# Agenda for change: the future of EU development policy

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PURPOSE: to equip the EU with high-impact development policy up to 2015 and bring about faster progress towards poverty reduction.

BACKGROUND: as specified in the Lisbon Treaty, supporting developing countries' efforts to eradicate poverty is the primary objective of development policy and a priority for EU external action in support of EU's interests for a stable and prosperous world. Development policy also **helps address the MDGs** and contributes to the EU-2020 Strategy.

Yet severe poverty persists in many parts of the world. As the world's population continues to grow, more action is needed to tackle global challenges like conflict prevention, security, environmental protection, climate change, and to deliver global public goods such as food security, access to water and sanitation, energy security and migration.

**The EU has already done much to help reduce poverty**, and is not simply the 28th European donor. While the Commission implements 20% of the collective EU aid effort, it also acts as coordinator, convener and policy-maker.

To be fully effective, **the EU and its Member States must speak and act as one** to achieve better results and to **improve EU's visibility**.

Difficult economic and budgetary times make it even more critical to ensure that aid is spent effectively, delivers the best possible results and is used to leverage further financing for development.

With this new context in mind, the Commission proposes a policy framework to strengthen the impact of European development policy.

CONTENT: basing this Communication on the results of the 2010 consultation on EU development policy, which confirmed the relevance of the existing policy framework, while agreeing on the need to increase impact of European development aid, the Commission proposes **changes to EU development policy on a number of fronts**. In particular, the EU must seek to focus its offer to partner countries where it can have the greatest impact and this should be accompanied by:

- differentiated development partnerships;
- coordinated EU action;
- improved coherence among EU policies.

The Commission proposes an Agenda for Change that would lead to:

- an increased share of EU country and regional cooperation programmes dedicated to certain **policy priorities** which include human rights and good governance on the one hand and inclusive and sustainable growth on the other;

- the concentration of EU activities in each country on a **maximum of three sectors**;

- an increased volume and share of EU aid to the countries most in need and where the EU can have a real impact, including **fragile states**;

- enhanced importance of **human rights, democracy and good governance** trends in determining the mix of instruments and aid modalities at country level;

- continued support for **social inclusion and human development** through at least 20% of EU aid;

- a greater focus on investing in drivers for **inclusive and sustainable economic growth**, providing the backbone of efforts to reduce poverty;

- a higher share of EU aid through **innovative financial instruments**, including under facilities for blending grants and loans;

- a focus on helping reduce developing countries' exposure to **global shocks** such as climate change, ecosystem and resource degradation, and volatile and escalating energy and agricultural prices, by concentrating investment in sustainable agriculture and energy;

- tackling the challenges of security, fragility and transition;

- joint EU and Member States response strategies based on partners' own development strategies, with a sectoral division of labour;

- a common EU results reporting framework;

- improved Policy Coherence for Development, including through new thematic programmes that build synergies between global interests and poverty eradication**.**

The proposed Agenda for Change does not seek to re-write basic policy principles. There will be no weakening of the EU's overarching objective of poverty elimination in the context of sustainable development, as set out in the European Consensus on Development. EU commitments on financing for development, MDG achievement and aid effectiveness remain firm, as do its ambitions as a political leader and key donor.

The EU is seeking **greater reciprocal engagement** with its partner countries, including mutual accountability for results. Dialogue at country level within a coordinated donor framework should determine exactly where and how the EU intervenes. More effective collaboration within the multilateral system will also be pursued.

**The main priorities.**

**1) Human rights, democracy, and other key elements of good governance**: EU support for governance should feature more prominently in all partnerships.

EU action should centre on:

- democracy, human rights and the rule of law : the EU should continue to support democratisation, free and fair elections, the functioning of institutions, media freedom and access to internet, protection of minorities, the rule of law and judicial systems in partner countries ;

- gender equality and the empowerment of women as development actors and peace-builders will be mainstreamed in all EU development policies through its 2010 Gender Action Plan ;

- public-sector management, where the EU should support national programmes to improve policy formulation, public financial management, including the setting up and reinforcement of audit, control and anti-fraud bodies and measures, and institutional development, including human resource management ;

- tax policy and administration;

- help its partner countries tackle corruption through governance programmes that support advocacy, awareness-raising and reporting and increase the capacity of control and oversight bodies and the judiciary ;

- strengthen its links with civil society organisations, social partners and local authorities, and support the emergence of an organised local civil society able to act as a watchdog and partner in dialogue with national governments ;

- natural resources, through backing governance reforms that promote the transparent management of natural resources, including raw materials and maritime resources, and ecosystem services, with particular attention to the dependence of the poor on them, especially smallholder farms ;

- ensure a development-security nexus, so that objectives in the fields of development policy, peace-building, conflict prevention and international security are mutually reinforcing.

**2) Inclusive and sustainable growth**: the EU should encourage more wealth and job creation, decent work, guarantee of rights at work, social protection and social dialogue.

It should also focus on the environment, biodiversity and natural resources and increases the exposure /vulnerability to natural disasters.

The EU should focus its support for inclusive and sustainable growth on:

- those sectors which build the foundations for growth and help ensure that it is inclusive, notably **social protection, health and education**;

- the enabling vectors for inclusive and sustainable growth, notably a stronger business **environment** and deeper regional integration;

- those sectors that have a strong multiplier impact on developing countries' economies and contribute to environmental protection, climate change prevention and adaptation, notably **sustainable agriculture and energy**.

**Differentiated development partnerships**: the EU must seek to target its resources where they are needed most and development assistance should be allocated according to:

- country needs: assessed taking into account, inter alia, vulnerability and fragility indicators.

- capacity of a country's ability to generate sufficient financial resources, and its access to other sources of finance such as international markets, as well as absorption capacities;

- country commitments and performance: positive account should be taken of a country's investment in education and health, its progress on democracy and good governance, and the soundness of its financial management;

- potential EU impact: assessed through increasing the extent to which EU cooperation could support policy reforms and through increasing the leveraging effect of that EU aid.

**Coordination and improved coherence**: the Communication stresses the need for **joint programming of EU and Member States' aid,** which would reduce fragmentation and increase its impact proportionally to commitment levels. The aim is for a simplified and faster programming process, to be largely carried out on the ground.

Operationally, the EU and Member States should make use of aid modalities that facilitate joint action such as budget support (under a 'single EU contract'), EU trust funds and delegated cooperation.

With regard to **coherence** of policy objectives, the Communication states that the future MFF should reinforce the Policy Coherence for Development. Thematic programmes are envisaged as instruments to tackle global concerns and will both project EU policies into development cooperation and help eradicate poverty.