



Extract from:

Elena Muñoz Gálvez, “European Development Aid: How to be more effective without spending more?”, *Policy Paper n° 57, Notre Europe*, July 2012.

Executive summary

Development policy is one of the main instruments that the European Union has at its disposal to make its voice heard in the international arena. Indeed, official development assistance (ODA) with origin in the EU represents more than half of total aid spending worldwide. However, the EU is having a hard time to be seen as an influential global player and is involved in a process of adapting its structures and policies with the aim of having the strong voice that its economic and political power should bring.

In the field of development policy, three are the main challenges that the EU is facing:

- First, as development policy is a shared competence, European ODA has its origin in the 27 Member States plus the European institutions. This converts European development policy into a very fragmented area and difficult to be coordinated.
- Second, the EU has to face a changing development environment, due to the rise of emerging economies and the rise of new global

challenges such as climate change and food security.

- Third, the current financial and economic crisis is causing a wave of fiscal stringency throughout the Union that is seriously affecting budgets, and development spending is seeing serious cuts.

At a time when the next Multi-Annual Financial Framework (MFF) for the period 2014-2020 and the set of external financial instruments are being discussed, it is worth to review which are the main issues at debate in order to adapt to these challenges, making EU development policy more effective without spending more:

- Some of these issues are directly related to the EU budget, such as whether there is a need to “budgetise” the European Development Fund (currently placed outside the MFF) and how to reform the existing EU spending programmes on development so as to better target ODA to the poorest countries while forging new ways of cooperation with middle-income countries (MICs) and emerging economies.
- Others have to do with the question of whether we need to mobilise new EU-level resources for development (especially through the use of loan and grant blending mechanisms) and which are the advantages and risks of using these sort of instruments.
- A third field of issues stays outside the budgetary/financing domain, but has a direct effect on the effectiveness of development spending: how to improve the coordination among European donors as well as the coherence between all EU policies that might affect development countries.

After reviewing European Commission’s proposals for EU spending on development cooperation for the next 2014-2020 period, this paper highlights some elements for improving the coherence and effectiveness of EU development policy:

- First, it assesses the amounts proposed for development aid as ambitious and foresees possible options during the negotiation of the MFF. Maintaining the proposed amounts should be a priority.
- Second, although integrating all instruments for external action in the budget will redound in an efficiency gain, it agrees with the view that conditions for EDF budgetisation are not yet met, as this would increase the risk of reducing resources for development in the current situation.
- Third, it agrees with the Commission's proposed approach for differentiated partnerships towards MICs and emerging economies, but it is of the view that the criteria for excluding some countries from Development Cooperation Instrument (DCI) geographic programmes should be based on indicators that take into account inequalities and the degree of social cohesion, and proposes addressing income inequalities by exploring joint progressive phasing out strategies.
- Fourth, it recognises the role of loan and grant blending facilities to leverage further financing alongside grant-based aid, but it warns about the little existent evidence on its effects on development, highlights certain conditions to be met, and proposes some elements to guarantee they are properly used, such as an increased role of the Commission in screening projects against EU development policy. It recommends analysing the development aspects of the future proposal of an "EU Platform for External Cooperation and Development".
- Fifth, it insists on the need to make further efforts to improve donors' coordination and policy coherence for development. It remarks the role of the European Commission as main coordinator and makes some political and institutional recommendations to improve the coherence between the various EU policies affecting developing countries.