



## **BACKGROUND NOTE FOR THE XLIX COSAC MEETING**

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### **EU Development Policy post-2015**

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#### **1. Introduction**

Development is a key component of the EU's external action, together with its foreign, security and trade policies. In the context that the EU and its MS collectively comprise the world's largest aid donor, the EU employs a number of tools for development from provision of vital infrastructure to trade promotion. The EU's development policy has evolved gradually over time, extending its initial scope from overseas countries and territories associated with the EU to now including all developing countries.<sup>1</sup> The primary and overarching objective of EU development policy is to eradicate poverty using a sustainable approach, including the achievement of the UN's Millennium Development Goals (MDGs).<sup>2</sup>

#### **2. Overview of Development Policy**

##### **2.1 EU Development Policy**

The evolution of EU development policy in recent years can be traced to a number of policy initiatives (see table 1).

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<sup>1</sup> Development policy is a shared competence. See section 2.1 for more on the relationship between EU development policy and the development policies of the Member States.

<sup>2</sup> The eight MDGs were adopted by world leaders in 2000 with a 2015 deadline.



Table 1: Timeline of EU/UN development policy since 2005

Year	Event
20 Dec 2005	Signing of the <i>European Consensus on Development</i>
Autumn 2010	European Commission publishes two Green Papers on development
13 Oct 2011	European Commission releases its <i>Agenda for Change</i> development aid policy
14 May 2012	EU Council adopts the <i>Agenda for Change</i>
June – Sept 2012	Public consultation on <i>Towards a Post-2015 Development Framework</i>
27 Feb 2013	EU Development and Environment Commissioners issue <i>A Decent Life for All</i>
Sept 2013	UN Special Event to follow up efforts made towards achieving the Millennium Development Goals
2015	Target for achieving the eight original Millennium Development Goals.

Source: Author and Euractiv website at <http://www.euractiv.com/development-policy/agenda-change-eu-helping-hand-ge-linksdossier-518311>

EU action in the field of development is based on the 2005 *European Consensus on Development*. This statement, defines, for the first time in 50 years of cooperation, the framework of common principles within which the EU and its Member States will each implement their development policies in a spirit of complementarity.

In 2005, the EU agreed to apply the Policy Coherence for Development approach in 12 policy areas, such as climate change, that could accelerate progress towards the MDGs.<sup>3</sup> The European Commission published two Green Papers (on the future of development policy and the instrument of budget support respectively) in autumn 2010 to facilitate debate on future policy with stakeholders and interested parties. In October 2011, the European Commission presented its Communication *Agenda for Change* and reform proposals for EU budget support, aimed at setting a more strategic EU approach to reducing poverty, including a more targeted allocation of funding.<sup>4</sup>

The OECD's Development Assistance Committee (DAC) conducted peer reviews of the EU's development policy in 1998, 2002, 2007 and 2012. The 2012 review<sup>5</sup> notes:

<sup>3</sup> The concept aims to build synergies between policies other than development cooperation that have a strong impact on developing countries and development objectives.

<sup>4</sup> The proposals come in the form of two Communications - *Increasing the impact of EU Development Policy: an Agenda for Change* and *The future approach to EU budget support to third countries*.

<sup>5</sup> *Review of the Development Co-operation Policies and Programmes of the European Union* available at <http://www.oecd.org/dac/peer-reviews/50155818.pdf>



“that since the last review 5 years ago, the EU has taken steps to make its aid more effective and give it more impact. These steps included organisational restructuring, streamlining the financial process, improving co-ordination, and working more with civil society.

However, the Review also notes that more progress is needed in a number of areas. It says the EU must: clarify the responsibilities of the EU institutions working on development; lower the administrative burden on EU staff and developing countries; monitor and communicate development results; and draw-up a coherent approach to working with developing countries emerging from conflict situations”.<sup>6</sup>

The review also made a number of recommendations to improve the effectiveness of EU aid, including the following:

- To strengthen its international role in development and its impact in developing countries, the EU should continue efforts to build a common strategy with, and amongst, its Member States. The proposed “Agenda for Change” is an opportunity to achieve this.
- To ensure it can work effectively in poor countries and fragile states, the EU needs to ensure that the 2014-2020 financial framework supports its strategic priorities with appropriate funding and tools, especially for security and transition issues, mainstreaming gender equality and environment, and supporting private sector development.
- Both the EU and its Member States should also ensure that their national policies are coherent with their international development goals and publicise the positive effects of their development efforts in order to garner political and public support.
- To make its aid more effective, timely and flexible, the EU should further simplify its complex budget and administrative processes, and devolve more authority to its staff in the field.<sup>7</sup>

## 2.2 International policy - UN MDGs

The Millennium Development Goals are eight international development goals which UN Member States and several international organisations committed to achieving by 2015. They were officially established following the Millennium Summit of the UN in 2000 at which the UN Millennium Declaration was adopted. The goals range from halving

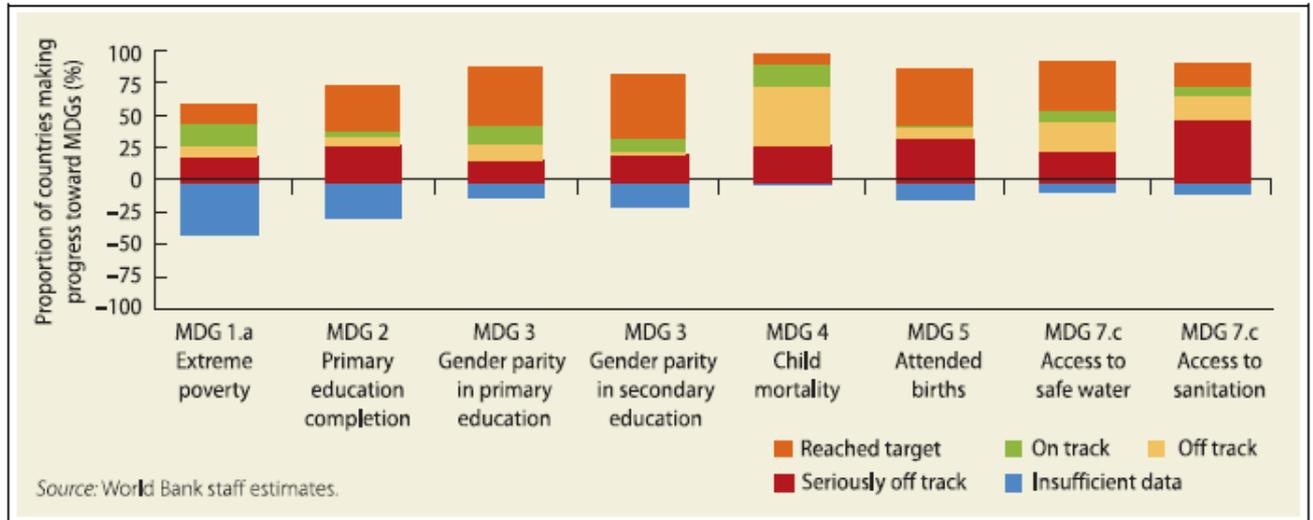
<sup>6</sup> See OECD webpage *EU development co-operation: improving but still cumbersome*, 24/04/2012. Available at <http://www.oecd.org/dac/peer-reviews/eudevelopmentco-operationimprovingbutstillcumbersome.htm>

<sup>7</sup> OECD webpage *EU development co-operation: improving but still cumbersome*, 24/04/2012.



extreme poverty rates to providing universal primary education. Each goal has specific stated targets and dates for achieving these.

Figure 1: MDGs - measuring countries' progress



Source: European Parliament Directorate-General for External Policies (2013) *Millennium Development Goals and Beyond 2015: A Strong EU Engagement* available at <http://www.europarl.europa.eu/committees/en/studiesdownload.html?languageDocument=EN&file=92130>

The MDGs were revised in 2003 and 2006 to include new targets, as well as indicators developed by the Inter-Agency and Expert Group on Millennium Development Goals Indicators. The MDG framework does not include mechanisms for governments' and donors' accountability. The European Parliament (2013, p. 11) has commented on progress made to date on the MDGs:

“Significant progress has been achieved in almost all the MDGs, and the quality of life of hundreds of millions of people in low to middle-income countries in terms of access to basic health, education, water and other essential services has improved at an unprecedented rate [...]. MDG1/Target1A (on income poverty), MDG3 (on gender equality in primary school) and MDG7/Target7B (on access to water) have seen most progress, and their targets are highly likely to be achieved by 2015 at the global level. Other MDGs will be nearly met, such as MDG1/Target1B (on nutrition), MDG2 (on primary school completion) and MDG4 (on child mortality)”.



## 2.3 Development aid spending

The development agenda has gained momentum in international affairs with the commitment of the international community to attain the MDGs by 2015. These goals have provided an incentive to meet the longstanding target of 0.7% of gross national income (GNI) dedicated to Official Development Aid (ODA)<sup>8</sup>, as agreed by countries at the UN in 1970. At EU level, Member States committed in 2005 to achieve a collective ODA level of 0.7% of GNI by 2015 with an interim target of 0.56% by 2010.<sup>9</sup>

The table in Appendix 1 measures progress towards this target, setting out EU ODA levels.<sup>10</sup> It shows that the EU collective ODA (which includes EU institutions ODA not imputed to Member States) decreased from 0.45% of EU GNI in 2011 to 0.43% in 2012 (or from €56.2 bn to €55.1 bn). The total ODA of the EU-27 decreased from 0.42% of GNI in 2011 to 0.39% in 2012 (or from €52.8 bn to €50.5 bn). A number of Member States reduced their ODA levels in 2012. Nonetheless, the EU remained, collectively speaking, the world's largest donor in 2012 providing more than half of the ODA reported by DAC.<sup>11</sup>

In February 2013, the European Council confirmed that respecting the EU's formal undertaking to collectively spend 0.7% of GNI on ODA by 2015 remains a key priority for Member States. The level of funding that the European Council agreed for the 2014-2020 period, however, foresees €58.7 bn for external aid from the EU budget which falls short of the €70 bn proposed by the European Commission. The European Council also agreed on €26.98 bn for the 11<sup>th</sup> European Development Fund (EDF) for 2014-2020, compared to the €30.3 bn suggested by the European Commission. As the level of funding agreed by the European Council will not enable the EU budget and the EDF to maintain their share of the 0.7% ODA commitment, it has been suggested that Member States will need to substantially increase their national development budgets in order to respect their individual and the EU collective commitments.<sup>12</sup>

<sup>8</sup> ODA is defined by the Development Assistance Committee (DAC) of the OECD and frames what Member States report yearly as development assistance.

<sup>9</sup> European Council, Conclusions, 18 June 2005, Doc. 10255/05 Conc. 2.

<sup>10</sup> Please note there are some differences in methodology between the OECD and EU in how they compare data. This paragraph is based on preliminary data published by the European Commission in April 2013.

<sup>11</sup> See European Commission press release available at [http://europa.eu/rapid/press-release\\_IP-13-299\\_en.htm](http://europa.eu/rapid/press-release_IP-13-299_en.htm)

<sup>12</sup> Information in this paragraph is adapted from [http://europa.eu/rapid/press-release\\_IP-13-299\\_en.htm](http://europa.eu/rapid/press-release_IP-13-299_en.htm)



### **3. The post-2015 development agenda**

#### **3.1 The role of the UN**

As the countdown to 2015 continues, focus has increasingly turned to the process of building on the momentum generated by the MDGs and formulating the post-2015 development agenda. The UN is actively working with governments, civil society and other partners towards this end and has taken a number of relevant actions. For example, at the September 2010 MDG Summit, UN Member States initiated steps towards advancing the post-2015 Development Agenda and are leading a process of consultations on this.

In September 2011, the UN Secretary-General established a UN System Task Team to coordinate preparations for the period beyond 2015. In July 2012, the Secretary-General announced the 27 members of a High-Level Panel to advise on the global development framework beyond 2015.<sup>13</sup> The work of the Panel will reportedly reflect new development challenges while also drawing on experience gained in implementing the MDGs, both in terms of results achieved and areas for improvement.<sup>14</sup> It submitted its report containing recommendations to the Secretary-General on 30<sup>th</sup> May 2013. In autumn 2013, a UN Special Event will follow up on efforts made towards achieving the MDGs and will likely raise the issue of what might follow beyond 2015.

#### **3.2 Sustainable Development Goals**

Commitments made at the Rio+20 Conference in June 2012 will influence the process in respect of the post-2015 development framework. One of the main outcomes of the Rio+20 Conference was the agreement to launch a process to develop a set of Sustainable Development Goals (SDGs), which will build upon the MDGs and converge with the post-2015 development agenda. A report addressing the SDGs is due to be presented to the UN General Assembly by September 2014.

<sup>13</sup> More information is available at <http://www.post2015hlp.org/>

<sup>14</sup> See <http://www.un.org/sg/management/hlppost2015.shtml>



### 3.3 The role of the EU in developing policy beyond 2015

All of these inputs should provide an impetus to the development of a post-2015 overarching policy framework. The EU itself is preparing for the post-2015 development agenda in a number of ways including through its membership of the High Level Panel (represented by European Commissioner for Development Andris Piebalgs). In addition, the EU is developing its contribution to the UN review of progress towards the MDGs in 2013 with the public consultation held in 2012 feeding into this process.

A number of commitments made at the Rio+20 Conference in June 2012 also need to be implemented within the EU. The Communication *A Decent Life for All*, published in February 2013, marks the first step for following up such commitments at EU and international level. It brings together a review of the MDGs and actions based on the outcomes of the Conference, including the SDGs. The Communication proposes a common approach for the engagement of the EU in forthcoming international processes and events relating to poverty eradication and sustainable development (notably: the UN Open Working Group on SDGs and the UN General Assembly Special Event on the MDGs), enabling it to provide coordinated and timely inputs.

Finally, the European Report on Development (ERD) 2012-2013, *Development in a Changing World: Elements for a Post-2015 Global Agenda*, will also prove a useful tool in developing the post-2015 framework.<sup>15</sup> This fourth edition, due to be published in mid-2013, will consider some of the main development challenges for the next 15 years and reflect on how the international community could help in addressing them.

## 4. Key issues for EU Development Policy post-2015

Some of the key issues for the post-2015 development policy agenda are addressed below.<sup>16</sup>

### 4.1 Developing a new global development framework

It is important to consider how the momentum of the MDGs can be sustained and improved in a changing global context. The European Report on Development 2013,

<sup>15</sup> The ERD is an independent report, supported by the European Commission and seven EU Member States.

<sup>16</sup> It is, however, beyond the scope of this paper to examine all such issues.



*Post-2015: Global Action for an Inclusive and Sustainable Future*,<sup>17</sup> suggests ten main messages for future policy formation which could assist in this regard:

1. A new global development framework is needed.
2. The framework should promote inclusive and sustainable development.
3. The framework must build on an updated understanding of poverty.
4. A transformational development agenda is essential for this vision.
5. The global development framework should support country policy choices and development paths.
6. The deployment of a broad range of policies ‘beyond aid’ is essential.
7. A range of development finance resources will be required.
8. More extensive international collective action is required.
9. Processes to address global challenges need to be mutually reinforcing.
10. In addition to ODA the EU contribution post-2015 should focus on promoting PCD (Policy Coherence for Development) and global collective action.

#### 4.2 Financing ODA and effectiveness of aid

The current negotiations on the Multi-annual Financial Framework (MFF) 2014-2020 and more challenging domestic fiscal conditions form a large part of the backdrop to the debate around aid financing. Many developed countries will have budget deficits which may affect the negotiations for a future MDGs architecture. This makes the issue of making current levels of aid as effective as possible all the more salient. Reforming existing EU development spending programmes to better target ODA at the poorest countries, whilst forging new ways of cooperating with middle-income countries and emerging economies, is also important.<sup>18</sup> Developed countries could also consider the advantages and risks of mobilising new EU-level resources for development (especially through the use of loan and grant blending mechanisms).<sup>19</sup>

<sup>17</sup> See [http://www.erd-report.eu/erd/report\\_2012/](http://www.erd-report.eu/erd/report_2012/)

<sup>18</sup> As is discussed by Elena Muñoz Gálvez (2012) *European Development Aid: How to be more effective without spending more?*

<sup>19</sup> “The complementary use of grants and loans in external assistance to increase the volume of development finance. The EU is currently considering establishing a ‘EU platform for external cooperation and development’, i.e. a mechanism for blending grants and loans. There is, however, currently a limited evidence base on the effects of blending. Whilst a sizeable literature exists about the theoretical use of loans and grants, there is little on how it works in practice, which methodology or procedure works best and whether a certain governance model is more effective in reaching its objectives. With respect to the EU’s existing blending facilities in particular, we face challenges because the majority have only been operational for less than three years”. Source: European centre for



There is also the issue of aid effectiveness, which have been discussed at High Level Fora on Aid Effectiveness including Paris (2005) and Busan (2011). The Paris Declaration on Aid Effectiveness was a milestone in this process, detailing goals and targets to improve the quality of aid between 2005 and 2010. It contained commitments on aid effectiveness including enhancing efforts to untie aid<sup>20</sup>. The Busan Partnership document, which followed in 2011, set out principles, commitments and actions intended to provide a foundation for effective international development.

### 4.3 Development beyond aid

One criticism of the MDGs is that while issues of social development were largely addressed (mostly through aid), they did not pay sufficient attention to economic development with the absence of an inclusive and sustainable economic development agenda making MDG achievements largely aid-dependent.<sup>21</sup> It is argued that leveraging trade and investment for inclusive growth are the only sustainable way for building on MDG success thus far and addressing emergent development challenges.

### 4.4 Tackling complex questions

An MDG successor framework should aim to address outstanding complex questions, e.g. how to tackle remaining poverty and inequality by focusing on identifying and targeting action on those who remain in poverty. In addition, a post-2015 framework may need to take into account increasingly complex global development challenges and changing contextual factors. These could include the likely impact of the global financial and economic crisis on growth patterns in the world economy during the coming years and the influence of other factors such as an increasing world population and the growing pressures on environmental, social and economic systems caused by increasing urbanisation and production and consumption patterns.

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Development Policy Management available at: <http://www.ecdpm-talkingpoints.org/can-the-eu-effectively-%E2%80%9Cblend%E2%80%9D-external-assistance-grants-and-loans/>

<sup>20</sup> According to the OECD, “tied aid describes official grants or loans that limit procurement to companies in the donor country or in a small group of countries. Tied aid therefore often prevents recipient countries from receiving good value for money for services, goods, or works”. Available at <http://www.oecd.org/development/untyingaidtherighttochoose.htm>

<sup>21</sup> See <http://www.erd-blog.eu/blog/role-trade-and-investment-post-2015-global-development-agenda>



#### 4.5 Other issues

A number of other issues such as addressing gender equality could be given more consideration in the next global framework. There are also issues related to the process itself such as refining the way progress is measured, i.e. the development and refinement of performance indicators.

#### 5. Potential areas for discussion

A number of potential areas for further discussion are suggested below.

- How to garner public support for spending on development aid during times of more challenging economic and social conditions within the EU itself?
- Where is EU ODA money spent, i.e. which countries mostly benefit? Are the correct countries targeted?
- How best can the EU and its Member States promote development beyond aid, i.e. what role can trade etc play?
- Should the existing EU aid delivery mechanism be reviewed in the context of China / Russia / Brazil's increasing role in the economies of developing countries?<sup>22</sup>
- Given that development policy is a shared competence how can it be best coordinated amongst Member States and the EU institutions?
- How can development policy best reflect the changing development environment brought about by, for example, the rise of emerging economies and the rise of new global challenges such as climate change and food security?
- How can we improve the coordination among EU donors as well as the coherence between all EU policies that might affect development countries?
- What have the MDGs achieved? What lessons can be learned about designing goals to have maximum impact?

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See

[http://www.europesworld.org/NewEnglish/Home\\_old/Article/tabid/191/ArticleType/articleview/ArticleID/21268/language/en-US/Default.aspx](http://www.europesworld.org/NewEnglish/Home_old/Article/tabid/191/ArticleType/articleview/ArticleID/21268/language/en-US/Default.aspx)

