



EUROPEAN PARLIAMENT

2009 - 2014

Committee on Development

2011/2047(INI)

7.3.2011

DRAFT REPORT

on increasing the impact of EU development policy
(2011/2047(INI))

Committee on Development

Rapporteur: Filip Kaczmarek

CONTENTS

	Page
MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION	3
EXPLANATORY STATEMENT	8

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on increasing the impact of EU development policy (2011/2047(INI))

The European Parliament,

- having regard to Article 208 of the Treaty on the Functioning of the European Union, which stipulates that ‘Union development cooperation policy shall have as its primary objective the reduction and, in the long term, the eradication of poverty. The Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries’,
- having regard to the United Nations Millennium Declaration of 8 September 2000,
- having regard to the Monterrey Consensus, adopted at the International Conference on Financing for Development held in Monterrey, Mexico, from 18 to 22 March 2002,
- having regard to the European Consensus on Development¹,
- having regard to Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation² (the ‘Development Cooperation Instrument’ (DCI)),
- having regard to the EU Code of Conduct on Complementarity and Division of Labour in Development Policies³,
- having regard to the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action,
- having regard to the Social Protection Floor Initiative, launched by the UN Chief Executives Board (CEB) in April 2009,
- having regard to the European Development Report entitled ‘Social protection for inclusive development’, launched on 7 December 2010,
- having regard to the ILO Decent Work Agenda and to the ILO Global Jobs Pact, adopted by global consensus on 19 June 2009 at the International Labour Conference,
- having regard to the Commission Green Paper of 10 November 2010 entitled ‘EU development policy in support of inclusive growth and sustainable development. Increasing the impact of EU development policy’⁴,
- having regard to its resolutions of 23 May 2007 on promoting decent work for all⁵, of

¹ OJ C 46, 24.2.2006, p. 1.

² OJ L 378, 27.12.2006, p. 41.

³ Council Conclusions 9558/07, 15 May 2007.

⁴ COM(2010)629 final.

⁵ OJ C 102 E, 24.4.2008, p. 321.

24 March 2009 on MDG contracts¹, of 25 March 2010 on the effects of the global financial and economic crisis on developing countries and on development cooperation², of 7 October 2010 on health care systems in Sub-Saharan Africa and Global Health³, of 15 June 2010 on progress towards the achievement of the Millennium Development Goals: mid-term review in preparation of the UN high-level meeting in September 2010⁴, of 25 November 2010 on the climate change conference in Cancun (COP16)⁵,

- having regard to Rule 48 of its Rules of Procedure,
 - having regard to the report of the Committee on Development and the opinions of the Committee on Foreign Affairs, the Committee on International Trade, the Committee on the Environment, Public Health and Food Safety, the Committee on Industry, Research and Energy and the Committee on Agriculture and Rural Development (A7-0000/2011),
- A. whereas poverty reduction and eradication is the EU's primary development policy objective, as defined by the Lisbon Treaty,
- B. whereas the European Consensus on Development reaffirms the EU's commitment to poverty eradication and the pursuit of the MDGs, and to principles such as ownership and partnership, aid effectiveness and policy coherence for development, which continue to be crucial to enhancing the impact of EU development aid,
- C. whereas poverty has multiple dimensions, not only economic, but also human, socio-cultural, political, protective, gender and environmental, which need to be tackled by EU development policy,

High-impact development policy

1. Welcomes efforts to develop European Country Strategy documents in order to achieve better coordination between the Commission and the Member States; emphasises that the programming process must ensure that the aid effectiveness agenda is implemented, and that Parliament's right to exercise democratic scrutiny is respected;
2. Emphasises that in keeping with the concept of democratic ownership, parliaments, local authorities, civil society and other stakeholders should be supported in their efforts to play their proper role in defining development strategies, holding governments to account and assessing development results;
3. Insists that needs must remain a crucial criterion for the allocation of EU development aid; calls on the Commission and the Member States to focus the disbursement of Official Development Assistance (ODA) on the poorest countries, and on reaching the poorest layers of society;

¹ OJ C 117 E, 6.5.2010, p. 15.

² OJ C 004 E, 7.1.2011, p. 34.

³ Texts adopted P7_TA-PROV(2010)0355.

⁴ Texts adopted P7_TA(2010)0210.

⁵ Texts adopted P7_TA(2010)0442.

4. Stresses the need to distinguish between the development needs of the Least Developed Countries (LDCs) and those of the Middle Income Countries (MICs), especially the emerging donors; recalls that 72% of the world's poor live in MICs, and that cooperation and dialogue should therefore continue in order to address persisting poverty and inequality; reiterates that non-ODA cooperation with MICs and strategic partners must not be financed from the already scarce development budget;
5. Stresses that Policy Coherence for Development (PCD) is crucial to the implementation of a high-impact development policy; calls on the Commission to define clearly responsibilities for enforcing the Treaty obligation of PCD, and calls for sufficient resources to be set aside for this purpose in the Commission, the European External Action Service (EEAS) and the EU delegations;

Meeting financial commitments

6. Reiterates its position that the collective target of devoting 0.7% of the Union's Gross National Income (GNI) to ODA by 2015 must be met; urges the Commission and Member States to find new sources of development funding; opposes any broadening of the definition of ODA;
7. Takes the view that the added value of the Commission's development aid justifies a significant increase in real terms in the budget earmarked for development aid in the next MFF (Multiannual Financial Framework);
8. Calls for continued efforts in the areas of development education and awareness raising in Europe; emphasises that this should be seen as a means not only of increasing public support for development spending, but also of enabling every person in Europe to understand global development concerns;

Promoting pro-poor growth

9. Acknowledges that economic growth can be an important driver of development; stresses, however, that the impact of growth on poverty eradication will be much higher if inequality is reduced; insists, therefore, that EU development assistance must be geared towards pro-poor growth through the adoption of measures which specifically focus on the poor in order to foster an increase in their share of national wealth and allow them to become a driving force for growth;
10. Stresses that EU policies should facilitate growth in areas of the economy where the poor earn their livelihoods, such as agriculture and the informal sector; calls on the Commission and the Member States to favour measures which facilitate poor people's access to land, markets, credits and other financial services and skills development;
11. Supports efforts to promote industrial development, provided that social and environmental standards are observed;
12. Suggests that the EU and its Member States support more systematically the ILO's decent work agenda in developing countries, in order to stimulate the creation of high-quality jobs and the protection of core labour standards;

Human development

13. Emphasises that the provision of basic social services is crucial to pro-poor growth; calls for 20% of all EU assistance to be earmarked for basic social services, as defined by the OECD, with a special focus on free access to primary health care and basic education;
14. Welcomes the UN initiative for a Social Protection Floor; calls on the Commission and the Member States to enhance support for national social protection programmes in developing countries and to develop a comprehensive policy framework on this issue;
15. Reiterates its view that the EU must support partner countries in developing fair and effective tax systems to generate the revenues needed for social protection and pro-poor policies;

Involving the private sector

16. Acknowledges that the development of the private sector in developing countries is crucial to creating employment opportunities, delivering services and enhancing wealth creation; stresses that, in keeping with the pro-poor agenda, EU development aid should focus on encouraging recipient countries to create an environment conducive to the development of small, medium-sized and micro-enterprises and on the removal of barriers to formalisation, and that services and capacity-building should be targeted in particular on poorer entrepreneurs;
17. Stresses that investment projects involving the private sector which are financed by the EU in developing countries should meet internationally agreed environmental, social and transparency standards and be consistent with beneficiary countries' development plans; objects to any kind of cooperation with private entities which would contribute directly or indirectly to any form of tax evasion;
18. Emphasises that support for the private sector must go hand in hand with assistance to the public authorities and parliaments in beneficiary countries to enable them to regulate markets effectively, to promote transparency and good governance and to fight corruption;

Climate change, energy and sustainable development

19. Welcomes the proposal to focus development cooperation on sustainable energy; insists that access to energy for the poor and in connection with the provision of public services and local development must be prime objectives of EU-supported projects;
20. Supports more systematic efforts to mainstream climate change adaptation and disaster risk reduction measures;
21. Reiterates its position that mainstreaming cannot replace the provision of new and additional resources which the EU and other donors have promised developing countries affected by climate change;

Food security and agriculture

22. Reiterates its position that the EU should focus its development assistance on promoting sustainable small-scale agricultural production; emphasises the need to ensure, in particular, access for small farmers to the means of production (land, credit, consultancy and advisory services), to processing and marketing opportunities and to local and cross-border markets;
23. Insists that the EU should also address the root causes of food insecurity, including food-price speculation and 'land grabbing'; reiterates that the reform of the Common Agricultural Policy must take into account the Treaty obligation of PCD;
24. Instructs its President to forward this resolution to the Council and the Commission.

EXPLANATORY STATEMENT

Introduction

It is a timely moment for a broad debate at the EU level on the future of the EU development policy. It is important that the EU defines its vision, its ambitions, objectives and appropriate instruments, before deciding about the place of development aid in the upcoming multi-annual financial framework (MFF).¹ On some of the issues raised in the Commission's Green Paper on EU Development policy in support of inclusive growth and sustainable development, Parliament has an established position or is currently preparing reports.² The rapporteur will therefore focus this working document on the elements which suggest a change of orientation, in particular the proposals for "high impact aid", the concept of "inclusive growth" and the involvement of the private sector. The future shape of the EU aid policy and the role of the Commission, rather than the Member States, will be at the centre. In evaluating the Commission proposals, we have a clear benchmark, which is Article 208 of the Treaty on the Functioning of the European Union (TFEU). The primary objective of EU aid must be the reduction and, in the long term, the eradication of poverty. The European Consensus on Development also provides important common values, such as human rights and democracy, and common principles, such as ownership and partnership, which are still valid.

1. High impact development policy

Aspects of quality

In order to enhance the impact of EU development policy, the Commission proposes three criteria for choosing interventions: (1) added value, (2) EU prior coordination, and (3) potential of leverage on reforms and/or other funding sources. Parliament has always called for better coordination, and the efforts to develop European Country Strategy documents can therefore only be supported. Parliament should encourage the Commission in all efforts to play fully its coordinating role as set out in the Lisbon Treaty (Art. 210 TFEU). Improvement of coordination and harmonisation should focus on the principle of ownership. Incorporating the EDF into the EU budget would be one important step for better coordination between different EU aid instruments. This must not lead, however, to an overall reduction in development spending, or to a loss of predictability for the ACP countries.

Aiming at high impact may not lead to a risk-averse development policy which only focuses

¹ The Commission's Green Paper on EU development policy in support of inclusive growth and sustainable development (COM(2010)0629fin.) can thus be seen in conjunction with the consultation launched by the Commission on funding for external action after 2013.

² See, for example European Parliament resolution of 25 November 2010 on the climate change conference in Cancun (T7-2010/0442), as well as the (upcoming) DEVE reports on the Green Paper on the future of EU budget support (2010/2300(INI)), on an EU policy framework to assist developing countries in addressing food security (2010/2100(INI)), and on Tax and Development - cooperating with developing countries on promoting good governance in tax matters (2010/2102(INI)). The upcoming report by Gay Mitchell on Regulation (EC)1905/2006 establishing a financing instrument for development cooperation: lessons learned and perspectives for the future (2009/2149(INI)) will deal with the specific parliamentary demands regarding the successor instrument of the DCI.

on "easy countries". "Best value added and value for money" cannot be the only yardstick for choosing interventions, but needs must remain a crucial criterion. EU aid should continue to focus on the poorest countries, and on reaching the poorest layers of society.

If already existing commitments on aid effectiveness and policy coherence for development were truly fulfilled, then the impact of EU aid would benefit greatly. Four years after the publication of a Code of Conduct on Division of Labour in Development Policy, too little progress has been made in clarifying and strengthening the European Commission's areas of comparative advantage. The Paris Declaration and the Accra Agenda for Action should be included into the programming process, and EU and Member States should continue to play a leading role in the preparation of the Busan High Level Conference on Aid Effectiveness 2011. Predictability is an important factor of aid effectiveness. The EU's MDG contracts approach provides a positive model which should be further developed.

The Green Paper recognises the importance of Policy Coherence for Development (PCD) for a high impact of aid, and for avoiding negative impacts from other policy areas, but lacks to discuss the challenges resulting from the creation of the EEAS. The institutional architecture must ensure that the Treaty obligation of PCD is enforced and the distinctive nature of development policy be preserved. To this end, a specific unit or service could be created under the control of the Commissioner for Development, with explicit horizontal competences for PCD not only in relation to the Commission, but also in relation to the EEAS.

Good Governance is essential for positive development impact, and the EU has a strong experience in supporting political reforms alongside its aid programmes. Important for this policy is an approach to governance which puts an emphasis on human rights, democracy and the rule of law, on fighting corruption and on the role of parliaments and civil society in holding governments accountable and in assessing development results. The key concept should be "democratic ownership".

Impact through quantity of real aid

Increasing impact of aid is important, but may not be a pretext for reducing aid quantities. In line with treaty obligations, international commitments, EU's values and long-term interests, poverty eradication should continue to be a key objective for EU external action. For reaching the collective target of devoting 0.7% of its GNI to Official Development Assistance (ODA) by 2015, EU Member States should make their ODA commitments politically binding, and agree to multi-annual action plans, as proposed by the Commission.

There is significant "added value" to EU-level aid, as recognised by the European Consensus on Development Aid¹, and therefore the share of overall European aid channelled through the EU budget should not be reduced. This justifies a significant increase of the envelopes

¹ According to the Consensus, added value comes from the EU's presence worldwide, its expertise in dispensing aid, its role in promoting PCD and facilitating coordination, delivery on large scale projects, support for democracy, human rights, good governance and respect for international law, and its role in promoting participation in civil society and North-South solidarity, including through development education. To be added are the EU's strong experience in budget support and support for social services and with promoting regional integration and cooperation.

destined to development in the next MFF in real terms. Citizens do support development policy and the role of the EU therein: We should not underestimate the importance of the value of solidarity, in particular in times of crisis.¹

EU development aid, to have an impact on poverty eradication, must continue to be strictly linked to the ODA criteria as defined by the OECD/DAC. Non-ODA cooperation may become more important with Middle Income Countries (MICs), but this must be additional to development aid proper. At EU level, such cooperation should be channelled through a separate instrument to ensure transparency. Also, the definition of ODA may not be broadened in order to achieve the 0.7 objective; this would be merely a statistical exercise and not generate any “new” funds for development.

2. Human Development

Parliament has always insisted that access to basic social services, in particular to health and education, must remain a cornerstone of EU aid. These sectors are crucial for reaching the MDGs, for facilitating sustainable growth, and are areas where the Commission has particular experience. A quantitative benchmark will be needed to ensure that the social sector does not become squeezed by other competing priorities: The EU should dedicate at least 20% of all assistance to basic social services, as defined by the OECD, with a special focus on free access to primary health and basic education. Furthermore, a rights-based-approach to development would contribute significantly to increasing the impact of EU aid in this sector.

3. Inclusive growth and poverty

The core of the Green Paper is the proposal to refocus EU development policy on the promotion of inclusive growth. Growth is an important driver of development, and the focus on inclusiveness is welcome, as well as the acknowledgement that growth must be a means for achieving poverty eradication. The rapporteur also shares the view that differentiation among developing countries is highly important, and that regional integration and facilitation of south-south trade are important drivers of growth, where the European Union has both experience and the necessary instruments.

However, there remain serious concerns as regards the presentation of the new policy orientation in the Green Paper. Firstly, the focus on growth - which refers to quantitative economic measures - should not lead to a purely economic understanding of poverty. Poverty is multi-dimensional, denoting people's exclusion from socially adequate living standards and it encompasses a range of deprivations (economic, political, cultural etc.) which need to be targeted by development policies.

Secondly, the external shocks that affect growth in numerous countries, especially in Sub-Saharan Africa, have not been sufficiently addressed. In this respect the rapporteur believes that industrial development has a tremendous transformative potential for national economies

¹ According to the special Eurobarometer 'Europeans, development aid and the Millennium Development Goals' (published in September 2010), 89% of Europeans find development aid very important or fairly important.

and opposite to agriculture exports or natural resources extraction, which expose economies to shocks, is more likely to offer bigger scope for long-term productivity growth.

Finally, and most importantly, the concept of inclusive growth remains vaguely defined, and it is not sufficiently clear, how "inclusiveness" can be ensured. Although the Green Paper mentions that higher inequality sharply reduces the pace of poverty reduction and has considerable adverse effects on economic growth, this is not sufficiently reflected in the measures proposed.

Well known empirical findings by the World Bank's lead poverty development economist¹ show that growth has been seven times more efficient in reducing poverty in developing countries when accompanied by decreases in income inequality than otherwise. In turn, decreased poverty levels are found to have a positive effect on subsequent growth. This makes the case for the need to tackle distributional issues: The impact of EU aid will be significantly higher, and poverty will be more efficiently addressed.

Thus, the Commission should pursue "pro-poor growth" based on the relative approach whereby development policies and cooperation shall specifically focus on the poor in order to foster the increase of their share in growth. Europe represents, in fact, one of the world's best examples of how addressing distributional issues by means of the Welfare State (fiscal and social expenditure policies, inter alia) has prompted important gains in terms of both economic and social development. This experience, also captured as the European social model, provides a real added value, which could be applied as a tool in EU's development policy. Supporting the build-up of social security systems and fair tax systems as well as promoting the decent work agenda of the ILO would be important measures in line with this approach.

4. Involving the private sector

As part of its strategy for promoting growth, the Commission proposes to leverage more investment from the private sector and support small and medium enterprises (SMEs), including through the blending of grants and loans. The private sector is vitally important for sustainable development, but in some cases activities of multinationals have, due to various circumstances, a negative impact on poverty, human rights and the environment. It is therefore important that possible risks are assessed and clear criteria for supporting private sector projects are defined. In addition, it must be clarified, which private sector - foreign or domestic, for profit or other - should receive support from scarce development budgets.

The Green Paper underlines that investments must "try to benefit the maximum number of citizens in the partner country." In order to choose the best options, an ex – ante Poverty and Social Impact Analysis (PSIA) should be undertaken to ensure greater impact on poverty and positive development outcomes. The Green Paper rightly underlines the need to support SMEs and micro-enterprises. Microfinance therefore plays an important role, and access

¹ Ravallion, Martin, 2001. "Growth, Inequality and Poverty: Looking Beyond Averages," World Development, Elsevier, vol. 29(11), pages 1803-1815, November.

should in particular be ensured for disadvantaged groups, such as minorities, small farmers and women. In order to achieve pro-poor growth, it is necessary for the poor to participate as promoters of growth and not just as beneficiaries.

In addition, the following principles should guide the EU approach:

- focus on financing for domestic companies and leveraging of domestic capital
- adherence to environmental and social standards
- support to governments for effective regulation of markets and fair taxation
- alignment with beneficiary countries' development plans
- no support for any operations which would allow, or contribute directly or indirectly to, any form of tax evasion
- promotion of transparency, good governance and fight against corruption in the beneficiary countries
- the new focus on loans shall not be to the detriment of the level of grants.

5. Climate change, energy and sustainable development

Climate change and development are closely interlinked, and initiatives for combating climate change and poverty can be mutually beneficial. The Commission's ambition to better mainstream climate change and disaster risk reduction (DRR) concerns to promote sustainable economic development is timely and relevant. Until now, there seems to be little systematic evaluation of the efforts undertaken on integrating adaptation and DRR into development cooperation. As a first step, it would therefore be important to assess if the Commission's stated intents to mainstream adaptation and DRR have been implemented and in what manner. Mainstreaming of climate change may not replace, however, the provision of new and additional resources which the EU and other donors have promised developing countries for climate change adaptation. The focus on renewable energy is to be welcome, in particular as regards the synergy with job creation and sustainable development. The EU needs to ensure, however, that policies benefit first and foremost the poor and that improving access to energy supports local economic development.

6. Food security and agriculture

The Green Paper acknowledges that food security and agriculture are a catalyst for development and growth, and focuses on sustainable small scale production. It is regrettable, however, that it does not address the root causes of food insecurity in developing countries. Issues around "Agriculture and food security" should not be addressed in isolation as other external factors impact greatly on food insecurity (e.g. food speculation, land grabbing...). The value chain approach to agricultural production is important, but requires that a number of pre-requisites are met such as securing access to the means of production (land, credit, consultancy and advisory services), processing and marketing opportunities and access to local and cross-border markets. Conditions should also be created for a more equitable and sustainable smallholder integration into agriculture value chains and markets. Growth should be environmentally sustainable, respect biodiversity and prevent the worrying degradation of fertile land. The EU should therefore promote agro-ecological and low-external-input (LEI) practices. Appropriate financing should be dedicated to agriculture in future geographical

programmes. ODA spending for agriculture has fallen from 17% in 1980 to 5% today and the sector has been neglected by donors for many years. The rapporteur believes that the Fisheries Partnership Agreements (FPAs) should help to consolidate the fisheries policies of partner countries, and strengthen their capacity to guarantee sustainable fishing in their own waters and local employment in the sector.

Conclusion

The Commission has announced that the upcoming communication on a modernised EU development policy shall include a consideration whether it is opportune to review the European Consensus on Development. It must be underscored that the Consensus is a joint document subscribed formally by the three main institutions. Therefore, a “unilateral” initiative should be avoided. If the Commission estimates that the Consensus must be reviewed, it should open formal consultations with the two others. The decision to review the consensus must be based on a thorough analysis of its functioning since it came into force in December 2005.

A modern European development policy needs the understanding and involvement of European citizens, which will require continued efforts on Development Education and Awareness Raising, based on values of human rights, democracy, tolerance, social responsibility and gender equality. Every person in Europe should be enabled to understand global development concerns and their local and personal relevance, which will make significant contributions to increasing public support for development cooperation.