

Regulation (EC) No 1905/2006 establishing a financing instrument for development cooperation: lessons learned and perspectives for the future

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The Committee on Development adopted the own-initiative report by Gay MITCHELL (EPP, IE) on Regulation (EC) 1905/2006 establishing a financing instrument for development cooperation (Development Cooperation Instrument – DCI): lessons learned and perspectives for the future.

Lessons learned: the committee acknowledges the efforts made by the Commission to keep Parliament's DCI working groups informed about how its comments on strategy papers have been taken into account in drawing up Annual Action Programmes. Whilst noting that the dialogue between the Commission and Parliament as part of the democratic scrutiny exercise has helped to avoid the adoption of strategy papers containing ultra vires provisions, Members find it regrettable that several of Parliament's concerns raised during the democratic scrutiny process, in particular regarding a lack of focus on poverty and the MDGs, have not been sufficiently taken into account by the Commission. It is also regrettable that, while the European Consensus on Development (2005) and the DCI emphasise the importance of ownership, the involvement of national parliaments in drawing up Country Strategy Papers has, in practice, been poor. The committee also criticises the following:

- the Commission has not adequately implemented certain provisions of the DCI on consultation with non-state actors and local authorities;
- in response to its resolutions highlighting non-observance of the requirement laid down in Article 2 (4) of the regulation to fulfil the ODA eligibility criteria, the Commission amended or withdrew only three of 11 draft implementing measures concerned;
- the committee set up under Article 35 of the DCI did not react to Parliament's resolutions signalling that the Commission had exceeded its implementing powers. The substantive scrutiny work carried out by Parliament did not receive any echo from the representatives of the Member States in the DCI Committee, and the committee urges Member States to assume their responsibilities and to ensure, in close collaboration with Parliament, that the measures proposed by the Commission comply fully with the DCI prescriptions.

The Commission is asked to indicate, in order of priority and with their respective weight, the criteria it has used for the allocation of funds between the DCI countries and regions and to the various sectors of activity within each geographic and thematic programme.

The report states that many country and regional strategy papers do not allocate sufficient resources to the DCI's overarching goal of poverty eradication in the context of sustainable development, and that many documents do not indicate clearly how far the proposed actions will contribute to the MDGs targets. It draws attention to the requirement that all the measures under geographic programmes must fulfil the criteria for Official Development Assistance (ODA) established by the OECD/DAC, and urges the Commission and the EEAS to ensure full compliance with this legal obligation in every case.

Perspectives for the future: principles: Members stress that EU need a specific financing instrument for development cooperation, which targets exclusively developing countries and they insist that the annual figures for ODA in the next Multiannual Financial Framework (MFF) period should increase in real

terms to reach the collective target of spending 0.7% of GNI on ODA by 2015. They call for a more stringent ODA quota for thematic programmes than under the current DCI, especially for programmes on 'migration and asylum', in respect of which the Commission did not demonstrate clearly how activities funded in the context of border controls are eligible as ODA according to the OECD/DAC criteria. The report stresses that achievement of the MDGs must remain the prime objective of the instrument for the period until 2015, and EU aid must continue to be consistent with the internationally agreed objectives and targets which will be adopted for the post-2015 period.

The committee goes on to state that non-ODA cooperation with many developing countries for the provision of global public goods should be regulated and that funds should be channelled via one or more separate instruments, so as to ensure transparency. Financing for climate change should not undermine or jeopardise the fight against poverty and continued progress towards the MDGs, and that the scarce ODA funds available for poverty reduction should not be diverted for non-development purposes in developing countries. Members call on the Commission to ensure that no development projects financed by the EU conflict with global efforts to mitigate climate change and that all such projects are climate proof, particularly large infrastructure projects or projects in small islands which will be the first to suffer the consequences of climate change.

At a time of serious public budget constraints they express concern about the strong focus placed on private sector investment as a means to leverage more development finance resources. The Commission is urged to ensure that any public finance used to support private sector investment in the South is not diverted from already under-funded sectors (as in the case of the programmes for non-state actors and local authorities for instance), and that such support will effectively enable the development of the domestic private sector and small and medium enterprises in low-income countries.

Lastly, Members stress that the involvement of local authorities in development policies is essential for achieving the MDGs and points out that local authorities have a critical role to play in areas such as education, combating hunger, health, water, sanitation, social cohesion and local economic development. Therefore, it is essential to upgrade their role in the next **financial instrument**.

Perspectives for the future: programmes: the report calls for a benchmark of 20% of spending under geographic programmes to be allocated to basic social services as defined by the United Nations in the MDGs. Furthermore, it insists on strict eligibility criteria for budget support: (i) the Commission must refrain from using budget support in countries where transparency in public spending cannot be assured; (ii) budget support must always be accompanied by actions to develop the receiving country's parliamentary control and audit capacities; (iii) civil society should be involved in monitoring budget support. Members want the Commission to produce a comprehensive financial analysis covering general budget support, support by sector, support by project and support of any other kind granted to local government.

They believe that the new instrument should provide for a differentiated approach to funding for civil society organisations and local authorities, and also avoid pointless competition between the two types of actor. They stress the need to address the problem of the current programme's over-subscription, and call for the results of the Structured Dialogue to be fully reflected in the future thematic programme and the proposed aid modalities. Members go on to state that development funds for migration should not be used for strengthening border management and combating illegal immigration. Any future thematic programme on migration must be fully aligned with the EU's development objectives and the core funding under this programme must fulfil the ODA eligibility criteria.

Lastly, the report notes that a part of the EU and Member States' funding to developing countries is invested in projects that foster climate change, rather than mitigate it. Policy coherence for development must be improved in the area of climate change, especially in relation to climate funding and mainstreaming of climate change concerns into EU development cooperation.

