needs of low-income communities [3] (Figure B).

The European Consensus on Development is remarkably silent on the private sector. However, the EC recognises that, "private sector companies contribute to economic growth by creating new jobs and providing income for employees and their families, and help the empowerment of the poor people by providing them with services and consumer products, improving consumer choice, and reducing the prices of products offered".[4]

Practical programmes include the EU's Private Sector Enabling Environment Facility (PSEEF) or BizClim, although the sums committed remain relatively small (€20 million for five years). The European Investment Bank (EIB) also has an important role to play in the facilitation of investment financing and the development of financial markets. Much more could be achieved with greater vision and leadership.

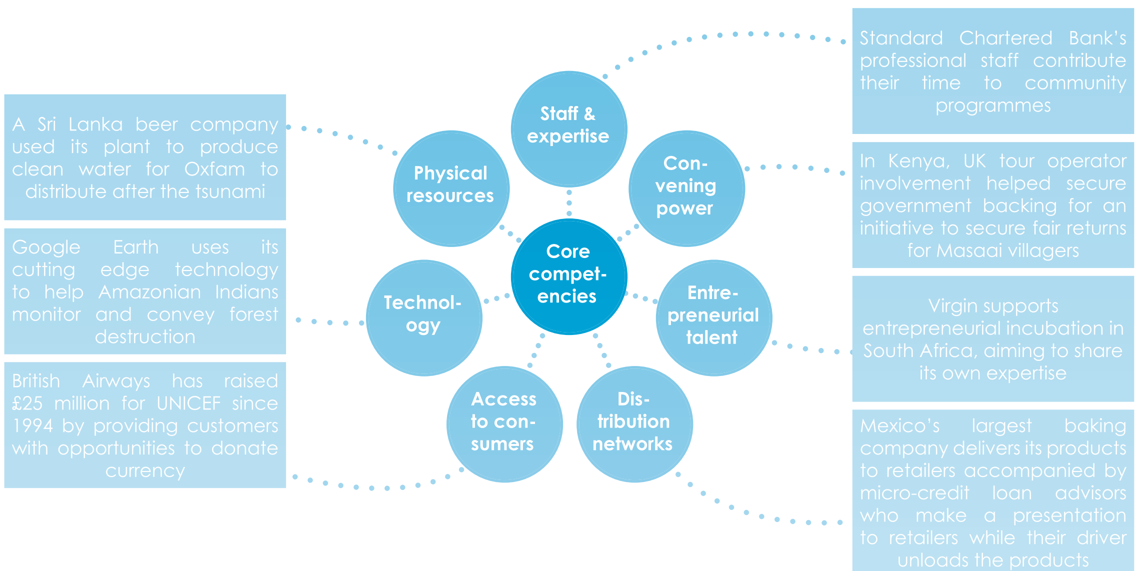
Development-friendly migration policy

Internally, the EU has promoted the free movement of its citizens, yet externally its policy has been characterised by restrictive immigration and labour migration policies as well as less than exemplary conduct in terms of integration, refugee and asylum issues in EU Member States. The defensive attitude of the EU towards migration is often criticised as not beneficial for the EU's economy in the context of decreasing relative competitiveness, an ageing population and a skills gap, as well as not being in line with the EU's global advocacy for free markets and human rights.

In recent years, the EU has developed an ambitious programme, the 'Global Approach'. This consists of three dimensions: the management of legal migration, the fight against illegal migration, and migration and development. Initiatives have been taken under all these headings, ranging from 'mobility partnerships' and the Blue Card for skilled migrants, to measures for dealing with illegal immigration, and longer term actions designed to address the 'push' factors causing emigration from developing countries (Figure C).

Nevertheless, there are major problems still to solve, in the area of legal migration and better implementation of existing policy. Making headway in this regard is to a large extent a question of political

Figure B: Harnessing core competencies for impact outside the core business

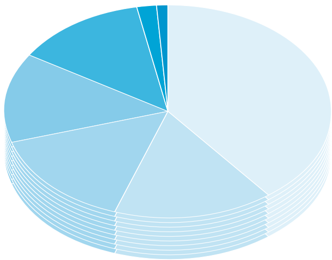


source: Ashley, C., 2009, Harnessing core business for development impact, ODI Background Note

Figure C: Basic facts on EU migration

In 2006, an estimated 1.8 million people immigrated into the EU. Of those 1.8 million, the majority was Asian, closely followed by Americans, non-EU Europeans and Africans. Every year, around 400.000-500.000 people entered the EU illegally , arguably because the EU offers few opportunities for the legal migration of low-skilled migrants.

Foreign immigrants by the location of the country of citizenship



source: EU-27, 2006 (Eurostat, Migration Statistics)

will. The development-friendliness of EU migration policy would be improved if the Commission were given more space to drive migration policies at a certain arms-length from populist pressures at national level.

The future of development partnerships

The partnership paradigm constitutes the underlying logic of how donors and developing countries relate to each other: on the basis of joint agreements on individual and mutual commitments. It is one of the most cherished EU concepts. The most advanced form of partnership can be found in the Cotonou-based contractual framework of political, trade and development cooperation with the 79 countries gathered under the umbrella of the ACP (Box E).

At the global level, the 2005 European Consensus on Development recognises the role of the EU in a "share[d] responsibility and accountability for their joint efforts in partnership"[5] with developing countries whose ownership over development policies is to be

Box E: Contractual partnerships - New oxygen for the Cotonou spirit?

Until 2020, Europe is engaged in legally binding relations with the ACP countries based on the 2000 Cotonou agreement. With all its shortcomings, Cotonou is a "partnership contract" which is unique in the current development and aid architecture. It includes not only mutual accountability (art. 2) and political dialogue provisions (art. 3-4), but also joint institutions (such as the Joint Council of Ministers) and arbitration procedures (art. 96-98).

While its implementation will be reviewed in 2010, the spirit of the Cotonou agreement would benefit from new oxygen as a model for development partnerships in a post-Accra and Doha world. Similar "contractual partnerships" could be negotiated and signed with the developing world as such, for example emerging economies such as Brazil and India, as well as Middle Income Countries in Asia and Latin America.

respected and fostered. At the regional level, the 2007 Joint Africa-EU Strategy (JAES) lays the foundation for a multi-dimensional "strengthened political partnership and enhanced cooperation at all levels"[6] and a recent communication elevated relations with Latin America to the level of "global players in partnership".

However, the reality is often less rosy. The EPA process has come under fire for the explicit and implicit imposition of EU interests and the damage it may do to regional integration processes. Although the JAES is a big step forward, EU-Africa relations still suffer from asymmetry, especially at the country level. Furthermore, the effectiveness of partnership models is hampered by the uneven performance of Commission delegations and by slow progress in coordination of programmes between Member States. The EU also needs to invest more in building South-South partnerships. The spirit of Cotonou provides a model of future partnership, which could be extended more widely.

EU development finance

Europe is a major player in official aid and in private flows, but (a) is falling behind its own aid pledges, (b) needs to step up and deliver on its aid commitments, whilst at the same time developing new sources of finance (c) needs to focus its aid better, and (d) needs to decide what role EC aid should play in the future. A timetable of future decision-making suggests that there are some important decisions on the horizon: the mid-tem review of EU Official Development Assistance (ODA) targets and the EU budget review in 2010; and the Commission's proposal for the next EU Financial Perspectives in 2011. A major review of the external lending mandate of the European Investment Bank is about to take place.

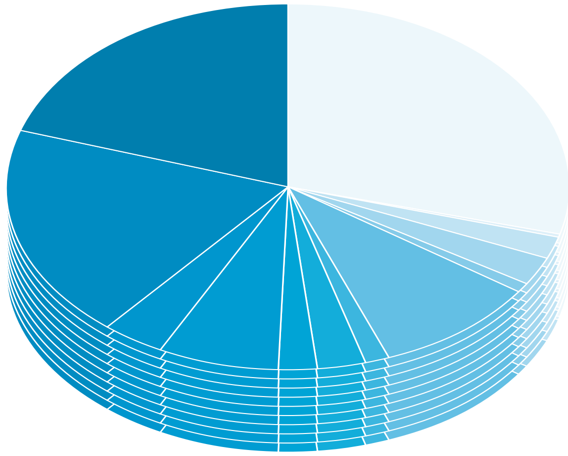
Collectively, the EU provides around 60% of global development aid flows (around €50 billion of the €80 billion total given in aid) and in 2008, the EU provided 0.4% of its Gross National Income (GNI). That equates to almost €100 spent on aid per EU inhabitant.[7] However, the EU will not reach its 2010 collective target until 2012. The EC highlights that a further €20 billion funding gap will need to be filled over the next two years in order to meet the target.

At the same time, EC aid in particular has less of a focus on the poorest countries than the Development Assistance Committee (DAC) average, with substantial flows to Middle Income Countries. For all DAC donors in 2007, the share to Least Developed and Other Low Income Countries was 63% of ODA. For the EU as a whole, the figure was 65%. For the EC, it was 44%. Turkey, Morocco, Ukraine and Egypt are all among the top ten recipients, reflecting political interests other than poverty reduction.

The EC external budget has been streamlined, but still contains a large number of different funding instruments, targeted on different problems or different regions of the world (Figure D). The EDF remains outside

Figure D: The EU as a global player (Heading 4)

- 29.3% Development Cooperation Instrument (DCI)
- 0.3% Industrialised Countries Instrument (ICI)
- 2% Democracy & Human Rights (EIDHR)
- 2.3% Instrument for Stability (IfS)
- 0.9% Instrument for Nuclear Safety Cooperation (INSC)
- 9.6% Humanitarian Aid
- 1.2% Macroeconomic Assistance
- 3% Common Foreign & Security Policy (CFSP)
- 2.1% Emergency Aid Reserve
- 7% Food Facility Instrument (FFI)
- 3.5% Other actions & programmes (inc. decentralised agencies)
- 18.8% Instrument for Pre-Accession Assistance (IPA)
- 20% European Neighbourhood & Partnership Instrument (ENPI)



source: General budget of the European Union for the financial year 2009, European Commission, January 2009

the budget framework. The EIB could make a much bigger contribution.

Working better together

The European Consensus on Development provides a framework within which EU countries can work together in delivering development cooperation. Operationally, a key milestone was the EU Code of Conduct on Complementarity and the Division of Labour, approved in May 2007. This is intended to reduce overlap, cut transactions costs, and ensure more efficient aid. For example, the Code of Conduct provides that no donor should operate in more than three sectors in any one country, and that no sector should have more than three to five EU donors supporting it. There are 11 principles (Box F).

The EC has promoted the application of the Code of Conduct and tried to facilitate coordination and cooperation at in-country, cross-country and cross-sector levels. These included a revision of its procedures to enable co-financing and delegated management with Member States, developing a practical toolkit, publishing a Donor Atlas that provides an overview of EU aid, and launching a Fast Track Initiative on the Division of Labour. The Commission and Member States successfully pushed division of labour under partner country leadership during the High Level Forum on Aid Effectiveness in Accra in 2008. Most recently, the EU Member States endorsed in the Council an evolving operational framework on aid effectiveness that includes measures in the area of division of labour.

However, progress on the ground is slow. A truism is that everybody wants to coordinate, but no one wants to be coordinated. The desire to 'plant a flag' still often hinders progress. In terms of cross-country coordination, the aid system is still plagued by the gulf between 'aid darlings' and 'aid orphans'.

Box F: Eleven principles of the Code of Conduct

1. Concentrate on a limited number of sectors in-country, effectively a maximum three per donor per country, plus budget support;
2. Redeploy out of other sectors;
3. A 'lead donor' arrangement, whereby one EU donor leads in each sector;
4. Delegated cooperation/partnership, in which donors engage in sectors over and above their chosen three through another donor, to whom they delegate authority for policy dialogue and administration of funds;
5. Adequate donor support, but limiting the number of donors in any sector to a maximum of 3-5;
6. Replicating the above at regional level and with regional institutions;
7. Establishing priority countries for each donor, to avoid spreading resources too thinly;
8. Addressing the orphans gap;
9. Analyse and expand areas of strength as between donors, in order to play to comparative advantage;
10. Pursue progress on other dimensions of complementarity; and
11. Deepen the reforms, by providing the right incentives and sufficient decentralised staffing.

A new agenda

It is easy to be critical. The achievements of the European development 'system' should not be overlooked. Failings often reflect the pressures of Member States rather than the performance of the Commission or its agents.

There is now an opportunity for change, and a timetable facing the new leadership team, both internal to the EU and external: the MDG Review in 2010, for example; the Mexico Conference of the Parties on Climate Change; and the EU Budget Review, building to the new Financial Perspectives from 2014.

In taking forward a new agenda, some believe that development cooperation should be centralised in Europe, with a greater share of resources channelled through Brussels and a more assertive common foreign, security and development policy. Whatever the case for this, the lessons of the Lisbon Treaty ratification suggest that the public mood favours using the EU as a platform for coordination rather than centralisation.

Cutting across the many recommendations in the report are five sets of priorities for the future:

- First, re-establishing EU leadership in thinking about development cooperation;
- Second, building real momentum on policy coherence for development;
- Third, providing new life to development partnerships;
- Fourth, meeting funding obligations and improving the targeting and effectiveness of aid spending; and
- Fifth, improving coordination between Member States, so that the EU really does work as one.

Specifically, actions could include:

EU leadership in thinking about development cooperation

- Update the narrative of EU development policy to reflect lessons learned from the food, fuel and financial crises, and to reflect new thinking on common interests, multilateralism and joined-up approaches;
- Lead the 2010 Review of the MDGs, for the period up to 2015, and beyond. Bring new issues to the centre of development policy, especially in the area of vulnerability and social protection. Support greater Southern ownership of the MDGs and country-defined targets and assessment;
- Design a daring new climate policy, making it integral to the European Consensus, and include climate change-related measures in country strategy papers for the period 2014-2018;
- Re-think trade policy for an era of preference erosion, emphasising aid for trade and better arrangements for trade in services, but also helping firms in developing countries to exploit market opportunities;
- Develop a comprehensive engagement strategy for the role of the private sector in development, bringing business leaders into the development process as genuine partners; and
- Re-evaluate the comparative advantages of Member States and the EC, reflecting new thinking on global collective action and the increased impetus to multilateralism.

Momentum on policy coherence for development

- Put policy coherence at the heart of EU policy-making, by specifying global goals and marshalling resources to achieve them;
- Establish a formal EU complaints procedure on policy coherence for development, as well as a standing rapporteur in the European Parliament;
- Further invest in promoting dialogue on PCD with developing country governments;
- Improve the linkage between trade and development by better combining expertise in both fields, for example around regulation and labelling;
- Develop a new approach to migration that emphasises the opportunities and benefits of migration and contributes to innovative legal channels for labour migration from developing countries;
- Give higher priority to political and economic engagement in fragile states; and
- Invest more in conflict prevention in developing countries.

New life for development partnerships

- Move towards contractual partnerships with the developing world, based on principles of mutual accountability;
- Invest in the capacity for genuine partnership in developing countries, taking regional and country situations into account; and
- Support South-South partnerships, by providing expertise and financial resources for South-South exchanges, including with countries like China, Brazil and South Africa.

Funding obligations and improving the targeting and effectiveness of aid spending

- Call Member States to account on their aid commitments, to fill the €20 billion gap;
- Press for an increase in development funding in the new Financial Perspectives (FP);
- Ensure that climate funding is (a) generous, (b) additional to ODA and (c) disbursed in accordance with Paris principles;
- Revise and rationalise the financial instruments, including budgetising the European Development Fund (EDF) (while preserving accountability mechanisms);
- Ensure that the External Lending Mandate of the European Investment Bank (EIB) is (a) ambitious and (b) consistent with the European Consensus on Development;
- Increase the share of funding from development instruments going to low-income countries; and
- Create Business Challenge Funds, to incentivise private sector engagement in development.

Improving coordination between Member States

- Unlock the potential resting in European collective diplomatic action and economic power to rise to the challenges posed by violent conflict, state fragility and other security threats across the globe;

- Encourage joint action by the EU in the UN, G20 and other forums;
- Call on Member States to implement the Code of Conduct on Division of Labour (DoL), be systematic about assessing their respective comparative advantages, strengths and weaknesses, and those of the Commission; and
- Put DoL on the dialogue agenda with partners and other donors, encourage EU (EC and Member States) representatives at the country level to take the issue forward and ensure better sharing of information among EU donors.

Finally, development cooperation is often presented in terms of dealing with problems and managing risks. It is indeed important to address problems like child malnutrition and maternal mortality, and to manage risks associated with climate change or insecurity. At the same time, international development is a positive and forward-looking enterprise, and an investment in global potential. It is about releasing the potential of many hundreds of millions of people and about making a better and safer world for all. Despite many setbacks and much unfinished business, the past generation has seen the biggest reduction in poverty in history and the biggest increase in human welfare. Europeans can play a part in accelerating progress. That is not a problem to be solved; it is an opportunity to be taken.

1. See: http://europa.eu/legislation_summaries/development/general_development_framework/r12544_en.htm

2. According to the Global Fortune 500 (2009), European businesses account for 164 of the top 500. See: http://money.cnn.com/magazines/fortune/global500/2009/index.html

3. See: http://www.inclusivebusiness.org/exploring.html

4. http://ec.europa.eu/development/policies/9interventionareas/trade/private_sector_en.cfm

5. See: http://europa.eu/legislation_summaries/development/general_development_framework/r12544_en.htm

6. See: http://europafrica.net/jointstrategy/

7. EC Staff Working Paper (2009), 'Where does the EU go from Doha? What prospects for meeting the EU targets of 2010 and 2015? Annual progress report 2009 on financing for development' accompanying the European EC Communication on 'Supporting development countries in coping with the crisis', COM(2009) 160/4, 8 April 2009

The ratification of the Lisbon Treaty, and the arrival in Brussels of a new leadership team, together provide an opportunity to re-invigorate European collaboration and collective action in the realm of international development.

This publication is the result of a collaboration between 25 researchers from four of Europe's leading think-tanks on international development. It stems from a shared commitment to European development cooperation, and a sense of urgency about the need to rethink policy for new and challenging times.

A new Europe, facing new challenges, will be tested in many fields and sectors. The authors assess the task of reaching the Millennium Development Goals, and rethinking the goals for the period beyond 2015. They make the case for joined-up thinking across the institutions and policies of the EU, emphasising the importance of Policy Coherence for Development. And they examine specific policy areas – trade, state/peace-building, climate change, migration, finance, and the private sector. They lay out an agenda for partnership with developing countries, and examine how actors in the EU system can work better together.

The report makes the case for five priorities:

- New EU leadership in thinking about how development cooperation can help deal with shared global problems.
- EU states to meet their aid promises and improve the targeting and effectiveness of aid spending.
- New efforts to ensure coherence between development and other policies.
- Providing new life to development partnerships.
- Improved cooperation between Member States, so that the EU really does work as one.

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