New Challenges, New Beginnings

Next Steps in European Development Cooperation

European Think-Tanks Group

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European Centre for Development Policy Management

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. In this publication, we lay out the new challenges. They range from the aftermath of the food, fuel and financial crises, to the impact of climate change and a host of other developments, including rapid urbanisation and demographic change. New global challenges require new thinking, not least in the sphere of global collective action: multilateralism will be the mantra of our age. Europe is itself at a cross-roads, emerging from an eight-year period of introspection with a new treaty which provides a mandate, not for centralisation, but for greater cooperation.

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

The publication is the result of a collaboration between four of Europe's leading think-tanks on international development. They are:

The Overseas Development Institute (ODI), London, UK;
German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE), Bonn, Germany;
Fundación para las Relaciones Internacionales y el Diálogo Exterior (FRIDE), Madrid, Spain;
The European Centre for Development Policy Management (ECDPM), Maastricht, Netherlands.

Twenty-five authors from the four institutions have participated. Collectively, we have taken the decision to publish jointly. This does not mean that every contributor agrees with every last proposition in the text. It does mean however that we all agree with the general thrust of the argument. We share a commitment to European development cooperation, and a sense of urgency about the need to rethink policy for new and challenging times.

We are grateful to the four institutions for their support to the project, and to funders, including the Governments of the four host countries. Neither the institutions nor the funders are bound by the text. We take full responsibility for the content.

We have no doubt that development cooperation will remain central to the EU's ambition to find for itself a place in the world, as well as being a vehicle for the expression of European Union (EU) values. We are convinced, though, that the new challenges we face require new thinking, new initiative and new energy.

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February 2010

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List of abbreviations

ACP	Africa, Caribbean and Pacific group of states
AfT	Aid for Trade
APF	African Peace Facility
AU	African Union
AVC	Additional Voluntary Contribution
CAP	Common Agricultural Policy
CDM	Clean Development Mechanism
CFSP	Common Foreign and Security Policy
CGAP	Consultative Group to Assist the Poor Programme
CIGEM	Centre d'information et de gestion des migrations
CODEV	Working Party on Development Cooperation
CONCORD	European NGO Confederation For Relief and Development
CSR	Corporate Social Responsibility
DAC	Development Assistance Committee
DCF	Development Cooperation Forum
DCI	Development Cooperation Instrument
DFID	UK Department for International Development
DFQF	Duty Free Quota Free
DG	Directorate-General
DIE	German Development Institute / Deutsches Institut für Entwicklungspolitik, Germany
DoL	Division of Labour
EBA	Everything But Arms
EC	European Commission
ECDPM	The European Centre for Development Policy Management, Netherlands
ECFR	European Council on Foreign Relations
EDF	European Development Fund
EEAS	European External Action Service
EIB	European Investment Bank
EIDHR	European Instrument for Democracy and Human Rights
ENPI	European Neighbourhood and Partnership Instrument
ENRTP	Environment and Sustainable Management of Natural Resources Programme
EP	European Parliament
EPA	Economic Partnership Agreement
EPLO	European Peacebuilding Liaison Office
ESDP	European Security and Defence Policy
ETI	Ethical Trading Initiative
EU	European Union
FDI	Foreign Direct Investment
FFI	Food Facility Instrument
FLEGT	Forest Law Enforcement Governance and Trade
FP	Financial Perspectives
FPA	Fisheries Partnership Agreement
FRICF	Food Retail Industry Challenge Fund
FRIDE	Fundación para las Relaciones Internacionales y el Diálogo Exterior, Spain
GAERC	General Affairs and External Relations Council

GATS	General Agreement on Trade in Services
GBS	General Budget Support
GCCA	Global Climate Change Alliance
GlobalGAP	Global Partnership for Good Agricultural Practice
GNP	Gross National Product
GDP	Gross Domestic Product
GNI	Gross National Income
HAI	Humanitarian Aid Instrument
ICI	Industrialised Countries Instrument
IDA	International Development Assistance
IfS	Instrument for Stability
ILO	International Labour Organisation
IMF	International Monetary Fund
INSC	Instrument for Nuclear Safety Cooperation
IPA	Instrument for Pre-Accession
JAES	Joint Africa-EU Strategy
LDC	Least Developed Country
LIC	Low Income Country
MDGs	Millennium Development Goals
MIC	Middle Income Country
MME	Partnership for Migration, Mobility and Employment
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
ODI	The Overseas Development Institute, UK
OECD	Organisation for Economic Cooperation and Development
OSCE	Organisation for Security and Cooperation in Europe
PCD	Policy Coherence for Development
PRSP	Poverty Reduction Strategy Paper
PSEEF	Private Sector Enabling Environment Facility
RTA	Regional Trade Agreement
ROO	Rules of Origin
SAP	Structural Adjustment Programme
SME	Small- and Medium-Sized Enterprise
SPS	Sanitary and Phytosanitary Standards
UN	United Nations
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UN-ECOSOC	United Nations Economic and Social Council
UNHCR	United Nations Refugee Agency
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrialised Development Organisation
V-FLEX	Vulnerability FLEX
VP	Vice-President
WDR	World Development Report
WTO	World Trade Organisation

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).

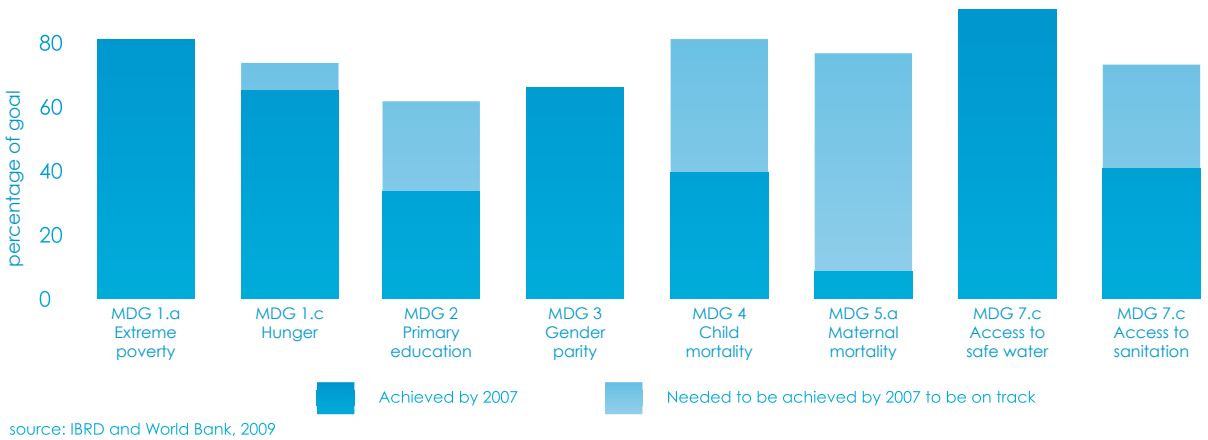
The primacy of poverty reduction

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.

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.

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

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.

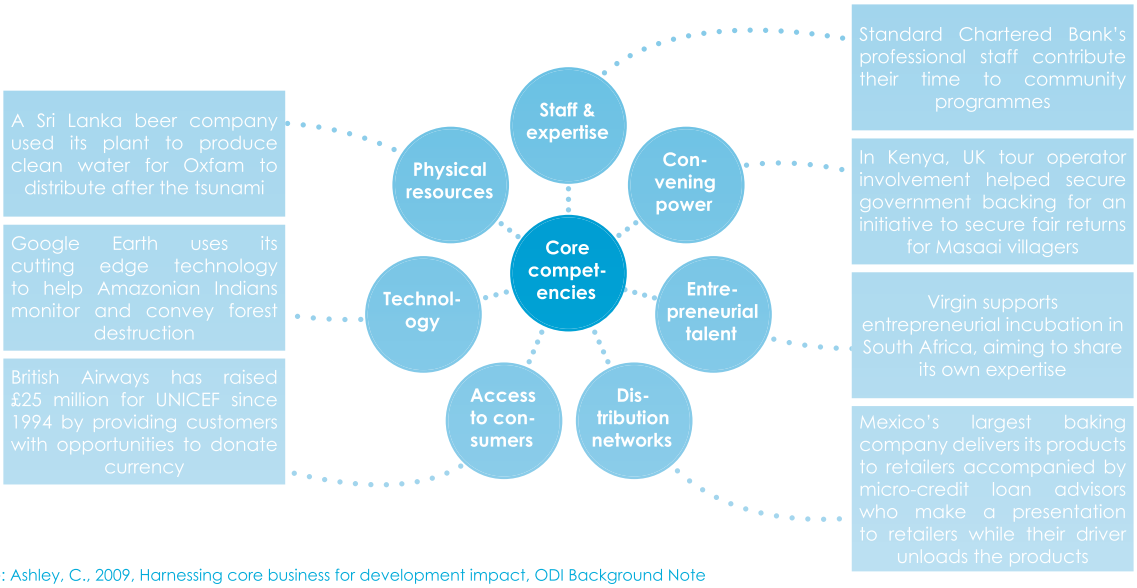
Development-friendly migration policy

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

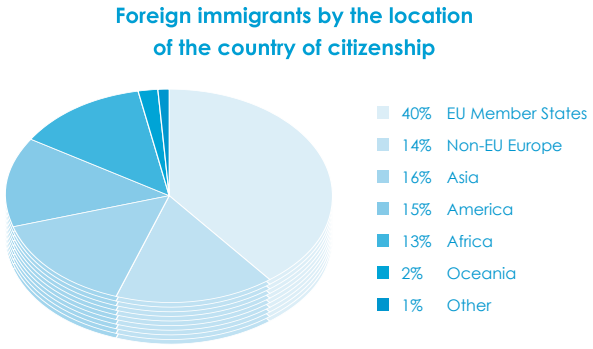
Figure B: Harnessing core competencies for impact outside the core business



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.



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 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.

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.

EU development finance

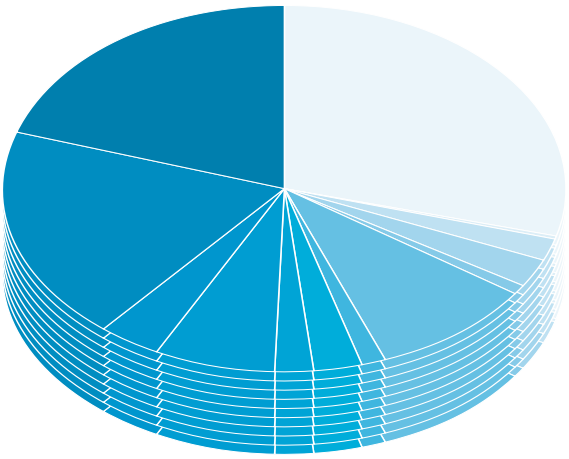
Europe is a major player in official aid and in private flows, but (a) is falling behind its own aid pledges, (b) needs to step up and deliver on its aid commitments, whilst at the same time developing new sources of finance (c) needs to focus its aid better, and (d) needs to decide what role EC aid 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)



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

1 The world at a cross-roads

Any discussion of Europe's future role in the world, and its contribution to international development, should work from the outside in, not the inside out: that is to say, with the world as it is and the world we would like to shape, not the internal structures and policies of the European Union (EU) itself. The world will not wait for the EU.

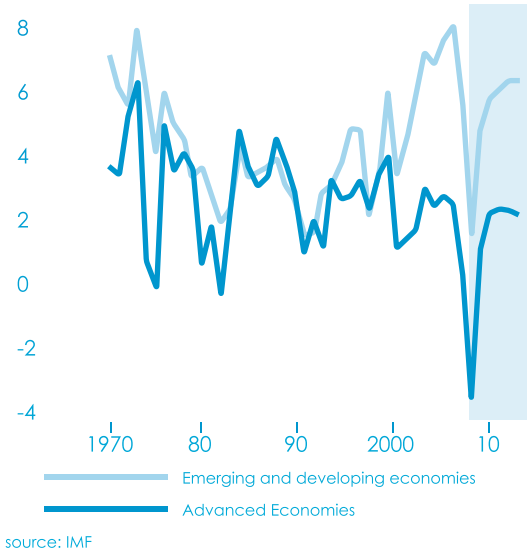
Indeed, the world is at a cross-roads – beginning to recover from the financial crisis, but shaken by the experience and confronting new challenges of an even greater magnitude, not least (but not only) climate change. The crisis has stimulated new thinking about economic and social policy and challenged the values which underpin policy. It has pushed multilateralism and other forms of collective and cooperative action to the centre of a new policy agenda, for example in the G20.

Recession in developed countries has threatened the commitment to international development, by the public as well as by Governments. Aid budgets have been vulnerable in many countries. This has led some Governments to modify the narrative, retaining an emphasis on the moral case for aid, but also making explicit the common interests of developed and developing countries – in tackling environmental threats, for example, or terrorism, or the threat of pandemics.

How can these ideas be brought together?

- First, by laying out the challenges and opportunities facing the world;
- Second, by framing a values-based policy response; and
- Third, by clarifying the implications for development cooperation.

Figure 1: Real GDP Growth



source: IMF

Global challenges – and opportunities

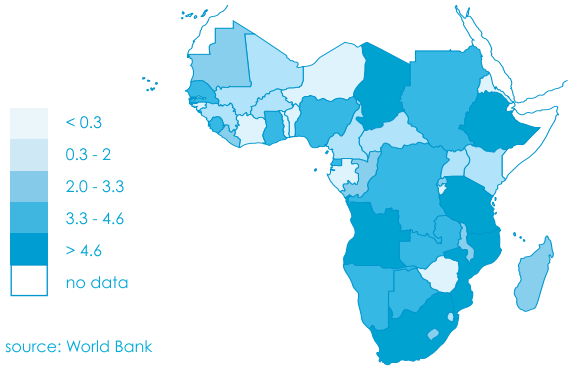
The global recession may be beginning to come to an end (Figure 1), but regions and countries will recover at different speeds and unemployment will be a lagging indicator. The scars caused by factory closures, loss of family assets, lost education and lost nutrition will be long-lasting. Countries entered into the recession and will certainly emerge from it very differently equipped to manage future challenges – whether measured in terms of macroeconomic indicators or readiness to diversify and innovate.

Meanwhile, new challenges are piling up – climate change, urbanisation, demographic shifts . . .

However, it is also useful to think about global

Figure 2: GDP per capita growth in Africa

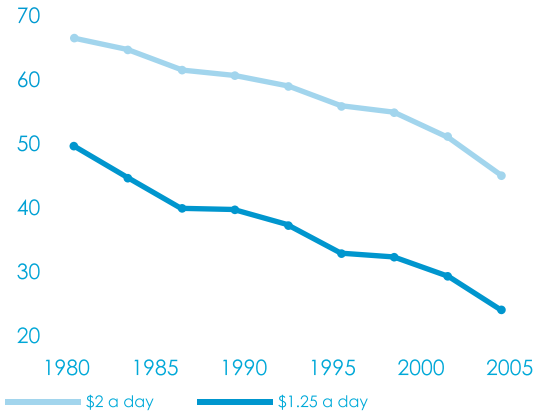
Average 2004 - 2006



source: World Bank

Figure 3: Poverty rate

(% of population living below poverty line)



source: Chen and Ravallion, World Bank

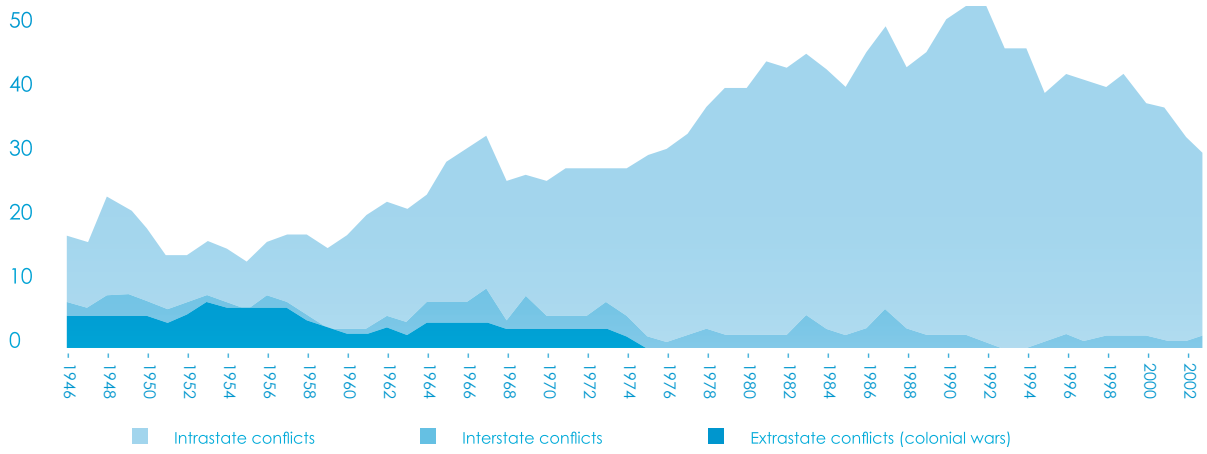
opportunities. The Millennium Development Goals (MDGs) provide one framework for thinking about this, but there are others. Bjørn Lomberg, for example, has systematised the search for global opportunities through his Copenhagen Consensus.[1] Nutrition interventions and immunisation rank high on this list, along with schooling and action on maternal mortality and malaria.

In this context, it is worth remembering that:

- Some countries have seen extraordinary growth in per capita income. Botswana, for example, which had a per capita income of US$210 in 1960, had reached US$3,800 by 2005. Across the developing world, growth rates have increased, averaging 7-8% in the years leading up to the current crisis. In Africa, as the map in Figure 2 shows, more than 20 countries achieved pre-crisis growth rates in per capita income of more than 2% per annum.
- Poverty rates are falling. The latest World Bank estimates, published in 2008, show that the number of people falling below the new poverty line of US$1.25 per day fell from 1.8 billion in 1990 to 1.4 billion by 2005. With world population rising, the proportion below the poverty line fell sharply, from 42% in 1990 to 26% in 2005 (Figure 3).
- Governance is improving in many places, and, globally, the number of conflicts is falling. Two thirds of states are now considered electoral democracies. The number of conflicts in the world has fallen sharply, from over 50 in the early 1990s to fewer than 30 today (Figure 4).
- Global health and education are improving. In the past 30 years, infant and child mortality rates in developing countries have both fallen by half, and life expectancy has increased by nearly a decade, from 56 to 65. At the end of 2007, 3 million people in Low Income Countries were receiving anti-retroviral therapy for HIV/AIDS. In the past 15 years, enrolment in primary schools in developing countries has increased to 85%.

These improvements are interdependent. Evidence shows that human development gains are mutually reinforcing: women's education improves child

Figure 4: A less violent world - numbers of conflicts, 1946–2003



source: Human Security Centre, 2005

nutrition; better fed children do better in school [2].

Nevertheless, the crisis illustrates the importance of being prepared for both short-term shocks and long-term challenges. Six topics are considered briefly below:

- The repercussions of the food price crisis;
- Climate change and national resource stress;
- Urbanisation;
- Demographic changes;
- Fragile states; and
- Changes in the global economy.

The repercussions of the global food crisis

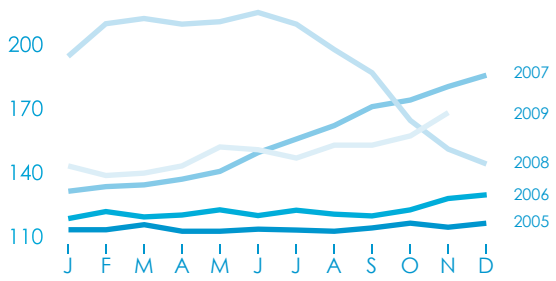
The 2008 food price crisis reflected a continuing problem of food security, globally and in many individual countries. Prices of wheat and rice more than doubled in 2007-2008 – a particular concern when the poorest groups spend up to 80% of their incomes on food. The World Bank estimated that more than 100 million people were pushed back below the poverty line. Prices fell sharply in 2008, but are still above 2005-2006 levels and likely to remain so (Figure 5).

The food price crisis illustrated an important lesson: shocks affect poor households directly, but also cause macroeconomic and political problems which can have long-term consequences. There were food riots in more than 30 countries. These effects will outlast the fall in food prices.

Internationally, food security has become a prominent topic, both for national policy-making and for international coordination.

Figure 5: FAO Food Price Index

2002-2004 = 100



source: FAO

Climate change and natural resource stress

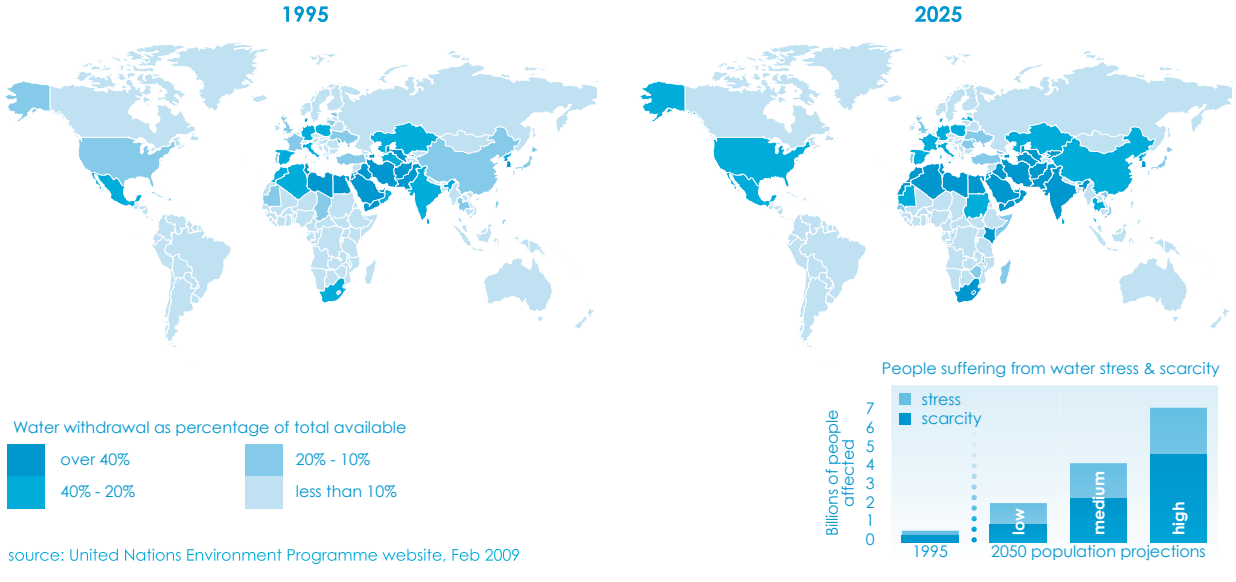
If carbon dioxide in the atmosphere is to be held at 450 or 500 parts per million, and temperature rise to 2°C, then by 2050 the average carbon 'ration' per person will be around two tonnes per annum. This compares with a figure for the US today of 20 tonnes, for the UK of ten tonnes, for China of five tonnes and for India of two tonnes. Only the very poorest countries fall below the threshold.

Stabilisation will still result in warming of at least 2°C, which will cause significant adaptation problems for developing countries. And developing countries will also be affected by global policies to reduce emissions, for example if support for biofuels pushes up the price of food.

The estimates of how much this will cost are growing all the time. The new World Development Report (WDR) estimates that US$400 billion a year will need to be transferred to developing countries by 2030, a figure equivalent to over 50% of the current Gross National Product (GNP) of Low Income Countries. Huge transformations will need to take place in both rich and poor countries.

Climate change is a driver of resource scarcity, but other factors contribute, including population growth and rising income. Water scarcity is increasing as a result of these pressures. Figure 6 shows rapidly increasing freshwater stress and rapidly rising numbers

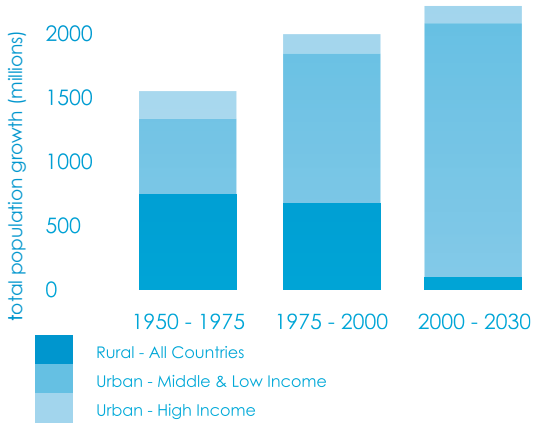
Figure 6: Freshwater Stresses



source: United Nations Environment Programme website, Feb 2009

Figure 7: Population Growth to 2030

Low & Middle Income versus High Income Countries



source: Commission on Growth and Development, 2008

of people affected.

The combination of climate change and natural resource stress is likely to lead to an increased number of natural disasters and to an increased humanitarian case load.

Urbanisation

Urbanisation will reshape the social and economic landscape of many countries in the years ahead (Figure 7). Projections show developing countries with 80% of the world's urban population by 2030, with Africa and Asia hosting almost seven out of ten urban inhabitants in the world.[3] Historically, urbanisation has played an important role in economic and social development: the recent Industrial Development Report from the United Nations Industrial Development Organisation (UNIDO) presents results showing that transactions costs are 25% lower in urban areas compared to rural. However, World Bank data show that poverty is increasingly an urban phenomenon, with most of the urban poor living in slums. By 2030, on current trends, the numbers in slums will double to two billion people.

Seen in these terms, urbanisation is both a threat (escalating poverty, slums) and an opportunity (concentrated social safety net and social sector provision, living environment close to employment opportunities, breeding ground for innovation and enterprise).

Demographic change

A demographic window of opportunity is opening in some low income regions, as dependency ratios fall, allowing higher consumption and investment. This could be a major opportunity for some countries. The opportunity is not universal however. In Sub-Saharan Africa particularly, populations in countries such as Uganda are expected to triple in size by 2050. Globally, the number of 15-24 year olds will double by 2050, an employment challenge, but also, potentially, a political time-bomb.

Population ageing is also a major factor, in both developed and developing countries, with the number of people over 60 expected to rise more than 50% in developed countries and more than 200% in developing countries.[4]

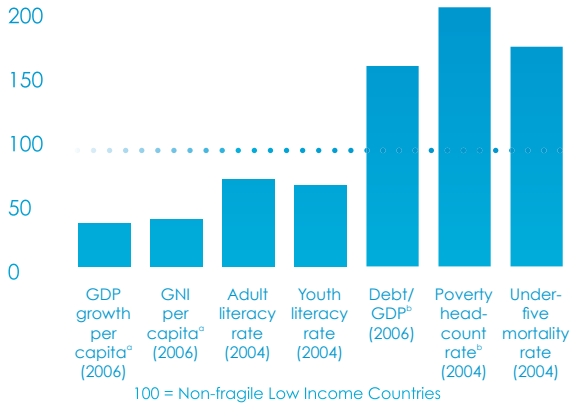
Fragile states

On pre-crisis growth trends, the number of Middle Income Countries will increase sharply, with a corresponding reduction in the number of Low Income Countries. The World Bank's long term strategic exercise of 2007 estimated that by 2015, the number of International Development Association (IDA)-eligible countries would fall from 49 to 38, with the number of people in such countries falling from 2.5 billion to 1.1 billion. Poverty will be concentrated increasingly in fragile states (Figure 8).[5]

Poverty, ill-health and political instability are concentrated in the fragile states of the 'Bottom Billion'. These countries account for a fifth of the population of developing countries, but include a third of those living in extreme poverty, half of children who are not in primary school, and half of all children who die before their fifth birthday.

Figure 8: Fragile states

Relative to non-fragile Low-Income Countries



source: World Bank Group staff estimates

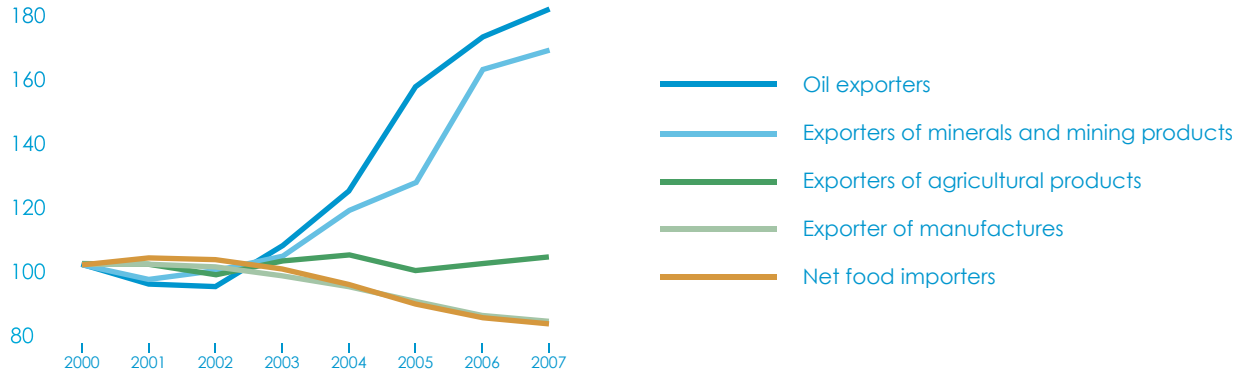
Changes in the global economy

China's entry into the world economy has doubled the world labour: capital ratio and led to a commoditisation of manufactures which has complicated the industrialisation of poor countries. As Figure 9 shows, the terms of trade of manufactures have deteriorated, whereas those of agricultural exporters and oil and mineral exporters have increased. As the UNIDO has emphasised, manufacturing offers the possibility of explosive growth and rapid reductions in poverty – but is lumpy in products, space and time, and therefore a difficult option for the poorest

Figure 9: Net barter terms of trade

selected countries, 2000–2007

(Index numbers, 2000 = 100)



source: UNCTAD, 2008

countries.[6]

Around the world, income inequality has been increasing, partly as a result of high returns to skilled labour in open economies (Figure 10).

Put these changes together, adding in the probability of unexpected "black swans"[7], and it is apparent that the future will not be very much like the past. This makes the policy dilemmas more acute. As the International Labour Organisation's (ILO) 'Global Jobs Pact' has put it:[8]

> "The world should look different after the crisis. Our response should contribute to a fair globalisation, a greener economy and development that more effectively creates jobs and sustainable enterprises, respects workers' rights, promotes gender equality, protects vulnerable people, assists countries in the provision of quality public services and enables countries to achieve the Millennium Development Goals."

Framing a values-based response

Framing a principled response requires principles. The MDGs provide a starting point but are themselves instruments of a wider vision, summarised in the Millennium Summit, held at the UN in 2000. The Summit agreed the MDGs as a means to an end, based on the principles in Box 1.

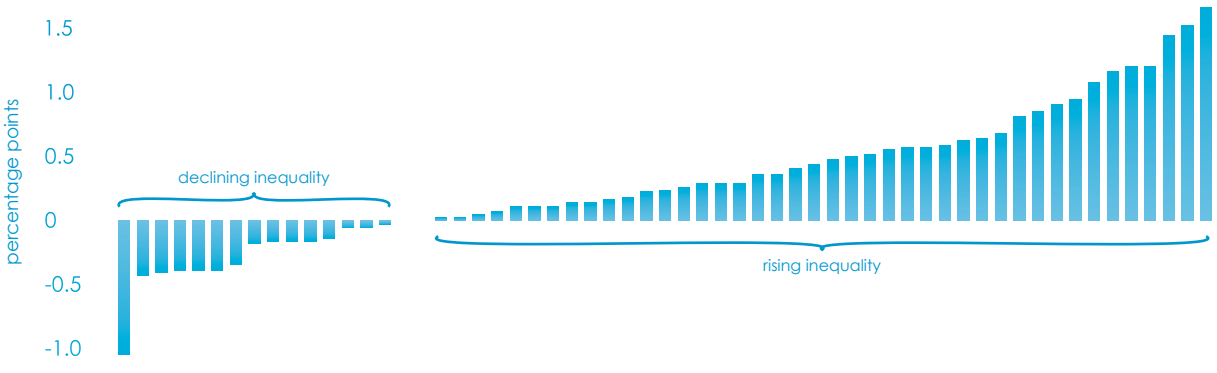
The UN approach is rooted in the concept of human development (Box 2), pioneered by the first UNDP Human Development Report in 1990 and underpinned by the work of Amartya Sen, Mahbub Ul Haq, Frances Stewart and others. This had a strong foundation in human rights, and emphasised not only people's income and physical well-being, but also their cultural, social and political life.

From the perspective of the EU, UN principles are consistent with the preamble to the Lisbon Treaty, which refers specifically to "the universal values of the inviolable and inalienable rights of the human person, freedom, democracy, equality and the rule of law".

In terms of practical policy, the financial crisis has triggered an active policy debate, for example between orthodox and heterodox economists in the World Bank and the UN. Many environmental campaigners are highly critical of growth-based strategies.

Three propositions might be put forward as lessons

Figure 10: Annual change in Gini coefficient in 59 developing countries



source: World Bank 2008

Box 1: United Nations Millennium Declaration – Fundamental Values

Freedom. Men and women have the right to live their lives and raise their children in dignity, free from hunger and from the fear of violence, oppression or injustice. Democratic and participatory governance based on the will of the people best assures these rights.

Equality. No individual and no nation must be denied the opportunity to benefit from development. The equal rights and opportunities of women and men must be assured.

Solidarity. Global challenges must be managed in a way that distributes the costs and burdens fairly in accordance with basic principles of equity and social justice. Those who suffer or who benefit least deserve help from those who benefit most.

Tolerance. Human beings must respect one other, in all their diversity of belief, culture and language. Differences within and between societies should be neither feared nor repressed, but cherished as a precious asset of humanity. A culture of peace and dialogue among all civilizations should be actively promoted.

Respect for nature. Prudence must be shown in the management of all living species and natural resources, in accordance with the precepts of sustainable development. Only in this way can the immeasurable riches provided to us by nature be preserved and passed on to our descendants. The current unsustainable patterns of production and consumption must be changed in the interest of our future welfare and that of our descendants.

Shared responsibility. Responsibility for managing worldwide economic and social development, as well as threats to international peace and security, must be shared among the nations of the world and should be exercised multilaterally. As the most universal and most representative organisation in the world, the United Nations must play the central role.

from the crisis, though these turn out to be controversial in some countries.

First, the crisis demonstrated the important role of the state, in acting as guarantor of financial markets, but also in providing the fiscal stimulus necessary to combat recession.

Second, the crisis has underlined the importance of public expenditure, providing safety nets, but also equipping countries to meet future challenges. Recent reviews have pointed to the need for Governments to invest in such areas as: strengthening social protection; protecting public services; investing in research and development; investing in education and training; building the infrastructure needed for urbanisation and adaptation to climate change; and supporting key productive sectors, including agriculture.

Box 2: Human development defined

Human development is a process of enlarging people's choices. In principle, these choices can be infinite and change over time. But at all levels of development, the three essential ones are for people to lead a long and healthy life, to aquire knowledge and to have access to the resources needed for a decent standard of living. If these essential choices are not available, many other opportunities remain inaccessible.

But human development does not end there. Additional choices, highly valued by many people, range from political, economic and social freedoms to opportunities for being creative and productive, and enjoying personal self-respect and guaranteed human rights.

Human deveopment has two sides: the formation of human capabilities - such as improved health, knowledge and skills - and the use people make of their aquired capabilities - for leisure, productive purposes or being active in cultural, social and political affairs. If the scales of human development do not finely balance the two sides, considerable human frustration may result.

According to this concept of human development, income is clearly only one option that people would like to have, albeit an important one. But it is not the sum total of their lives. Development must, therefore, be more than just the expansion of income and wealth. Its focus must be people.

source: UNDP

Third, the crisis has pointed to the imperative of collective action in dealing with global challenges, raising many questions about the effectiveness of existing institutions, the role of new formations like the G20, and general issues about representation and accountability. The mood of the moment is arguably multilateral.

The implications for international development cooperation

Many donors have begun to re-think development policy in response to the crisis. The MDGs remain an over-arching objective, though one increasingly difficult to reach.

On the negative side, some donors have found it necessary to cut aid, though others have been able to confirm EU pledges to increase aid. The latest Development Assistance Committee (DAC) figures show aid increasing, though projections are still US$10-15 billion short of Gleneagles targets.

The aid picture is complicated, however. In nearly all countries, there have been debates about the relationship between development funding and climate funding, and about the link between development and foreign policy funding.

More positively, there have been significant advances in aid management, designed to enhance the ownership of recipient governments and the alignment of donors behind recipient rules and procedures. The Paris Declaration on Aid Effectiveness provides the framework for this work.

There are also three major shifts taking place in thinking about development cooperation.

First, the overall narrative is being recast in terms of shared interests, whereby altruism is matched (not overshadowed) by self-interest. Poverty reduction, security, climate stabilisation and environmental management in poor countries are all regarded as global public goods, in which rich and poor countries

have an interest.

Secondly, tackling these problems at global scale requires joined-up approaches, in which development finance is only one instrument. This can be presented in terms of 'policy coherence', with the idea that one policy intervention (e.g. agricultural subsidies) should not undermine another (e.g. aid for agriculture in developing countries). However, it can also be thought of instrumentally, as being about rich countries deploying all available resources in order to tackle global issues. 'Joined-up thinking' means that Governments and EU bodies think about how to combine aid, diplomacy, military power and economic tools such as trade policy, preferably in transparent and accountable ways.

Thirdly, new thinking implies and requires a significant shift to multilateralism – in channelling aid, but also in agreeing normative frameworks, legitimising policies and programmes, brokering global deals, and providing a structure of accountability. The UN, the multilateral development banks and the EU itself (though not multilateral in the same sense), are all actors in multilateral space. The G20 looks like becoming a new force also, more inclusive than the G8, but still far from representative or accountable.

Sometimes the multilateral bodies and the EU assume responsibility for implementing programmes. Sometimes, their role is one of coordination.

Development cooperation thus finds itself at the heart of current preoccupations. It is a multi-faceted tool, adapted to engage not just with national poverty reduction programmes, but also with a range of global issues which affect both rich and poor countries. In taking on these tasks, the emphasis on collective action means that a multilateral framework has special attractions. Will the EU find a new place in this environment?

1. See: http://www.copenhagenconsensus.com/Default.aspx?ID=788

2. Save The Children (2005) 'State of the World's Mothers: The Power and Promise of Girls' Education', London: SCF

3. United Nations (2008), 'World Urbanization Prospects: the 2008 revision'. Available at: www.un.org/esa/population/publications/wup2003/WUP2003Report.pdf

4. United Nations (2002), 'Population Ageing', UN Department of Economic and Social Affairs. Available at: http://www.un.org/esa/population/publications/ageing/Graph.pdf

5. World Bank (2007), 'Meeting the Challenges of Global Development.', Geneva: World Bank. Prepared under guidance of Bourguignon, F. Available at: http://siteresources.worldbank.org/DEC/Resources/WBG-LTSE-Final.pdf

6. UNIDO (2009), 'Industrial Development Report', Vienna: UNIDO

7. Taleb, N.N. (2007), *The Black Swan: The Impact of the Highly Improbable*, London: Allen Lane, Penguin Press

8. See: http://www.ilo.org/global/What_we_do/Officialmeetings/ilc/ILCSessions/98thSession/pr/lang--en/docName--WCMS_108456/index.htm

2 Europe at a cross-roads

The changes in the world are profound, as we have seen. What role will Europe play?

Optimists see the European Union (EU) as an emerging power, alongside the USA and China, because of its 'soft' and also, increasingly, 'hard power'.[1] Pessimists ask whether it is doomed to fail because of structural shortcomings.[2]

The key challenge for the EU in the 21st century will be to make itself heard even as the USA and China dominate global discussions. The EU is made up of mostly small to medium-sized states (by population and economic impact) and is present in various forms in the global structures that govern global issues. But more often than not, it is the big Member States that are present in the global forums, plus the European Commission (EC). Is this still good enough in, say, the United Nations (UN) or the G20? All EU states – including the big four or six countries – have to ask themselves how still to make a (values-based) impact in a world with limited (national) capacities. Does it make sense to strengthen the choir as opposed to brilliant performances of solo singers in a setting of less favourable acoustics?

> "The key challenge for the EU in the 21st century will be to make itself heard even as the USA and China dominate global discussions"

But does the EU have one song to sing, one message to deliver? Do we want the same things in our external relations? On a more parochial level in international development: do we have the same views when we exchange information on various 'sectors' or topics? The EU has spent most of the last eight years establishing the Lisbon Treaty and a number of 'grand strategies', such as the European Consensus on Development, the European Security Strategy and others. Yet bilateral programmes continue to be ignored during discussions of EU development policy. By the same token, Member States often forget the European dimension. The system as such is not considered, even though the individual behaviour of Member States shapes perceptions of the EU as a whole.

Some policies with a strong impact on development are shaped more at European level than others. Trade policy, for example, is centralised as a Community competency, and 'Brussels' speaks on behalf of the EU. At the other end of the spectrum is foreign and security policy. National policies have priority, but are coordinated among each other. The EU's position is generally articulated by national actors taking the floor on behalf of the group of states. Development sits between these two models: a common policy at European level operates alongside 27 national policies for development. Thus, in development policy, the EU is both an actor and a forum for the loose coordination of national policies.

In areas related to development, such as agriculture or the environment, the decision-making procedures vary. Governing this mix of policies in a setting like the EU is thus structurally difficult. Coming up with one coherent message in this context is difficult.

This, then, is the dilemma. Should there be an automatic centralisation of competencies? Or is the EU best seen as a coordination forum, attempting to build consensus between Member States?

The Lisbon Treaty: a platform for coordination not centralisation

With the ratification of the Lisbon Treaty, the EU is set to undergo dramatic change, particularly with respect to its external relations. The EU has new posts (such as

the EU Council President and the High Representative for Foreign and Security Policy), new structures (with a stronger Parliament, and the institutional setting of an agency-to-be, the European External Action Service – EEAS – formally linking Member States' diplomacies and the EC services in a new way) and new people at the helm.

Having spent eight years negotiating the Lisbon Treaty, the EU will have to make the current reforms work. In consequence, there will be rather more coordination and federalising of the EU system (not least in external relations), instead of a centralising of affairs in Brussels. This perspective is likely to gain ground with the establishment of better foreign policy coordination. It implies taking the EU as a whole, and Member States and the EC working together, or at least in mutually complementary ways.

> "Having spent eight years negotiating the Lisbon Treaty, the EU will have to make the current reforms work"

What does this mean for development cooperation, in the widest sense?

First, the Lisbon Treaty accords greater importance to development cooperation in the EU's external relations. The new treaty mandates a focus on poverty reduction and makes global sustainable development part and parcel of EU external relations (Art. 2 Treaty of EU).

Second, the EU's 'grand strategies' build on Western standards and good practice:

- The EU has accepted international commitments, such as on sustainable development (as established in Johannesburg in 2002), or social development (as established in Copenhagen in 1999). A key reference is the UN Millennium Declaration, calling for action on fighting poverty, working on peace and security, on governance and on the environment. With regard to the targets for resources, conclusions on funding for development were made at the Monterrey Summit of 2001 and on good practice in international cooperation in the Paris Declaration on Aid Effectiveness of 2005 and the subsequent Accra Agenda for Action of 2008. In brief, a historically unique international agreement has been established on what constitutes development, how to fund it and how to achieve it;
- The EU has agreed the European Consensus on Development, approved by the Council, the Parliament and the EC. Although it remains a good basis, the document may need to be updated; and
- The EU has also agreed a security strategy that identifies poverty and fragile countries as security risks to the EU. Should this strategy also require updating, it will be done under the leadership of the new High Representative for Foreign Affairs and Security Policy. Some issues, such as Security and Climate Change, for instance, will have to be reworked (and the Development Commissioner, along with the Commissioner for Climate Action, should have a say in how that is done). Action on fragile states will also need to be looked at more carefully, for which development cooperation brings expertise to the table.

Third, the EC increasingly aspires to a more holistic approach to development. Since 2007, the EC has delivered biennial reports on policy coherence for development (PCD). This is very good – and underscores the need for an institutional champion of the development perspective. The Barroso II Commission includes the Commissioner for Development alongside the High Representative, the Commissioner for International Cooperation, Humanitarian Aid and Crisis Response and Commissioners on Climate Action, and Trade. All are key allies in the effort to make development work. One key tool for development – if not the most important one altogether – is coherence of actions for development.

Finally, there are also efforts to engage with emerging powers. Beyond the 'grand strategies', the EU has signed 'strategic partnerships' with global and regional powers such as China, India, Brazil, South Africa and others, as well as with Africa as a whole. This is a very good start for a new partner network that all actors, including Europe, need to make work in the 21st century. Now, these partnerships have been lived, including in their dimension on development – which is at least for China and South Africa an explicit feature in the partnership agreement. This needs perseverance and sensitivity in debates, as the emerging actors often do not subscribe to the OECD-DAC perspective on development.

What are the priorities in the next five years?

This sketch of the internal challenges of the EU and the current 'state of the Union' in international development is encouraging. It is a far cry from the much-criticised state of affairs within the EC in the late 1990s. The development portfolio is well positioned to impact on the EU's global agenda.

The immediate agenda contains some unfinished business:

Tuning in to the debate on the EEAS

The establishment of the EEAS will be decided upon by April 2010. At stake is how much decision-making power the development portfolio gains in the new setting (Box 3). In other words, it is about leverage over funds and thereby the ability to push ideas.

Struggling over funding

The financial revision of the EU, with a view to enhancing the EU's foreign policy clout, is arguably needed due to changing world challenges, as explained in the previous section.

Small details in the big picture

When working with both supportive and reluctant Member States, the EC will need to ensure that it does not overlook the seemingly nitty-gritty details of delivering on the Aid Effectiveness Agenda or the Millennium Development Goals (MDGs). It is important that the EU delivers on these international standards, both for development and its international credibility.

Leadership in the debate on aid effectiveness

Development cooperation needs to prove its effectiveness better; it requires more knowledge creation. Development cooperation undoubtedly also needs to become more effective. The debate has reached a certain international level. The challenges become greater, not least with climate change and economic crisis, and questions of effectiveness become more urgent in times of crisis.

Preparing for the Financial Perspectives 2014-2020

This period of time includes the 2015 deadline for the MDGs, and whilst there has been progress in key areas, they are not on-track to be delivered (see Chapter 3). It will also be necessary to establish the second phase of the Cotonou Partnership Agreement, which will be in force until 2020. While mustering support for the achievement of the established targets, good leadership must look beyond the goals and prepare the next big steps.

Five key areas merit attention in the longer term:

The narrative of EU development policy must adapt to a changing world

More than just global social welfare or 'handouts', development policy is about investment in the global future. This is now more important than ever, as it means shouldering global responsibilities. Poverty reduction and the achievement of international targets remain central, as defined by the MDGs, Paris/Accra, and Monterrey/Gleneagles. However, development needs to become a key policy within external relations, as the challenges demand actions beyond the narrow comfort zone. The EU should not, for instance, be afraid to talk about (enlightened) self-interests – all partners know that the EU has interests. It is key to communicate, however, that our interests are positioned as part of a broader agenda relating to the sustainability of human activities.

> "More than just global social welfare or handouts, development policy is about investment in the global future"

Prepare a joint EU strategy on where to redouble efforts on the MDGs

This should be both by region/country and by goals, as achievements are uneven across the globe. Fragile states are obviously likely to be a particular challenge. This might at times seem like a technical issue, but actually should aspire to revive the consensus on the MDGs until 2015.

This debate must also cover how to address needs. What do we mean by 'ownership' and 'partnership' – and how might the definition change the way individual donors operate as a system of development actors in the EU framework? To change the narrative is certainly not to question the MDGs, which are the focal point for the next EC and require redoubled efforts. Questioning the MDGs would result in a loss of credibility and international leadership.

Initialise and guide debates on what should come after the MDGs

The future will bring difficult choices: our energy needs or development interests? Our agriculture or development interests abroad? However, these are not either/or questions and never were. If we take sustainable action seriously, we will always have to strike balances – and we need the development voice for these debates, internationally and within the EU. Everyone needs to be on board with the sustainability perspective that both takes account of own interests and places them in long-term perspective. A good way to think about this is in terms of managing global risks.

Box 3: The 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 bringing greater political coherence to EU external action, a more effective platform for the delivery of EU objectives across the board 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 undermine what the EU has achieved to date in international development, in particular, the focus on reducing global poverty.

The risk relates to funding. If the High Representative is charged with ensuring coherence and consistency of EU external action and improving EU stabilisation efforts through the full range of EU tools and instruments, she will require access to EC-managed resources. On the other hand, political influence over development spending could lead to development objectives being overridden by short-term foreign policy objectives. Too little funding for the EEAS could create incentives to eat into the development budget. Overly broad funding aspirations from the outset could have the same effect, as the EU budget is fixed until 2014 (see Chapter 11).

A priority is to better organise the development perspective in global forums

The EU needs to live up to its potential in global structures such as the UN that discuss and decide matters relating to development. These structures are changing, for example from the G8 to the G20, and as a result of the establishment of a Development Cooperation Forum under the UN Economic and Social Council (UN-ECOSOC).

Europe is present in all circles and more countries are able to speak with its fragmented representation. Yet the message becomes neither clearer nor more powerful with this fragmentation. A minimum action – below the currently-not-achievable threshold of collapsing representation into one – is better coordination in the EU and having only the Presidency and the EC speak.

Involving the EC is particularly important for smaller states within the EU, as they regard a directorate of the 'Big 3' with suspicion. The joint EU behaviour in the World Trade Organisation (WTO) should be standard for all international organisations. If we are ambitious and want to go beyond this, we might discuss how to re-organise the Bretton Woods constituencies, as emerging powers will gain weight in these institutions. Does the current set-up of constituencies best serve European interests (and Spanish, Italian, Polish, and others' interests)?

The EU and its partners need to debate comparative advantage in the EU system

Beyond international debates, it is crucial that policy areas with shared competencies function better. A sort of master plan is needed, identifying both the weak points and the advantages of the EC and the Member States. This will be troublesome, but principles for identifying comparative advantages will be required for all actors within the EU, including the Member States. Partners will, of course, have a view.

A discussion of comparative advantage provides a better starting point than finding the philosopher's stone. It will have to involve partner countries to some degree if we are to respect the jointly-decided principles of development policy: ownership, alignment, harmonisation, managing for results and mutual accountability.

1. Khanna, P. (2008), *The Second World - Empires and Influence in the New Global Order*, London: Random House

2. Grant, C. (2009), 'Is Europe doomed to fail as a power?', London: CER. Available at: http://www.cer.org.uk/pdf/essay_905.pdf

3 The MDGs – to 2015 and beyond

The primary and overarching objective of EU development cooperation is the eradication of poverty in the context of sustainable development, including pursuit of the Millennium Development Goals (MDGs). It is likely the MDG Review Summit in New York in September 2010 will shape global MDG priorities to 2015, and processes for establishing the global development framework post-2015. It is with this in mind that this chapter considers the MDGs – to 2015 and beyond – and the role of the EU. We do this by:

- Outlining the MDGs and assessing progress to date;
- Reviewing priorities for the EU, between now and the MDG target date of 2015;
- Suggesting priorities for the EU in the context of the post-2015 framework.

The MDGs: where are we?

The Millennium Declaration, adopted by 189 countries in September 2000, represented a hard-won consensus on promoting sustainable development and addressing poverty. Within the Declaration, the commitment to measurable targets for achievement was a notable step. Their translation into a structured framework of goals, targets and indicators – which together form the framework for the MDGs – established a distinctive and collective approach to encouraging development and international support for it.[1] Critically, the framework does not outline how to tackle poverty and reach the goals and targets. It simply outlines which goals and targets should be achieved.[2]

The existence of the MDGs has kept multi-dimensional deprivation and absolute poverty on the world's agenda for longer than any previous development paradigm. Grounded in thinking about human development, the MDGs aspire to reduce poverty across a range of dimensions by 2015: halving extreme poverty and hunger, reaching universal primary education, gender parity in school enrolment at all levels of education, reducing under-five mortality by two-thirds, reducing maternal mortality by three quarters, combating HIV/AIDS and other communicable diseases, and halving the number of people without access to safe drinking water and sanitation. Through goal 8 of a 'global partnership for development', the world also made commitments to a fair and open trading and financial system, debt relief and improved access for developing countries to new technologies and affordable access to essential drugs, in addition to special support for the least developed, small island and landlocked developing countries. Table 1 lists the eight goals and 21 targets. It includes three targets which were added to the original set after much discussion and lobbying: to achieve universal access to reproductive health by 2015 (goal 5b), to reduce biodiversity loss (goal 7b) and to achieve full and productive employment and decent work for all, including women and young people (goal 1b).

Less than five years from the MDGs 2015 target date, the world is recovering from an economic crisis that is unprecedented in its severity and global scope. The 'triple jeopardy' of the '3F' fuel, food and financial crises has increased the number of poor people. More sluggish, and in some cases negative, economic growth, diminished financial flows and fewer trade opportunities for developing countries threaten progress towards achievement of the MDGs. At the same time, the impacts of climate change are becoming increasingly apparent, with potentially

Table 1: MDG goals and targets [3]

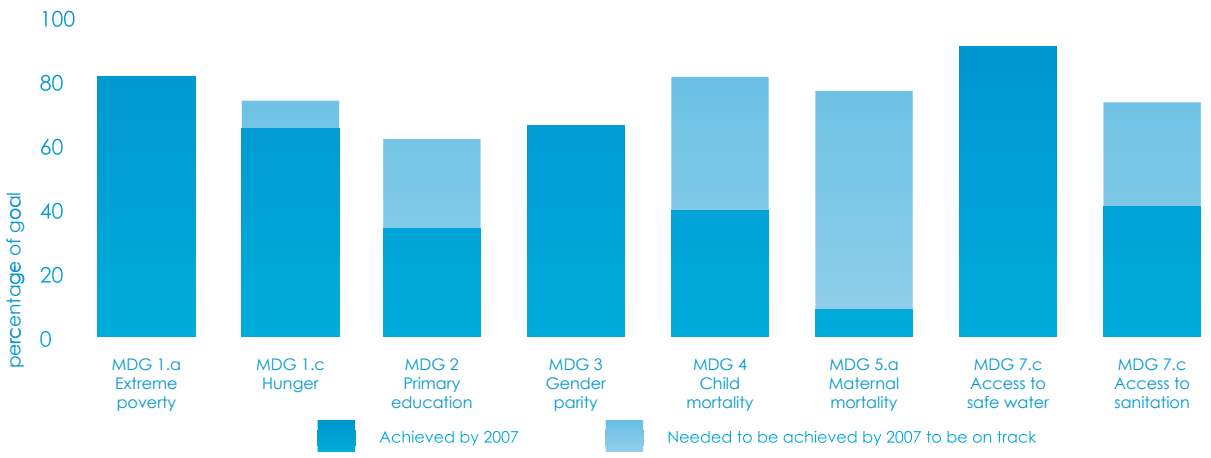
Goal 1: Eradicate extreme poverty and hunger	**Target 1a:** Reduce by half the proportion of people living on less than a dollar a day **Target 1b:** Achieve full and productive employment and decent work for all, including women and young people **Target 1c:** Reduce by half the proportion of people who suffer from hunger
Goal 2: Achieve universal primary education	**Target 2a:** Ensure that all boys and girls complete a full course of primary schooling
Goal 3: Promote gender equality and empower women	**Target 3a:** Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015
Goal 4: Reduce child mortality	**Target 4a:** Reduce by two thirds the mortality rate among children under five
Goal 5: Improve maternal health	**Target 5a:** Reduce by three quarters the maternal mortality ratio **Target 5b:** Achieve, by 2015, universal access to reproductive health
Goal 6: Combat HIV/AIDS, malaria and other diseases	**Target 6a:** Halt and begin to reverse the spread of HIV/AIDS **Target 6b:** Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it **Target 6c:** Halt and begin to reverse the incidence of malaria and other major diseases
Goal 7: Ensure environmental sustainability	**Target 7a:** Integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources **Target 7b:** Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss **Target 7c:** Reduce by half the proportion of people without sustainable access to safe drinking water and basic sanitation **Target 7d:** Achieve significant improvement in lives of at least 100 million slum dwellers, by 2020
Goal 8: Develop a global partnership for development	**Target 8a:** Develop further an open, rule-based, predictable, non-discriminatory trading and financial system **Target 8b:** Address the special needs of the least developed countries **Target 8c:** Address the special needs of landlocked developing countries and small island developing States **Target 8d:** Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term **Target 8e:** In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries **Target 8f:** In cooperation with the private sector, make available the benefits of new technologies, especially information and communications

devastating consequences for all countries, rich and poor. [4]

It is against this backdrop that MDG progress is being assessed. Overall, while the economic crisis will slow progress, the target for reducing income poverty remains within reach at the global level (based on current growth projections envisioning a recovery in growth commencing in 2010). 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. However, prospects for gender parity in tertiary education and other targets relating to women's empowerment are less promising or downright disastrous. Non-income human development goals are where the greatest challenges lie – especially for child and maternal mortality, but also for nutrition, primary school completion and sanitation. Based on current trends, these goals are unlikely to be met. Global progress against seven MDGs is illustrated in Figure 11.[5]

In the lead-up to 2010, when a number of high-level UN meetings on the MDGs will be hosted, questions are being raised about how to accelerate progress on these very basic development goals. In parallel, a process of reflecting on the adequacy of the MDGs as

Figure 11: MDG progress at the global level[6]



source: IBRD and World Bank, 2009

a global framework for and commitment to poverty reduction has begun to address the question of what should come after 2015. This process highlights the value, but also the critiques (and misconceptions), of the MDGs.

The value of the MDGs is significant. Their simplicity and obvious 'rightness' has galvanised unsurpassed support for poverty reduction, proving an effective mechanism to promote the broad norm of eradicating global poverty.[7] It has increased the opportunities for politicians and activists to address the issue of global poverty and raised awareness globally about poverty. In the EU, the pursuit of the MDGs has encouraged increases in foreign aid.[8] In addition, it has provided an organising and operational framework for the world (and especially donors) for poverty reduction, providing shared goals, targets and indicators on which policy dialogue and programming can be based. Critically, it has encouraged a focus on outcomes rather than inputs and, through this, supported collaboration. What is important is that all relevant actors are working together to reach the goals; individual donor contributions are a matter of secondary importance. Arguably, aid has as a result become more focused, for example on human development. Poverty reduction has been firmly established as a global public good, and the multi-dimensionality of deprivation is widely accepted. Where it has not been accepted as a basis for national social contracts between states and citizens, as in some fragile states, the failure has been seen as part of the reason for fragility. These are massive achievements.

> "The MDGs are often seen as donor-driven and top-down, focusing on quantity rather than quality, and oblivious to the unequal distribution of wealth and power which causes poverty"

There are also well-founded critiques of the MDGs.

- The most oft-cited critique is that they are a donor-driven initiative, which leads to an exaggerated focus on the role of foreign aid in poverty reduction. As a result, traction and real change 'on the ground' has been limited.
- A second critique is that the MDGs have been misinterpreted as one-size-fits-all targets. Most widespread is the view that each country must achieve the global numerical targets – despite the proportion of a country's population that is poor – but this was never the intention of the MDGs. This has resulted in the bar for sub-Saharan African countries being set unrealistically high and reinforced the perception of Afro-pessimism among policymakers, development practitioners and in the media.[9] It has also resulted in the bar for middle income countries being set too low.
- A third critique, espoused by a number of esteemed commentators,[10] is that the MDGs' focus on global progress means that reaching the very poorest and making progress across the income distribution do not receive adequate attention. This is because, put simply, the focus is on reaching the goal in the most efficient way possible, rather than helping those in greatest need.
- A fourth critique is that the MDGs focus on quantity at the expense of quality, which can distort behaviour and investment. For example, some of the goals and targets specifically measure quantitative progress, such as enrolment, rather than other areas of critical importance, such as education quality and relevance. This has resulted in higher rates of school enrolment, but the skills of average students at a certain grade deteriorating significantly in many developing countries.
- A fifth critique is that the MDGs do not directly address issues that are absolutely fundamental to poverty reduction and development, such as risk and vulnerability, growth, the state-citizen contract, and even gender equality outside of specific targets.[11] The focus on social sectors at the expense of growth has been challenged by many developing countries, given the critical role growth plays in human development. Governance issues, such as voice and accountability, and taxation and expenditure are largely absent in the MDGs framework.[12]

MDGs: priorities for the EU to 2015

There is progress, and the MDGs have their strengths and limitations. It has to be acknowledged that the world is more volatile – particularly in terms of climate and the economy – than it was when the MDGs were conceived. What are the critical issues in the run-up to 2015 and how should the EU engage with them? There are three priorities.

Support initiatives from the South: MDG achievement rests with developing countries

Achieving the MDGs rests, first and foremost, with developing countries. Initiatives from the South need to be wholeheartedly supported. The MDGs need to make sense to a country's development path, and to do this the goals will need to be incorporated into national development strategies in context-specific ways. What is important is that policies are genuinely a part of any national social contract, and that progress and national expenditure plans are assessed against relevant context-specific benchmarks – not just the international targets.[13] The EU has been supporting this approach with its results-based budget support,

through MDG Contracts for example, and this could be extended.[14]

To support developing countries in their efforts, the EU needs to maintain its commitments to aid volumes alongside principles of aid effectiveness. Despite fiscal constraints resulting from the global recession, and a potentially sceptical constituency, the EU needs to maintain the financial commitments it made in Monterrey and subsequent meetings. Whilst aid is just part of the picture when it comes to achieving the MDGs, the EU is a critical part as the world's largest donor. This is particularly the case in these economically volatile times and especially if it can be delivered counter-cyclically, which is proving to be a major challenge at present. Developing countries need to be able to rely on aid promises – at present they cannot. In addition, it remains critical that aid is delivered in a way that is aligned with a country's policy priorities and delivered to support a country's institutions. The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action provide a strong framework and the EU must continue to work to deliver aid accordingly.[15]

Support the vulnerable through social protection – as a route to achieving the MDGs

The consequences of the food and fuel price crisis, the global recession, and increased climate variability present serious challenges to achieving the MDGs, as they most adversely affect poor people. We know that the way out of poverty is not necessarily linear, and that downward mobility into poverty caused by both idiosyncratic and co-variant shocks and stresses cancels out a significant proportion of poverty reduction gains, even where there is sustained growth. We also know that the efforts of the poor themselves to climb out of poverty are compromised by their deep vulnerabilities, especially on the health front. Social protection offers a set of policies and instruments both to prevent downward mobility and to raise the standard of living of the poorest to a more acceptable minimum.

> "Whilst some MDG targets are within reach, progress on non-income human development goals is less promising or, in some cases, downright disastrous"

Putting social protection systems in place takes time, however. Most low income countries, where social protection is most needed, do not have systems with broad coverage of the poor and vulnerable in place. Putting them in place during the period 2010-2015 is not cheap but will bring significant gains after 2015 – and the additional funds allocated by the G20 for social protection could be well used for this as a priority. In the meantime, some gains can be made by supporting Middle Income Countries (MICs) with large populations of poor people to extend rapidly and deepen social protection; and even more so by supporting those few Low Income Countries (LICs) with systems in place – for example Bangladesh, Ethiopia and Nepal. Many other LICs now have pilot schemes in place; assisting the scaling-up of these – through budget support where possible – may also achieve good results prior to 2015, even if coverage remains limited.

Europe has a wealth of experience in designing and implementing social security and thus has plenty of historical experience and technical expertise to offer developing countries, based on the different 'welfare regimes' across Europe. Along with this, it should support opportunities for promoting South-South collaboration on social protection.

Learn from and document success – to support the MDGs and beyond

Whilst it is unlikely that all of the MDGs will be achieved by 2015, there are many stories of 'breakthrough strategies' and success. These stories are being captured;[16] lessons must be documented and disseminated and opportunities for replicability must be assessed. This evidence should be harnessed to serve three purposes. First, to inform and support the achievement of the MDGs. Second, to combat 'poverty-reduction pessimism' within constituencies in donor countries, particularly given the financial crisis and increased awareness of domestic economic policy and fiscal constraints. Third, to inform the design, and eventual delivery, of whatever global development framework the world adopts post-2015.

The EU can be open to assisting the replication or scaling up of successful efforts, where possible. Specific areas where 'quick wins' may be found include expanding access to transport and communications infrastructure investment (e.g. feeder roads, bus services); electrification especially through decentralised renewables; extending access to fast-track adult, informal and vocational education, thereby ensuring that the next generation is not a 'lost one'; and the rapid development of the voluntary carbon market with poverty reduction co-benefits – for example, harnessing it to smallholder agriculture and in the process developing the systems of measurement, reporting and verification necessary to include agriculture and land use in the Clean Development Mechanism (CDM) or its successor. Underlying such quick wins are deeper changes: the post-crisis return to pre-crisis higher levels of economic growth and the context-specific 'turning around' of fragile states, especially those with large populations of poor people.

Beyond 2015: priorities for the EU

The world is changing and whilst the MDGs were established during relatively stable times – where planning, growth and aid was relatively predictable –

we are now in new and uncertain times.[17] It is likely that as we move to 2015, a new framework or approach for organising and mobilising development efforts will need to be established to respond to these changes – continuing with the MDGs as they stand will not be desirable – either politically or in terms of development challenges. 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 Millennium Declaration themes more strongly (e.g. human rights).[18] It would be a grave mistake to take for granted continued support for the MDGs beyond 2015 without responding to the concerns and criticisms voiced by several stakeholders, analysts and observers.

Support greater southern ownership and country-defined targets and assessment

Central to a post-2015 approach or framework must be greater southern ownership from the very beginning. This may mean doing away with international targets, while retaining the goals as a viable development framework. Countries and agencies would develop their own targets and assessment processes, taking previous rates of achievement and the likely difficulty of improving outcomes into account. A potential benefit of the global economic crisis is that there may be much greater activism by developing countries in the design and implementation of their development policies. The Washington Consensus that was under siege before the crisis is now dead, and this may result in the emergence of new development policies which are more country-driven and context-specific.[19] The post-2015 regime must build on this momentum. Freeing up developing countries to develop and pursue their own social contracts follows the lessons learnt on aid effectiveness.

Support a framework that responds to a changed world – where climate change, economic volatility and state fragility are at the forefront – but remains focused on poverty reduction

While a new framework or approach is highly probable, a few things must be borne in mind. First, the success of the MDGs is related to their conciseness: overburdening them will destroy the power and robustness of the framework and dilute their strength as an advocacy tool. They should, if anything, become more concise post-2015. Second, irrespective of what is included, no set of goals or targets can adequately cover the different dimensions of development.[20] Third, despite new and emerging issues, such as climate change, economic volatility and state fragility, the importance of poverty reduction as a global public good (and the reasons it has been accepted as such in the first place) should not be forgotten. Fourth, the greater economic and climatic volatility the world is experiencing suggests that vulnerability reduction cuts across these evolving concerns and should feature in the post-2015 framework

The major foreseeable adjustment in the framework will be around the construction of a low carbon global economy in which all will have to share. This will have broad implications for economic growth patterns, energy, agriculture in developing countries, and major implications - positive and negative - for rates of and approaches to poverty reduction. The development paradigm will not be able to continue ignoring environmental concerns blithely, but will be deeply affected by them.

Support a process that develops the best possible post-2015 framework

There is a time lag of around five years between international discussions about development and widespread implementation of new policies at national level. So it is right to think now about the post-2015 agenda.

Considerable work is required to develop the post-2015 framework and Vandemoortele offers a viable approach.[21] The 2010 review should focus on global progress towards the global targets. The phase for defining the post-2015 targets could cover a two-year period following the 2010 review, informed by a UN panel of Eminent Persons who prepare a set of intelligent and feasible options and suggestions. The inter-governmental debate on the post-2015 agenda could then start in 2012. The new framework should take into account MDG successes and critiques, reflect our changing world and offer support for sustainable progress on poverty reduction. Designing this will require time, thought, effort and real partnerships between the range of actors involved in the development project.

The MDGs are viable as goals, though they will need broadening and restructuring in 2015. This chapter has proposed that the EU should continue to focus its efforts on supporting the achievement of the MDGs through:

- Strong encouragement of greater southern initiative and ownership;
- Learning from success;
- Being ready to support the replication and scaling-up which will deliver returns even before 2015;
- Backing the fiscal stimulus to return to or create pro-poor patterns of economic growth; and
- Strong support for turning around fragile states wherever opportunities present.

In the longer term the move to a low-carbon economy will have a profound impact on global development goals, and the implications will need to be carefully

worked through. In this new global context of great economic and climate volatility, the development of broad coverage social protection systems and programmes has a central role to play and should be a priority.

1. Manning, R. (2009), 'Using indicators to encourage development. Lessons from the Millennium Development Goals', DIIS Report, Copenhagen: DIIS

2. For the Millennium Declaration, see: http://www.un.org/millennium/declaration/ares552e.htm.

3. UN (2009), 'The Millennium Development Goals Report 2009', NY: UN

4. Ibid.

5. Lack of data presents a significant challenge to monitoring MDG progress. Most developing countries do not produce reliable figures on, for example, child mortality, life expectancy, child mortality, water access or poverty, and some report no MDG-related data. Where data is available, there may be comparability problems and MDG indicators often come with considerable time lags. The distribution of progress within the population is not often emphasized. See Bourguignon, F. et al (2008) 'Millennium Development Goals at Midpoint: Where do we stand and where do we need to go?', Summary of paper produced in September 2008, drawn from an original paper for the joint European Commission initiative 'Mobilising European Research for Development Policies'.

6. International Bank for Reconstruction and Development (IBRD) and World Bank (2009) 'Global Monitoring Report 2009: A Development Emergency', Washington D.C.: IBRD/World Bank. Note that these figures (shares) of what would need to be achieved by 2007 to meet the MDGs are based on the assumption that normal progress towards the MDGs is linear. This assumption is unrealistic when additional progress is more difficult and expensive. For example, additional progress towards universal primary education is getting more difficult and expensive the more the effective enrolment rate approaches 100% (the last 1 – 5% are always the most difficult and expensive to reach).

7. Hulme, D. and S. Fukuda-Parr (2009), 'International Norm Dynamics and 'the End of Poverty': Understanding the Millennium Development Goals (MDGs)', *BWPI Working Paper* 96, Brooks World Poverty Institute, Manchester

8. Hulme, D. (2009), 'Governing Global Poverty? Global Ambivalence and the MDGs', Paper tabled at High Level Policy Forum – After 2015: Promoting Pro-Poor Policy After the MDGs, 23 June, Brussels

9. Easterly, W. (2009), 'How the Millennium Development Goals are Unfair to Africa', World Development, 37, 1, pp. 26-35; Vandemoortele, J. (2009), 'Taking the MDGs beyond 2015: Hasten slowly', Paper tabled at High Level Policy Forum – After 2015: Promoting Pro-Poor Policy After the MDGs, 23 June, Brussels

10. See, for example: Bourguignon, F. et al (2008); Fukuda-Parr, S. (2008), 'Are the MDGs Priority in Development Strategies and Programmes? Only a Few Are!', *Working Paper*, 48, International Poverty Centre, Brazil; Vandemoortele, J. (2008), 'Making sense of the MDGs', *Development*, 51, pp/ 220 – 227; and Chronic Poverty Research Centre (CPRC) (2008) 'Chronic Poverty Report 2008-9: Escaping Poverty Traps', Manchester: CPRC

11. Shepherd, A. (2008), 'Achieving the MDGs: The fundamentals', *ODI Briefing Paper*, 43, London: ODI

12. For a more comprehensive critical assessment see Lowe, M. (2008), 'The Millenium Development Goals: chances and risks', Discussion Paper 6/2008, Bonn: Deutsches Institut für Entwicklungspolitik / German Development Institute

13. Shepherd, A. (2009), 'Poverty reduction and the MDGs paradigm', Paper tabled at High Level Policy Forum – After 2015: Promoting Pro-Poor Policy After the MDGs, 23 June, Brussels

14. The MDG Contract is a longer term, more predictable form of general budget support. It is part of the European Commissions' response to international commitments to provide more predictable assistance to developing countries. In the first half of 2009, MDG Contracts had been signed in 7 countries (Burkina Faso, Ghana, Mali, Mozambique, Rwanda, Uganda, and Zambia). Collectively these account for €1.8bn, or about 50% of all General Budget Support commitments in the 10th European Development Fund (EDF 10) national programmes.

15. Bourguignon, F. et al (2008), 'Millennium Development Goals at Midpoint: Where do we stand and where do we need to go?'

16. For example, ODI work on development success supported by the Bill and Melinda Gates Foundation and the IFPRI *Millions Fed* report, documenting proven successes in agricultural development. See: http://www.ifpri.org/book-5826/ourwork/programs/2020-vision-food-agriculture-and-environment/millions-fed-intiative

17. Sumner, A. (2009), 'What is required to meet the MDGs and What Are the Key Elements for a Post-2014 Architecture?', *IDS Consultative Brief for DFID White Paper*, Briefing 05, March

18. Jahan, S. (2009), 'The MDGs Beyond 2015: Issues for Discussion', Paper tabled at High Level Policy Forum – After 2015: Promoting Pro-Poor Policy After the MDGs, 23 June, Brussels

19. McCulloch, N. and Sumner, A. (2009), 'Will the Global Financial Crisis Change the Development Paradigm?', *IDS Bulletin*, 40.5:101-108

20. Jahan, S. (2009), 'The MDGs Beyond 2015: Issues for Discussion', Paper tabled at High Level Policy Forum – After 2015: Promoting Pro-Poor Policy After the MDGs, 23 June, Brussels

21. Vandemoortele, J. (2009), 'Taking the MDGs beyond 2015: Hasten slowly', Paper tabled at High Level Policy Forum – After 2015: Promoting Pro-Poor Policy After the MDGs, 23 June, Brussels. Available at: http://www.eadi.org/fileadmin/MDG_2015_Publications/Vandemoortele_PAPER.pdf

4 Promoting EU Policy Coherence for Development

Few initiatives better illustrate the European Union's (EU) leadership in the field of international development cooperation than Policy Coherence for Development (PCD). The collective contribution of the EU to development cooperation amounted to US$13.5 billion in 2008 and it is widely regarded for its ambitious efforts to forge international development cooperation. However, the EU is also known as 'Fortress Europe', and for good reason; its investments in cattle and milk, for one, greatly dwarf its investments in aid to Africa. At a time when the BRIC[1] countries are engaging with developing countries in mutually beneficial ways, the EU risks making its own ambition the greatest threat to its international credibility and legitimacy.

The Maastricht Treaty, signed in 1992, introduced a legal requirement for the EU to make efforts to improve the coherence of European policies aimed at promoting development. In the Lisbon Treaty, signed in 2008, that became a responsibility of the EU as a whole, and was expressed as follows: "The Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries (Art. 188D)."

In previous years, the importance of promoting coherence also gained political weight by, among other statements, the 2005 EU Consensus on Development. In addition to christening it 'Policy Coherence for Development', the EU Consensus detailed the Union's ambition and defined the process of achieving it as "ensuring that the EU takes account of the objectives of development cooperation in all policies that it implements which are likely to affect developing countries, and that these policies support development objectives."[2]

Recent EU policy proposals show that intensifying globalisation has increased the 'side effects' of EU policies on developing countries, and that the old dividing line between the EU's domestic and external policies is quickly becoming obsolete as exemplified by the financial crisis and climate change.

It is equally clear that putting PCD into practice will be a formidable task.

The question then is what future there is for PCD, and what progress may be expected in the next few years, as changes in the EU's institutional architecture take effect.

EU efforts to improve PCD

The EU has long acknowledged the importance of coherence across the policy spectrum. But it is probably safe to say that the term 'PCD' would not exist today if it were not for the conflicting nature of the Common Agricultural Policy (CAP), whereby countries receiving EU aid for agricultural development were at the same time flooded by heavily subsidised agricultural produce from Europe. Non-governmental organisations (NGOs) have been pursuing the issue for more than 20 years, primarily in the context of EU trade policy.

Policy incoherence in the context of development can occur as a result of:

- A real or perceived conflict of interest between different groups in society. For example, some find it unquestionable to strengthen farmers in developing countries, while others feel that EU farmers should take precedence;
- An unequal power relationship between those who want to promote the interests of developing countries and powerful lobbies in Europe;
- A lack of knowledge of the impact of EU policies;

- The EU's complex decision-making structure;
- Diversity among the developing countries themselves: EU policies do not affect developing countries equally.

The fact that many Least Developed Countries (LDCs) have yet to be integrated into the world economy does not mean they are not affected by EU policies, as was demonstrated by a recent study of the impact of Sanitary and Phytosanitary Standards (SPS) in Mozambique (Box 4).

Progress at the EU decision-making levels has resulted in the identification of 12 areas in the EU Consensus. Biennial reports published in 2007 and 2009 also demonstrate how the EU has delivered in these areas (Figure 12).

The EU has also focused on putting in place mechanisms to promote PCD: formal and systematic efforts that can drive PCD in a given context.[3] Such mechanisms can be divided into three categories: (1) explicit policy statements of intent, (2) administrative and institutional mechanisms (such as inter-departmental coordination committees or a specialised coherence unit) and (3) knowledge input and assessment mechanisms (information and analysis capacity). The need to establish such mechanisms was formally recognised by the EU Council on April 10, 2006, when it invited: "the Commission and the Member States to provide for adequate mechanisms and instruments within their respective spheres of competence to ensure PCD as appropriate." Mechanisms in the EU Member States can both promote PCD in national policies and leverage the promotion of PCD in the EU policymaking process. National parliaments also have an important role to play in this regard, and that role has been strengthened by the Lisbon Treaty.

The extent to which EU Member States and the European institutions have put in place these mechanisms can and has been monitored, and so has their degree of functioning.[4] Progress at the practical level has thus been hampered by the fact that the Treaty legally obliged the EU to make an effort, but did not require these efforts to be successful. Measuring progress in PCD is also challenging given that there is neither a clear 'baseline' available that makes clear how coherent the EU's policies are at a given point in time, nor any agreement on how much more coherent these policies should have become at a certain point

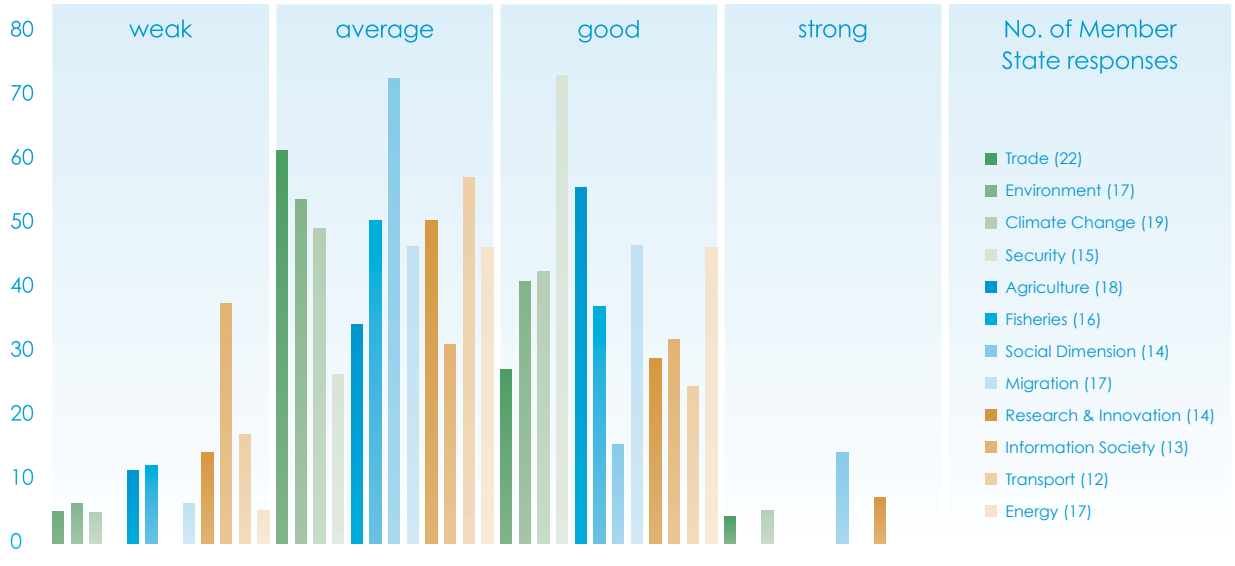
Box 4: Sanitary and Phytosanitary Standards (SPS) in Mozambique

Rising EU consumer demands have led to strengthened EU food safety standards and related procedures for control. There is a trend towards more demanding SPS measures, which are being increasingly set by the private sector (e.g. supermarket chains) and not only by formal EU policy making. Some producers (e.g. in horticulture) in countries such as Ethiopia, Mozambique and Senegal have been able to match these standards but others have found it difficult to adapt.

Mozambique benefits from zero tariff access to the EU under the 'Everything But Arms' initiative and has good marketing potential on the EU market for oil seeds and horticultural crops like vegetables, tropical fruits and citrus. However, EU market conditions for horticultural crops from Mozambique have become less favourable due to more stringent SPS measures and increasing demand for certification of the whole value chain. Still, the overall effect of expansion of agricultural production in Mozambique on MDG-1 is expected to be positive, thanks in large part to job creation and increasing income levels in poor rural areas.

Targeted interventions in the area of SPS training for supply chain operators in developing countries, with EU 'Aid for Trade' (AfT) support, are presently being made in this context. A discussion exploring how private sector 'policies' could be better utilised in furthering PCD may be useful.

Figure 12: Member State assessment of progress made in promoting PCD



source: EU 2009 PCD Report

in time. Recent policy discussions do recognise the need to improve the results-orientation of PCD, to put it euphemistically, but as is discussed below it will take quite some degree of political courage to take this step.[5]

The demand for EU coherence

A regular expression of demand for PCD is needed to legitimise its continued presence on the EU's political agenda.

European civil society has been an important source of such demand, as exemplified by the publication of an alternative European report on PCD by the European NGO Confederation for Relief and Development (CONCORD). This report explores the effects of different EU policies on developing countries, including areas such as international finance that are not covered by the European Commission, and makes its own recommendations on how to advance PCD more effectively. In doing so, the report has been able to take a far more in-depth look at the EU's policies and think more 'outside the box' by focusing on sustainable development and the advancement of human rights.[6] The report stresses that, contrary to what is implied by the EU's 12 areas, PCD is often much more complex than a simple 'other policy versus development objectives' equation.

The complexity of PCD in practice is also illustrated by an externally commissioned case study on fisheries, (Box 5) which fed into this year's EU report.[7]

The European Parliament (EP) also voices demand for PCD on behalf of its electorate. The aforementioned joint evaluation of EU mechanisms revealed an important increase in the proportion of reports by the Parliament's Development Committee dealing with PCD, and there are already signs that the new Committee will further this positive trend. As will be explored below, the influence of the EP on EU policymaking will only increase with the ratification of the Lisbon Treaty.

Finally, it is crucial that developing countries express strong demand for more coherent EU policies. The 2000 Cotonou Partnership Agreement between the Africa, Caribbean and Pacific (ACP) Group and the EU creates a formal space for this by means of an article titled 'Coherence of Community policies and their impact on the implementation of this Agreement'. The article was first invoked on 12 February 2009 at a meeting of the Joint ACP-EU Sub-Committee on Trade Cooperation at the request of the ACP. According to this year's EU PCD report: "the ACP Group had requested information on five Commission initiatives dealing with the use of pesticides, nickels substances, fisheries cold chain requirements, the renewable energy directive and the FLEGT licensing system. The Commission replied to concerns expressed by the ACP countries that these proposals could have significant impacts on their export of certain products to the EU and provided further detailed explanations. The Commission reassured the ACP representatives that their concerns would be taken into account in the preparation of these measures or in their implementation."

One may wonder why such a useful provision has been so seldom used. One reason may be that the ACP would require prior knowledge of such topics in order to invoke the article in a way that would benefit them. This is not an issue for the ACP alone either; as numerous studies have shown, civil servants working in the EU Member States or at the EC often lack sufficient technical knowledge to effectively engage with their colleagues in other policy areas. This is a very practical reason why it is often difficult to take PCD forward.

The evolution of PCD and possible implications of the Lisbon Treaty

In reaction to reports of the damaging effects selling European food in Africa at prices that undercut local farmers, former EU Development Commissioner Louis Michel stated to members of the European Parliament

Box 5: EU fisheries policy and development in Senegal

From 1979 to 2006 the EU had a fisheries agreement with Senegal. As efforts to renew this fisheries agreement in 2006 were unsuccessful, EU Fisheries policy is now detached from processes in Senegal. Yet the EU is contributing to serious fisheries problems in Senegal simply because it is the nearest major market where demand is high and unsatisfied. This EU demand is encouraging serious over-fishing and illegal fishing in Senegalese waters by boats from all over the world.

While recognising the influence of other EU policies (especially trade) on its fisheries policies, as well the remaining Member State competencies on fisheries and the influence of non-EU vessels and markets, it is widely accepted that an effective and joint European policy response that promotes sustainable fisheries along the West African seaboard would serve both EU and the West African interests.

The key issue now is not so much the number of EU boats fishing in Senegalese waters but the impact the EU as a whole has had on fish stocks in Senegal. Any new agreement should begin by addressing this issue, along with 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 redirect fishermen to new areas of economic activity. Stakeholders interviewed during the field work argued that young men from fishing communities are risking their lives to emigrate in open boats because they see only limited opportunities in traditional livelihoods and no real alternatives.

Some of this latter work of diversification and widening economic opportunities and even the government's first steps in regulating fishing by registering pirogues is already supported with EU development cooperation funds. However, large-scale fisheries management is an issue for the EU's Common Fisheries Policy. A renewed agreement must provide a framework through which the EU and Senegal can work together on this issue.

that anti-poverty activists were ethically and intellectually justified in criticising the EU. However, he felt that the criticisms were politically naïve, arguing that "there are limits to what we can do. There are limits to what is feasible in political terms."[8]

This rare display of 'political honesty' underscores the fact that promoting PCD is essentially a political undertaking. More than ensuring sufficient technical and analytical support, successful promotion of PCD requires a strong political will in the EC.

By convening the group of external relations Commissioners, the High Representative will play an important role in promoting coherence between the different policy areas. In view of the requirements of the Lisbon Treaty, such a meeting process can function as an important mechanism to promote PCD.

The European External Action Service (EEAS) offers an opportunity for greater coherence. The EEAS is to be staffed by officials from the Council Secretariat and the EC as well as national diplomats from the EU Member States. In view of the positive role of the EP in promoting PCD, it should be noted that the Parliament will need to get accustomed to engaging with the new diplomatic service, particularly with the Member State officials who will be outside Parliament's budgetary oversight. Potential avenues for this engagement include, among others, (1) establishing a service in the EEAS for its relations with the EP; (2) organising parliamentary hearings with Heads of the future EU Delegations before they take up their post and during their time in office; and (3) organising special hearings on specific PCD-related issues.

The future of PCD

In September, 2009, the European Commission noted that the EU had substantially strengthened its approach to PCD in recent years, and that since 2005 the EU had executed two distinct phases: the adoption of specific commitments in relation to PCD in the 12 areas; and the sharpening of mechanisms to promote PCD. The analysis here suggests that further progress in this second phase depends on better articulating demand for PCD. This process could be strengthened by the establishment of a formal EU complaint procedure; the appointment of a standing rapporteur on PCD in the EP; and the formal identification of EU points-of-contact for developing countries on matters of PCD. Such measures could be supported by investment in training of officials in the Member States, the EC and the future EEAS.

In its recent Communication to the European Council, the Commission also observed that due to closer interactions and ever intensifying globalisation, the side-effects of other EU policies on developing countries have become increasingly acute. This trend gradually reduces the influence of Official Development Assistance (ODA) and reorients ACP-EU cooperation and policy dialogue towards a wider focus on international cooperation. In 2009, the re-orientation of development cooperation was highlighted in debates about the use of ODA to reduce climate change, or to support refugee camps in developing countries in support of the EU's migration policies.

On the basis of the EC's proposal, the EU Council recently adopted a set of statements outlining the future of the EU's efforts on PCD. The conclusions, which request that a PCD Work Plan be adopted in 2010, may be interpreted as 'postponed execution' and a step back given that the EU's adoption of a 'rolling work programme' on PCD in 2006. However, the conclusions also warrant cautious optimism:

- On the basis of the EC's proposal, the Council has adopted five broad priority areas for PCD: (1) trade and finance; (2) addressing climate change; (3) ensuring global food security; (4) migration; and (5) security and development. With the inclusion of finance, this ambitious list of priorities goes beyond the mandate set out in the 2005 EU Consensus.
- The proposed objectives and scope of the PCD work plan go much further than the previous work plan, put an emphasis on results and recommend the development of indicators to track progress and facilitate dialogue on PCD with developing countries.

The EC proposal, which includes five proposed broader areas, argues for a more pro-active EU engagement, signals improved understanding of the relationship between different European policies and the implications of promoting PCD: once development policy allows itself to have an opinion about other policies, these policies will subsequently allow themselves to have an opinion about development policy.

In the same Council Conclusions, the EU Member States are however 'invited' to take the work plan forward, implying that their endorsement of and support for implementing the work plan is still needed. It is clear that 2010 will pose a number of new challenges. In confronting these, it is critical that all actors play their part in promoting PCD. It is also clear that the EU's international credibility and legitimacy rests on satisfying its self-imposed standards.

1. Brazil, Russia, India and China.

2. In its efforts, the EU took advantage of earlier explorations by the OECD's Development Assistance Committee, which since 2000, the OECD's Development Assistance Committee has included an assessment of Policy Coherence as part of its 'peer review' process. See: OECD (2008), 'Synthesis Report on Policy Coherence for Development', Paris: Organisation for Economic Co-operation and Development. Available at: http://www.oecd.org/dataoecd/21/10/41558897.pdf

3. Mackie, J. et al (2007), 'Evaluation Study on the EU Institutions & Member States' mechanisms for Promoting Policy Coherence for Development', *Studies in European Development Co-operation Evaluation 7*, Amsterdam: Aksant Academic Publishers. Available at: http://www.three-cs.net

4. This evaluation distinguished the EU's institutional mechanisms into three types, namely (1) Explicit Policy Statements of purpose and intent; (2) Administrative and Institutional Mechanisms such as inter-departmental coordination committees in government, or a specialised coherence unit; and (3) Knowledge Input and Assessment Mechanisms to support an evidence-based approach to policy formation (Mackie et al 2007).

5. Keijzer, N. (2008), 'Reaching the policy table: the role of knowledge & assessment mechanisms in the process of promoting policy coherence for development', 12th EADI General Conference, Geneva, 24-28 June, Geneva 2008.

6. Available at: http://www.concordeurope.org

7. Adapted from Mackie, J. et al [forthcoming] 'EU 2009 PCD Report: Preparation of MDG Case Studies.' Study commissioned by DG Development

8. Quoted by Cronin, D. (2008)'Development Live with EU's Contradictions', IPS News. See: http://ipsnews.net/news.asp?idnews=43186

5 Climate change and development

Climate change is the defining issue of our time. It will become a strong shaping force of European external relations, be they commercial or political. At the same time, it will force a redefinition of development policy and cooperation, in order to address the threats climate change impacts will have on poverty reduction, and in order to adjust development goals to the low-carbon growth imperative. It thus illustrates both the importance and the dilemmas of policy coherence for development (PCD).

Within the Organisation for Economic Cooperation and Development (OECD), the European Union (EU) has been in the lead in setting reductions 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.

> "Climate change will become a strong shaping force of European external relations and will force a redefinition of development policy"

In a post-Copenhagen environment, we see the possibility of a step change in the EU and the European Commission's (EC) engagement on climate and development. We need new policies and frameworks, new financial commitments, and new action.

This chapter:

- Gives an overview of the challenges climate change poses to European development policy and cooperation in the context of Europe's foreign policy;
- Shows what the EU already does in terms of addressing these challenges, and where it comes short; and
- Offers a set of recommendations on the way ahead.

The challenge

Addressing climate change will be a driving force of the EU's external relations. The transition to a low-carbon economy will become a global objective, and how far ahead a country or region's economy and regulations are will define its competitiveness, as a technology provider, with regard to the reorganisation of energy systems, production chains, transport and communications networks, etc.

European and other industrialised countries will have to transform their economies in order to reduce greenhouse gas emissions by 90% in 2050 compared to levels in 1990. What's more, the window of opportunity for avoiding catastrophic climate change is short. We will have to start shifting energy supply from fossil to renewable energies and improving energy efficiency in 2010. Politically, regulatory and other action in many areas will be required in order to facilitate that transition, both in Europe and at a global level. Trade, intellectual property rights, environment and energy are but some of the policy fields that are affected.

At the same time, the impacts of climate change will demand growing attention, the more so when global mitigation efforts are not ambitious or are

weakly enforced. More frequent and intense extreme weather events, such as storms, floods and droughts, will put poor countries under additional pressure, and the EU will be required to spend more on emergency relief. Worsening environmental conditions may lead to migration, which could lead to conflict and increase the likelihood of political instability and armed strife. Migration may grow in numbers: some expect up to 200 million migrants due to climate change impacts by 2050.[1] Rising sea levels will threaten the coastal regions of many nations – in some cases threatening to engulf small island states entirely. New global legal provisions will be required for this unprecedented situation.

European development policy and cooperation will have to address both dimensions of climate change: adaptation and mitigation. Adapting to the unavoidable impacts of climate change will be paramount if development investments are to be made resilient against changes in temperature, extreme weather events and rising sea levels. The impacts of climate change will be particularly severe in the tropical and subtropical zones, i.e. in regions characterised by widespread poverty and weak institutions, and whose economies emit little or no greenhouse gases. As a party to the United Nations Framework Convention on Climate Change (UNFCCC), the EU has committed itself to support developing countries especially vulnerable to climate change in their adaptation efforts. In Middle as well as Low Income Countries (LICs), poverty reduction and broader development strategies need to be designed in such a way that economic growth does not lead to an increase in greenhouse gas emissions. Recent calculations by the German Advisory Council on Global Change show that, despite their currently extremely low emission levels (both absolute and per capita), even the Least Developed Countries (LDCs) will have to introduce a carbon-free economy within this century if global warming is to be limited to an average of 2°C.[2] Other developing countries will have to live up to this challenge even sooner, within 30 to 40 years, and they will need the full support of the developed world in order to do so.

Adaptation and mitigation require steep learning curves and rapid innovation processes in both public and private sectors, as well as in individual households, to achieve unprecedented rates. Concerted collective action, both within Europe and at a global level, is essential. It is vital, therefore, that the EU gives climate change-related cooperation utmost priority in its foreign relations and in international cooperation at large.

Headwinds for the climate change agenda

The financial crisis has shifted political attention away from climate change to financial and economic policy. Massive public spending on economic recovery packages and bank rescue programmes has led to increasing public debt, placing a heavy burden on future budgets. The difficulties of achieving consensus among Member States on financial burden sharing in the run-up to the December 2009 Copenhagen Conference indicate just how scarce and difficult to obtain public resources for climate change will be. Moreover, recovery packages demonstrate that it is still easier to mobilise large public spending against immediate dangers (collapse of the financial system) than for preventing larger dangers in the future (collapse of the climate system). And, as the term 'recovery' indicates, the goal is restoring the economy rather than using the momentum for promoting structural change towards a low-carbon economy.

Likewise, in developing countries, urgent economic problems are higher on the agenda than addressing the need for change in the distant future. But ownership of mitigation and adaptation policies in partner countries is crucial if external support is to be effective. Ownership cannot be bought with lavishly endowed thematic funds – it needs to be built over time. This process will be easier if the EU demonstrates the feasibility of low-carbon development at home, in the context of ambitious emission reduction commitments.

Inherent conflicts between the climate and development debates

First, European development policy will have to focus strongly on supporting partner countries in adapting to and mitigating climate change in the next five years. To do so, the EC will first have to overcome the implementation gap in its own approach to development, environment and climate change. The EU has been one of the pioneers of mainstreaming climate change into policy – this has been an objective since 1998. However, in practice, little visible and tangible progress has been achieved. Committed funding from the EC's budget remains insufficient, and Member States have not yet been convinced to buy into the EC's proposals substantially. Moreover, complementarity and coordination of the EC's and Member States' activities have not been ensured in this realm.

Second, the EC and Member States will have to make lasting budgetary decisions on the relationship between poverty reduction and addressing climate change that go beyond fast-start financing, as agreed at the EU summit preceding the Copenhagen Conference. Climate change-related transfers have to be additional to Official Development Assistance (ODA). It is clear that both policy fields and their objectives are necessarily related, and that broad overlap exists, particularly between reducing vulnerability to the impacts of climate change and reducing poverty. However, the two agendas are not interchangeable. Poverty reduction should not - and cannot - be subordinated to climate change. However, in the context of scarce public funds this is

exactly what many fear: already, large shares of ODA are used for reducing greenhouse gas emissions in the developing world. This is just as much in the interest of the developed world as for developing nations. At the same time, there has been much less support from Europe for the efforts of the poorest and most vulnerable in adapting to climate change. Finally, there are doubts that the EU will gather the necessary political strength for achieving its ODA target of 0.56% of Gross National Income (GNI) by 2010, and of 0.7% by 2015.

Third, the EC and Member States will have to determine their position clearly in relation to the financial architecture of international climate policy.

> "The EU is a pioneer in mainstreaming climate change into development policy, but practice does not live up to the EU's own objectives, and funding is much below what is needed"

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 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, principles such as aligning partner countries' policies and using country systems for accountability and transparency.

As we know, the EU is the largest donor worldwide, with activities at both the bilateral and the multilateral level. It is at the forefront of reducing greenhouse gas emissions and of planning for adaptation. With the implementation of the Lisbon Treaty, sustainable development and environmental issues belong to the objectives of the common foreign policy. This provides a new opening for improved policy coordination and implementation at the level of the EC, and between the EC and the Member States. If the EU uses this window of opportunity and its exceptional position wisely, in order to find the right mix of instruments for supporting developing countries in a complementary way through climate, development and foreign policy, it can establish itself as a global leader in this field.

What the EU already does

EU action is relevant both with regard to development policy and cooperation as well as to climate policy.

Mainstreaming climate change in European development policy and cooperation

As previously indicated, the EU is a pioneer in mainstreaming climate change into development policy and cooperation. This position is rooted in its efforts to integrate environment policy considerations in all relevant EU policy areas. In 1998, these efforts were officially extended to include development cooperation as well. In 2003, the Commission published a Communication on Climate Change in the Context of Development Cooperation, which proposed an integrated strategy for addressing climate change and poverty reduction issues (COM(2003)85 final, 11 March 2003).[3] In 2004, the General Affairs and External Relations Council (GAERC) adopted the strategy elaborated on the basis of this communication, as well as the Action Plan 2004-2008.

The aim of the strategy was to support developing countries in addressing climate change, and to help them implement the Climate Convention and the Kyoto Protocol. To this end, "the Commission considers it imperative to fully mainstream climate change concerns into EU development cooperation in complete coherence with the objective of poverty reduction".[4] The strategy has four priorities: raising the policy profile of climate change; support for adaptation; support for mitigation; and capacity development. The Action Plan did not establish a specific funding line or package, but relied on the Environment and Sustainable Management of Natural Resources, including the Energy Programme (ENRTP) and on geographical funds at country and regional level.[5] The ENRTP programme is an environment-oriented funding line under the Development Cooperation Instrument (DCI). It has a budget of €804 million and its objectives are, amongst others: to assist developing countries in fulfilling internationally agreed environmental commitments; to promote coherence between environmental and other policies; to build environmental capacities; and to support sustainable energy policies and technologies.

In 2007, the EC proposed the Global Climate Change Alliance (GCCA) between the EU and the poor and most vulnerable developing countries, in order to strengthen the Action Plan. To the four strategic priorities listed above, the GCCA added reducing emissions from deforestation and forest degradation, disaster risk reduction, enhancing participation in the Clean Development Mechanism (CDM) as well as integrating climate change into poverty reduction efforts. The EC established a budget of €60 million for 2008-2010. From the Member States, only Sweden and the Czech Republic support the GCCA with €5.5 and €1.2 million respectively. The first countries selected for implementation of the GCCA are Vanuatu, Maldives, Cambodia and Tanzania, a selection consistent with the EU's definition of vulnerable developing countries which includes LDCs, small island developing states and the African countries at risk of droughts, desertification

and floods.

Despite this positive strategic picture, the EU's practice does not live up to its own objectives for development cooperation: there is little progress in mainstreaming or integrating climate change issues, and funding is much below what is needed or what could be expected from the EU.

An audit by the European Court of Auditors in 2005 showed that the EC had made only limited progress in mainstreaming the environment into its development cooperation since 2001: country strategy papers did not consider environmental issues in an appropriate manner, and the mandatory environmental analyses were mostly weak.[6] MDG-7 on environmental sustainability was not mentioned by any of the analysed country strategy papers, and only 25% referred to multilateral environmental agreements. In their analysis of projects, the audit mentioned a number of shortcomings that indicate how much the EC needs to learn about the design and implementation of environmental projects in the context of development cooperation. Comments from the audit include: "Project effectiveness was problematic because of over-ambitious project design; … limited progress in building institutional capacity; difficulties in addressing the needs of local communities for development while meeting conservation objectives; … insufficient impact on the policy and legal framework; and … unrealistic goals set for financial sustainability after the end of project funding".[7]

Another analysis[8] of 46 country strategy papers for African countries showed that climate change was only mentioned in one of them. The papers for the 2007-2013 period seem to fare better, but an analysis commissioned by three environmental NGOs in 2007 and 2009 showed that only a very small number of EC delegations and regional desks make use of planning instruments such as strategic environmental assessments or environmental impact assessments. This reveals large gaps in training, knowledge and communication with regard to environmental mainstreaming.

An analysis of the impacts of the EU Strategy and Action Plan for Climate Change in the Context of Development Cooperation carried out by the Centre for European Policy Studies[9] showed a two-fold result: on the one hand, cooperation between DG Development and DG Environment improved, and cooperation between working parties and expert groups from both realms has been very constructive. For financing, on the other hand, the EC relied greatly on its Member States and did not commit much in the way of own budget resources.[10] Moreover, activities have concentrated on dialogue as well as on assessments of vulnerability and adaptation needs, but there has not been significant operational involvement beyond this, on either adaptation or mitigation (or low-carbon development). Low budgets do not allow planning for more substantial measures and programmes, and planning capacities on the EC's side (in Brussels and in delegations) are limited because of a lack of investment in training for EU staff and in the development of procedures, tools and skills.

The EU's climate policy and development

The EU's negotiating position with regard to the post-2012 climate regime can be considered progressive, as it formulates the most ambitious emission reduction commitments from among the group of developed countries. It is unsatisfying, however, with regard to the financial commitments for supporting mitigation and adaptation action in developing countries made so far.

The EC's Communication 'Stepping up international climate finance; A European blueprint for the Copenhagen deal' (COM/2009/475)[11] addresses financial issues through a comprehensive analysis of mitigation and adaptation needs on a global level. The Communication addresses both public and private finance, the future carbon market as well as start-up finance between 2010 and 2012. It also addresses the issue of complementary development finance, and the advantages of using existing (albeit reformed) institutions and instruments.

Why does this proposal, despite all its merits and far-reaching perspective on facilitating low-carbon development on a global level, face mistrust and not support among developing countries?

> "A daring new climate policy is needed, country-focused and properly funded. Fast progress in the implementation of the Global Climate Change Alliance is paramount"

The mistrust is related to the EU's failure to make substantial and credible pledges for financial support to developing countries willing to engage in low-carbon development planning and investment, as well as for adaptation measures. Linking finance to the elaboration of low-carbon development plans is interpreted as a conditionality, which is the opposite of honouring commitments derived from historical responsibility for most of global warming measured to-date. Mistrust is also fuelled by the EU's decision to favour existing ODA-related institutions for channelling these funds.

Moreover, the EU's proposal of negotiating a single new agreement for the period after 2012, with the aim of accommodating the USA as well as integrating commitments from the major emitters among the developing countries, did not create a new dynamism in the negotiating process. Instead it was confronted with a surge of mistrust from the developing world which was not willing to make the required leap of faith. A new single agreement is interpreted by many developing countries as paving the way for linking new ambitious commitments from Annex I countries to binding commitments from developing countries – without guarantees of sufficient financial support.

Another part of the answer is related to the EU's mixed track record with regard to commitments already made towards the developing world. Financial transfers pledged under the Bonn Declaration at the COP in 2001 have not been met, and there is no clear reporting of financial transfers as yet. At the same time, commitments made in the narrower realm of development policy and cooperation (PCD; stepping up finance for development; improving aid effectiveness) have not been honoured as much as would have been possible and desirable. This implementation gap refers also to the fragmented nature of European development policy and cooperation – the EC and 27 Member States all too often act in parallel, and not in a coordinated manner; and there are no signs that the agenda on division of labour is being actively promoted.

This nurtures the belief that the EU's demand for trust from developing countries in the good intentions of its most recent proposal for a Copenhagen deal is unjustified, as the EU's fulfilment of other development-related agreements could be better. If the claim is that political realities always constrain swift implementation, why should this be any different in the case of negotiating a new climate agreement?

Recommendations

If we accept that climate change is the defining issue of our time, then several challenges must be faced:

Designing new policies and frameworks

In general, it will be necessary to increase the coherence between the broader climate change agenda and development policy. Climate policy should be designed in such a way that it opens up new opportunities for developing countries to reduce poverty by engaging in low-carbon development, and by adapting to the inevitable impacts of climate change. Increasing financial transfers and reforming the Clean Development Mechanism (CDM) will not be enough (Box 6). If this scenario turns out to be impossible, the minimum needed of a new policy approach would be to ensure coherence and coordination between climate and development policy, to advance operational mainstreaming of climate change in development policy, and at the same time, to ensure that this process does not lead to a replacement of the poverty reduction agenda by the low-carbon development agenda. Aid diversion will be a real threat. Therefore, it will be paramount to fulfil commitments to collectively reach ODA of 0.56% of GNI by 2010, to increase climate financing (at least in the range of what is proposed in the 'European blueprint for a Copenhagen Deal') and to make it additional to ODA. Transparent and regular reporting will be fundamental.

Box 6: Carbon budgets – a new type of financing mechanism

The carbon budget approach embraced by the German Advisory Council on Global Change[12] is an example of a daring new policy. Based on globally equal emission rights calculated against the 2°C target, it establishes a basis for a global emissions trading system which binds high and low emitters together and thus introduces a real possibility of cooperation among unequal partners towards a shared vision of the future. Such a system would be much more powerful than the present CDM, and it would invite developing countries to participate as active partners in the policy processes towards a low-carbon future. Through this approach, transfers in the magnitude of €30-100 billion could be mobilised per year, depending on the carbon price. Financial support for adaptation and for reducing emissions from deforestation would not be covered by this trading scheme and would require additional mechanisms.

Mainstreaming climate change into development would then be based on national strategies and interests. The transfers related to emissions trading (and associated monitoring) would help to create ownership in a much more forceful way than offering new thematic funds bound to ODA-type modes of delivery. At the same time, such a policy framework would unleash an unprecedented demand for technical assistance in developing countries. In order to fulfil this demand for policy advice and capacity building, development policy and cooperation will need to be expanded considerably.

Defining new financial commitments in the short term

In order to overcome mistrust and enhance credibility, the EU Summit in December 2009 agreed to step up financing for low-carbon development and adaptation to climate change in development cooperation between 2010 and 2012. The offer of €2.4 billion a year represents about a third of the money needed, and it goes beyond what had been proposed in the 'European blueprint for a Copenhagen deal'. In order to make an impact, however, this needs to be additional to ODA, and additional to the financial commitments of the EU and its Member States under the Bonn Declaration of 2001 to the UNFCCC Conference of the Parties. Fulfilment of these commitments should be achieved and reported by 2011.

Implementing new action

It is vital that capacities for action are improved and the gap between policy intention and practice is reduced as quickly as possible. Fast progress in the implementation of the GCCA is paramount here, as well as tangible progress in mainstreaming climate change in country strategy papers. To promote this, the EC should define clear targets to be achieved, i.e. to include climate change-related measures in all country strategy papers for the period 2014-18. This requires measures for training the EC's staff on low-carbon development and adaptation, and how these interact with development strategies and poverty reduction. Another practical measure would be to introduce a helpdesk for mainstreaming climate change in development that would give

practical support to staff in delegations and in the EC when writing country assistance strategies. Furthermore, the EC and the Member States should adopt clear guidelines on financial reporting. This includes the introduction of an OECD/DAC marker for adaptation and mitigation financing, and improving financial reporting under the UNFCCC.

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11. See: http://ec.europa.eu/environment/climat/pdf/future_action/com_2009_475.pdf

12. See: http://www.wbgu.de/wbgu_sn2009_en.html

6 Peace, security and conflict and the EU's challenge of addressing fragility

More than 30 developing countries are classified as 'fragile states' (Table 2). They are home to many of the world's poorest people. They are a source of exported security problems. They constitute the biggest political, military and development challenge facing the European Union (EU) in the developing world. The EU's development policy will thus be judged in great measure by its success in responding to fragile states.

Indeed the European Consensus on Development lists fragile states and conflict prevention as one of the main challenges facing EU development cooperation, and they are also identified as a key security issue in the European Security Strategy, as well as being the focus of the first European Report on Development. The list of fragile states includes Afghanistan, Haiti, Myanmar, Nepal and Tajikistan, as well as several African countries such as Somalia and Zimbabwe. What these countries 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.

Fragile states exert a tremendous financial burden: the total global cost of 'state failure' is US$276 billion per year.[2] According to Lisa Chauvet et al, this amount is "double what would be generated were the Organisation for Economic Cooperation and Development (OECD) to raise aid to the United Nations (UN)target level of 0.7% of GDP."[3] These states are in dire need of implementation of better development policies; Europe must rise to this challenge.

Problems faced by fragile states tend to spill outside of national boundaries. These can include forced migration as a consequence of immediate physical threats or economic fallout, the rise of criminal activities such as piracy, or international criminal networks engaged in trafficking women, weapons or drugs.

Table 2: 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[1]

In addition, climate change looks set to exacerbate both violent conflict and state fragility. An estimated 46 countries with a combined population of 2.7 billion people are at risk of increasing armed conflict related to the effects of changes in the environment.[4] While the evidence is not entirely clear-cut, it seems likely that the current economic downturn will exacerbate both violent conflict and fragility.

The nature of the challenge, however, is not straightforward, as ultimately it will be the action of local actors within these settings that will be key in transforming politics, society and economy. Yet the EU can support or undermine such efforts through its own political priorities, policies, instruments and actions. The EU has been successful in ending interstate 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. It is already involved indirectly or directly in many of the conflicts and situations of fragility globally. Its focus is particularly on Africa and the Caucasus – although the ongoing conflicts in Afghanistan, Iraq, the Middle East and Pakistan are set to hold most of the higher level policy focus.

The reality on the ground of the relationship between security and development is a good deal more complex than the slogan, 'no development without security' would suggest. In the long term, sustainable economic development is the best guard against conflict and fragility. Conflict and fragility have a complex mix of social, political and economic causes and the response must be nuanced enough to acknowledge this complexity.

The EU would seem to be uniquely placed to offer this in collaboration with other local and international actors. Yet, some question whether the EU's potential and the capabilities at its disposal have been matched by its action and impact. Despite considerable progress in policy development on security, conflict prevention, fragility and their interface with development, it is universally recognised that the EU suffers from a policy 'implementation gap.'[5]

The Lisbon Treaty offers an opportunity to begin to address this gap. The combined Official Development Assistance (ODA) to developing countries from Europe (European Commission – EC – and Member States) is 60% of the global total,[6] which, if better targeted, could play a useful role. Yet this is only one part of the story. It is the EU's institutional capabilities (such as its Civilian Headline Goal 2010 for crisis management, the new European External Action Service - EEAS - and the role of development and conflict experts in it) that are key to providing for both overall policy coherence and flexible, context-specific responses. Indeed some have contended that addressing fragile state offers a new paradigm for development,[7] while others such as the OECD have called for whole-of-government approaches. However, policy coherence has to reach beyond development, diplomacy and defence to areas such as energy, agriculture and trade, all of which can have considerable impact on conflict and fragility.

International alliances are crucial to making progress. Europe's traditional partners, such as the US and multilateral agencies such as the World Bank and UN organisations remain important. Yet effective engagement in the 21st century must also include countries such as China, India, or Russia as well as regional actors such as the African Union (AU). These relations must be carefully cast in win-win scenarios while not undermining European values. In a globalised world, it is simply not credible or effective for the EU to promote and engage in narrow approaches to its security and economic well-being. Nor can such approaches be top-down. As international efforts to 're-create' the state in Afghanistan and Somalia have shown, these are doomed to failure.

EU policies for conflict resolution

The EU deploys military and civilian assets and supports regional initiatives (especially in the context of the AU/ African Peace and Security Architecture through the Africa Peace Facility). This is not an easy task given the EU's complex political machinery, where the institutional design of development policy as a shared competence requires coordination between (and within) the EU institutions and Member States from the outset. At a strategic level, the EU has produced a number of key documents seeking to forge a common understanding of fragility and conflict (Table 3), drawing on international standards established by the OECD-Development Assistance Committee (DAC) and the World Bank (Box 7).

The EU is about to strengthen its overall presence significantly. It has the potential to act as a diplomatic

Box 7: OECD principles for engagement in fragile states, 2007

1. Take context as the starting point
2. Ensure all activities do no harm
3. Focus on state-building as the central objective
4. Prioritise prevention
5. Recognise the links between, political, security and development objectives
6. Promote non-discrimination as a basis for inclusive and stable societies
7. Align with local priorities in different ways in different contexts
8. Agree on practical co-ordination mechanisms between international actors
9. Act fast…but stay engaged long enough to give success a chance
10. Avoid pockets of exclusion ("aid orphans")

Source: OECD-DAC, Principles for Good International Engagement in Fragile States and Situations, Paris, 2007.[8]

block in international forums (like the UN) and new formations like international contact groups. Geopolitically, the EU adds value to the 'global peace and security architecture', different in nature from the UN, OECD or World Bank. 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 strong political and economic relations throughout many countries – in particular in the framework of the Cotonou Partnership Agreement with the African, Caribbean and Pacific (ACP) countries. The EU has not only strengthened the political dialogue with the ACP, the agreement also includes provisions on humanitarian and emergency assistance which foresee 'flexible mechanisms' for post-emergency action and transition to the development phase. The EU is also involved in a number of special missions in many, mostly post-conflict, countries, such as Afghanistan. However, as stated in a critical recent review by the European Council on Foreign Relations (ECFR), most of them remain small, lack ambition, are strategically irrelevant and are further hampered by micromanagement from Brussels instead of responsibilities being delegated to missions on the ground.[9] Clearly, it is not enough to forge coherence at the strategic policy level, it is also important to reinforce coherence in country-specific decision-making and implementation.

Nevertheless, the EU has made some strides in improving its policies on conflict prevention since 2000. Most of the European Security and Defence Policy (ESDP) missions have been launched in Africa providing a test ground for the EU's capabilities in ESDP, and also in longer term conflict prevention. The 2001 'Göteborg EU Programme for the Prevention of Violent Conflicts' anchored conflict prevention as a main objective in the EU's external relations, including ESDP, development cooperation and trade. The European Consensus of 2005 encourages a comprehensive and coordinated approach to mending fragility, and builds on a broader EU external action policy framework and a series of instruments, programmes, methods and institutional mechanisms. In 2007, the EU launched an Instrument for Stability (IfS). This enables a quick response to political crises and natural disasters – and substantially increases its capacity for sustained funding from Community sources.

Financial instruments such as the European Neighbourhood and Partnership Instrument (ENPI) explicitly refer to 'fragile states and post-conflict reconstruction' as areas for intervention. The EU agreed upon the Civilian Headline Goal 2010 to ensure the deployment of "civilian crisis management capabilities of high quality, with the support functions and equipment required in a short time-span and in sufficient quantity".[10] In financial terms, the EU has made a significant investment of resources amounting to US$6.2 billion (not including the Balkans) over the years 2001-2008 (Figure 13). What must follow now is political leadership to devise policies and institutional arrangements that can turn these instruments into tools which make a real difference for those who suffer most from fragility and conflict: the people who live in fragile states.

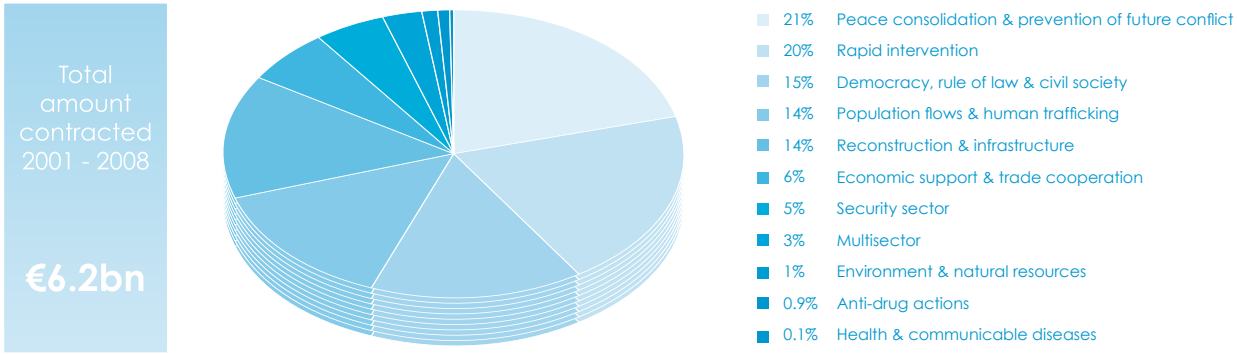
The EU's normative and intellectual soft power as well as its non-governmental specialist agencies give the EU somewhat of an edge. Europe has some of the most effective non-governmental agencies dealing with peace, conflict and fragility and effective networks like the European Peacebuilding Liaison Office (EPLO). Several EU Member States – Germany, Netherlands, Sweden and the UK – are global leaders in developing

Table 3: EU policy commitments in fragile states

Theme / Issuing Institution	Security	Security and Development	Fragility	Conflict Prevention	Other Relevant
Joint Council & EC		EU Concept for Disarmament, Demobilisation and Reintegration 2006 Security and Development Working Paper 2007			European Consensus on Development 2005 Joint Africa-EU Strategy 2007 Cotonou Partnership Agreement 2000
European Council	European Security Strategy 2003 ESDP Headline Goal (for military crisis management) 2004 ESDP Civilian Headline Goal	EU Strategy on Small Arms and Light Weapons 2005	An EU Response to Fragility 2007	EU Programme of Action on the Prevention of Violent Conflict 2001	EU Guidelines on Children and Armed Conflict 2003 / 2008
EC		Communication on Concept for European Community Support to Security Sector Reform 2005	Towards an EU Response to Fragility 2007	Communication on Conflict Prevention 2001	

Figure 13: European Commission spending on conflict prevention and peacebuilding

Resource allocation is a key determinant of commitment and priorities for any institution, but until now it has been difficult to calculate EU spending in relation to conflict prevention and peacebuilding. A recent preliminary study for an evaluation of EC Conflict Prevention and Peacebuilding 2001 – 2008 offers some much-needed data. During this period, the EC contracted €6.2 billion and disbursed €5.3 billion for conflict prevention and peacebuilding, with an increase from €128 million in 2001 to around €1 billion in 2008. Four countries - Afghanistan, Iraq, Sudan, and the West Bank and Gaza Strip - received 59% of the funds. This data does not cover any spending within the EU (for example, on Northern Ireland) or within areas covered by the EC's Directorate-General for Enlargement (for example the Balkans). Of the implementing partners, 63% were international organisations (UN and multilateral banks), 16% third-country national governments, 9% regional organisations, 7% private organisations, 3% NGOs, and 2% development agencies. This clearly shows the EC's preference for the UN and the multilateral development banks when it comes to implementing conflict prevention and peacebuilding.



source: ADE, Thematic Evaluation of EC support to Conflict Prevention and Peace Building – Preliminary study: scoping and mapping – Final report – Ref.: EuropeAid/122888/C/SER/Multi, (July 2009)

innovative responses to conflict and peace. The EU has acquired the image of a well-respected broker and is considered to be more impartial than other international powers or even many of its individual Member States. Yet weak political leadership and lack of follow-through in many instances mean that the EU's comparative advantage or its many policies and tools are not used effectively.

Furthermore, instruments of domestic security such as the EU listing of terrorist organisations have clearly limited the EU's scope of action in mediating in conflict situations. When the EU has made progress, it has usually been because it has taken risks through an ad-hoc coalition driven by committed EU officials, Member States, and non-governmental actors while making strong local and international partnerships. The EU's multi-faceted response in Aceh, Indonesia and its growing work on women, peace and security are good examples. And arguably the EU's direct involvement and support to the international community's engagement in Macedonia since 1991 prevented both a conflict and the emergence of a fragile state. Now, with the advent of the Lisbon Treaty, there are opportunities to create further institutional space to see these informal networks be more effectively supported institutionally.

Recommendations for a better EU response to conflict

If Europe is to rise to the challenges posed by violent conflict, state fragility and other security threats across the globe, it needs to make better use of its instruments and unlock the potential resting in its collective diplomatic action, institutional strength, historical experience and economic power. Above all, this will require creative leadership and working together from the new High Representative/EC Vice President and the new Development Commissioner and their respective institutions. The implementation of the Lisbon Treaty offers a unique opportunity to do so.

Address development and security together

The EU must embrace and recognise the fundamental political challenge posed by conflict and state fragility in the developing world. High-level policy discussions will not be enough, it will be important to ensure that the experience and concerns from development policy and structural long-term conflict prevention are an integral part of the debate from the very beginning. Neither a narrow securitisation of the development agenda, nor addressing development and security separately are likely to reduce fragility and conflict or serve Europe's long-term interest.

Focus on conflict prevention from both political and economic perspectives

While it does so in policy documents, at the practical level, activities have so far concentrated far more on the management of ongoing crises and post-conflict situations. The Russia-Georgia war in 2008 has clearly demonstrated the limits to the EU's current approach.

Revitalising the Civilian Headline Goal and improving its implementation could be a useful starting point. Forging international alliances and playing an active role in bringing about modernised continental and global security architectures that include a strong development perspective should be the long-term objective. Sharpening the 'conflict sensitivity' of existing EU engagements will assist this. This will require clear and consistent political leadership and institutional focus on prevention (rather than merely crisis management) from the new High Representative/EC Vice President, the EEAS and the EC.

Conflict and fragility need a customised approach

The causes of conflict and state fragility are complex and a one size-fits-all approach will not work. Effective bottom-up policies are needed whereby a strong European presence and partnerships on the ground inform policy formulation and decision-making at the top level. There are roles for the newly mandated EU delegations and EU Special Representatives here, yet the most appropriate EU leadership on the ground must be found on a case-by-case basis.

Integration of different policy perspectives

Actors in diplomacy, development and defence must be involved both in strategic decision-making and at the implementing level. Some Member States have moved faster on this issue than others. What is needed is creativity in seeking positive outcomes in conflict prevention and resilient functioning state-society relations rather than merely having EU initiatives and bureaucratic top down action plans for the sake of them.

The creation of the EEAS is a window of opportunity: integrating diplomatic and development expertise in a single service under the shared responsibility of the High Representative/EC Vice President and the Development Commissioner whose responsibilities are divided functionally, not geographically, should be seriously considered.

Yet having the right people with the right competences and creative and flexible attitudes is key. It will be difficult for the EEAS to grow significantly for political reasons, but the 'quality of people' at every level, including their experience, skills, exposure and attitude will be a decisive factor in whether the EU is able to rise to the challenge.

Building local and global alliances

The EU can be a better partner by acting coherently, supporting long-term capabilities, ensuring that dialogue is ongoing and building alliances with other relevant international actors. The EU is already a major diplomatic player in international forums such as the UN and often collectively the most significant financial contributor to agencies such as United Nations Development Programme (UNDP), the World Bank and the AU, but a post-Lisbon Europe needs to follow through better on these commitments.

The EU also needs more of a political economy understanding of local power dynamics and needs to be able to forge partnerships beyond state institutions. Overcoming fragility and conflict is mostly related to local conditions and has to grow from within affected societies.

1. Ziaja, S., Fabra Mata, J. (2009), *Users' Guide on Measuring Fragility*, Bonn: German Development Institute and United Nations Development Programme

2. Chauvet, L., Collier, P. and Hoeffler, A. (2009), 'The Cost of Failing States and the Limits to Sovereignty', *UN-WIDER Research Paper* 30/2007, p. 11. Available at: http://www.wider.unu.edu/publications/working-papers/research-papers/2007/en_GB/rp2007-30/ (accessed 2 November 2009)
Hoeffler, A. (2010), 'State Failure and Conflict Recurrence', in Hewitt, J., Wilkenfeld, J. and Gurr, T. (eds.) *Peace and Conflict 2010 – Executive Summary*, Maryland: University of Maryland, 2010, p. 29

3. *Ibid.*

4. See Smith, D., Vivekananda J. (2007), '*A Climate of Conflict: The Links between Climate Change, Peace and War'*, London: International Alert, p. 3.

5. This point is also made in the first *European Report on Development*. See: *Overcoming Fragility in Africa: Forging a New European Approach* (2009), European University Institute and EC, p. 20.

6. Figures from, EuropeAid (2009), '*Better, Faster, More: Implementing EC External Aid 2004 – 2009'*, Luxembourg: Office for Official Publications of the European Communities, p. 7.

7. See: Kaplan, S. D. (2008), *Fixing Fragile States: A New Paradigm for Development*, Westport: Praeger

8. See: http://www.oecd.org/dataoecd/61/45/38368714.pdf for further information

9. See: Korski D., Gowan R. (2009), 'Can the EU rebuild failing states? A review of Europe's civilian capacities', European Council on Foreign Relations'. Available at: http://ecfr.eu/content/entry/commentary_korksi_gowan_civilian_crisis,

10. See: http://www.consilium.europa.eu/uedocs/cmsUpload/Civilian_Headline_Goal_2010.pdf

7 Creating a pro-development trade policy in a post preference world

The European Union (EU) is losing the faculties with which until now it has created an integrated trade and development policy. But these can be re-generated. This chapter explains that the current foundations of the EU's policies are disappearing fast but that fresh ones can be created by the new European Commission (EC). It shows what they are – and why they need to be created if 'EU development policy' is to remain unique and not subside into merely a 28th (albeit large) regime alongside those of the Member States. It also underlines the aspects of current policy that should be reinforced whilst they still have some vigour.

For over three decades, the EC has integrated trade and development policy, most recently with 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 Millennium Development Goals (MDGs), which cannot be met without a major boost to the gains that developing countries are able to derive from international trade. But the foundations on which this integration has been built are being eroded and could disappear altogether unless the EC takes action now.

The EU's integration of trade and development has been rooted in its responsibility for policy on most aspects of trade in goods and substantial, though shared, responsibility for other aspects of trade policy. Over the years, the EU has used this responsibility to provide commercial advantages to exporters in many poor and vulnerable states. But they have been made possible by the residual import controls maintained on some very competitive suppliers.[1] As the EU continues to liberalise, whether multilaterally through the Doha Development Round or via Regional Trade Agreements (RTAs), this preferential treatment will disappear and so will the commercial advantages of its web of trade preferences.

> "As the EU liberalises, preferential trade agreements that provide commercial advantages to exporters in many poor and vulnerable states will disappear"

Without new tools, rooted in EU-level policies, EU development policy will lose a fundamental trade link. It can (and should) offer Aid for Trade (AfT) – but so can all the 27 Member States' development policies. What could form the new link to allow the EU institutions to continue projecting a specifically 'European' position? The answer is to be found in the powers that the Members States find it increasingly necessary to develop at a European level to ensure, for example, a barrier-free internal market or to respond to global challenges such as those caused by climate change. This chapter illustrates the potential by reference to the first of these: the internal market.

The erosion of trade preferences

Commercially useful EU trade preferences now apply to only a very small number of products – such as sugar, rice, horticulture and some clothing – exported by few countries. This is a positive consequence of European liberalisation. But it also means an end to policies that have allowed poorer countries to maintain or establish themselves in the European market without being threatened by more competitive producers. This is illustrated by the uneven take-up of EPAs: the 47% of

African, Caribbean and Pacific (ACP) countries that have signed include almost all the states that have a significant export dependence on preferences under the Cotonou Partnership Agreement and very few that do not.[2, 3]

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

This loss of preferences has come at a bad time for many preference-dependent Least Developed Countries (LDCs) and small, vulnerable states. These nations have been hit more severely than the average developing country by the global financial crisis, which illustrates both the importance of trade and how much remains to be done to ensure that it serves development. The financial crisis will slash Gross Domestic Product (GDP) in most ACP states, by up to 5% in many cases, with trade acting as the main conveyor belt.[4] The financial crisis has shown starkly not only how trade shocks can undermine development, but also that there remain fundamental weaknesses in many recipients of EU aid – creating vulnerability even in those that have grown fast recently on the back of the commodity boom.

Many ACP countries, for example, are characterised by small market sizes and high transport costs that tend to put them at a relative disadvantage in international trade. Their restricted domestic markets mean that most firms are small and medium enterprises with limited opportunities for reaping the benefits of economies of scale and investing in research and development. Some also lack skilled labour or adequate human capital, which limits access to external capital and constrains industrial development. One consequence is an undiversified export base (in relation to both commodities and markets) and a dependence on external sources of revenue. The net result is to retard growth.

> "Many ACP countries have small markets and high transport costs that put them at a relative disadvantage in international trade"

Breathing new life into preferences

The new EC can revitalise existing preferences and create new ones in all areas in which Europe does not yet extend free trade to all its partners. The EC can both make improvements to the existing system and look to more radical approaches.

Improving the old

Much of the change needed to improve poor countries' gains from trade lies on the supply side and the EU can help with AfT. But the demand side is also important. Several EU trade policy changes would allow a larger number of countries to benefit more substantially from those preferences that remain potentially useful. The most important of these are to the Rules of Origin (ROO) which determine whether or not a country can take advantage in practice of a preference that exists on paper.

The fundamental problem with the EU's ROO is that they do not take account of the radical globalisation of production in recent decades. They still require potential recipients to undertake levels of processing that are no longer commercially viable especially in states with small markets. The EPAs have introduced a very important improvement in this respect to the rules on clothing but more remains to be done to update the EU's ROO – e.g. to increase exports of processed foods by allowing the use of more imported inputs food.[5]

From goods to services

The scope exists to offer trade preferences on services and trade-related policy in all cases in which the EU is not yet ready to open up to imports from all sources, but is willing to liberalise towards certain developing countries. It has been possible to meet the second condition for goods because the recipients were either traditional suppliers of otherwise sensitive items or were too small to supply politically unacceptable volumes. Over time, these preferences have been extended to ever more competitive suppliers, allowing the EU to control the speed at which European producers had to adjust to import competition.

Does the same apply to services and other aspects of trade policy? The EPAs certainly provide a framework within which to find out. Favourable quotas within EPAs for Mode 4 (movement of persons) services exports, for example, modelled on the idea of multilateral quotas for LDCs currently circulating, would be helpful.

A more radical way forward: beyond Aid for Trade

Alongside the decay in public rules determining who exports what to whom has been a surge in rules created by the private sector. These are now often the dominant influence on the gains that poor countries (and producers) are able to make from trade. Although they are largely excluded from formal EU trade-related development policy, they need not be. The Union-level powers associated with the Single Market provide a new link that would anchor a

distinctive 'European' development policy and could be useful to some developing countries.

Focus Aid for Trade on the 'three C's'

Although the EU institutions are simply a large actor in the efforts of 28 European donors, the existence of the trade framework created by EPAs, Euro-Med and future of RTAs will facilitate the creation of an innovative programme. The EPAs provide an excellent opportunity to re-orientate aid. They have focussed attention on the changes that are needed – from increasing supply capacity to reducing governments' dependence on trade taxes for revenue – and allow trade-related support to be provided within the context of a country's overall development process.

EPAs provide a framework to focus AfT on the 'three Cs' that underpin successful integration into the world market: competitive production of goods and services reflecting consumer tastes, exported to countries with buoyant demand. Too much poor country production is high cost and/or of traditional products facing dwindling demand exported to traditional markets not to the high-growth countries of Asia and Latin America. Diversifying both products and markets requires heavy investment not only in infrastructure (vital though it is) but also directly to firms and in knowledge management.

"Diversifying both products and markets requires heavy investment not only in infrastructure, but also directly to firms and in knowledge management"

The EU should also build this in to its own decisions. One way to prepare countries for the erosion of trade preferences is to take this into account when the EU makes its own tariff-cutting commitments. There have been proposals, for example, to backload cuts on developmentally sensitive sectors and use the revenues generated during the phase-in to provide predictable compensation for preference erosion. The harmonisation of EU standards needed to remove internal trade barriers also creates an opportunity to do so in a way that provides help to poor country exporters. The new rules, for example, should be framed so as to recognise supply realities in these countries.

Help the private sector to move up the value chain

It is private rather than public rules that are now the dominant influence on what Europe imports from developing countries and how much producers gain from the trade. Private voluntary standards, such as the Global Partnership for Good Agricultural Practice (GlobalGAP), include standards that go beyond the EU's harmonised mandatory market access requirements. Most large fresh fruit and vegetable retailers do not even consider buying from producers who do not adhere to the private code on 'good agricultural practices'.

What is wrong with that? Setting appropriate safety, labour or environmental standards must be good for consumers and for workers. The problem is that compliance costs usually falls on the producers. This reduces trade gains for developing countries and excludes small operators unable to meet the high fixed costs.[6] What is needed is a framework of public regulation that encourages pro-development private rules (e.g. by making clear when labels that appear to support development actually risk the opposite).

This provides the opportunity for the new EC to use its powers over internal market regulation to benefit development. Particularly when combined with AfT (perhaps within an EPA framework), it offers a distinctive EU approach to trade and development that also provides a unique solution to the issue of preference erosion. It may also have positive spillovers as ACP suppliers are better able to export to other high standard markets.

Using the Lisbon Treaty to improve policy coherence and coordination

Widening the scope of pro-development trade policies in this way reinforces the need to improve coherence and coordination – bringing in the new institutions created by the Lisbon Treaty, notably the High Representative for Foreign Affairs and Security Policy. It is a challenging task. Each body has its own well-embedded mode of operation. Ensuring consistency at the EU level – as the Lisbon Treaty demands – will require that all EC directorates and relevant stakeholders concerned be consulted at an early stage and involved in the discussions.

The EU's different initiatives to promote regional integration will also need to be made more consistent, particularly in Africa where EU policies distinguish between North and sub-Saharan Africa and, in the latter, often cut across African initiatives. The EU approach towards regional arrangements may need to be rethought to become more supportive of endogenous integration efforts, including those between regions. This will require an adjustment to the procedures and instruments that are associated with current European policies.

With the Lisbon Treaty, the EC can engage more actively and systematically with Member States on external relations, notably to muster the political and technical support needed to address the linkages between trade and development. One step is to build on existing forums that bring together trade and development specialists from the Member States and the EC such as the informal trade and development experts group of the Article 133 Committee. But these discussions must also feed into the formal arena.

The new European External Action Service (EEAS) has a major role to play in achieving a fully joined-up approach between the EC and Member States. By working more concretely at the level of

implementation, it can help feed into the European policy processes the perspectives of partners. This may contribute to the task of ensuring that trade and regional integration are given adequate importance in both the Union's policies and in its delegations' operations, and that both are supportive of local initiatives.

1. This is a major reason why the policy has been controversial.

2. Either because, as LDCs, they benefit from the EU's Duty Free Quota Free (DFQF) regime under the Everything But Arms (EBA) initiative or because they export goods on which preferences are weak.

3. Stevens, C. (2009), 'EPAs: the symbol versus the reality', in Jones, E. and Marti, D. (eds), *Updating Economic Partnership Agreements to Today's Global Challenges*, Brussels: German Marshall Fund

4. Stevens, C., Calí, M., and Kennan, J. (2009), 'WTO's Role in the Economic Recovery, Growth and Development: an ACP perspective', London: Commonwealth Secretariat. Available at: http://www.thecommonwealth.org/files/216701/FileName/THT65AnACPPersepectiveoftheWTO%E2%80%99sroleintheeconomicrecovery,growthanddevelopment.pdf

5. Stevens, C. Meyn, M. and Kennan, J. (2008), 'EU duty- and quota-free market access – what is it worth for ACP countries in 2008 and beyond?', report prepared for DFID. London: Overseas Development Institute. Available at: http://www.odi.org.uk/resources/download/3157.pdf

6. For a review of the impact of *de facto* mandatory standards for agricultural producers in poor countries see: Ellis, K., Keane, J. (2008), 'A Review of Ethical Standards and Labels: Is there a gap in the market for a new Good for Development label?', *ODI Working Paper* 297, London: Overseas Development Institute. Available at: http://www.odi.org.uk/resources/download/2457.pdf

8 Engaging the private sector in development

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.[1] 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.[2]

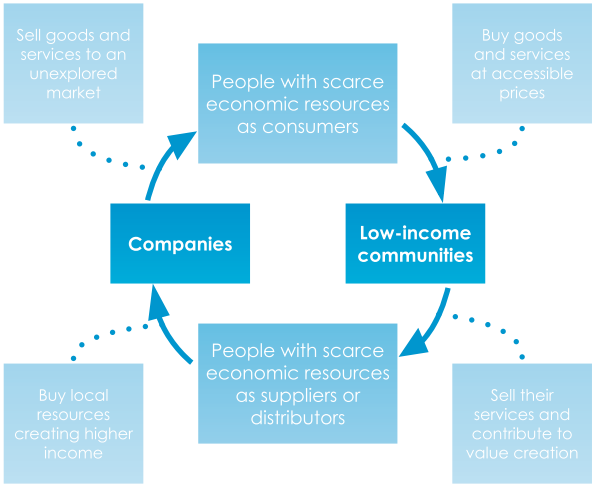
The Millennium Development Goals (MDGs) cannot be achieved without business playing a more significant role. The economic growth and wealth creation that is essential for their achievement will come predominantly from private enterprise, whether through large multinational corporations, national businesses, small and medium firms, or entrepreneurs in developing countries.[3]

UN population projections indicate an urgent need for employment and new livelihoods over the next forty years. In developing countries, an increase in the working age population of 1.2 billion by 2050 will necessitate the creation of 30 million new jobs a year.[4] Coupled with the global economic downturn, this is an enormous challenge. The International Labour Organisation (ILO) estimates that after the global crisis, the working poor – the number of people unable to earn enough to lift themselves and their families above the US$2 per day poverty line – is likely to rise to 1.4 billion or 45% of the world's employed.[5]

The private sector plays a primary role in job creation (and in consequent skills and technology transfer, capacity-building etc.), with regular employment as the key route out of poverty. Inclusive business models explicitly include the poor as consumers, employees, entrepreneurs, suppliers, distributors, retailers, or sources of innovation in economically viable ways.

As Figure 14 illustrates, the case for corporate engagement in development is reasonably straightforward – although it is not without trade-offs. First, it makes commercial sense to invest in a sound environment in which to do business; in doing so, a corporate can manage the direct costs and risks of doing business and guarantee the long-term sustainability of supply chains, for example. Second, it often offers the opportunity for corporates to harness

Figure 14: Going beyond business as usual



Source: Alliance for Inclusive Business, 2008

new markets and create new customers, as well as suppliers. It has been estimated, for example, that the poorest two-thirds of the world's population has some US$5 trillion in purchasing power.[6] Third, engaging in development is good public relations for big businesses: it is now applauded by shareholders, helps to secure a 'licence to operate' in local environments, and is good for staff morale, recruitment and retention.[7]

Moving corporates up the ladder of engagement

The potential of business engagement in development can be conceptualised as a ladder of four rungs.[8] The first rung – corporate philanthropy – is now widespread. It is no longer acceptable for businesses to not support good causes, often through the donation of a small proportion of their profits. The French retailer, Carrefour, for example, supports a number of local non-governmental organisations (NGOs) in Thailand. British Airways has partnered with the United Nations Children's Fund (UNICEF) for the past 15 years, raising funds. However, these projects are typically small-scale and, moreover, the budgets for such initiatives are coming under increasing pressure during a downturn which has seen corporate giving drop by 40% over 2008- 2009.

The second rung on the ladder relates to the corporate social responsibility (CSR) agenda and the drive to minimise the negative effects of doing business in developing countries. Minimum standard agreements that commit businesses to better behaviour, such as the UN Global Compact[9], or voluntary self-regulation frameworks such as the Ethical Trading Initiative (ETI)[10], have become the norm. CSR efforts are important; the Global Compact, for example, has significant scale, with over 4,300 businesses in 120 countries having signed up to a set of universal principles within their sphere of influence in the areas of human rights, labour standards and protecting the environment. There is evidence that the ETI, for example, has gone some way towards raising several essential dimensions of labour standards in developing countries.[11]

However, CSR activities are often insufficiently mainstreamed into everyday business operations. Focus is therefore currently on the third rung – a core business approach – which attempts to move corporates "beyond minimum standards, beyond philanthropy, beyond corporate social responsibility, into making them long-term partners in development".[12] Many large companies are beginning to develop ways in which they could do business differently in order to have maximum impact in developing countries – reworking supply chains, forging different partnerships, introducing new products, sourcing more fairly, reconfiguring distribution networks – yet, crucially, still all on commercial terms.

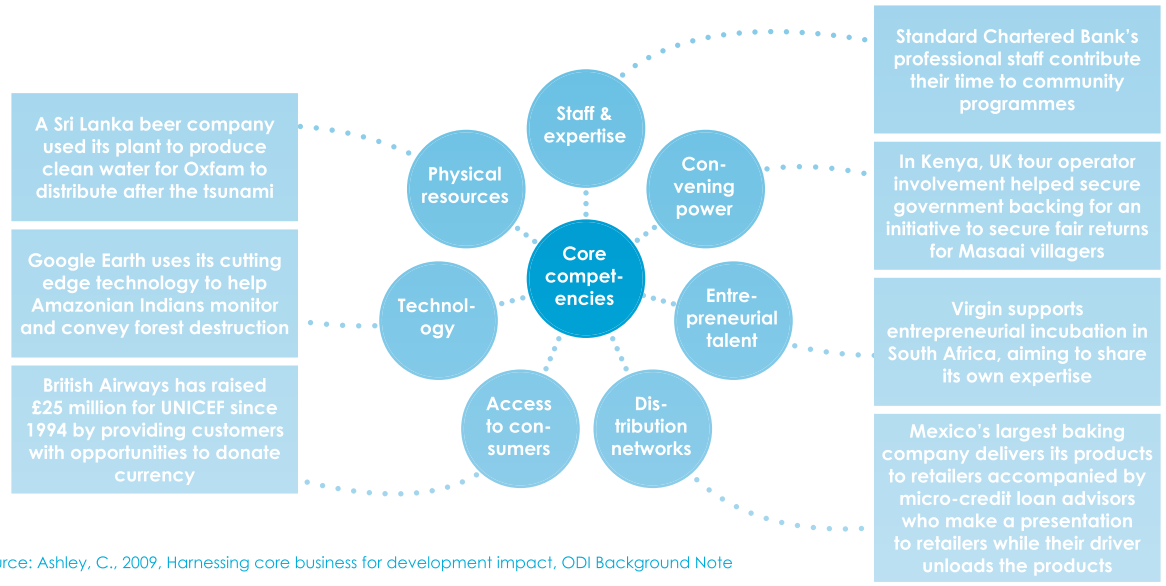
The fourth rung on the ladder is only just beginning to emerge. At this level, corporates are becoming involved in global public policy. Unilever, for example, is working with local firms on frameworks for managing water shortage.[13] Biofuels are another example, where energy producers and users are working together on second, third and fourth generation technologies, and on how to change tariffs that block low-cost suppliers from access to markets. There are other examples, such as the agriculture and food partnerships of the World Economic Forum. It is essential that businesses take an increasingly serious view of this aspect of their contribution to development.

Success stories

Many success stories are beginning to emerge of new forms of engagement between business and development, and some of the most notable have been driven by European businesses. Examples include Cadbury's, whose announcement that their best-selling UK brand was to become 100% Fairtrade (thereby tripling the amount of Fairtrade cocoa sourced from Ghana) was hailed as ground-breaking in early 2009. Vodafone has developed technology to transfer money via mobile phones. Ericsson is partnering with the African operator, Zain, on the implementation of a mobile network across Africa to transmit accurate weather information to farming communities and to enable rural communities to access health services. Unilever collaborates with small and medium-sized enterprises in Africa, Asia and Latin America to distribute products. Diageo is working with some 10,000 small-scale sorghum farmers across Africa who supply their drinks business, to overcome some of the issues the farmers face in raising crops, and offering them their marketing expertise. EDF is investing in public-private partnership projects to increase access to energy in developing countries. These are just a few examples; Figure 15 illustrates other emerging ways of doing business, whereby firms are using their core competencies or assets for developmental gain.

While these success stories represent a considerable step forward, it is clearly not always as simple as what is good for development is good for the bottom line, or vice versa. There is an inherent tension between the short-term commercial interests of business and long-term development processes in developing countries. Scaling-up is also a major challenge. Many of the success stories outlined here are small in scale compared to the rest of the business' operations. Access to finance, particularly for small to medium-sized businesses or entrepreneurs in developing countries, is another part of the challenge. This can be a question of organisational learning and transformation, but also in many cases a result of market failure.[14] This is where government or donor support plays a vital role.

Figure 15: Harnessing core competencies for impact outside the core business



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

The EU and the private sector

The European Consensus on Development is remarkably silent on the private sector. It offers no definition of the private sector, nor does it ascribe to it any real role (the first mention of the private sector appears under section 4.3 on the participation of civil society). The European Commission (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."[15]

The EC states that support in favour of the private sector in Africa, Caribbean and Pacific (ACP) region countries is also provided through Country and Regional Strategy Papers. For example, documents prepared by the EC say that, "in many developing countries, the expansion of the private sector [...] is a powerful engine of economic growth" and "economic growth generates wealth and thus is an important precondition to the eradication of poverty".[16] The EC has been active for a relatively long time in assisting developing countries to create an enabling domestic business environment, with a particular focus on small and medium enterprises (SMEs). It has a large number of programmes in place[17] over a wide range of support areas such as reducing administrative and regulatory barriers for business, building capacities in relevant domestic ministries, and reviewing existing legislation and policies.[18] A significant proportion of EC support tends to be at the micro level through the Centre for the Development of Enterprise and through access to credit. The European Investment Bank (EIB) also plays a role in providing technical assistance and finance (see also Chapter 11).

Practical programmes include the EU's Private Sector Enabling Environment Facility of the Business Environment (PSEEF) or BizClim,[19] although the sums committed remain small (€20 million for five years). PROINVEST[20] is another example, with €110 million for seven years for the promotion of investment and inter-enterprise co-operation activities. The EU is already playing a role through a number of instruments, such as the ACP-EU Microfinance Framework Programme with €15 million for six years, in collaboration with the Consultative Group to Assist the Poor programme (CGAP). The EIB also has an important role to play in the facilitation of investment financing and the development of financial markets.

Recommendations

It is clear that much more could be achieved with greater vision and leadership.

Develop a more comprehensive and far-sighted engagement strategy

The EU should develop a more comprehensive and far-sighted engagement strategy on the role of the private sector in development, which should have a place in the European Consensus on Development. This strategy would recognise the importance of continuing to build a strong private sector in developing countries and would add a vision for the role of inclusive business. To do so, the EU could look to the UN, for example, which has recently launched a new framework for its collaboration with business, which promotes a more progressive form of engagement.[21]

Create EU Challenge Funds

An effective method of kick-starting private sector innovation could be the creation of EU Challenge Funds. For example, as part of its private sector strategy,[22] the UK Department for International Development (DFID) makes available £2 million for partnership grants that bring UK retailers and African farmers together, through its Food Retail Industry Challenge Fund (FRICF).[23] Through this, it aims to pilot novel buying-schemes with poor producers, and communicate information to consumers, via partners, about how their purchases can help poor farmers. DFID has successfully supported a number of Fairtrade producer groups, including South African Fairtrade winemaker, Thandi, and the horticultural business, Gambia is Good.

Establish a business and development team within DG Development

The creation of a business and development team within DG Development should be considered. The monitoring and promotion of corporate best practice in developing countries is important; the EC could play a significant role in ensuring a more joined-up, Europe-wide approach to inclusive business practices. There could be a role for the EC in encouraging complementarity and coherence amongst business actors in development.

Encourage greater vision and leadership from European business leaders

Greater vision and leadership from business leaders themselves could be encouraged by bringing them into the development process as genuine partners. The EU-Africa Business Forum, for example, established in 2006, is an important opportunity for business to contribute to policy positions on development. The Forum should be encouraged to become more pro-active in the Joint Africa-EU Strategy (JAES), emphasising results-orientation and impact measurement,[24] and this type of forum opportunity could be expanded.

The EU is uniquely positioned to take a lead on innovative new forms of engagement of business in development. Inclusive business is an exciting force for change. With the right vision and partnerships, Europe can play a pivotal role in promoting the genuine engagement of business in transformative economic and social change.

1. 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

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

3. Nelson, J. and Prescott, D. (2008), 'Business and the Millennium Development Goals: A framework for action', IBLF and UNDP. Available at: http://www.iblf.org/docs/BMDG_final_w.pdf

4. Maxwell, S. (2009), 'Reflections on the Harnessing the power of business for development impact event series'. Available at http://businessfightspoverty.ning.com/profiles/blogs/simon-maxwell-odi-harnessing

5. International Labour Organisation (2009), 'Global Employment Trends', Geneva: ILO. Available at: http://www.ilo.org/wcmsp5/groups/public/---dgreports/--dcomm/documents/publication/wcms_101461.pdf

6. Nelson, J. and Prescott, D. (2008), 'Business and the Millennium Development Goals: A framework for action', IBLF and UNDP. Available at: http://www.iblf.org/docs/BMDG_final_w.pdf

7. Maxwell S., (2009), 'Reflections on the *Harnessing the power of business for development impact event series*'. Available at: http://businessfightspoverty.ning.com/profiles/blogs/simon-maxwell-odi-harnessing.

8. Maxwell, S. (2008), 'Stepping up the ladder: how business can help achieve the MDGs', ODI Opinion Paper 99, London: Overseas Development Institute. Available at http://www.odi.org.uk/resources/download/1392.pdf

9. See: http://www.unglobalcompact.org/

10. See: http://www.ethicaltrade.org/

11. Barrientos, S. and Smith, S. (2006), 'The ETI Code of Labour Practice: Do Workers Really Benefit?', Sussex: IDS. Available at http://www.ethicaltrade.org/sites/default/files/resources/Impact%20assessment%20summary.pdf

12. Vadera, S, (2007), speech at launch of Doing Business Report, 2007. Available at: http://www.dfid.gov.uk/Media-Room/Speeches-and-articles/2007-to-do/Full-speech-including-references-given-by-International-Development-Minister-Shriti-Vadera-at-the-launch-of-the-Doing-Business-Report-2008-12-October-2007/

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

16. *Ibid.*

17. Kurokawa K., Tembo F., and te Velde D. (2008), 'Donor Support to Private Sector Development in sub-Saharan Africa: Understanding the Japanese OVOP Programme', *ODI Working Paper* 290, London: Overseas Development Institute. Available at: http://www.odi.org.uk/resources/download/1116.pdf

18. See: http://ec.europa.eu/europeaid/what/economic-support/private-sector/private_sector_en.htm

19. See: http://ec.europa.eu/development/policies/9interventionareas/trade/private_sector_en.cfm)

20. See: http://www.proinvest-eu.org/

21. See: http://www.un.org/millenniumgoals/2008highlevel/pdf/background/UN_Business%20Framework.pdf

22. See: http://www.dfid.gov.uk/Documents/publications/Private-Sector-development-strategy.pdf

23. See: http://www.dfid.gov.uk/Working-with-DFID/Funding-Schemes/Funding-for-the-private-sector/FRICF/

24. See: http://ec.europa.eu/development/icenter/repository/EU-Africa Partnership_business_forum_declaration_en.pdf

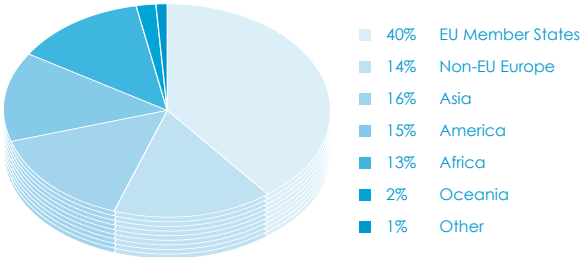
9 Prospects for a development-friendly EU migration policy

Migration is an inevitable product of globalisation. The complexity of the issue, with differing levels of legal status,[1] as well as its high political profile, has led to a heated public discourse in the European Union (EU) (Figure 16). This sometimes-xenophobic debate is dominated by discussion of the arrival of boats of refugees on the Southern borders of Europe, human trafficking, integration problems, and competition for low-skilled jobs. There is little rational discussion of other pertinent aspects of migration, such as economic questions with regard to skills gaps in the labour markets, the sustainability of EU social systems in an ageing society, and the impact on developing countries.

Figure 16: 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,[5] 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)

Internally, the EU seems to promote the free movement of its citizens, yet externally it has been perceived as aiming to build a 'Fortress Europe', 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. Illegal immigration[2] fell in the first half of 2009 and is to decrease further because of the impact of the economic crisis on the demand for labour.[3] Nevertheless, it remains a predominant preoccupation in national politics, which is reflected in the debates at the October 2009 meeting of the European Council.[4] 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.

The development and implementation of migration policy cut across a number of administrative areas at national and EU level: interior, justice, economics and foreign affairs (Box 8). It is regulated under very different legal frameworks at national, at EU and at United Nations (UN) level. Regulatory frameworks across Member States differ in terms of entry, mobility, long-term residency, migrant rights, and the integration of migrants into the host communities.

In recent years, the EU has developed an ambitious programme, the 'Global Approach', to address the external dimensions of its migration policy as well as to increase Policy Coherence for Development (PCD) in this area. The EU's approach has three dimensions: the management of legal migration, the fight against illegal migration, and migration and development. In this way, the EU is also acting on its commitment in the 2005 EU Consensus on Development to include migration issues in the political dialogue, mainstream

Box 8: EU competencies in the migration area

At EU level, the Treaty of Amsterdam provided the basis for common measures on migration in 1997. Since then, migration policy has been a shared competence between the EU Member States and the European Community under the third pillar of the EU. Subject to unanimity voting in the Council, migration policy has been developed mainly in terms of restrictive measures, but little progress has been made in the field of legal migration.

While migration remains a shared competence, the third pillar of the EU ceases to exist under the Lisbon Treaty. Hence, all EU decisions on asylum, immigration and integration will be subject to qualified majority voting in the Council and the European Parliament (EP) will get more say through joint decision-making, also in the area of legal migration.[6] Increasing EU integration through the Lisbon Treaty is expected to accelerate the creation of a common immigration and asylum policy and has the potential to impact on the capacity of the EC to negotiate agreements with third countries. However, the recent strengthening of the political right in the EP may work against a progressive common migration and asylum policy.

migration into development cooperation and create synergies between migration and development policy.

Migration and development: Recognising the development benefits from the movement of people and ideas

Over the last decade, insights from research on the impact of migration on countries of origin have added a development dimension to the policy discourse. Remittances that create demand in the local economy and often cover otherwise unaffordable education and health expenses of families remaining in developing countries, far exceed Official Development Assistance (ODA), and often also Foreign Direct Investment (FDI).[7] Such private cash transfers are counter-cyclical, as opposed to ODA and FDI, quickly respond to crisis situations and also provide much needed hard currency for the treasury. Countries of origin also benefit from 'brain gain', the knowledge and technology transfers through returning migrants, new ideas and attitudes towards work, such as an awareness of the need for quality standards for export.

Migrants also can create new demand for governance reform and stimulate social and political change. In the past, migrants have successfully pushed for improvements in the business environment in their home countries, as governments recognise the potential of investment from the diaspora. 'Co-development' describes the process by which the diaspora invest in their home communities through ODA or government subsidies to multiply these benefits.

Tackling migration and development together will require lessening the negative effects of migration, such as 'brain drain', especially from the health sectors. It also means overcoming obstacles to exploiting the full potential of migration for development, such as a low standard of migrants' rights and poor working conditions or 'brain waste' – many highly skilled migrants work as taxi drivers or dish washers in Western countries.

In terms of policy, creating opportunities for legal migration and upholding migrants' rights are clearly conditions for exploiting the full development potential of migration. In addition, research has shown that temporary labour migration is a win-win strategy for sending and receiving countries. For receiving countries, which most of the time want to deter low-skilled migrants, temporary migration schemes can be much more effective in fighting illegal migration than both security-driven measures and development cooperation aiming at fighting the root causes of migration.

First, the assumption that more development will lead to less immigration is generally not correct.[8] The poorest tend to migrate less whereas increasing prosperity leads to more migration. Migration flows only decrease after a long period of sustained growth and decreasing wage gaps between the immigrants' home countries and those to which they migrate. Refugee flows are an exception to this rule; however, the root causes of persecution and conflict are not easily addressed by ODA alone (see Chapter 6). Second, circular mobility schemes that allow re-entry and facilitate or even subsidise the retention of social benefits and the transfer of cash, encourage migrants to return back home.

In the context of a widening global agenda for development policy and more political EU external action, migration will be one of the core areas in which the EU must prove its capacity and willingness to work together. It will also need to develop a progressive policy-mix whilst at the same time ensuring policy coherence.

EU policy on migration in 2010

Here, we focus on initiatives under the three areas of the Global Approach that are regarded as most relevant for creating synergies between migration and development (Table 4).

Legal migration

- The EU has negotiated the temporary movement of workers within its bilateral trade agreements, in addition to the multilateral commitments it has made within the framework of the World Trade Organisation's (WTO) General Agreement on Trade in Services (GATS). Most notably, the recent Economic Partnership Agreement (EPA) with the Caribbean Forum of African, Caribbean and

Table 4: The Global Approach

The following non-exhaustive list covers EU proposals in the three areas of the Global Approach since 2005.

Area:	Outcome:
Legal migration	
• Council Directive on the conditions of entry and residence of third-country nationals for the purposes of highly qualified employment ('Blue Card')	• Adopted in May 2009
• Migration Information and Management Centres	• CIGEM, Mali, opened in 2008
• Visa Information System	• Implementation delayed until 2010
• Mobility Partnerships	• Moldova and Cape Verde, 2008; Georgia 2009
• Community Code on visas	• Adopted in 2009
• Common visa application centres	• One opened in Moldova in 2007
• Proposal for a single application procedure for a single permit for third-country nationals to reside and work in the territory of a Member State and on a common set of rights for third-country workers legally residing in a Member State	• Proposal in 2007: not yet adopted
Illegal migration	
• Proposal for a Council Framework Decision on preventing and combating trafficking in human beings, and protecting victims	• Proposed in 2009
• Directive of the European Parliament and the Council (2008/115/EC) on common standards and procedures in Member States for returning illegally staying third-country nationals ('Return Directive')	• Adopted in 2008
• European Pact on Immigration and Asylum	• Adopted in 2008
• Strengthening of FRONTEX	• Proposed in 2008, endorsed by the Council
• Creation of European Border Surveillance System (EUROSUR)	• Proposed in 2008, endorsed by the Council, legislative proposals to follow
• Readmission agreements	• 12 agreements signed[9]
Migration and development	
• European Programme for Action to tackle the critical shortage of health workers in developing countries	• Little progress
• Establish cooperation platforms	• One established in Ethiopia[10], 2008, migration dialogue forum in South Africa
• Low-cost transfer of remittances	• EC support to establishment of an African Remittances Institute
• Strengthen diaspora involvement	• Facilitation of EU-wide Diaspora networks
• Strengthen migrants rights	• See proposal under legal migration
• Carry out migration missions	• 2007-2009: Migration missions to Nigeria, Ethiopia, South Africa and Tanzania, result unclear. Council Conclusions[11] suggest that EU should use missions more strategically to forge partnerships

Pacific States (CARIFORUM) countries provided new opportunities for movement in some high- and medium-skilled professions, as well as containing commitments to negotiate 'mutual recognition agreements' for professional qualifications. Similar provisions might still be reached in other ACP regions, while trade negotiations between the EU and India could also lead to significant commitments. Nevertheless, the EU has been criticised for a lack of ambition in this area, compared with more traditional forms of market access in goods and investment.

- The negotiation of mobility partnerships (Table 5) with countries in Eastern Europe and Africa, whose citizens frequently enter the EU, was agreed by the European Council in 2007 as a way to integrate legal migration opportunities into the EU's external policies and to facilitate circular and temporary migration adapted to Member States' labour market needs. The EU defines circular migration as 'a form of migration that is managed in a way allowing some degree of legal mobility back and forth between two countries'.[12]
- Member States have not been able to agree on a clearer definition, as some are rather critical of the concept, fearing that it would promote brain drain or could attract more unwanted migrants. A number of Member States interpret circular migration narrowly, and see it as a one-off temporary migration. However, recent Council Conclusions[13] confirm the value of the instrument in addressing all three dimensions of the Global Approach.[14] So far, the EU has only been able to develop three partnerships, with Moldova, Cape Verde and Georgia. To be eligible for a mobility partnership, countries had to be willing to cooperate on re-admission and the fight against illegal migration and in return received visa facilitation, access to the labour market and the provision of capacity-building from the EU. However, the partnerships risk lumping together existing programmes rather than being of additional value,[15] and the EU's strong interest in fighting illegal migration is a difficult base on which to build a partnership.
- The 'Blue Card' directive, adopted in May 2009, regulates the admission of highly skilled migrants. Out of four[16] directives envisaged in the EC's 2005 'Policy Plan on Legal Migration', only the one focusing on high-skilled migration had been

Table 5: Mobility partnerships with Cape Verde and Moldova

Cape Verde	Republic of Moldova
Cooperation on legal migration	
Monitoring and awareness of migration flows	Monitoring of migration flows
Support to Cape Verde asylum and migration policies	Consolidation of the National Migration Management System (inc. legal migration and asylum)
Information on legal migration and promotion of return	Information on legal migration and assistance for returning migrants
Labour migration schemes inc. circular migration	Labour migration schemes
	Social protection of migrants and their families
Development of labour market in Cape Verde	Development of the Moldovan lobours market
University exchanges	
Visa facilitation, common visa application centre	The dialogue and cooperation on visa issues and readmission
Migration and development	
Circular migaration of highly skilled migrants	Diaspora consolidation and co-development
Co-development	
Support to the Cape Verde health system	
Voluntary return and reintegration schemes	Voluntary return and reintegration schemes
Cooperation on illegal migration	
Cooperation on border management	Cooperation on border management, identity and travel documents, fight against illegal/irregular migration and trafficking in human beings
Patrolling and sea rescue	Consilidation of the National Migration Management System (inc. fight against illegal migration, border control and document security)
Security of travel and dentity documents	The dialogue and cooperation on visa issues and readmission
Readmission	

source: SEC(2009) 1240 final, p. 10

adopted by 2009. However, the blue card scheme is voluntary[17] and many Member States remain to set their individual quotas for blue cards, which are likely to be shaped by national politics. The EU still lacks mutual recognition standards for professional qualifications from third countries, which contradicts its free movement principle.

Illegal migration

Illegal migration is at the top of the political agenda of (particularly southern) Member States, but current discussions about, for example, the revision of the Dublin Regulation on Asylum,[18] also engage northern European Member States. Some Member States are criticised for linking aid to re-admission agreements. Through bilateral agreements on border and coast control, such as the much-criticised one between Italy and Libya signed in 2009, some Member States in fact circumvent the Geneva Convention.[19] The EU has been criticised for allocating funds to the 'reception capacity' of North African countries and negotiating framework agreements on re-admission with these countries, whose migration systems do not meet EU human rights standards. The EC has also considered delegating the processing of asylum requests to the UN Refugee Agency (UNHCR) office in Libya, which, could be said to be externalising its responsibility, since that the necessary conditions are not in place in Libya.

- The Pact on Immigration and Asylum,[20] which Member States signed under the French Presidency in 2008, challenges the balance that the Global Approach promotes. In the areas of legal migration and of migration and development, it simply repeats existing proposals, whereas on illegal migration, it proposes to go further. The language of the pact is stronger than that of regular EU documents. It states that illegal immigrants have to leave the country immediately, criticises the practice of frequent regularisations, and suggests common arrangements for expulsion, as well as a European system of border guards. Partnerships with other countries are almost always discussed in terms of closer cooperation on deterring illegal migration and strengthening the control of the external border, rather than in the sense of true partnership with a mutual gain.

- The EU's directive on common standards and procedures in Member States for returning

illegal nationals[21] is a step backwards for more progressive countries, who previously only allowed illegal migrants to be detained for less than 18 months. Yet there is hope that they will continue their past practice. The fact that children can be detained (even though this is a last resort) is highly questionable for the EU, which praises itself for its high human rights standards.

In a draft Communication[22] on the Budget Review for the next Financial Perspectives of 2014-2020, the EC considered establishing a Migration Management Support Fund, to pool funding for integrated border and visa management, the European asylum system and the fight against illegal migration. This is a worrying sign, as funds designated to asylum-seekers should protect rather than deter them. In addition, 'mobility packages' are supposed to provide further incentives for partner countries to sign re-admission agreements.[23]

Migration and development

The migration and development dimension of the Global Approach aims to support short-term targeted action to manage migration, and in the long-term, address the root causes of migration, with a focus on employment, governance and demographic developments and creation of synergies.[24] The focus is on countering the brain drain, developing systems to allow the transfer of remittances at a low cost, on developing closer links with diaspora communities with the aim of co-development, on encouraging circular migration, and on strengthening migrants' rights.

- The EU has tried to address brain drain on several occasions in recent years, including in the 2006 European Programme for Action to tackle the critical shortage of health workers in developing countries. The Blue Card directive states that Member States should refrain from pursuing active recruitment in developing countries in sectors suffering from lack of personnel. In November 2008, the Council noted that the EU has fallen short of realising its ambitions in this area.[25]
- In the area of remittances, processes such as the development of a chip-card for remittance transfers via mobile phones or support to a new African Remittances Institute, are ongoing, though no real results have been achieved so far.
- A dialogue platform with the diaspora is being set-up in the framework of the Joint Africa-EU Strategy (JAES), but it is still in its infancy.
- Making progress on the definition and implementation of a common approach to migrants' rights is a challenge raised in the recent Council Conclusions[26] on Migration for Development. In 2009, the UN issued a resolution (63/225) on migration and development, which calls on Member States to develop a coherent and comprehensive approach to migration and development. The EU has taken steps on most of the areas mentioned in the resolution, with the exception of signing the UN Convention on Migrants Rights;[27] Member States argue that their national laws offer sufficient protection. In 2007, the EU proposed a directive on a common set of rights for third-country workers legally residing in a Member State, which is awaiting final decision. The EU's directives on family reunification have stirred controversy in the past, though this issue remains one of the main reasons for legal immigration to the EU. In 2008 and 2009, the EC reviewed the implementation of the directive on the right to family reunification and the directive on the right of citizens of the EU and their family members. Both reports[28] show that implementation has been disappointing.[29] The EU also falls short of setting out migrants' rights, which should apply to all migrants, irrespective of employment status, to protect their human rights.
- Several tools have been developed to underpin the migration and development dimension of the Global Approach, such as the drawing up of migration profiles to pool information on migration or the creation of cooperation platforms on migration in partner countries (which already exist in Ethiopia).
- In terms of political dialogue, new initiatives in addition to already existing frameworks, such as articles 8 and 13 of the Cotonou Partnership Agreement, have been started, including:
  - Migration missions to a partner country, aim at enhancing dialogue and strengthening the commitment of the partner country to work with the EU and increasing ownership. A number of such missions have taken place in recent years but whether they have led to more dialogue, ownership and commitment is difficult to assess at this stage.
  - The Partnership for Migration, Mobility and Employment (MME) under the JAES, launched in 2007, was meant to translate the global approach into concrete terms. Little progress has been made in implementing the partnership's roadmap, however, mainly due to lack of active engagement from Africa. This led to three changes in the African Co-Chair of the Joint Expert Group, which therefore only met twice in two years. There were also serious disputes over funding. A fund of €266 million was discussed at the Ministerial Conference in Tripoli in 2006; African participants insisted that the fund would allow for easy access and coherent programming. The European argument is that sufficient funds are already allocated to migration in the various instruments of the EC.

- Some strong reactions from partner countries on a number of recent EU decisions on migration demonstrate a demand for political dialogue with the EU on migration issues. For example, it was suggested that the EU's 2008 Pact on Asylum and Migration "reinforced a negative predisposition toward migration".[30] The 'Return Directive' (see above) also was most prominently criticised in a letter[31] by Bolivian President Evo Morales to the European Parliament, accusing the EU of hypocrisy, because it weakened guarantees on human rights.[32] However, the possibilities for a structured dialogue for instance under the MME Partnership of the JAES have not yet been exploited by African countries.[33]

Since the Tampere European Council in 1999, the EC has increasingly integrated migration into its development programmes. It has reinforced its effort to improve the impact of migration on development since its Communication on the same topic in 2005. A number of different EU financial instruments target different migration issues.[34]

The EU funding for migration programmes for the ACP region has been heavily concentrated on Africa. Within Africa, the EC funded migration-related programmes and projects for €82 million in the 9th European Development Fund (EDF). Forty percent of the total EU migration fund is allocated to the ACP region, and €25 million of this , mainly through the Intra-ACP Migration Facility, is aimed at building capacity for integrating migration into national and regional development plans in that region. The second largest allocation goes to regional programmes in West Africa. Mali is the largest individual recipient of migration funds because in 2008, a €10 million Centre d'information et de gestion des migrations (CIGEM) was set up to define and implement a migration policy that responds to national, regional and international dynamics. The overall allocation of funds between programmes that emphasise security and management aspects, and the development impact or strengthening of institutions is rather balanced, while human rights related issues receive significantly less funding.

Challenges

Political will for a progressive policy

The main challenge for a development-friendly EU migration policy is advancement in the area of legal migration. Creating opportunities for labour mobility is what is most needed to allow for progress in the other areas of the Global Approach. Making headway is to a large extent a question of political will to increase EU integration on migration and for a less restrictive approach. Giving the EC more space to drive migration policies at arm's length from populist pressures at national level, could improve the development-friendliness of EU migration policy.

A progressive migration policy would be in the interest of the EU, and therefore the Development Commissioner should play an important role in forging political will for Policy Coherence for Development (PCD) in migration policy across the EU. Migration has been one of 12 priority areas in the EU efforts to increase PCD since 2005. Initiatives undertaken in several Member States are documented in the latest progress report,[35] yet at EU level progress has been slow.

The 2009 Communication on PCD refers to the EC's intention to introduce an 'ODA-plus concept', which sets out how spending that is currently not counted as ODA can benefit development (e.g. money sent by immigrants back to their families). This bears the risk of an instrumentalisation of ODA for internal interests. Already 52% of aid is spent on "assistance offered to asylum-seekers from developing countries" and counted as ODA in Cyprus (2007).[36] The draft EC proposal for mobility packages providing incentives for partner countries to sign readmission agreements, linked to a Migration Management Support Fund for the fight against illegal migration highlight these pressures and point towards interests to centralise the management of internal and external dimensions of EU migration policy under the Directorate-General for Justice, Freedom and Security.

Better implementation

Coordination and complementarity between the EU Member States, and between Member States and the EC at headquarters and in the field, and consistency across the various policy areas and institutional structures dealing with migration issues can clearly be improved. More than 12 years have passed since the Amsterdam Treaty was signed, yet the EU still struggles with a low level of shared information, a lack of comparable statistics, an uneven share of responsibilities, and weak monitoring and evaluation mechanisms.[37]

A key implementation challenge for the new EC will be to meaningfully mainstream migration issues into development cooperation. Currently, migration and development policy is developed and implemented in parallel to country strategies rather than in a coherent manner.

Another challenge for the new EC is to demonstrate the benefits so as to consolidate the progress made. A lack of dissemination of information on progress and benefits would exclude developing countries and regional partners from productive exchanges and feedback processes, which are critical for their contribution in joint programmes.

Recommendations

The main challenge is to move beyond aid programmes towards proactively promoting PCD in EU migration policy. First, we need a new discourse on migration in the EU that emphasises the opportunities and benefits of migration. Second, we should contribute to the development of innovative legal channels for labour migration from developing countries. After all, legal migration is the basis for taking advantage of the opportunities of migration for development, both for individuals and for the development of countries and regions.

Our recommendations are in line with the 'Core package of reforms' proposed by the 2009 Human Development Report on Migration (Box 9).

Ensuring policy coherence for development

The first task should be to follow the principle of PCD, to ensure innovative mobility schemes that benefit both the EU and the developing world to ensure that non-development policies (i.e. migration policy) do not have a negative impact on developing countries:

Legal migration

- The EU should support the development of a progressive common immigration and asylum policy and a uniform high standard on the protection of migrant's rights.
- Whereas some Member States have started to implement real[38] circular migration policies, the EU as a whole has yet to reach such policy conclusions. The EU should facilitate the establishment of sustainable mechanisms for circular migration for both highly-skilled and low-skilled workers that allow for flexibility and openness in terms of contracts, entry and re-entry, and provide financial return incentives. However, these initiatives ought to take into account the specific needs and motivations of migrants, the interests of countries of origin and Member States. To exploit the potential of mobility partnerships for example, the EU must make them attractive for partners and refrain from turning them into 'security partnerships' focusing on re-admission, and introducing aid conditionality when it is not appropriate.
- The EU's Blue Card policy should be used to benefit migrants, host societies and countries of origin. The EU needs to harmonise the recognition of qualifications and develop a framework for determining such qualifications, possibly based on its experiences from the Barcelona process of recognising internal diplomas.
- Ensure that EU recruitment policies do not exacerbate brain drain.

Box 9: Reforms needed

1. Liberalising and simplifying regular channels that allow people to seek work abroad;
2. Ensuring basic rights for migrants;
3. Reducing transaction costs associated with migration;
4. Improving outcomes for migrants and destination communities;
5. Enabling benefits from internal mobility; and
6. Making mobility an integral part of national development strategies.

Source: The UN Human Development Report 2009 Overcoming Barriers: Human Mobility and Development'

Illegal migration

- Efforts to facilitate legal cash transfers should not be counteracted by Member States trying to stop illegal immigrants from doing so. Adopting the Payment Services Directive to international remittances in 2011 would be an important constructive step.
- The Working Party on Development Cooperation (CODEV) should play a stronger role in drawing up migration policy. Issues on migration are often referred to the High Level Working Group on Migration and Asylum, which was established to reduce the influx of migrants and analyse and fight the causes of migration.

The second task is to resist the use of ODA for policies aimed at deterring and controlling migration. The type of migration projects and programmes expected to contribute to development in a sustainable and significant manner need to be better defined.

Finally, much remains to be done to develop the tools proposed in the migration and development area.

Mainstreaming migration into development cooperation

- Migration issues need to be included systematically in the political dialogue with partner countries – not only with the prime migrant-sending countries and regions to the EU.
- EU-wide diaspora networks need to be systematically included in mainstreaming activities. Their knowledge of the local context, experiences and expertise could augment the EU migration and development policy efforts, but issues such as diaspora fragmentation and diversity should not be overlooked.
- Mainstreaming of migration into EC development assistance will require a more holistic conceptualisation of the benefits of migration for development: going beyond isolated initiatives on issues such as the brain drain, remittances or co-development. The EU should support the integration of migration issues

into partner countries' national development strategies and Poverty Reduction Strategy Papers to avoid fragmentation. There must also be coherence between the development of the education sector and the needs of the economy and the labour market.

- Integration of migration into national development strategies will require EU support to institutional capacity development and the establishment of effective migration policies and institutions in the countries of origin, with an emphasis on ownership and sustainability of institutions and programmes. This could include support for South-South cooperation and joint resource mobilisation in order to strengthen the capacity of developing country governments in the management of migration.
- The operationalisation of mainstreaming within the EC needs to be improved, across the Directorates General (DGs) and at headquarters and delegation level, which will need investment in expertise and clearer staff mandates.

A stronger and more coherent EU offers possibilities for win-win outcomes of a more progressive EU migration policy. Yet a lot remains to be done to ensure that migration can contribute to development in migrants' countries of origin in the South.

1. Definitions: Immigrants: Hold a residence permit on the basis of a labour mobility scheme, of asylum according to the Geneva Convention, of family re-unification or of special bilateral agreements; as soon as they are granted citizenship, they are no longer immigrants; Asylum-seekers: refugees who submit a request for asylum on the ground of persecution because of political, religious reasons or because they belong to a persecuted group as defined by the Geneva Convention. If asylum is granted, they become immigrants. Readmission: If migrants' requests for a permit are declined, they are sent back to their country of origin or a 'safe third country'. If there is no safe third country, refugees must get a residence permit ("principle of non-refoulement"). EU Member States and increasingly also the EU negotiate readmission agreements with countries of origin or safe countries to take back immigrants without a residence permit (declined asylum seekers, refugees that have entered the country illegally without requesting asylum).

2. According to Europol, illegal immigration is the "attempt to enter a country clandestinely or by deceptive means". See: http://www.europol.europa.eu/publications/Serious_Crime_Overviews/Illegal_Immigration_Fact_Sheet_2009.PDF

3. FRONTEX (2009), 'The impact of the global economic crisis on illegal migration to the EU'. Available at http://www.frontex.europa.eu/gfx/frontex/files/justyna/frontex_raport.pdf

4. The European Council debated solidarity with Member States under migratory pressures, the enhancement of FRONTEX, closer relations with Libya on managing migration, and an emphasis on the importance of readmission agreements as well as the need for the acceleration of the Global Approach.

5. Britain, Ireland and Denmark continue to opt out of many migration-related policies under the Lisbon Treaty.

6. Trauner, F. and Kruse, I. (2008), 'EC visa facilitation and readmission agreements: a new standard EU foreign policy tool', *European Journal of Migration and Law* (10), pp. 411-438 Available at: http://www.ceps.eu/ceps/download/1475

7. The Economist (2009), 'The aid workers who really help. How much do migrants, by sending remittances and other means, act as catalysts for development in the countries they leave behind?', 8 October 2009: "The World Bank says foreign workers sent US$328 billion from richer to poorer countries last year, more than double the US$120 billion in official aid flows from OECD members. India got US$52 billion from its diaspora, more than it took in foreign direct investment."

8. De Haas, H. (2006), 'Turning the tide? Why 'development instead of migration' policies are bound to fail.' See: http://www.imi.ox.ac.uk/pdfs/wp2-development-instead-of-migration-policies.pdf

9. Albania ('05), Bosnia and Herzegovina ('07), Macedonia ('07), Hong Kong ('03), Macao ('04), Moldova ('07), Montenegro ('07), Pakistan ('08) Russia ('07), Serbia ('07), Sri Lanka ('05), Ukraine ('07)

10. Informal sources have suggested that the cooperation platform has focused on border management rather than migration and development as often suggested by the EC. Public information on the platform is difficult to obtain.

11. Council of the European Union (2009), 'Draft Council Conclusions on Mobility Partnerships as a tool of the Global Approach to Migration'. See: http://register.consilium.europa.eu/pdf/en/09/st15/st15811.en09.pdf

12. EC (2007), 'Communication on circular migration and mobility partnerships between the European Union and third countries'. See: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0248:FIN:EN:HTML

13. Council of the European Union (2009), 'Draft Council Conclusions on Mobility Partnerships as a tool of the Global Approach to Migration'. See: http://register.consilium.europa.eu/pdf/en/09/st15/st15811.en09.pdf

14. However, Carrera & Hernández i Sagrera (2009) argue that they should rather be called 'security' partnerships because their main emphasis is on EU security concerns. They also argue that the fact that they are not legally-binding poses a risk for migrants' rights. For more information: Carrera S., Hernández i Sagrera R. (2009), 'The Externalisation of the EU's Labour Immigration Policy:Towards Mobility or Insecurity Partnerships?' See: http://www.ceps.eu/ceps/download/2180

15. EC (2009), 'EC Staff Working Document: Mobility partnerships as a tool of the Global Approach to Migration.' See: http://register.consilium.europa.eu/pdf/en/09/st13/st13489.en09.pdf

16. In addition to the Blue Card, 'proposal for a directive on the conditions of entry and residence of seasonal workers', 'proposal for a directive on the procedures regulating the entry into, the temporary stay and residence of Intra-Corporate Transferees (ICT)' and 'proposal for a directive on the conditions of entry and residence of remunerated trainees'. The 2001 'proposal for a directive on the conditions of entry and residence of third-country nationals for the purpose of paid employment and self-employed economic activities' was withdrawn in 2006.

17. National schemes Czech Green Card still emerge alongside EU proposals. The Czechs

argued that a common migration system for high-skilled migrants was inappropriate while the labour mobility from new EU Member States was still limited.

18. The Dublin Regulation states that asylum-seeker applications must be treated in the EU country where migrants first arrived, Southern Member States would like to change this.

19. EU Observer (2009), , 'EU turns blind eye to 'inhuman' Italy-Libya pact, watchdog says'. 21 September 2009. See: http://euobserver.com/22/28692

20. European Council (2008), 'Pact on Immigration and Asylum', See: http://register.consilium.europa.eu/pdf/en/08/st13/st13440.en08.pdf

21. Council of the European Union (2008), 'Directive of the European Parliament and the on common standards and procedures in Member States for returning illegally staying third country nationals'. See: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:348:0098:0107:EN:PDF

22. See: http://www.euractiv.com/pdf/Draft%20document%20reforming%20the%20budget%20oct%202009.pdf

23. 'Mobility packages' was the term used by the EC before 2007, for a similar concept to 'mobility partnerships'.

24. EC (2008), 'Strengthening the global approach to migration: increasing coordination, coherence and synergies'. See: http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0611:FIN:EN:PDF

25. Council of the European Union (2008), 'Council Conclusions on strengthening health systems in developing countries'. See: http://register.consilium.europa.eu/pdf/en/08/st15/st15391.en08.pdf

26. Council of the European Union (2009).,'Policy Coherence for Development: draft Council Conclusions on Migration for Development'. See: http://register.consilium.europa.eu/pdf/en/09/st15/st15806.en09.pdf

27. http://unesdoc.unesco.org/images/0015/001525/152537E.pdf

28. EC (2008), 'Report from the EC on the application of directive 2003/86/EC on the right to family reunification'. See: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52008DC0610:EN:NOT European EC (2009), 'Communication on guidance of for better transposition and application of Directive 2004/38/EC'. See: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0313:FIN:EN:PDF

29. Regarding the former directive, the EC notes that misapplications have occurred in view of the provisions on visa facilitation, granting autonomous residence permits, taking into account the best interest of the child, legal redress and more favourable provisions for the family reunification of refugees. Little policy harmonisation has taken place across Member States, and a number of Member States are reported to have lowered their standards, taking advantage of low-level binding character of the directive. Regarding the latter directive, migrants have often faced problems regarding their right of entry and residence.

30. MercoPress, 1 October 2008, 'Brazil cautions Europe on the Immigration Pact'. See: http://en.mercopress.com/2008/10/01/brazil-cautions-europe-on-the-immigration-pact

31. Guardian (2008), '42 days? Try 18 months', 16 June 2008. See: http://www.guardian.co.uk/commentisfree/2008/jun/16/eu.immigration

32. Under the directive children can be detained at a last resort, illegal migrants can be detained for up to 18 months and they face an entry ban of five years following deportation.

33. Perhaps an exception to this statement is the fact that the African stakeholders demanded that mobility and employment were also included in this partnership rather than just migration.

34. Slightly over 50% of all migration programmes have been funded through the European Development Fund (EDF). The remaining amount is funded through various channels, including the Aeneas programme managed by DG AidCo (under EDF 9), the Development Cooperation Instrument/ Thematic Programme on Migration (under EDF 10), the Rapid Reaction Mechanism managed by DG RELEX, the Human Rights (EIDHR) and NGO budget lines managed by the Delegations and programmes managed by DG Justice, Freedom and Security.

35. EC (2009), 'EU 2009 Report on Policy Coherence for Development'. Available at : http://ec.europa.eu/development/icenter/repository/SWP_PDF_2009_1137_EN.pdf

36. Cyprusaid (2009). See: http://www.planning.gov.cy/planning/Planning.nsf/AttachmentArchive/1D6633BC4757FC74C2257599003BAF12/$file/CyprusAid%20Brochure%20Eng.pdf?openelement

37. EC (2008), 'EC Staff Working Document on a common Immigration Policy for Europe: Principles, actions and tools - Impact assessment'. See : http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=SEC:2008:2027:FIN:EN:PDF

38. As opposed to temporary migration schemes

10 The future of development partnerships

In recent years, European policy-makers cherished and embraced partnership with developing countries in almost any serious gathering and any relevant policy statement. However, beyond the flowery discourse, the European Union (EU) still needs to grow up as a partner, with the Lisbon Treaty as a real test for adulthood. The new European Commission (EC) has an outstanding opportunity to put partnership into practice. If backed with political audacity and sufficient will to listen to our partners, valuable lessons can be learned from the 'teen years' on how to convert the EU into a capable and responsible partner in a shifting global governance of development.

Development partnerships in a turbulent world

In global development policies, partnerships are at the core of how donors and developing countries relate to each other. Working through partnerships has helped to overcome aid fatigue and disenchantment with the often disastrous outcomes of the previous paradigm: the Washington Consensus and its Structural Adjustment Programmes (SAPs).[1] Initiated with a rethinking at the Development Assistance Committee (DAC) level[2] and a new policy framework at the World Bank,[3] donors and recipients of aid ('partner countries'), engaged in the design of the new development architecture, clarifying aims (in the 2000 Millennium Development Goals - MDGs - which include a global partnership for development), resources (in the 2002 Monterrey Consensus) and practices for delivery (in the 2005 Paris Declaration). More consistent leadership of developing countries and better contributions of donors to their development processes, within a strengthened mutual accountability,[4] are powerful triggers for better partnership and development results.

Almost a decade after the Millennium Declaration, the world has changed and so have development partnerships. During the Accra High Level Forum in 2008, more horizontal policy-making processes and greater inclusiveness towards non-traditional actors and modalities (such as South-South and triangular cooperation) was achieved. Institutionally, these high-level agreements have been translated in a parity-based platform hosted at the DAC (the Working Party on Aid Effectiveness) and a new multilateral mechanism at the United Nations Economic and Social Council (UN-ECOSOC – the Development Cooperation Forum - DCF). In both forums, donors and partners are encouraged to agree on best standards and practices, pioneering a new global governance of development. Furthermore, horizontal partnerships among Southern countries, often linked to good-fit technical cooperation, have been flagged by the Accra Agenda for Action and Doha Declaration as essential ingredients for achieving development.

The economic and financial crisis has stimulated multilateral and global decision-making. The G20 has opened a critical space for rich countries and emerging economies to "turn the page on an era of irresponsibility" and to "act together to generate strong, sustainable and balanced global growth".[5] Along with the players already included in the previous G8+5 formula, additional developing countries such as Argentina and Indonesia are now involved in decisions on how to save the world from a global depression. Facing a crisis with unprecedented dimensions, partnership between the rich and the not-so-rich is inspiring a more inclusive global governance architecture.

Despite this progress, huge challenges remain,

especially in development. The effort to achieve the MDGs has entered a critical stage in the run-up to 2015, potentially jeopardising the legitimacy of aid as we understand it today. A triple crisis (economic, climate, and security) puts development efforts under extreme stress in terms of both resources and outcomes. Asymmetric power still marks the relations between North and South in all areas of development policy-making and implementation. Here, donors still tend to fail in living up to their commitments with more effective aid. And the voices of less and least developed countries remain difficult to hear in the uproar of the new 'effective multilateralism'.

"Greater inclusiveness has been achieved but asymmetric power still marks the relations between North and South"

The EU's partnerships

The EU's frequently inward-looking way of developing partnerships has so far prevented policies from being implemented, especially with developing countries. The good news is that the Lisbon Treaty mandates the EU "to develop relations and build partnerships with third countries, and international, regional or global organisations" upon the principles and values that inspired the creation and development of the Union. Roughly 18 years after the Maastricht Treaty, the EU is now obligated to act on its policies.

The most advanced form of EU partnership can be found in the Cotonou-based contractual framework of trade and development cooperation with the 79 countries in the Africa, Caribbean and Pacific region (ACP). Globally, 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"[6] with developing countries, whose ownership over development policies is to be 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"[7] and a recent communication elevated the relations with Latin America to the level of "global players in partnership". The EU has also been vocal on partnership as the basis for aid effectiveness, advocating for "equal partnership" and "strengthening the voice of partner countries"[8] and even daring to clash with the more conservative positions of the US and Japan in the Accra negotiations.[9]

"The Lisbon Treaty offers an opportunity. The Development Commissioner and the delegations can interact more strategically with developing partners and ensure more consistent coordination of EU development cooperation at the country level"

However, the reality is often less rosy. The Economic Partnership Agreement (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.[10] Although the Joint Strategy is a big step forward, Africa-EU relations still suffer from asymmetry, especially at the country level. For both parties, it seems to be difficult to live up to their purposes, with Africans wanting greater equality and Europeans requesting improvements in democracy and governance in Africa.

In particular, co-owned policies such as migration and coherence, for example in the fisheries sector, remain critical issues. In Latin America, the European presence is decreasing, with the progressive exit of donors such as the UK and Sweden. This has resulted, for example, in a painfully minor role in the recent Honduras coup. Partner countries around the world also note that the EU is actually a mosaic of partners with different degrees of commitment and competences. This is also reflected in the 2008 Monitoring Survey on the Paris Declaration.[11] Broadly speaking, the EU consists of the Nordic Plus and other donors and a group of less experienced and/or more realpolitik-driven development agencies, on the other.

Despite massive resources, the EU lacks a clear mandate to coordinate and promote partnership with the hosting developing country.[12] Its delegations suffer from improvable quality and quantity of staff. The patchy advances in division of labour illustrate clear shortcomings in coordination among EU donors. At times, political dialogue with partner countries around sensitive issues, such as general budget support and governance, results in conflicting positions, with the EC under disbursement pressure and the bilateral donors fearing, often rightly, the public opinion of their constituency.

Furthermore, the EU as a whole has not engaged with South-South and triangular cooperation, strengthened in Accra and Doha. Only Germany, Spain and Sweden are investing consistently. Together with the indifference towards Latin America, this shows the general inertia of EU's development cooperation to engage in horizontal forms of cooperation, for example with middle-income countries, which in 2008 received €4,022 million (up to 38%) of the EC's ODA budget. As a general rule, the EU still remains defensive or at best passive towards new actors.[13]

While structural caveats of international development cooperation (such as asymmetric power, lack of policy coherence, etc.) are difficult to resolve in the current system, the Lisbon Treaty could offer an opportunity to improve the actual capacities of the EU to become a partner. Institutional changes could result in a more consistent role of the Development Commissioner and the strengthening of the delegations, which should be able to interact more

strategically with developing partners and ensure more consistent coordination of EU development cooperation at the country level.[14] Over the next years, the EU also needs to listen and capture how its partners in the developing world perceive its role and capacities.

Investing in European capacities for partnership

Partnership-based external action in development is key. The following specific tasks need to be addressed if the EU is to become a global actor that makes partnership central:

Move towards contractual partnerships

Contractual elements in the Cotonou Partnership Agreement and co-ownership in the Africa-EU strategy show that the EU has already engaged in ambitious and adapted forms of partnership (Box 10).

Listen to partners

The EU and its partners perceive the equality and terms of the partnership differently. The current reform of the EC's technical cooperation (toward country-led capacity development) can give some sensitive guidance in the direction of capturing Southern perspectives on EU's development cooperation.

Strengthen capacities for partnership

The work of the EC delegations in the developing world is essential to partnership in practice. Resources and capacities need to be improved, for example with better support by the new European External Action Service (EEAS).[15] Mandates for political dialogue and EU donor coordination at the country level need to be clarified urgently, in particular with a view to division of labour. Deconcentration to the delegations needs to be boosted, ideally learning from the multilaterals engaged in similar processes.

Box 10: Contractual partnerships: after Cotonou

Until 2020, the 2000 Cotonou Agreement legally binds Europe in a relationship with the African, Caribbean and Pacific. While it has some shortcomings, Cotonou is a partnership contract, and therefore unique in the current development and aid architecture. It includes not only mutual accountability and political dialogue provisions, but also joint institutions (such as the Joint Council of Ministers) and arbitration procedures.

Building horizontal partnerships is difficult but it can make a real difference. While its implementation will be reviewed in 2010, the Cotonou Agreement could act as a model for development partnerships. Similar contractual partnerships could be made with emerging economies such as Brazil and India, as well as middle-income countries in Asia and Latin America.

Adapt to change

Development partnerships are changing dramatically as a result of shifting international relations. It is critical to understand the global platforms for development policies and how partnerships evolve within them. For example, the division of labour is an issue for the Working Party on Aid Effectiveness and Donor Practices (WP-EFF) and mutual accountability is being anchored at the UN-DCF. While maturing as a global actor, the EU needs to adapt continuously to the shifts in development partnerships.

Be innovative

New types of partnerships, such as South-South and triangular cooperation, have been revitalised by the DCF and the WP-EFF.

Communicate

The EU's processes are often perceived as opaque and confusing by the developing world. The actual implications of the Lisbon Treaty are hard to follow for people working in EU circles and almost unintelligible for anyone looking from outside. If EU is not to lose touch with its partners, it should explain clearly the consequences of the Lisbon Treaty for ongoing development partnerships.

1. Stein, E. et al (2008), 'The Paris Declaration, Aid Effectiveness and Development Effectiveness, Evaluation of the Paris Declaration', Paris: OECD-DAC

2. OECD-DAC (1996), 'Shaping the 21st Century: The Contribution of Development Co-operation', Paris: OECD-DAC

3. Maxwell, S. and Conway, T. (2000), 'Perspectives on Partnership', *OED Working Paper Series*, Washington DC: OED

4. De Renzio, P. and Mulley, S. (2006), 'Promoting Mutual Accountability in Aid Relationships', *ODI Briefing Paper*, London: Overseas Development Institute

5. Leaders' Statement: The Pittsburgh Summit, 2009

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

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

8. Council of the European Union (2008), 'Third High-Level Forum on Aid Effectiveness – Guidelines for the participation of the European Union', DEVGEN 134, Brussels

9. Schulz, N-S, (2008). 'From Accra to 2011 - Perspectives for the Global Governance of Aid', FRIDE comment, Madrid

10. Meyn, M. (2008), 'Economic Partnership Agreements: A 'Historic Step' Towards a 'Partnership of Equals'?', *Development Policy Review*, 26 (5), London: Overseas Development Institute

11. OECD-DAC (2008), '2008 Survey on Monitoring the Paris Declaration: Making Aid More Effective by 2010', OECD-DAC: Paris

12. EC (2009), 'Aid Effectiveness after Accra – Where does the EU stand and What more do we need to do?', Staff Working Paper (COM2009/160), Brussels

13. Grimm, S. et al (2009). 'European Development Cooperation to 2020: Challenges by New Actors in International Development', *EDC2020 Working Paper* 4, Bonn

14. Koeb, E. (2008), 'A more political EU external action – Implications of the Treaty of Lisbon for the EU's relations with developing countries', *ECDPM In Brief*, Maastricht

15. Maxwell, S. et al (2009), 'Europe's global challenge: three crucial months', *Open Democracy*, 9 September 2009

11 Development finance: bigger, better, bolder?

In 2010, with the review of the Millennium Development Goals (MDGs) and, at European level, the Mid-Term Review of the European Union's (EU) Official Development Assistance (ODA) commitments, the EU's level of commitment to development and its international credibility will once again be put to the test. 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 European Commission (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 ODA targets and the EU Budget Review in 2010; and the EC's proposal for the next EU Financial Perspectives in 2011.

The challenges

Scaling up aid in a recession

Collectively, the EU provides around 60% (€50 billion) of the €80 billion given each year in global development aid. In 2008, the EU provided 0.4% of its Gross National Income (GNI) which equates to almost €100 spent on aid per EU inhabitant.[1] Yet, the EU's credibility is at stake when it comes to financing for development.

In the Doha Declaration on Financing for Development, leaders re-affirmed the goals and commitments of the Monterrey Consensus.[2] The Declaration encouraged countries to fulfil the following targets:

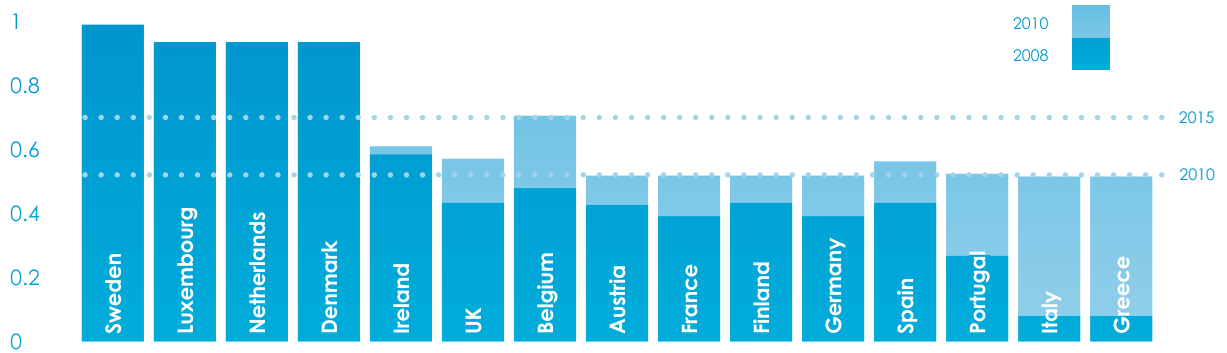
- 0.7% of GNI for ODA by 2015 (and at least 0.5% by 2010);
- 0.15-0.2% of GNI for ODA to Least Developed Countries (LDCs);
- More than double ODA to Africa in real terms by 2010 (annual increase of US$25 billion in 2004 terms); and
- Make concrete efforts and put in place timetables showing how aid levels will increase to meet existing commitments.

EU Member States have committed time and again to lead the fight against poverty and inequality.[3] According to official estimates by the EC, however, the EU will not reach its collective 2010 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. Evidently, the financial crisis is putting increasing pressure on Member States, reducing the funds they have available for public spending and encouraging them to look inward at their own problems rather than those of the developing world. Italy announced at the end of 2008 a 56% cut to the budget of its Ministry of Foreign Affairs, Ireland announced a €95 million cut to its aid budget, Germany and France are off-track in meeting their aid targets, and the aid budgets of many other EU Member States seem to be stagnating. In the UK, while there have been no reductions in aid levels, the depreciation in the value of sterling has had an impact on purchasing power in a number of developing countries and on its contributions to multilaterals. Furthermore, though not in the UK, the likely fall in GNI will mean that, even if percentage targets for aid expenditure are met, the actual amounts derived from that percentage will be less than would have been predicted when the 0.7% target was set (Figure 17).

The crisis has highlighted the need for whole-of-government approaches, linking development to

Figure 17: ODA percentage of EU15 GNI

actual 2008, forecast 2010, target 2015



source: OECD DAC figures for 2008

foreign and defence policy. In its Communication on 'Supporting developing countries in coping with the crisis', the EC says that the OECD Development Assistance Committee (DAC) should "continue to reflect" on whether the ODA definition should be extended to peace and security related activities in development countries.[4] This would, however, produce an artificial increase in reported ODA, without an increase in financial flows.

Furthermore, the EC notes that "the EU must use all the sources and instruments available to leverage assistance aimed at stimulating growth, investment, trade and job creation."[5] The problem is that this type of assistance is more likely to benefit Middle Income (MICs) rather than Low Income Countries (LICs), which are less attractive to private investors. The EC goes on to say that, "such a comprehensive effort should constitute a 'whole-of-the-Union approach'"[6] – or what some call the 'ODA-plus concept'. This has been perceived by some as an attempt to try to claim non-aid financial flows as contributing to development in the same way as public aid. The Communication cites foreign direct investment, remittances and technology transfers as the types of financial flows that would be considered. Yet it also acknowledges that these flows depend primarily on private individuals and economic actors and thus their impacts cannot be attributed to governments.

In the past, the EC has traditionally been a watchdog for the integrity of ODA (for example, with its opposition to including debt cancellation in aid figures) and played an important role in monitoring and pressurising Member States to live up to their promises to increase funding for development. The EC thus plays an important role alongside the OECD-DAC, as the EU membership is only 15 DAC members out of 27 EU members.

Finding new financing

Member States and the EC have repeatedly proposed various types of new finance mechanisms, including: the possibility of front-loading pledged aid increases; voluntary solidarity levies such as the 'air ticket levy' proposed by France, the proceeds of which fund UNITAID, an international drug purchasing facility; using carbon trade gains for development; and voluntary options such as a global lottery or charitable donations. Other proposals include the Franco-German initiative on uncooperative jurisdictions in tax matters, launched in the run-up to the G20 summit, and the German proposal to create an International Tax Compact, launched in March 2009.

The Communication on 'Supporting developing countries in coping with the crisis' reviews how the EC and the Member States support developing countries in raising domestic resources for development, including technical assistance, programmes to reform customs administration, financial contributions to programmes of relevant international organisations and cooperation with other international organisations. What is missing is the role of tax havens in the EU (and Member State overseas territories), as enabling (or disabling) factors for tax evasion in and capital flight from developing countries. A report by France's Syndicat Unifié des Impôts estimated tax evasion in Europe at 2-2.5% of European Gross Domestic Product (GDP).[7] It also omits the role that financial deregulation and liberalisation imposed on developing countries by International Financial Institutions (IFIs) has played in encouraging tax evasion.

In response to the crisis, the EC proposed actions that would frontload €8.8 billion in the following areas: development aid (€4.3 billion), budget support (€3 billion) and agriculture financing (€1 billion).[8] It also set up two new finance mechanisms:

- The Vulnerability FLEX (V-FLEX): an ad hoc and rapid, counter-cyclical financing instrument to mitigate the social consequences of the economic downturn in the worst hit countries. It is limited to the African, Caribbean, and Pacific (ACP) region. The fund will dispense a maximum

Box 11: The European Investment Bank (EIB)

Eight of the 28 recommendations listed in the EC's overview paper on 'Supporting developing countries in coping with the crisis' are addressed to the EIB. The EIB, which in recent years has been scaling up its external lending, will become a major tool to "frontload" financial transfers to developing countries. It shall, for example, increase its lending on infrastructure and energy projects, support multilateral initiatives on trade finance and work together with the EC to provide investment guarantees. However, the EIB's mandate in EU development policy is limited to the European Development Fund's Investment Facility and own resources under the Cotonou Partnership Agreement. Without clear lending criteria for all developing countries, there is a risk that EIB loans will not necessarily be focused on development purposes.

A major review of the external lending mandate of the EIB will take place in February 2010. This will be an opportunity to align the EIB's external lending mandate with the European Consensus on Development, ensuring it complements the objectives and coverage of the EC's financial instruments.

of €500 million in 2009 and 2010, and the money will be set aside from the reserves of the national and regional indicative programmes under the 10th European Development Fund (EDF). Given that the Member States decided against increasing the contribution ceilings, frontloading will be managed by shifting payment priorities for programmes in less vulnerable countries to the most vulnerable countries.

- The Food Facility: an instrument providing grants of €1 billion in unused European farm subsidies to farmers in the 23 developing countries most impacted by the crisis over seeds, fertiliser and other agricultural projects. Following difficult negotiations between finance ministers of Member States, Members of the European Parliament and the EC, an agreement was finally reached on where the money would come from. Although the initial proposal recommended the use of €1 billion of surplus funds, only €760 million was agreed as additional funding. Furthermore, although the Food Facility was intended to be programmed over three years (2008-2010) by the end of 2009, over €800 million will have been disbursed.

Some have criticised the V-FLEX on the basis that donors need to allocate new resources to mitigate the effects of the financial crisis, rather than just bring forward available funds. The problem is that most of the funding (almost 99%) comes from pre-existing commitments. The only new spending that does not come from pre-existing commitments is the €100 million for EU-Africa Infrastructure Trust Fund.

The 10th EDF regulation provides for Additional Voluntary Contributions (AVCs). However, these AVCs are very restrictive in terms of their use and focus. In the past, AVCs have been used to co-finance the African Peace Facility (APF) (around €40 million from Member States together with the €400 million from the 9th EDF). Generally, most Member States are reluctant to provide AVCs.

Focusing on better aid

The financial crisis has put aid spending under increased scrutiny, prompting donors to focus on improving aid effectiveness and implementing the Paris Declaration principles and the Accra Agenda for Action agreed in September 2008. The EC estimates that the financial costs of donors failing to ensure aid effectiveness could be between €25 and €30 billion between 2010 and 2015.[9] This amounts to around 10% of total aid spending.

Progress on aid effectiveness has been slow, in particular on:

- Reducing aid fragmentation, due to, among other things, capacity and legislative constraints in the Member States. The EC is the biggest culprit due to its presence in 144 countries as a result of its mandate.
- Use of country systems, due to lack of trust and legal impediments in some Member States. One major impediment is the mode in which aid is delivered. Project aid and technical assistance remain the most widely used mode by EU donors. Only five EU Member States now say budget support is their preferred way to scale up aid to Africa, compared with ten in 2008. Budget support, granted for a period of three years, is the Commission's "preferred aid modality where conditions allow".[10] A contentious issue, proponents of budget support argue that it boosts ownership and raises the effectiveness, efficiency, and significance of development contributions. However, there can be high risks, in particular around misuse or misappropriation of development funds. Under EDF 10, the EC aims to increase budget support, both general and sectoral, to 44% of programmable funds, 25% of all available funding.
- Conditionality, with most Member States claiming the irrelevance of it. Irrelevant possibly as a result of conditionality imposed by intermediaries such as the World Bank and the International Monetary Fund (IMF), or because recipients accept them just to get aid. Criticism of the EC's budget support has focused on the fact that it is linked to IMF seal of approval and as such, sets excessively ambitious objectives in relation to inflation and budget deficits. Furthermore, cumbersome bureaucratic procedures very often result in long delays before the aid is disbursed.
- Predictability of aid, resulting from legal constraints in Member States and annual budget

cycles. In 2008, the EC launched the 'MDG Contract', an innovative spin-off of budget support. It provides General Budget Support (GBS) for six years instead of three, including one mid-term review rather than annual assessments, and a minimum guaranteed aid level (70% of total commitment). MDG Contracts, which are subject to the provisions of the Cotonou Partnership Agreement, have been rolled out in eight African countries (Burkina Faso, Ghana, Mali, Mozambique, Rwanda, Tanzania, Uganda, and Zambia). Collectively these account for €1.8 billion, or about 50% of all GBS commitments in EDF 10 national programmes, and some 14% of all EDF 10 national programmes. However, there has been little support from Member States to co-finance these contracts; only Belgium has, contributing €12 million to the MDG Contract with Mozambique.

Allocating aid

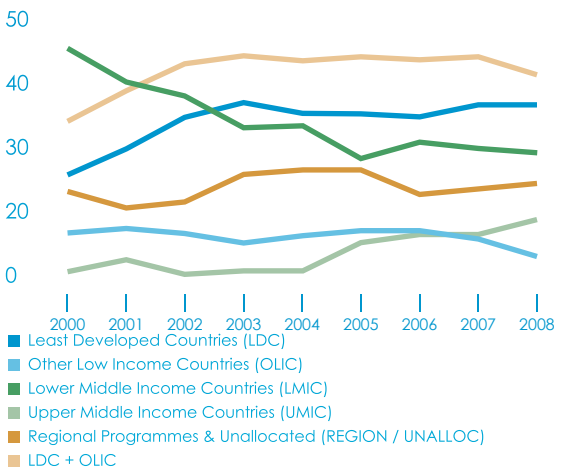
For all DAC donors in 2007, the share to Least Developed (LDCs) and Other Low Income Countries (OLICs) was 63% of ODA. For the EU as a whole, the figure was 65%; for the EC, it was 44% (Table 6).

In 2008, 42% of EC ODA was allocated to LDCs and OLICs (Figure 18). According to the EC, the fall in percentage was mainly the result of the DAC's revision in the list of ODA recipients.[11] India's reclassification will have an impact on Member State performance as well, in particular the UK's. Nevertheless, EC aid has been criticised as being insufficiently targeted on poverty eradication. The 2007 OECD DAC Peer Review attributes this to the EC's limited ability to influence the EDF (determined by Member States) and the Community budget (determined by the Council of Ministers and the European Parliament).[12] In practice, EC aid allocations are the result of political negotiations in which each Member State promotes its own interests; the challenge is to define common interests beyond the lowest common denominator.

The overall distribution of EC aid reflects the diverse priorities of Member States and the European Parliament and competition within the EC. The DAC points out that the EU attaches particular importance to its neighbouring states, particularly in the context of their eventual integration into the Union. Aid to Upper Middle Income Countries (UMICs) is four times the DAC average. Turkey's status in the top three recipients of EC aid for the past few years is a case in point. While no one questions the validity of the EC providing substantial support to Turkey to prepare it for accession to the EU, the debate is about whether this should be counted as ODA (Figure 19).

Figure 18: 2000-2008 poverty focus of EC ODA

Net disbursements

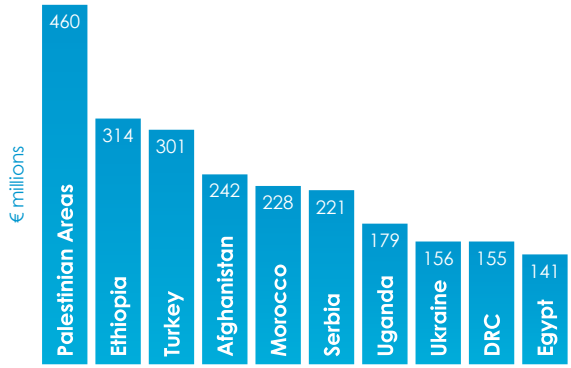


source: 2009 Annual Report on the European Community's development and external assistance policies and their implementation in 2008

Redesigning the EU budget

EC development aid and other policy expenditures are decided at seven-year intervals in framework budget reviews entitled the 'Financial Perspectives'. The 2007-2013 review saw a radical overhaul of the external relations category of the EU budget resulting in a simplification of over 30 overlapping financial instruments to ten, with streamlined processes preventing micromanagement by Member States, and arguably also by the European Parliament. Separate instruments were created for poverty-focused development: the Development Cooperation Instrument (DCI) in Asia, Central Asia, Latin America, the Middle East and South Africa; and the European Neighbourhood and Partnership Instrument (ENPI) in the EU's neighbouring countries and Russia. The latter is focused on the promotion of stability, security and prosperity in the region. Heading 4 in the Financial Perspectives (The EU as a global player) represents around 5.7% of the total EU budget. Figure 20 shows

Figure 19: Top 10 recipients of EC aid in 2008



source: 2009 Annual Report on the European Community's development and external assistance policies and their implementation in 2008

Table 6: Distribution of ODA by income group*

	ODA to LDCs		ODA to Other LICs		ODA to LMICs		ODA to UMICs	
	1996-97	2006-07	1996-97	2006-07	1996-97	2006-07	1996-97	2006-07
Australia	23.7	32.0	42.6	23.5	31.0	42.4	2.6	2.1
Austria	26.1	17.3	14.5	33.2	51.5	45.1	7.9	4.4
Belgium	47.3	51.7	14.7	23.2	33.7	19.7	4.3	5.5
Canada	39.8	53.7	20.9	21.1	34.8	21.5	4.6	3.6
Denmark	49.5	53.4	23.8	25.6	20.5	17.7	6.3	3.3
Finland	42.5	51.3	20.6	20.1	34.9	22.4	2.0	6.1x
France	36.8	31.0	22.9	26.4	31.0	31.0	9.3	11.7
Germany	30.8	30.6	20.5	26.6	43.2	38.2	5.4	4.6
Greece	21.8	30.9	9.1	10.3	62.3	47.8	6.8	11.0
Ireland	67.0	66.9	11.6	15.0	15.3	13.1	6.1	5.0
Italy	41.3	32.4	18.3	21.9	35.7	37.7	4.7	8.0
Japan	21.5	38.4	24.2	32.8	53.9	24.6	0.4	4.3
Luxembourg	31.3	47.4	16.6	18.5	42.6	31.2	9.5	2.9
Netherlands	43.7	49.5	18.6	24.5	32.6	21.6	5.0	4.4
New Zealand	33.8	41.9	17.2	17.3	39.6	35.2	9.3	5.6
Norway	51.1	57.1	14.5	12.7	29.3	25.9	5.2	4.3
Portugal	84.3	54.3	1.8	7.2	12.8	32.4	1.1	6.1
Spain	21.5	29.1	16.9	14.8	55.0	48.5	6.6	7.7
Sweden	42.6	47.9	21.1	18.4	29.7	29.6	6.6	4.1
Switzerland	45.1	44.3	21.7	24.4	29.1	28.2	4.1	3.0
United Kingdom	39.8	44.9	25.6	40.7	27.3	12.0	7.3	2.4
United States	32.3	36.7	14.1	14.1	50.5	45.8	3.1	3.4
Total DAC	**33.7**	**38.8**	**21.1**	**24.0**	**40.7**	**32.2**	**4.5**	**5.0**
of which: DAC-EU countries	37.8	38.0	20.8	26.9	34.9	29.1	6.6	6.0

*Including imputed multilateral ODA. Excluding MADCTs and amounts unspecified by country.

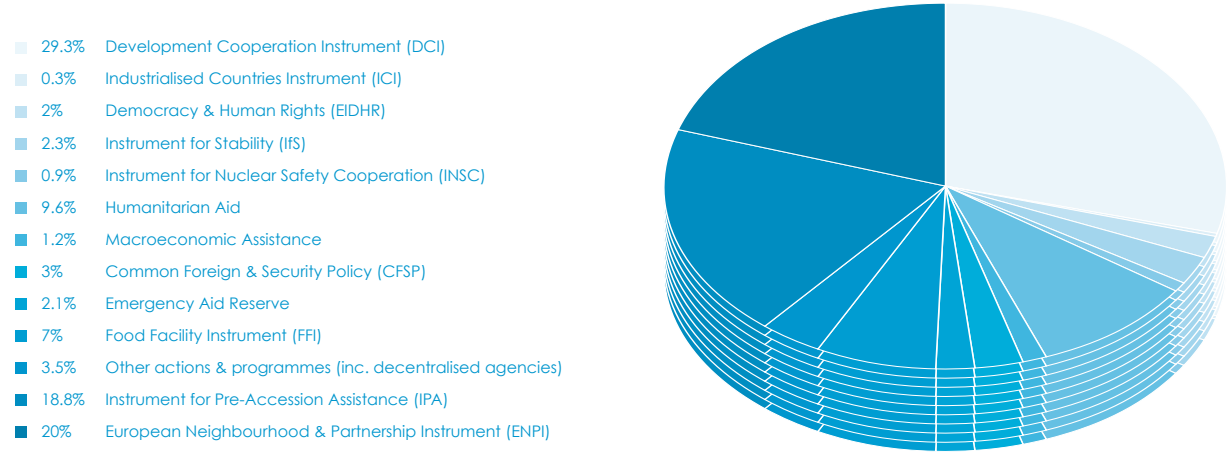
source: OECD DAC Development Cooperation Report 2008 Statistical Annex

the breakdown of instruments and their financial allocation.

The process for agreeing the next review is currently underway following an online consultation managed by the EC. All aspects of the EU budget are, once again, up for negotiation. An EC Communication will set out a vision for the future of the EU budget.

The new structures proposed by the Lisbon Treaty, including the role of the High Representative for Foreign Affairs and Security Policy/Vice President of the EC, and the European External Action Service (EEAS), as well as geopolitical allegiances, trade interests and security imperatives, will all have considerable influence on the negotiations of the new Financial Perspectives. In the end, development aid will be constrained for the next seven-year period during 2014-2020 by the overall size of Heading 4 and the competing needs of other external action requirements, which include the CFSP and the ENPI. The debate will undoubtedly raise a series of questions about the future of aid in EU development policy including: (1) its added value; (2) how narrow or wide its definition is; (3) its geographical focus; and (4) the extent to which it is prioritised amongst other external

Figure 20: The EU as a global player (Heading 4)



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

policies. Other important considerations will be whether or not to finally incorporate the EDF into the EU's budget (in EU jargon, to budgetise the EDF) and the extent to which flexibility should be allowed for de-committing funds from one Heading or instrument of the budget and moving them to another.

Recommendations

Ensuring accountability

Critics of the 2008 Doha Declaration say that failure to deliver on existing commitments was barely acknowledged; that rather than a commitment to producing multi-annual aid timetables, the end-result was a commitment to 'rolling indicative timetables'. Another criticism is that although there was reference to a "growing need for more systematic and universal ways to follow quantity, quality and effectiveness of aid", no mechanism was put in place to follow up on this.[13]

The EC has highlighted that the EU's collective ODA results for 2009 and projections for 2010 show that there is a high risk that the EU will miss its agreed ODA target levels promised for 2010. In May 2009, the former EU Development Commissioner Louis Michel said about the Member States: "They look as if they are lacking political will or cooking up false arguments not to respect the commitments into which they had entered in the past."[14] He accused governments of wanting to spend the money on themselves instead of needier countries.

With the EU's credibility at stake, the priority is to step up the pressure on the Member States. They should be called to account and kept honest on their aid commitments by publicly outing the poor performers and praising the deliverers on an annual basis. Innovative financing mechanisms should leverage genuinely new money that is additional to current ODA and does not undermine future ODA.

Driving EU development policy

The EU budget is financed through contributions of Member States up to a ceiling fixed at 1.24% of the EU's GNI. In practice, total commitments stand at 1.02% of GNI for the period 2007-2013. Historically, external policies have been considered of a lesser political priority. Consequently, the lower the EU's own resources ceiling, the more external action suffered disproportionately from the restriction. Competing agendas include the Common Agricultural Policy (CAP) and structural funds. On the whole, most Member States, particularly those that are net contributors, will be reluctant to see increases in the relative size of the European budget. This is partly because of domestic economic pressures, but partly also because of general doubts about the efficiency and effectiveness of European spending. The reduction of their net contribution will become their paramount objective in the negotiations.

At the same time, scaling up aid poses big challenges, not least around allocation and proportion of aid being spent bilaterally versus multilaterally, and the question of which multilaterals. As Member State aid increases, the EC's footprint is getting smaller and its share of EU aid will decrease from 20% in 2006 to 15% in 2010 and 13% in 2015.[15] The less weight the EC holds in this context, the less it will be able to be a driving force in EU policy.

The proposal for the next EU Financial Perspectives should set out an increase in development aid in real terms. The EC should insist on this.

Tidying up the financial instruments

The DCI is a specific development instrument requiring at least 90% of funding under its thematic programmes to be eligible as ODA. The difficulty in recognising the different and specific mandate of EU development policy and translating it into concrete programmes and measures is apparent in many of the programming documents issued by the EC under the DCI. They lack the clear focus on poverty eradication, sustainable development and the MDGs that the DCI cites as its primary and overarching objective. The wide coverage of the DCI (including LDCs, LICs and MICs) also poses a challenge. Projects based around economic cooperation and education in emerging economies and MICs (for example a European Business and Technology Centre in India), do not meet the DCI objectives. Nor do they fulfil the ODA criteria. The EC has proposed to amend the regulation establishing a financing Instrument for Cooperation with Industrialised and Other High Income Countries and Territories (ICI) to enable these activities to be included in the ICI rather than changing the nature of the DCI.

Furthermore, although the goals of the APF and the Stability for Instrument (IfS) are similar, the former is funded via the EDF and the latter is part of the EU budget. Although different administrative procedures apply to both funding streams, the IfS could possibly accommodate the APF, if the EDF were to be budgetised. Reducing the number of different financing instruments for similar activities would increase chances for policy coherence.

The financial instruments need revising and rationalising. A clear separation needs to be made between instruments that are ODA-eligible and those that are not. During the negotiations on the next EU Financial Perspectives, the EC should propose a minimum (and maximum) share of the external actions budget that has to meet the DAC ODA criteria.

Budgetising the EDF

The long-standing debate on budgetisation of the EDF will, once again, come to a head during the discussions between the Member States regarding the EU's long-term budget structure for the period 2014-2021. Both

the EC and the European Parliament have been strong proponents of budgetisation. The EC failed in its last attempt at budgetisation, during the institutional negotiations on the 2007-2013 Financial Perspectives for two main reasons:

- Some Member States opposed budgetisation on two counts. For some, it would have entailed an increase in their share of contribution to the EDF as it became based on a percentage of GNI rather than a voluntary contribution. Others were reluctant to put at risk the strong poverty focus of the EDF by integrating it into the EU budget where funds have the potential to be captured by differing priorities.
- Although a strong proponent of budgetisation, the European Parliament was reluctant to take it forward without a clear commitment from the Council to increasing the overall budget in order to safeguard EDF resources.

Since the last push towards budgetisation, conditions and arguments in favour have been strengthened and it is becoming more and more difficult to argue against it. Administrative harmonisation of the EU budget and the EDF is almost complete. Furthermore, 20% of aid to the ACP originates from the EU budget. With aid programming taking place at regional and national levels (the three regional strategies for Africa, the Caribbean and the Pacific and the strategies for sub-regions of Africa have already been drawn up and agreed), an all-ACP geographic strategy has become redundant.

Furthermore, arguments of democratic control and scrutiny have been reinforced by the fact that the European Parliament's Development Committee now has the right of scrutiny of Country Strategy Papers and National Indicative Programmes for Asia and Latin America, under the DCI. The EDF, being separate from the EU budget, prevents the European Parliament from exercising a similar role for the programming of ACP Country Strategy Papers.

Concerns have been raised by the ACP side in relation to the continuation of the principles of the Cotonou Partnership Agreement if budgetisation becomes a reality. The ACP point in particular to the risk of abandoning co-management (i.e. the synergy of joint EU-ACP financial cooperation – joint programming, joint assessments, joint solutions).[16] Aid predictability and the ring-fencing of EDF funding for the ACP is another main concern.

From the Member States' point of view, prospective losers have little incentive to budgetise. As EU budget resources will continue to be scarce, it will be very difficult to source the extra commitment represented by the EDF especially after Member States have prioritised expenditure that will give a return on their money. What is clear, however, is that a coherent approach to EU assistance in which greater contributions can be made to LICs necessitates a single budgetary system.

Thus, the EDF should be budgetised. There will be resistance by several Member States, some of which would have to channel more aid through the EU than they currently do, some fearing that development money will be spent beyond the neediest countries (many ACP countries). This, however, could be overcome by proposing an Inter-Institutional Agreement, which would secure funding for the ACP in the EU budget together with a Declaration confirming the key principles of the Cotonou Partnership Agreement.

1. 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

2. Doha Declaration on Financing for Development (2008), 'Outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus', United Nations, December 2008

3. The commitments made in 2005 are 0.51% of GNI by 2010 for the EU's 15 wealthiest Member States (with a collective EU target of 0.56% of GNI by 2010), as an intermediate step to achieving the UN target of 0.7% by 2015. For Member States that joined the EU after 2004, the target is 0.17% of GNI by 2010 and 0.33% of GNI by 2015.

4. EC Communication (2009), 'Supporting development countries in coping with the crisis', COM(2009) 160/4, 8 April 2009, p. 32

5. *Ibid*.

6. *Ibid*.

7. See: Tax Justice Network: www.taxjustice.net

8. EC Communication (2009), 'Supporting developing countries in coping with the crisis', COM(2009) 160/4, 8 April 2009, pp. 6 -12.

9. Carisson, B. T., Schubert C. B., Robinson S. (2009), 'The Aid Effectiveness Agenda: Benefits of a European Approach'. Available at: http://ec.europa.eu/development/icenter/repository/AE_Full_Final_Report_20091023.pdf

10. Official Journal of the European Union: Joint statement by the Council, the European Parliament and the EC on European Union Development Policy: 'The European Consensus' (2006/C 46/01), par. 113

11. In the DAC's 2008 list, Cameroon, Cape Verde, India, Republic of Moldova, Mongolia, Nicaragua and Republic of Congo, have been classified as lower middle income countries.

12. 2007 DAC Peer Review of European Community Aid, p. 40. See: http://www.oecd.org/dataoecd/57/6/38965119.pdf

13. Action for Global Health (2009), 'Health in Crisis: Why, in a time of economic crisis, Europe must do more than ever to achieve the health Millennium Development Goals'. Available at: http://www.actionforglobalhealth.eu/news/economic_crisis_no_excuse_to_abandon_global_health_targets

14. EU Observer (2009), 'EU Member States welching on aid promises, says EC', 19 May 2009

15. EC Communication (2006), 'Financing for Development & Aid Effectiveness – The challenges of scaling up EU aid 2006-2010' (COM(2006) 85 final).

16. Official Journal of the EU (2005), C272/39, 3 November 2005.

12 Division of labour: making better use of the EU system

A key lesson from the financial crisis is that shared global problems can only be tackled by shared global solutions. Multilateralism and collective action will be the watchwords of the future – in finance, climate, security, and all aspects of development cooperation. Increasingly, global discussions and negotiations will reflect regional interests. The European Union (EU) has recognised this, with its new Africa strategy and its collective engagements in the neighbourhood, in the Mediterranean, in Asia and in Latin America. The EU increasingly speaks and acts as one, in trade, for example, and in the climate talks. Within the United Nations (UN) system, the Council Presidency often speaks on behalf of all EU Member States. The newly appointed President of the European Council represents all 27 Member States.

Despite this increased coordination, the EU faces considerable challenges in offering a united front. EU police missions are often small and lack ambition, EU Member States' migration policies lack coordination, and Member States' interests regularly prevail over commitments on Policy Coherence on Development (PCD) made at the European level. It appears difficult to present one single EU vision in ad hoc global governance structures, like the G8 and the G20, that offer limited time to formulate and discuss common positions beforehand.

A major challenge for the EU is working together to provide aid. This is a crucial area, as the global aid system has become excessively complex and fragmented. Aid recipients are dealing with numerous 'traditional donors', several emerging countries that give aid, and Middle Income Countries (MICs) providing South-South cooperation, as well as a rapidly increasing number of global, vertical funds and privately organised foundations. The EU alone funded around 60,000 projects in 2007. In 108 countries, more than ten EU donors were providing country programmable aid.[1] Rough estimations indicate that increased consolidation of EU programmes and projects, use of joint financing arrangements, delegated cooperation, and agreed division of labour could reduce yearly transaction costs by up to €500 million.[2]

> "A major challenge for the EU is working together to provide aid, in order to simplify a global aid system that has become excessively complex and fragmented"

We need to simplify the aid system and reduce fragmentation to contribute more effectively to the Millennium Development Goals (MDGs). As the EU system provides around 60% of global Official Development Assistance (ODA), any discussion about aid effectiveness and efficiency is also a debate about the EU system. Thus, the credibility and effectiveness of the EU system becomes ever more important, from the perspective of both Europe's position in the world and development purposes. The EU committed to such efforts in the Paris Declaration on Aid Effectiveness[3] and improving the quality of aid was also part of the Monterrey promises, in parallel to commitments to increase levels of ODA funding.

The Lisbon Treaty took eight years to get through. As a result, no further big EU reforms are likely to be undertaken anytime soon. There is little chance to centralise development policy in Europe; we thus have to make the current system work better. Improving the system in the EU has been started by slowly establishing a European 'community of practice' on development (within the broader Development Assistance Committee – DAC – community). This is already

providing the basis for a more unified European voice on development, but this incremental process of unifying practice will have to go a long way further before it produces a truly single EU development programme. The European External Action Service (EEAS), with its mix of officials from Member States, the Council Secretariat and the European Commission (EC), might be a catalyst in this process, but it will nevertheless be slow. Yet, if better use of funding is to be made, we have to move faster. A better division of labour appears to be key in this process.

Development policies evolving towards a division of labour

At the policy level, the Treaty of Maastricht provided a legal basis for development cooperation, establishing EC programmes alongside national development policies. To guide its implementation, the treaty established three specific requirements: coordination, complementarity and coherence. In practice, progress on coordination and complementarity has been slow throughout the 1990s and early 2000s, and it is only in the last few years following Monterrey and the Paris Declaration that we have seen some real progress.

The European Consensus on Development [4] was a key step in working more together on EU development policies. In December 2005, all actors – the EU Member States, the European Parliament (EP) and the EC – issued a joint statement on the EU's development policy. For the first time, this provides a sort of single hymn sheet for all actors in the EU. The Consensus emphasises the importance of improving coordination and complementarity between the EC and Member States, while responding to partner country priorities. It states that the EU will work towards joint multi-annual programming based on partner country plans and budgets, and that it will promote the use of common implementation mechanisms.

"Actual steps forward on coordination and complementarity between the EC and Member States are slow"

The Consensus also explores the distinct added value of the EC development programme over individual Member States' programmes. This includes its scale and wide scope, its perceived greater neutrality, and the link with other EU level common policies such as trade. These advantages might, however, also apply, albeit in different degrees, to some of the larger Member States. The vision of the EU Consensus is translated into a large number of more detailed EU thematic and regional development strategies and approaches.[5] Yet, there is no overall view on which international organisations are regarded as important by EU actors and how the EU positions itself among or within them.

The EU Code of Conduct on Complementarity and the Division of Labour (DoL), approved in May 2007, was a second key step in improving cohesiveness in development policy. This identified three types of division of labour: in-country, cross-country and cross-sector. To apply this code and facilitate coordination and cooperation, the EC revised its procedures to enable co-financing and delegated management with Member States, developing a practical division of labour toolkit,[6] putting in place a Donor Atlas that provides an overview of EU aid,[7] and launching a Fast-Track Initiative on Division of Labour. The EC and Member States successfully pushed division of labour under partner country leadership during the High Level Forum in Accra in 2008[8] as one of its key priorities. Most recently, Member States endorsed in the Council an evolving operational framework on aid effectiveness that includes measures in the area of division of labour.[9]

Division of labour in practice

Although progress has been made at the policy level, actual steps forward on coordination and complementarity between the EC and Member States are slow.[10]

In terms of in-country division of labour, even in those partner countries participating in the Fast-Track Initiative, results are so far falling behind expectations. While the concept is pushed by headquarters, it is not always fully endorsed by representatives at the country level. There has also been very little systematic assessment of comparative advantages and, somewhat contradicting the Paris and Accra partnership principles, even less inclusion of partner countries in the debate. Learning and feedback between different settings in different partner countries is still very fragmented. Lack of progress at the country level may also result from lack of leadership. It seems that everybody wants to coordinate, but no one wants to be coordinated. Member States are expecting the EC to take the lead, but they might also be reluctant to see it do so because the EC might be felt to be too directive or insufficiently neutral. Furthermore, the desire to 'plant a flag' still often hinders progress. Finally, although there have been moves towards silent partnerships and lead donor arrangements, some procedural incompatibilities still remain.

As for cross-country division of labour, there has also been some progress by Member States. Several, including Germany, the Netherlands and Sweden, have considerably reduced the number of countries they give aid to. However, these steps are not coordinated systematically at the EU level and often poorly communicated to other donors and partner countries. Partner countries fear, often rightly, that insufficiently coordinated decisions will lead to

decreasing levels of funding and lower-quality aid. This lack of guarantees might also explain the low profile of partner countries in managing their own 'aid architecture', despite there being a few cases where countries show strong national leadership.[11] As it stands, real cross-country division of labour, which includes redressing the uneven distribution of donors between aid darlings and aid orphans has not yet been achieved. Important caveats are being explored in terms of the practices of international division of labour, in particular phasing-out.[12]

Challenges in division of labour

Intra-EU deliberation versus effectiveness?

The exercise should not slip into navel-gazing within the EU. The EU needs to connect to wider all-donor and partner-country processes. The key focus should be on producing results and reducing transaction costs, not triggering endless coordination meetings.

'Our' division of labour versus 'their' ownership?

There is some tension in striking a balance between increased coordination (i.e. improving our system) and promoting partner-country ownership (i.e. considering effectiveness on the ground). Rationalisation can also reduce choice, and partner-country interests would probably not best be served by 'donor cartels' where EU donors decide amongst themselves who does what. Yet, even if the EU donors were to rationalise systematically, multilaterals and non-EU donors would still offer choice. The argument in favour of the EU donors pushing division of labour as far as they can therefore does seem strong.

Thinking about engagement from the end-point

The lack of an appropriate and transparent 'exit strategy' in sectoral or geographical concentration processes can create national political tensions and endanger the sustainability of results obtained through past cooperation. This is particularly the case when programmes and projects do not have a clear and sustainable exit strategy and they are not picked up by the partner countries' domestic resources or resources from other donors.[13]

Recommendations

To enhance coordination and complementarity, and particularly the division of labour, the following measures could be taken. These issues need to be taken into account when discussing the amount of money for development channelled through the EU.

Put a better division of labour on the agenda of the dialogue with partners and other donors

Partner countries need to be engaged more in donor coordination and division of labour efforts. Division of labour is no longer an intra-European business and the specific partner-country context matters. The EU could also more actively engage with other, non-EU, donors to promote division of labour.

Seize the opportunities of the Lisbon Treaty by working on linkages between EC and Member State policies

The EU delegations, with representatives from the EC, the Council Secretariat and Member State diplomatic services that are to be created, provide the opportunity to enhance coordination at the partner country level. Furthermore, as the Lisbon Treaty strengthens the role of national parliaments, they could be involved more closely in EU level development policy decision making, thereby giving a louder voice to the European tax payers.

Systematise the assessment of comparative advantages to make them comparable

The EC and the EU Member States should step up efforts to assess their strengths and weaknesses in order to identify their comparative advantage, both at headquarters as well as in partner countries. Partner country involvement needs to be fostered in order not to harm the overall aid effectiveness agenda. Clearly, identifying comparative advantages is a sensitive topic, but if these assessments are not systematically done and brought together, there is little solid basis for working out a cross-EU division of labour.

Empower EU representatives at the country level

Division of labour should be endorsed more strongly by EC and Member State representatives at the regional and country level. If it remains a top-down effort that fails to convince stakeholders on the ground, it is destined to deliver disappointing results. EU actors on the ground should have enough capacity, decision-making power and incentives to negotiate on division of labour measures and have the flexibility to take a country's specific circumstances into account. Their work should be facilitated by further harmonisation of administrative procedures and programming cycles.

Better information-sharing among EU donors, ideally collected by Commission services

More effort should be made to identify and share lessons learned in the area of EU donor coordination, complementarity, and the division of labour.[14] Cross-country learning should also be fostered within the EU Fast-Track Initiative (i.e. among the new focal points), within and across regions. The EC can play a key role, given its comparative advantage in 'promoting development best practices', as identified in the

European Consensus on Development. For the same reason, the EC is well-placed to develop profiles and support new (governmental and non-governmental) EU actors in the field of development cooperation.

In conclusion, disincentives to ensuring better division of labour are high, including the issue of visibility, and vested interests of donors in partner countries and regions. Hence, there is a need for political will to counter these disincentives. Approaching a division of labour from the technical side can facilitate the process and improve the quality but will not suffice. Policy statements and commitments on division of labour made by the Commission and EU Member States are numerous; the real challenge is to deliver on those commitments.

"Disincentives to ensuring better division of labour include the desire for visibility and the vested interests of donors in partner countries"

1. EC (2009), Communication from the EC to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the regions, 'Supporting developing countries in coping with the crisis', COM 2009 (160)

2. Carisson, B. T., Schubert C. B., Robinson S. (2009), 'The Aid Effectiveness Agenda: Benefits of a European Approach'. Available at: http://ec.europa.eu/development/icenter/repository/AE_Full_Final_Report_20091023.pdf

3. See: http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.html for information on the Paris Declaration on Aid Effectiveness

4. Council of the European Union (2005), 'Joint Statement by the Council and the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the EC on European Union Development Policy: "The European Consensus"'.Brussels: Council of the European Union. Available at: http://ec.europa.eu/development/body/publications/docs/consensus_en_total.pdf

5. Thematic EU strategies and approaches agreed upon by EU Member States in the context of the General Affairs and External Relations Council include: 'Women's Empowerment in Development Cooperation' (March 2007), 'An EU Response to Situations of Fragility' (May 2007), the EU Aid for Trade Strategy (October 2007) and 'The EU Strategy for Supporting Disaster Risk Reduction in Developing Countries' (May 2009). The first and so far only joint (EC, MS and partner countries') regional strategy is the Joint Africa – EU Strategy (December 2007)

6. Commission of the European Communties (2008), 'EU Toolkit for the implementation of complementarity and division of labour in development policy', Brussels: European Commission of the European Communities.

7. See: http://development.donoratlas.eu for more information on the Donor Atlas

8. See: http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.html for information on the Accra High Level Forum on Aid Effectiveness

9. Council of the European Union (2009), 'Council Conclusions on an Operational Framework on Aid Effectiveness' Brussels. Available at: http://register.consilium.europa.eu/pdf/en/09/st15/st15912.en09.pdf

10. See: Buercky, U. and Knill, P. (2009), 'Second Monitoring Report of the EU Fast Track Initiative on Division of Labour, A Product of the EU-Technical Seminar on Aid Effectiveness' 30 November 2009

11. Grimm, S., Schulz, N. (2009), 'Cross-country division of labour as a criteria-led process?', *DIE Discussion Paper* (jointly with FRIDE), Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE)

12. Schulz, N. (2009), 'International Division of Labour: A Test Case for the Partnership Paradigm', *FRIDE Working Paper*, Madrid: FRIDE

13. See: Puerto Gómez, M. and Schulz, N-S. (2009) 'The champion's orphans: Honduras says goodbye to Sweden' Madrid: FRIDE

14. For example, this could include lessons learned on (country and sector) exit strategies, methodologies for assessing comparative advantages on headquarters and partner country levels and successful joint programming and delivery mechanisms. Some of this is already outlined in a recent EC Staff Working Paper, but needs to gather momentum at the political and operational level simultaneously. See: EC Staff Working Document: 'An operational framework for the EU to promote aid effectiveness' (DEVGEN 158/09), November 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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