

# STRATEGY

2010



## What Direction for European Development Policy?

Directorate-General  
of Global Affairs,  
Development  
and Partnerships



**French Proposals**

# WHAT DIRECTION FOR EUROPEAN DEVELOPMENT POLICY?

## *FRENCH PROPOSALS*

## Acknowledgements

This document would not have been possible without the active participation and input from various Directorates of the Ministry for Foreign and European Affairs (MAEE), the Ministry of the Economy, Industry and Employment (MINEIE), the French Development Agency (AFD), the Ministry of Immigration, National Identity, Integration and Co-development (MIIIDS), the Ministry of the Interior, Overseas France and Territorial Communities (MIOMCT), the Ministry of Agriculture, Food and Fisheries (MAAP), the Ministry of Ecology, Energy, Sustainable Development and the Sea (MEEDEM), the Ministry of Defence and the Secretariat General for European Affairs (SGAE). The document was also enriched by consultations with civil society.

The layout of this document was prepared by European Development Policy Pole of the Directorate General of Global Affairs, Development and Partnerships (DGM), which organised the consultation meetings.

The following people also participated in different ways in the discussions, drafting and review of this document:

**For the MAEE:** Éric Adam, Laurent Amar, Delphine Babin-Pellier, Jacques Biau, Laure Bourdarot, Matthieu Boussichas, Mathilde Bouyé, Jocelyne Caballero, Pauline Chabbert, Delphine Clerc-Touré, Franz Coïdan, Jean Constantinesco, Paul Coustère, Emmanuelle d'Achon, Laurent Delahousse, Catherine Disparti, Benoît Faivre-Dupaigre, Falilou Fall, Emmanuelle Gallet, Christophe Gigaudaut, Myriam Gourrin, Camille Grousselas, Yves Gueymard, Laetitia Haton, Pierre Jaudoin, Philippe Lacoste, Matthias Lange, Élise Launay-Rencki, Jean-Luc Lavaud, Jennifer Le Duff, Dominique Le Masne, Romain Louvet, Alberto Martelli, Marc Mertillo, Laurence Pais, Isabelle Perot, François Ponge, Pierre Pognaud, Béatrice Ravel, Irchad Razaaly, Jérôme Rivière, Guillaume Robert, Matthieu Robin, Roland Sourd, Nicholas Suran, Giovanna Tattolo, Serge Tomasi, Alain Van Hamme, Florence Veber, Caroline Vinot, Lionel Vignacq.

**For the AFD and other ministries:** Jean-Marc Bellot, Quentin Bérinchy, Nicolas Beriot, Nicolas Caudal, Grégoire Chauvière Le Drian, Anne Crozat, Jean-René Cuzon, Colonel Éric Fournier, Françoise Georin, Émilie Gravier, Thomas Groh, Damien Hendrick, Cécile Liev-Müller, Virginie Lucas, Nicole Martin, André Pouilles-Duplaix, Mylène Testut, Mailys Tisseau, Françoise Tysseire, Alexander Von Kapp-Herr, Claude Warin.

**For Coordination Sud:** Gipsy Beley, Aurélie Gal-Régnez, Philippe Jahshan, Cécile Mabilotte, Robert Toubon.

*All rights of adaptation, translation and reproduction by any processes, including the photocopy and the microfilm, reserved for any countries.*

# CONTENTS

<b>Acronyms</b> .....	<b>4</b>
<b>Introduction</b> .....	<b>6</b>
<b>Presentation</b> .....	<b>12</b>
<b>Objective 1</b>	
For a European development policy at the heart of the European Union's external action .....	14
<b>Objective 2</b>	
For a more integrated, effective and visible European policy .....	18
<b>Objective 3</b>	
For a European policy better adapted to the increasing diversity of developing countries .....	22
<b>Objective 4</b>	
For a European response adapted to the challenges of a new world.....	26
<b>Objective 5</b>	
For comprehensive policies and more coherent European action to promote development .....	35
<b>Objective 6</b>	
For more modern and responsive European financing solutions .....	41

# ACRONYMS

<b>ACP</b>	African, Caribbean and Pacific States
<b>AFD</b>	Agence française de développement
<b>AfDB</b>	African Development Bank
<b>AIF</b>	Agricultural Investment Fund
<b>BRIC</b>	Brazil, Russia, India, China
<b>CAP</b>	Common Agricultural Policy
<b>CFSP</b>	Common Foreign and Security Policy
<b>CGIAR</b>	Consultative Group on International Agricultural Research
<b>CSP</b>	Country Strategy Paper
<b>DAC</b>	Development Assistance Committee
<b>DCI</b>	Financing Instrument for Development Cooperation
<b>DDR</b>	Disarmament, Demobilisation and Reintegration
<b>DSB</b>	Dispute Settlement Body
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>EDF</b>	European Development Fund
<b>EDFI</b>	European Development Finance Institutions
<b>EEAS</b>	European External Action Service
<b>EIB</b>	European Investment Bank
<b>ENP</b>	European Neighbourhood Policy
<b>ENPI</b>	European Neighbourhood and Partnership Instrument
<b>EPA</b>	Economic Partnership Agreement
<b>ESDP</b>	European Security and Defence Policy
<b>EU</b>	European Union
<b>EUNIDA</b>	European Network of Implementing Development Agencies
<b>FAO</b>	Food and Agriculture Organization of the United Nations
<b>GDP</b>	Gross Domestic Product
<b>GFAR</b>	Global Forum on Agricultural Research
<b>GNI</b>	Gross National Income
<b>GSP</b>	Generalised System of Preferences
<b>ICI</b>	Industrialised Countries Instrument
<b>IFAD</b>	International Fund for Agricultural Development
<b>IfS</b>	Instrument for Stability
<b>IMF</b>	International Monetary Fund
<b>KFW</b>	Kreditanstalt für Wiederaufbau (German banking group)

<b>LDC</b>	Least Developed Countries
<b>MDG</b>	Millennium Development Goals
<b>MIC</b>	Middle-Income Country
<b>NIP</b>	National Indicative Programme
<b>ODA</b>	Official Development Assistance
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PCD</b>	Policy Coherence for Development
<b>PRSP</b>	Poverty Reduction Strategy Paper
<b>SDT</b>	Special and Differential Treatment
<b>SSR</b>	Security System Reform
<b>TEU</b>	Treaty on European Union
<b>TFEU</b>	Treaty on the Functioning of the European Union
<b>UN</b>	United Nations
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>UNESCO</b>	United Nations Educational, Scientific and Cultural Organization
<b>WTO</b>	World Trade Organisation

# INTRODUCTION

## The need to reform European development policy

→ Since it was first launched in the wake of World War II, international development cooperation has undergone many changes and witnessed myriad alternating paradigms, in very different geopolitical settings. Following a post-Cold War spate of aid fatigue, the paradigm of the Millennium Development Goals (MDGs) today serves as the road map for the entire international community. The fact that these goals lay prime emphasis on human capital has made them a powerful driving force for action.

After ten years of efforts geared to achieving the MDGs, reports show that progress has been very uneven across regions and across sectors. At the same time, in less than twenty years, the world has experienced a quantum shift that gives good reason for setting this paradigm on a new footing and, more generally, rethinking our cooperation policies. By drawing up its Framework Document for development cooperation, France seeks to take account of a new world marked by global interdependence, and to contribute to the reflection on how to foster global policies that can offer a response to the world's main issues and challenges.

France has largely contributed to affirming European development policy at each new stage of its evolution. Today, it wishes to participate, together with its partners, in the crucial step of adapting this policy to the present, at a time when the implementation of the Treaty of Lisbon offers numerous opportunities and Europe's Member States are preparing to negotiate the next Financial Perspectives.

## The need to restructure our cooperation policies

→ Over the past two decades, globalisation has led to extraordinary scientific, technical and economic advancements, which have in turn generated remarkable progress in the fight against underdevelopment. New dynamics have enabled hundreds of millions of people across the planet to rise out of poverty, whether in India or China, Latin America or certain African nations.

Yet, at the same time, inequalities between nations, regions and even within many societies have surfaced or been heightened. Neither the end of the bipolar world nor the new interdependencies have managed to eradicate the factors of crisis; new tensions regularly arise that the international community is unable to prevent or resolve. At a more systemic level, in the absence of a regulating mechanism, global growth itself is under threat and development is unable to safeguard the planet's major balances in the medium-run. This is obvious with regard to natural resources and the climate, but the economic and financial crisis has also recently demonstrated the shortcomings of 20th-century economic and financial governance.

France believes that for growth to be more equitable and respectful of human rights and the planet's major balances, it is necessary to implement global structural policies. These policies must be able to give direction to modern-day globalisation, leverage it to the advantage of developing countries, better manage the upheavals it generates, and ensure that it does not lead humankind into an impasse.

Our international cooperation and development policies, although not global policies as such, are valuable instruments that can be used to

re-adjust certain dynamics. They are one of the few levers available to wealthy nations to try to minimise or avert the tragedies that are brewing in the South. These cooperation policies, however, were designed in a radically different economic and political context. To fulfil this role, therefore, they must be radically overhauled.

Four conditions seem crucial for this transition.

### 1) Adapt to the vast complexity of today's world

→ Today, cooperation policy is implemented in an environment of deep and fast-paced change. The economic trajectories of “developing” countries are becoming increasingly diversified, which means that the challenges and needs of emerging countries and least developed countries are different. Global leadership is no longer exclusively in the hands of the OECD countries, and the increasingly important role of the G20 indicates the need to frame collective rules and more balanced relations with the major emerging countries and beyond. Worldwide, the growing interdependence of societies means that consensus must necessarily be reached on global balances that are often complex, as is demonstrated by the difficulties facing negotiations on trade or climate.

The cooperation community is becoming more diversified with the arrival of new donor countries (emerging countries, oil-producing countries), the multiplication of multilateral instruments (vertical funds), the increase in private aid (foundations, NGOs), the growing numbers of cooperation initiatives involving local authorities and so on. DAC member States no longer have a monopoly on aid and now need to define new working methods that involve all of these newcomers. At the same time, as societies in developing countries are becoming more diverse, States are no longer the sole players in the development arena; local government, businesses and associations, for example, are also now stepping in.

Worldwide, Official Development Assistance (ODA) has been substantially scaled up over the course of the last decade, but the diversification of financial flows has been faster still. Trade, investments and migrant remittances all represent financial flows in excess of ODA. With a historical high of USD 120 billion in 2009, ODA still only accounts for 0.2% of worldwide

GNI. Given its modest scale, ODA now needs to be better coordinated with the other development funding sources, in a logic of subsidiarity, by either joining forces with or supplementing them.

### 2) Differentiate our policies and instruments to meet complementary objectives

→ Few public policies are confronted with so many parameters, uncertainties and ambitions. This complexity should drive us to clarify the objectives of a development cooperation policy that can only be designed as a framework to ensure the coherence and effectiveness of a multitude of actions and instruments.

The first objective involves the prevention and management of crises, which threaten the development of the countries affected as well as the security of France, particularly as crisis situations constitute fertile ground for large-scale trafficking and terrorism. This objective complements France's thinking on the prevention and management of major human, climatic or even technological disasters.

The second objective involves supporting equitable and sustainable economic growth, since growth remains a key driver of social progress. It should thus be supported and steered towards more socially just and environmentally responsible models. These nascent models must help to ensure that growth in developing countries does not give rise to “ecological and social dumping,” and help to foster the convergence of economic, social and environmental standards in order to safeguard the planet's future, contribute to improved living conditions for populations in developing and emerging countries, and preserve the industrial fabric of countries that already have good social and environmental standards.

The third objective is, of course, the fight against poverty and inequality, which must be given a pivotal place in European policy. Certainly, this remains an overarching goal for the one-fifth of world population still living in extreme poverty, and one that must prevent those who have recently risen out of poverty from falling back into the poverty trap. The Millennium Development Goals have helped mobilise the international community in favour of universal access to a



set of basic social services including food, education, health care, drinking water, a decent habitat and access to employment. Substantial headway has been made, mainly driven by domestic economic growth but also with the support of targeted aid. Now, what needs to be found are the means and resources to ensure even broader-based access to these services.

Lastly, global public goods—particularly when endangered by climate change, biodiversity loss or the spread of contagious diseases—represent collective challenges that are intensifying and yet inadequately managed both by markets (as their benefits are not “appropriable”) and States (because their benefits cannot be confined within national borders). These global public goods call for innovative governance and financing solutions on the part of the international community.

### 3) Mobilise all available resources

→ Funding remains one of the prime levers for influencing development. The current budgetary environment requires making the best use of public funds. These funds must therefore be mobilised in synergy with and subsidiary to other sources of financing, more specifically tax revenues in the concerned countries as well as local and international private investment.

In the European context, coherent public policies should enable win-win solutions to be developed (that reduce eventual contradictions) between development policies and the other sectoral policies, including trade and immigration.

Support for democratic governance and the promotion of rights and standards are priorities for France, whether in partner countries, in a spirit of mutual respect, or at the international level, where France will contribute to an international legal order that respects and promotes human rights.

Producing ideas and leading debate on the purposes and modalities of development at the national—especially in the media—and international level are also levers that France intends to use, as demonstrated by the Landau Commission report on innovative development funding and the Stiglitz, Sen and Fitoussi report on new ways of measuring development progress.

### 4) Promote collective governance commensurate with the new development challenges

→ In today’s globalised world, nations have to cope with exogenous shocks, whether natural, economic or climate change-related. The combination of energy, food, climatic and economic disasters is jeopardising the progress made so far toward achieving the MDGs. The increased vulnerability of some countries and the persistence of extreme poverty are also of growing concern for the international community, as much for humanitarian as security reasons.

These challenges highlight the extent to which States have become interdependent at the international scale, and underline the need for global solutions. This requires a new form of collective governance, based on more effective regulation of global markets, which gives better representation to the world’s major geopolitical groups.

### Why a European development policy?

→ Because France believes in the relevance and added value of European action in development, it has chosen to set its development assistance policy within a European framework, and has constantly sought to support this Union-wide competence. One fourth of France’s official development assistance is delivered through European channels, and nearly half of its programmable grants are implemented by the European Commission. However, the scale of this financial commitment is today raising certain questions, as voiced by the French Parliament. In this context, the question of the European Union’s added value as the vector of France’s European objectives and its vision of cooperation for development has been examined.

It must first be recalled that the European Union’s actions in favour of development have a specific role in the international aid landscape. European assistance is not comparable to the action of either a single Member State or a multilateral actor but is rather the result of a unique project of political integration.

This policy is justified first and foremost by Europe's shared political ambition: to become a global political actor on the international scene. Because development cooperation policy is a competence shared between the Union and its Member States, this common policy needs to catalyse all of our actions if it is to be influential in global affairs.

### **1) European development policy must further the European Union's ambition to become a global actor**

→ To bring influence to bear on global affairs, Europeans must build on common, effective and visible pro-development action. By delivering a message of more inclusive globalisation, European development policy can be an effective tool for cooperation and solidarity, as well as for projecting values and influence in a world characterised by normative competition. Cooperation has always been grounded in a shared history and heritage. Today's globalised setting must prompt the Union to rethink its cooperation by assessing its partners' growth potential and the risks created by disparate levels of development. Our common action must therefore be rooted in a candid analysis of our near future and the risks and the potential of our environment. Given the magnitude of the challenges, no bilateral actor can today take on single-handedly regulating globalisation. The intensity of our European political project, built upon shared values, requires that we act together to meet these challenges and thereby serve the shared interests of our partners from the South and the European communities.

### **2) The European Union's development policy as a catalyst for Member States' action**

→ To be collectively influential in world affairs, a European Union development policy implemented by the Commission is a crucial instrument. This policy must draw its strength from its added value and effectiveness. It must also act as a catalyst for bilateral action by Member States.

European development policy is a competence shared between the Commission and the Member States, which means that Member States continue to operate bilaterally in parallel to the joint action taken by the European Commission. We are frequently reminded that Europe, understood as its Member States and the European Union combined, is the world's leading donor and accounts for almost 60% of official development assistance. But this aid is in no way forms a coherent whole. The challenge today, therefore, is to co-ordinate the bilateral actions of the 27 Member States with the action of the Union in order to respond to developmental challenges and establish our collective presence on the international scene.

This is the purpose of the European Consensus on Development adopted in 2005, which forms the basis of this "27 + 1" European policy and of its implementing instrument, the Code of Conduct on Complementarity and the Division of Labour.

EU policy aims to accomplish more than simply complementing the action of Member States. The added value of aid implemented by the Commission lies in its capacity to mobilise Europeans around common goals. Using open and concerted programming procedures, this aid must allow bilateral action to be catalysed and organised, with some degree of subsidiarity, so that it can contribute to the emergence of a consolidated European policy. The Commission's role as coordinator is based on its competences in aid delivery. The EU must therefore maintain its position as a key donor alongside the Member States, while broadly respecting the present balance between the volume of its own financial contributions and those of Member States. It does not replace the role of the Member States, but is there to mobilise them, supplementing their actions through adapted application of the subsidiarity principle. The European Union does not aim to cover all areas of cooperation, especially those related to the specific priorities of Member States (support for the Francophonie, for instance).

## What European development policy?

➔ In the face of new challenges and with a view to the implementation of the Treaty of Lisbon, to the next Financial Perspectives negotiations and to the next major programming cycle, France strongly believes there is a need for greater coherence, more strategic targets, heightened efficiency and increased consideration for our respective assets.

Since the Yaoundé Conventions, the European Union has relied on a model of North-South relations based on the guiding principles of partnership, ownership, participation and predictability of aid.

In the early 1990s, the European Union significantly re-framed its external action by addressing the entire developing world, by covering a large number of sectors and by enhancing its relations with developing countries through a strong political component. The aid management reform launched in 2000 also brought considerable progress. Simplifying instruments, creating an agency in charge of aid implementation and deconcentrating management authority to Delegations all brought about improvements in the lead times, quality and relevance of EU programming.

The Commission has important assets in the international aid landscape:

- the volume of its grant-based financing, which sets it apart from development banks;
- in its relations with third countries, the combined use of instruments for political dialogue, trade policy and development cooperation;
- its competences in areas such as agriculture, fisheries and trade, which reinforce its action in favour of policy coherence for development;
- its experience in areas such as budget support, support for democratic governance and regional integration, where its added value can be brought into play.

Despite this quantitative and qualitative leap, observers everywhere regret that the European Union does not yet play a political role commensurate with its financial contributions.

France's analysis of current challenges and of the implementation of new instruments has led it to call for in-depth reform of European development policy at the negotiations of the new Financial Perspectives.

### 1) European instruments were shaped by history but must now adapt to the world's complexity

➔ European development policy was built on a divide between the African, Caribbean and Pacific (ACP) Group of States and the rest of the world. Two separate development policies became more or less established, each with its own financial instruments, actors and methods. This reading of the world is the product of history and was justified by the intergovernmental nature of the European Development Fund. Today, however, this divide has become redundant, and the new institutions created by the Treaty of Lisbon have very appropriately put a term to this institutional fragmentation.

The negotiation of the next Financial Perspectives must serve as an opportunity to modernise the associated instruments. It is still appropriate to maintain geographically based funding within the budget, but the European Union should not apply the same methods and instruments to each region, as it currently tends to do.

### 2) The European Union must take better account of Member States' actions and further develop innovative financial instruments

➔ Even after the adoption of the European Consensus on Development, the Code of Conduct on the division of labour and the European agenda on aid effectiveness, European Union policy and Member State bilateral policies continue to be designed and implemented in isolation, despite strong political will to reverse this.

The European Commission needs to give greater consideration to its role as a catalyst for Member State action and more thoroughly examine the respective added value of its services and those of its Member States.

### 3) European instrument programming must adapt to the new development challenges

➔ European aid was shaped by the search for added value in certain sectors. This effort led to a certain standardisation of the aid implemented by the European Commission. The same three concentration sectors are therefore found in a large number of partner countries: infrastructure, governance and budget support.

Conversely, the Commission is not sufficiently active in areas where it can provide genuine added value, based on the experience gained in the building of a united Europe. This is particularly true for regional integration and aid for trade, both areas in which support at EU level appears to be the most relevant. European aid must open up to the new challenges of development, consider the lever effect its actions can have on regulating globalisation, take better account of growth objectives and mainstream global public goods into its programmes.

At the same time, the European Union needs to diversify its instruments to match its partner country situations. The so-called “developing” world has vastly changed over the last decade, and no longer presents a homogenous profile. Even though the political unity of these nations has survived formally through the G77, disparities in development levels have increased to the extent that the developing country category is now being questioned. While most Latin American and Asian countries have successfully implemented an effective growth model based on export strategies for manufactured products, progress in sub-Saharan Africa has been lagging. This diversification of our partners’ situations and challenges calls for a differentiation of our strategies. Different instruments and methods of dialogue are needed for LDCs, countries in a situation of fragility, middle-income countries, emerging countries and countries that export natural resources.

Moreover, the European Union must establish a new form of partnership with overseas countries and territories (OCT), currently regulated by a decision of association based on Section 4 of the TFEU. The new framework must take account of the fact that OCTs are a part of the European family, and offer instruments and procedures that are better suited to their reality and identity.

### 4) The European Union must heighten its visibility

➔ The European Union is too absent from international debates on development, and its methods of intervention do not give it a political weight commensurable to its financial contributions. The entry into force of the Treaty of Lisbon has raised the issue of the European Union’s representation within the organisations in charge of global governance (United Nations, World Bank, IMF). At a time when a reversal in the balance of power between industrialised and emerging countries can be observed, it is crucial that the European Union be in a position to promote a development model in line with its values and legitimate interests.

---

**In the face of new challenges and with a view to the implementation of the Treaty of Lisbon, to the negotiation of the next Financial Perspectives and to the next major programming cycle, France believes that greater coherence, more strategic targets, heightened efficiency and increased consideration for our respective assets are possible. Through the present strategy, France wishes to submit six objectives to its European partners that reflect its vision of European aid architecture and its chief expectations in terms of European development policy for the next ten years.**

---

# PRESENTATION

## **Six objectives for European action that is more effective, more integrated and better tailored to the new challenges**

### **Objective 1: for a European development policy at the heart of the European Union's external action**

- What opportunities are offered by the Treaty of Lisbon?
- How can the new institutional approach strengthen European development policy?
- How can foreign policy and development policy be better linked?
- How can culture be better incorporated into the European Union's external relations and development policies?

### **Objective 2: for a more integrated, effective and visible European policy**

- The European Union should achieve a new political consensus on development.

- Member States and the Commission must move towards greater complementarity and a better division of labour.

### **Objective 3: for a European policy better adapted to the increasing diversity of developing countries**

- Promote the strategic differentiation of geographic partnerships.
- Adapt aid delivery methods to the objectives of geographic partnerships.

### **Objective 4: for a European response adapted to the challenges of a new world**

- Accelerate the achievement of the MDGs via an integrated approach and diversified funding.
- Promote food security.
- Reinforce the development aspect of the European Union's "climate diplomacy".
- Pursue the crosscutting objective of democratic governance.
- Reinforce the link between security and development, notably in situations of fragility.
- Increase support for regional integration.

## **Objective 5: for comprehensive policies and more coherent European action to promote development**

- Trade and development.
- Migration and development.
- Agriculture and development.
- Intellectual property and development.

## **Objective 6: for more modern and responsive European financing solutions**

- Asserting a contractual and incentive-based European policy.
- Better managed budget support for the benefit of aid recipients' public policies.
- Greater support to the productive sector through a new commitment from the EIB and new loans and grants blending mechanisms.
- European aid: a stronger capacity for rapid response to crises.
- A more strategic allocation of the European development budget.

# OBJECTIVE 1

## For a European development policy at the heart of the European Union's external action

→ The Treaty of Lisbon, which entered into force on 1 December 2009, aims to make the European Union a more influential player on the international stage. Development policy needs to be at the heart of this ambition. Certainly, the treaty appears to offer ample opportunity to enhance the effectiveness and coherence of our external action.

The co-existence of a common foreign and security policy managed by the Council and a development policy implemented by the Commission produced a fragmentation of the European Union's voice and action. The new High Representative of the Union for Foreign Affairs and Security Policy, who is also a Vice-President of the European Commission, and the new institutional structure should now lead to reinforced coherence between all the policies, both internal and external, that impact on developing countries.

### What opportunities are offered by the Treaty of Lisbon?

#### 1) The Treaty of Lisbon fosters new unity in the European Union's external action

→ In line with the EU's three-pillar structure, the external relations of the European Union have developed since the Treaty of Maastricht according to two logics: the Common Foreign and Security Policy (CFSP), based on

an intergovernmental approach, and the external action of the Community (trade policy and development policy). One of the goals of the Treaty of Lisbon is to put a stop to this fragmentation by combining the competences of these two pillars under a single heading and by combining the mandates of the European Commissioner for External Relations with those of the High Representative of the Union for Foreign Affairs and Security Policy (HRUFASP).

The High Representative is mandated by the Council for CFSP-related questions. He/she presides over the Foreign Affairs Council, including its development segment. As Vice-President of the Commission, *"he shall be responsible within the Commission for responsibilities incumbent on it in external relations and for coordinating other aspects of the Union's external action"* (Art. 18 TEU). In fulfilling his mandate, the High Representative will be assisted by a European External Action Service (EEAS) (Art. 27 TEU) comprising officials from relevant departments of the General Secretariat of the Council and of the Commission as well as staff seconded from national diplomatic services of the Member States. The Union's new legal personality also transforms "European Commission" Delegations into "EU Delegations," with diplomatic authority and responsible for representing the Union in third countries and within international organisations (Art. 221 TFEU).

#### 2) The Treaty of Lisbon substantially strengthens European development policy

→ For the first time, the Treaty establishes the paramount objective of reducing and ultimately eradicating poverty and places this objective at the heart of the EU's external action (Art. 3 TEU). TFEU Article 208 states that *"Union policy in the field of development*

*cooperation shall be conducted within the framework of the principles and objectives of the European Union's external action. The Union's development cooperation policy and that of the Member States complement and reinforce each other. Union development cooperation policy shall have as its primary objective the reduction and, in the long term, the eradication of poverty. The Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries."* The eradication of poverty is thus understood as a final objective that must be achieved through an array of complementary levers, particularly economic growth.

Furthermore, it is specified that the EU and its Member States shall "coordinate their policies on development cooperation and shall consult each other on their aid programmes, including in international organisations and during international conferences." The Treaty states that the Commission may take any useful initiative to promote this coordination.

Lastly, through its reinforced competences, the Treaty enables full involvement of the European Parliament in formulating and implementing European development policy. The continuation of an institutionalised dialogue with civil society must also accompany the creation of the EEAS.

## How can the new institutional architecture strengthen European development policy?

### 1) The new institutional architecture should reinforce the strategic aspect of programming and policy coherence for development

→ The High Representative, who is also a Vice-President of the Commission, will play a key role in placing development issues at the heart of the EU's external action and in coordinating the action of the various Commissioners concerned.

France calls for recognition of the EEAS' key role in the strategic programming of all aid-related financial instruments, including the EDF. The

EEAS must be assigned, under the authority of the Commissioner for Development and the HRUFASP, a lead role in the initial phases of the programming cycle (country aid allocation, country strategy documents, indicative multi-annual programming), with the Commission services remaining responsible for the later programming phases (annual programming, implementation).

Beyond any nexus between the European Union's foreign policy, development policy and economic, trade and financial policy, the strategic framework should ensure "policy coherence for development". Achieving this ambition implies reinforcing, under the authority of the HRUFASP, coordination mechanisms between the various general directorates and the relevant Commissioners.

### 2) Within this new architecture, the Commissioner for Development must continue to promote strong development policy in favour of coordinated European action

→ Within the strategic framework described above, the Commission should be responsible for identifying the sectors of European aid (in close consultation with the EEAS and in light of its political analysis) and for determining how the aid is allocated. Within the Commission, EuropeAid<sup>1</sup> should continue to ensure operational unity for the implementation of funds.

In accordance with the Treaty and the Consensus, the Commissioner for Development will be responsible for taking any initiative required to enhance coordination between Member States' bilateral policies and the bilateral policy of the European Union.

### 3) European Union Delegations in third countries should ensure aid implementation in beneficiary countries and steer an in-depth political dialogue to promote development

→ The European Union's new Delegations will be in charge of in-country implementation

1. European Commission Cooperation Agency.



of all external competences. By allowing these Delegations to steer the political dialogue as well as monitor the cooperation relationship, the Treaty of Lisbon has set in place a new dynamic. At the same time, this new organisation supposes that Delegations are given the necessary means and staff with the requisite expertise to carry out these newly extended prerogatives.

The political dialogue as defined by Article 8 of the Cotonou Agreement between the EU and the ACP countries deals with all concerns of common interest. The Agreement states that *“the Parties shall regularly engage in a comprehensive political dialogue [...] The dialogue shall be conducted in a flexible manner. Dialogue shall be formal or informal according to the need [...] in the appropriate format, and at the appropriate level”* in order to contribute to peace, security and stability and to promote a stable and democratic political environment. In addition to the dialogue with political authorities, the political dialogue can involve a wide array of actors: opposition parties, non-State players and civil society in general.

In some countries, the implementation of political dialogue has met with some difficulty. The operational unity embodied by the Union’s new Delegations should be used to reinforce this political dialogue by better integrating all questions relating to development.

## How can foreign policy and development policy be better linked?

➔ Although the Treaty of Lisbon clarifies the definition of European development policy, concern has sometimes been expressed that this policy runs the risk of becoming an “appendix” to the CFSP.

It is important to recall that neither the Commission nor the Member States have ever expressed the desire to instrumentalise development, and that the authors of the Treaty of Lisbon have in no way formalised the institutional subordination of development policy to the CFSP.

While advocating more strategic and coherent programming under the impetus of the EEAS, France places special importance on maintaining the balanced approach and principles

currently in force to conduct both the CFSP and development policy:

- European development policy must continue to be governed by the fundamental principles that guarantee its long-term objectives (solidarity, eradication of poverty) and by the procedures developed to this end, in particular under the Cotonou Agreement (partnership, joint institutions, joint multi-annual programming, resource allocation based on needs and performance, etc.);
- the restrictive measures adopted by the Council under the CFSP must, whenever possible, only target and be applied to persons who have violated international law. These restrictions must also take their potential humanitarian consequences on local populations into account;
- the suspension of cooperation, which can be decided by the Council by virtue of Article 96 of the Cotonou Agreement, is a measure of last resort. When countries are subject to this procedure (Zimbabwe, Guinea, Madagascar, Niger), the EU must continue to support the crisis recovery process and assist local populations.

## How can culture be better incorporated into the Union’s external relations and development policies?

➔ Culture must be reaffirmed as a cross-cutting component at the heart of development policies. Promoting cultural and linguistic diversity is an important factor for fostering democratic values, conflict prevention and social cohesion. It is also an essential motor of human and social development, and one that is too frequently overlooked in development policies.

It is vital that cultural diversity, in its broadest sense, be integrated upstream into the shaping of development policies so as to adapt them to a society’s needs and defining characteristics, except if this puts policy ownership or success at risk.

France defends the development of a new external cultural strategy for the European Union. Within the Commission, the cultural dimension suffers from having been spread

among several general directorates, and better coordination is now needed under the leadership of the EEAS. Culture must be considered as a catalyst for human as well as economic development, whether it involves the cultural and audiovisual industries or the enhancement of national heritage. This new strategy must also reaffirm the specific nature of cultural goods and services and ensure they are excluded from all trade negotiations with third countries.

---

**The Treaty of Lisbon must enable European development policy to be steered more strategically while preserving the role of the Commissioner for Development and the fundamental principles for aid effectiveness: predictability and contract-based commitments. The fact that the European Union's Delegations now steer all external competences will help to reinforce synergies.**

**France, which is particularly involved on a bilateral basis in sub-Saharan Africa, will be very attentive to ensuring that the political dialogue initiated by the EU also covers development issues, with heightened emphasis on incentive and differentiation.**

---

# OBJECTIVE 2

## For a more integrated, effective and visible European policy

➔ The challenge for the 27 European Union Member States must be to mobilise their aid contributions—collectively equivalent to some 60% of global ODA—in a more consolidated but non-centralised manner. Even though the European Consensus on Development adopted in 2005 laid down the principle of stronger linkage between bilateral policies and Union policy, European action still appears too fragmented.

The new ambition for external relations set forth in the Treaty of Lisbon implies updating the European Consensus for Development in order to promote common, effective and visible action on the international scene.

### The European Union should achieve a new political consensus on development

#### 1) To influence the international agenda, a renewed European consensus is crucial

➔ Over the past five years, progress has been made in building a more integrated European development policy. Two fundamental texts were adopted: the European Consensus (2005) and the Code of Conduct on Complementarity and the Division of Labour (2007). As the first text to address bilateral policies and EU policy for development cooperation, the Consensus is a major step forward in the affirmation of a European strategy. However, this founding text lays down only general principles of little practical use and fails to incorporate an effective monitoring mechanism.

#### 2) The Consensus should be updated in order to face new global challenges and could be cascaded into more detailed strategies

➔ The content of the European Consensus needs to be clarified and expanded. Being very general in scope, it does not truly define focus areas for EU aid and fails to incorporate some global challenges (climate; migration; social cohesion, including access to employment; respect for fundamental rights).

The new Consensus could provide shared sectoral and regional strategies to respond to challenges that may be beyond the reach of bilateral policies and require consolidated action (access to energy, adaptation to climate change, infrastructure, access to a universal social protection floor, and so on). To ensure their effectiveness, these strategies would require regular monitoring and assessment.

#### 3) More effective monitoring of the implementation of the Consensus and the associated sectoral strategies is needed

➔ The procedures defined as part of the open coordination method could be adapted to the European development policy to ensure better monitoring of the Consensus and the resulting initiatives. This method should be grounded in a precise mapping of interventions and a distribution of tasks between the Community and Member States, according to their respective added value. The Foreign Affairs Council should be responsible for the adoption and monitoring of commitments, with support from the Commission, as well as involvement of the European Parliament in line with the appropriate procedures.

#### **4) The European Union's action in the multilateral arena should be more unified, as demonstrated during the Accra and Doha conferences**

→ In the major international debates on development, the EU manages increasingly often to speak with a single voice. Two questions have nonetheless been raised as to how best exploit the full potentiality of the Treaty of Lisbon: the question of European coordination within the multilateral organisations in charge of development (UN, development banks, the OECD's DAC), and that of the appropriateness of the EU providing consolidated financial contributions to these organisations. More consolidated action in terms of research on development should be promoted upstream.

#### **5) The European Union should be able to promote research that can serve as a reference in the international community**

→ The European Union should be a reference enabling all of Europe to capitalise on our research and expertise in order to strengthen our influence. The post of chief economist and a more robust research department should be created within the European Commission so as to improve the strategic guidance of development policies and bolster this influence.

A club of Chief European Economists in charge of coordinating the intellectual production of the Member States and the Commission could be set up to achieve more consolidated and visible action in development research.

### **Member States and the Commission must move towards greater complementarity and a better division of labour**

#### **1) Development effectiveness requires a strong linkage between Member States' and European institutions' action**

→ The aid landscape is becoming increasingly complex and fragmented. Beneficiary countries now interact with emerging countries,

vertical funds, private foundations, NGOs and middle-income countries through South-South cooperation initiatives. It is thus vital that the European Union form a united front in its allocation of aid in order to gain in effectiveness and visibility. The Member States and the European Union possess a variety of skills that represent a considerable asset for European action.

The division of labour process—a key component of aid effectiveness—is crucial to in-the-field complementarity between the different European players and to the implementation of common strategies. Faced with the widely differing country situations, the division of labour needs to be implemented more pragmatically on a case-by-case basis, with clear political leadership from Headquarters. Advancing a common European approach in developing countries will guarantee the coherence, effectiveness and visibility of our action. Today, even though the Code of Conduct on Complementarity and the Division of Labour and the operational framework on aid effectiveness constitute a political platform, the potential for complementarity and financial coordination is still not fully harnessed.

#### **2) The division of labour must leverage the comparative advantages of European agencies**

→ In the European Consensus on Development, Member States chose to focus the EU's actions on six sectors. However, the financial programming under the 10th EDF evidenced overall that EU aid is still too dispersed. It is crucial that Member States more clearly define the sectors in which the Commission has real comparative advantages, as well as the available instruments and expertise. Strong specialisations exist in the areas of budget support, governance and infrastructure. Some areas that offer comparative advantages, such as support for regional integration, simply need to be put to greater use. But the Commission is involved in many other sectors. Increased specialisation and a more precise inventory of its "areas of expertise" will allow a better division of tasks to match the needs identified by partners in their national poverty reduction strategies.

More generally, this reflection on comparative advantages should be mainstreamed into a joint programming process, and by all European donors, in order to guarantee the relevance of their efforts on division of labour.

The current process for the sectoral division of labour, mainly implemented through the Fast-Track Initiative, should be systematised so as to reach common operational sectoral strategies and systematic joint programming in developing countries.

On this count, the networking of European agencies is a cooperation modality that should be reinforced. This would help to improve coordination between donors, build complementarity based on comparative advantages and create true leverage effects. The three initiatives that exist today are: EDFI (European Development Finance Institutions), EUNIDA (European Network of Implementing Development Agencies) and the Practitioners' Network for European Development. Respectively, they make it possible to pool resources, channel expertise and exchange good practices.

The European Union, as the world's leading donor present in almost all developing countries, has the critical size needed to help the drive for lesser inequality in aid allocation. The geographical division of labour should help to prioritise the issue concerning countries that are commonly deprived of aid.

### **3) An open, transparent programming process must enable full leverage of Member States' and European agencies' comparative advantages**

→ On-the-ground consultative meetings and common programming procedures must be used to examine European donors' comparative advantages with respect to intervention contexts and offer partners more coherent and effective financing solutions, particularly through co-financing and delegated cooperation and transfer agreements, the relevance of which should be systematically assessed.

Given the diversity of European donors' skills, there seem to be good grounds for calling upon multilateral donors only as a last resort for the implementation of Community and even emergency aid.

### **4) Like the Consensus, the Code of Conduct should be extended to include the complementarity of aid delivery methods**

→ Complementarity between aid delivery methods should also be taken into account when applying the principles defined by the Code of Conduct. A donor's legitimacy within a given country clearly increases if the ways in which it delivers its aid complement those of its partners. The added value of actors such as AFD, KfW and the EIB resides in the broad spectrum of their financial instruments, and the question should be raised as to whether all of their financial activities (excluding grants) should be integrated within the scope of the Code of Conduct.

This more inclusive approach would make it possible to systematically examine whether it is beneficial to continue funding certain operations through grants, especially in the area of infrastructure, to ensure optimal use of European funds.

France advocates a more ambitious use of loans and grants blending, which encourages investment in regions where economic growth can be stimulated through countercyclical loan policies.

Better linkage between the loans and grants allocated by the various European donors would lead to an aid delivery method that is not only coordinated, but also adapted to the situations of partner countries in line with their level of development. In addition, this approach would be particularly appropriate for funding the fight against climate change and for Europe's capacity to help developing countries define low-carbon growth strategies.

---

**To enhance the effectiveness of European aid and heighten the visibility of its action on the international scene, greater coordination between European donors should be encouraged. This objective of coordinated but non-centralised action must be pursued as much at headquarters as in the field. There is an apparent need for a new consensus that bolsters synergies among European donors appears necessary and which is based on better identification of their respective added values. To make this**

approach comprehensive, it appears essential to extend the scope of complementarity to the various aid delivery methods. France believes that greater complementarity is required between the loans and grants provided by the different European donors. Furthermore, this complementarity would likely mean that actions can be adequately differentiated according to our partners' needs and the sectors concerned.

France has firmly rooted its bilateral policy in a European approach. Like most of its European partners, it has committed to focus its aid geographically and sectorally (conclusions of the Interministerial Committee for International Cooperation and Development - CICID, 5 June). To improve the division of labour, it intends

to modify the timetable of its programming documents in order to harmonise with that of the European Commission. This process should be implemented in concert with the other Member States in order to reinforce, in the long term, the European Union's universal competence, while fully leveraging each actor's comparative advantages at the geographic level.

The division of labour goes hand in hand with the delegated cooperation and transfer agreements, whereby a Member State or the European Commission implements a project designed or financed by (an)other European donor(s). France fully participates in this process, which enables it to put its expertise to best use within a harmonised common framework.

---

# OBJECTIVE 3

## For a European policy better adapted to the increasing diversity of developing countries

➔ The diversity of developing countries' economic circumstances, including countries in fragile situations, least developed countries (LDC), middle-income countries (MIC) and emerging countries, questions the relevance of the concept of "developing country" as practiced by the WTO or as defined by the OECD's Development Assistance Committee. The EU could take better account of this heterogeneity by more fully differentiating its partnerships with developing countries. This would boost the effectiveness of its action by targeting the poorest countries and populations. This approach should go hand in hand with strategic thinking on how to link up the partnerships agreed at national, regional and continental levels.

### Promote the strategic differentiation of geographic partnerships

#### 1) Define more differentiated policies that take levels of development into account

➔ EU partnerships should more effectively mirror the increasingly disparate situations and challenges affecting developing countries, both in the strategic objectives they pursue and in their methods of intervention. European action would gain in effectiveness by adapting to the political, economic, social, health-related and environmental challenges specific to each

country. The fact that the EU's partners and their growth paths are vulnerable to external and natural shocks should be more effectively integrated into European aid programming. Given their swift pace of development, emerging countries should benefit from programmes that focus on their efforts to preserve global public goods.

#### 2) Better target European financial instruments based on geographic zones

➔ The upcoming budget (2014–2020) will be an opportunity to redefine the priorities of EU action across the world. The Commission could propose that priority partners be identified to increase the effectiveness of poverty eradication. European support for regional integration could also be strengthened by identifying priority organisations on the basis of sector and geographic zone. These choices would be backed by specific European strategies.

It seems essential that overriding focus be given to Africa for the allocation of grants targeting the MDGs. It is on this continent that progress towards the MDGs is lagging most. Certainly, Africa's demographic, political, environmental, health and food security challenges are of particular concern, with a fall in average growth rates from 5.6% in 2008 to 1.5% in 2009 sparked by the global economic crisis. France has therefore decided to allocate 50% of the funds earmarked for the MDGs (excluding actions in post-crisis countries and grants not allocated on a country basis) to fourteen poor priority countries in sub-Saharan Africa.

The incentive-based differentiation approach implemented through the European Neighbourhood Policy (ENP) could also serve as

example for building partnership strategies with other middle-income and emerging countries. Qualitatively graduating partnerships to match partners' levels of commitment would lead to progress in the social and environmental agendas.

### **3) Develop partnerships with other donors**

➔ Triangular partnerships (North-South-South) on development aid issues are vital for building greater coordination with other donors and helping to forge a global partnership for development (MDG 8).

Transatlantic dialogue on development cooperation offers an opportunity to deepen collaboration in key areas such as the MDGs, aid effectiveness, food security or climate-related aid. This dialogue needs to be fleshed out so that it becomes a genuine tool to enhance the convergence of our interests in major international conferences. Discussions on Africa should also be taken further with China and the other major emerging donor countries (BRIC), as well as the Gulf countries, and made as operational as possible, particularly through dialogue on the aid effectiveness agenda.

### **4) Increase the coherence of the European partnership network**

➔ The overlapping of EU partnerships weakens the effectiveness and readability of European action. It is paramount that thought be given to the coherence of both the network of agreements signed with third countries and the dialogues with regional organisations, and should be facilitated by the incorporation of all geographical desks within the EEAS.

In this context, the future of the framework of our relations with the ACP countries is an issue that deserves a thorough review. Although this relationship is a longstanding model of flexible, effective and innovative cooperation, it now has to be recognised that these States' development trajectories and interests are increasingly divergent and that, in their political relations with Europe, our partners often give preference to the sub-regional or pan-African level at the expense of the joint institutions established by the Cotonou Agreement.

Provided that the achievements and fundamental principles that qualify this relationship are not lost, we should jointly reflect with our partners on the most effective framework for deepening our relationship. This debate is also linked to the budgetisation (incorporation) of the EDF into the EU budget, as requested by the European Commission and the European Parliament, which would be particularly useful for funding pan-African projects.

To facilitate their regional economic integration, the ultra-peripheral regions (UPR) and overseas countries and territories (OCT) should also be taken into better account in European programmes, especially regional indicative programmes, and the Pacific and Caribbean strategies. The European Union needs to start thinking about a cooperation framework that is adapted to the international reality of UPRs and OCTs in order to facilitate trade with neighbouring countries, particularly ACP countries.

With regard to migration, the European Pact on Immigration and Asylum aims to foster the synergies between migration and development. The EU's "Global Approach" encourages a holistic approach to migration and promotes inclusive development actions that focus on enabling migrants to contribute to development in their countries of origin. By this token, the Mobility Partnerships and the "migration and development" strands of the Partnership and Cooperation Agreements should be developed, with bilateral support from Member States.

## **Adapt aid delivery methods to the objectives of geographic partnerships**

➔ A more strategic and differentiated partnership policy also implies more targeted use of European financial instruments. These adaptation efforts would help to avoid the pitfall of standardising sectoral approaches and aid delivery methods.

### **1) Grant the most concessional aid to sub-Saharan Africa and to the poorest countries**

➔ Adapting European financial instruments to geographic and sectoral factors would help



to streamline allocation of the most concessional aid, particularly grants to the poorest countries. This challenge is especially important in view of current EU budgetary restrictions. Greater use of loans and mechanisms that blend loans and grants would help to create new levers to increase financing, while grants could be used mainly to combat poverty and support unprofitable sectors.

The EIB could also expand its operations in sub-Saharan Africa, which presently amount to under EUR 1 billion per year, by issuing highly concessional loans to complement grants and by fostering new collaborations with African banks and bilateral European agencies.

## 2) Support a European Neighbourhood Policy (ENP) that shows the potential incentive effects of partnerships

→ Partnerships signed with neighbouring countries must remain ambitious so as to further the creation of an area of political stability, security and economic prosperity in the vicinity of the EU. This objective implies engaging in a deeper dialogue on democratic values and environmental and energy issues, these being fields in which leveraging the *acquis communautaire* and EU expertise is highly desirable.

The EU must also ensure that the different strategies implemented in the neighbourhood are more effectively hinged. Complementarity and interaction between the Eastern ENP, the Eastern Partnership and the Black Sea Synergy need to be bolstered. The major projects envisaged for the Union for the Mediterranean will help inject new impetus into the Southern ENP; their extension to certain interested countries in Sub-Saharan Africa will likely help to promote pan-African integration in line with the Africa-EU Strategic Partnership.

The diversification of aid delivery methods appears to be fully justified for the ENP. The ambition of these partnerships calls for greater use of lending and loans and grants blending, as well as private and innovative financing solutions. As for Community instruments, the safeguard of economic and demographic balances implies continuing to allocate two-thirds of funds from the European Neighbourhood and Partnership Instrument (ENPI) and the

EIB to the Southern neighbourhood, and one-third to the East. Lastly, more consideration needs to be given to the economic situations of the different countries in order to determine the advisability of budget support.

## 3) Diversify cooperation themes and tools for middle-income countries and emerging Asian and Latin American countries

→ Cooperation in the partnerships with MICs and emerging countries is now addressing highly diversified fields. Economic and trade cooperation, the promotion of sectoral dialogue, support for higher education, scientific and technical collaboration and the management of global challenges, particularly environmental and energy issues, are all gaining in importance.

The Financing Instrument for Development Cooperation (DCI) in particular should adapt to this diversity and foresee a new, much-needed classification system. Reform of the Industrialised Countries Instrument (ICI) to ensure eligibility for emerging countries appears equally necessary for funding programmes that do not fall strictly within the scope of development assistance. This adjustment would also mean stepping up the use of loans, private funds and trade advantages, notably for goods manufactured in compliance with certain environmental or social standards. Nevertheless, grants should not be excluded, especially if geared to incentivising reform in sectors of key importance for the EU, such as mitigating the effects of climate change.

Given that the EEAS' role is to guarantee the coherence and the strategic aspect of European external policies, it should promote this more inclusive, differentiated and coherent approach to EU partnerships.

---

**European development assistance would gain in effectiveness by more fully adapting to its partners' needs. The diversification of developing countries' situations requires more differentiated strategic approaches and a more ample blend of financial instruments. This adaptation responds to the objectives of ownership and alignment mapped out by the Paris Declaration on Aid Effectiveness.**

The setting up of the EEAS, which integrates all of the Commission's geographical desks and strengthens EU Delegations' political expertise, should provide the EU with a more comprehensive and strategic vision of all of its partnerships. This major change

is an opportunity for greater differentiation between the approaches used, thanks to more detailed analysis of situations, for a more coherent linkage between European strategies and for more targeted efforts based on our partners' needs.

---

# OBJECTIVE 4

## For a European response adapted to the challenges of a new world

→ While reports on the achievement of the MDGs emphasise the unevenness of the progress made, developing countries now have to tackle challenges of a new kind or of fresh severity, such as turbulence in international economic and financial systems, climate change, demographic growth, food security, coverage of energy consumption, the preservation of natural resources and, lastly, migration. These challenges call for the adoption of more deeply integrated strategies that mobilise all European instruments. Such strategies must also be differentiated to better match country specificities. Today's challenges call for greater support of national development and growth strategies and for global governance in areas where globalisation significantly impacts development.

The crisis has served as a reminder of the limitations of economic theories that are founded on free markets and which reduce anti-poverty policies to providing assistance for those who are excluded from these markets.

It is Europe's role to foster integrated development that supports social inclusion of poor and excluded groups and is based on a high level of social protection combined with full employment, which is the core target of MDG 1. This inclusive development needs to open the way for a form of economic growth that has a pace and pattern conducive to well-balanced, endogenous and sustainable economic development.

Since the turn of the millennium, debates on pro-poor growth have sought to promote this form of development, leading the ministers in charge of cooperation on the OECD's Development Assistance Committee to adopt a policy statement on employment and social protection in 2009.

### Accelerate the achievement of the MDGs via an integrated approach and diversified funding

→ The European Union is committed to channelling its development assistance toward achieving the MDGs, making these goals a core part of its Consensus on Development. European efforts have been substantial and remain preponderant within the OECD, particularly in financial terms. Despite this, progress towards the MDGs is still very heterogeneous and particularly slow in sub-Saharan Africa. Research conducted by the United Nations concurs with the European Commission report coordinated by F. Bourguignon<sup>2</sup> in highlighting the need for a more integrated, sustainable and differentiated approach to the MDGs, as well as diversified funding and fields of action.

#### 1) Support a more integrated, sustainable and differentiated approach to the MDGs

→ The achievement of each MDG is closely interlinked with the attainment of the other goals. Reducing poverty, empowering women, education, access to safe drinking water and health are common goals. This means that all of the EU's policies need to be implemented in concert.

2. *Millennium Development Goals at Midpoint: Where Do We Stand and Where Do We Need to Go?*, 2008.

Sustainable progress toward the MDGs presupposes a development strategy adapted to each country, accompanied by support for governance and endogenous economic growth. The development of local productive sectors, which create employment and wealth, is a powerful lever in the fight against poverty. As early as in 2008, France undertook to double the AFD's support to the African private sector, representing a commitment of EUR 2.5 billion over five years.

Local indicators, beyond the MDGs' overall targets, could also be defined jointly with the relevant countries. The mobilisation of regional organisations, particularly via the "MDG partnership" in the Africa-EU Strategic Partnership, would also reinforce the developing countries' ownership of these objectives.

Increased attention should be paid to the role and condition of women in achieving the MDGs. Gender equality in access to education, healthcare services, employment, land and financial services, as well as to all levels of governance bodies, is a prerequisite to the political and economic enrichment of society.

## 2) Diversify funding and find new levers

→ The EU must uphold its collective ODA commitments while seeking new levers to increase the impact of its aid and enhance the diversification of financial flows, as provided for by the Monterrey Consensus. The use of loans and grants blending and innovative financing mechanisms offer promising potential.

The European Union has expressed support for innovative financing, for example, in the form of taxes on financial transactions, air travel or revenues from auctioning carbon emissions allowances. It must maintain and intensify this commitment over the coming years in order to trigger a real change of scale. Finding new sources of funding is essential, but it is equally important to promote the emergence of a solidarity system based on globalised economic activities. France will take steps to maintain European mobilisation in this area and ensure that development funding receives full consideration in future allocation of funds from innovative financing sources developed by the European Union and its partners.

At the same time, the European Union must encourage greater mobilisation of local resources and public-private partnerships. In many developing countries, the attainment of the MDGs will require significant public spending well beyond 2015. This spending must be guided by more effective and equitable budget policies. Long-run reduction of poverty through sustainable growth and investment in human development implies that States have the necessary budgetary leeway to implement appropriate public policies, limit their dependence on official development assistance and thereby reinforce their ownership and legitimacy. The European Union has an important role to play in this respect by providing coordinated support for capacity building in tax administrations, by backing the work of the African tax forum, by supporting regional economic communities in efforts for tax harmonisation, by continuing the fight against tax evasion and non-cooperative tax jurisdictions and by ensuring that the resources implemented to this end take into account the specificity of developing countries.

## Promote food security

→ The recent food crisis and the emergence of new challenges such as demographic growth and changing dietary habits in emerging countries, large-scale international land acquisitions, climate change and price volatility must prompt the EU to rethink its action for food security, with special focus on:

- the recognition of the four food security pillars (availability, access, quality/nutrition, stability/crisis prevention) and the need to rebalance these components (with particular focus on the low agricultural productivity of sub-Saharan Africa);
- the pertinence of action at global level, the recognition of regional dynamics and the importance of field-level implementation through coordinated approaches to enhance food security;
- the need to ensure the coherence, coordination and complementarity of European policies (trade, environmental, humanitarian, agricultural, development, energy, etc.) impacting food security.

## 1) Promote a revamped governance system for food security

→ The European Union must continue to drive implementation of the Global Partnership for Agriculture, Food Security and Nutrition by defending an integrated approach based on three pillars: governance, knowledge and finance. While there is certainly a need to scale up donor funding, food security is a global issue that in addition calls for highly effective international governance hinged on the Committee on World Food Security, on involvement from all stakeholders and on independent expertise. In this context, it is crucial to enhance the effectiveness of multilateral institutions, in particular the FAO, the Consultative Group on International Agricultural Research (CGIAR) and the Standing Committee on Nutrition.

## 2) Define a common framework for action

→ European and Member State food security policies need to integrate a common framework, within the Global Partnership. This framework should define common objectives (agricultural development, support for food production and smallholder farming, access to food, nutrition policy, policy for crisis prevention and management and fostering increased and soundly based integration into international trade). It should also address new global challenges (price volatility, climate change, land issues) and follow certain guiding principles (support for regional integration, an integrated approach to meet new challenges, support for national policies and strategies, prioritising the needs of the most vulnerable populations, aid effectiveness, coordination of actors and financing, division of labour and mutual responsibility).

## 3) Improve financing

→ European financial instruments (AA, DCI-SA, EDF, ENPI) must be deployed with maximum coordination and effectiveness and in coherence with Member State instruments. They need to be aligned with national sectoral programmes involving all donors. In addition, they need to be coordinated with international financial instruments (the World Bank's GAFSP,

for example) and the competent international organisations (such as IFAD).

For these financial instruments, the European Union should define a mechanism to manage price volatility, particularly concerning the remuneration of agricultural producers.

Innovative financing mechanisms offering medium- and long-term returns to private investors should also be encouraged. The African Agriculture Fund (AAF) operates with equity financing and facilitates the mobilisation of substantial volumes of private capital. An interesting case in point is IFAD's contribution from European resources to the technical assistance facility linked to the AAF, the latter being co-financed by France and other donors.

## Reinforce the development aspect of the European Union's "climate diplomacy"

→ Regardless of a country's or region's level of development, response strategies to climate change have become an integral part of the international agenda. Climate protection is now considered a global public good in need of an urgent, coordinated response from the international community.

### 1) Integrate the climate issue into European development policy

→ The climate change issue needs to be better integrated into all EU policies. This is particularly true for European development policy and trade policy.

Following the Copenhagen Conference in December 2009, there is a vital need to more closely align the development agenda with climate policies. These policies must be designed to open up new opportunities allowing developing countries to reduce poverty while pursuing low-carbon development strategies and adapting to the impacts of climate change.

The climate issue should translate into reinforced political dialogue between the European Union and developing countries and become a key part of the strategic partnerships and bilateral or multilateral cooperation agreements to be negotiated in the coming years.

As for renewable energies and the fight against climate change, the EU can follow the example set by the strategies pursued in the UPRs and OCTs and ensure greater sharing of best practices with developing countries.

## 2) Meet financing needs

➔ To maintain its credibility in the wake of the Copenhagen conference, it is urgent for the European Union to act on its fast-start finance pledge to provide an annual EUR 2.4 billion over the 2010-2012 period.

At the same time, it is essential that the next Financial Perspectives (2013-2020) fully integrate the climate issue and its implications for developing countries. Overall, priority should be given to establishing an effective financial architecture using existing funds.

It is also important to promote coordinated action by European financial institutions, such as the EIB, AFD, KfW and other Member State institutions and operators, for projects targeting climate change mitigation or adaptation. Full advantage should be taken of all mechanisms that blend or combine different types of available resources (Member State grants and loans).

In the long term and given the scale of the needs (an estimated EUR 100 billion per year by 2020), it is already clear that official development assistance will fall short of the mark and that complementary sources of funding (including private funds) will have to be found for investments, particularly in clean technologies.

France, which provides the Permanent Secretariat of the Leading Group on Innovative Financing for Development, intends to actively contribute to European and international research into new sources of funding—notably innovative financing mechanisms—in the area of climate change. France proposes that a portion of the proceeds from carbon auctions be earmarked for the fight against the causes and impacts of climate change in developing countries.

The European Union should play a lead role in this initiative, which involves mobilising new financing mechanisms for development while promoting a more inclusive, equitable and sustainable path for globalisation.

## Pursue the cross-cutting objective of democratic governance

➔ Within the European Consensus on Development, the European Union broadly defined the concept of democratic governance, taking into consideration all of its dimensions (political, economic, social, cultural and environmental).

In the new institutional framework, closer ties between foreign policy and development policy should help to strengthen governance in developing countries.

### 1) A positive, contractual approach

➔ Since the 1990s, the European Union has enhanced its cooperation policy by greatly reinforcing its political component. In this respect, its relations with the ACP member states are the most mature.

In the event that the “essential elements” pertaining to human rights, democratic principles and the rule of law, as defined in Article 9 of the Cotonou EU-ACP Partnership Agreement, are violated, Article 96 of the Agreement provides for a reinforced consultation procedure (“consultations”) with the partner country and enables the Council of Ministers to adopt “appropriate measures”, notably the suspension of cooperation assistance under the EDF. The European Union, aware of the inherent limitations of any political conditionality, has taken a pragmatic approach in which the implementation of cooperation is suspended only in cases of serious violation of the rule of law (accession to or maintenance of power by unconstitutional means).

The suspension of cooperation must, as far as possible, spare civil populations. The adoption of appropriate measures already enables the European Union to refocus its cooperation onto direct support to populations, via civil society organisations, for example, and to thus avoid impacting them too severely. Greater flexibility and responsiveness must be sought in implementing the procedure laid down in Article 96, especially when all conditions required to resume cooperation have been met.

In general, the EU prefers to take a positive approach by engaging in political dialogue with the partner country, as described in Article 8 of the Cotonou Agreement, and by financing programmes in support of democratic governance. This is the second focal sector in ACP country programming. Under the 10th EDF, the EU also introduced a new contractual mechanism: the “Governance Initiative”. An in-depth analysis of each country’s governance (“governance profile”) is carried out with input from Member States and the partner country. On the basis of this profile, the partner country can choose to undertake a governance action plan for reform in order to receive additional funding on top of their initial allocation. The implementation of their commitments is jointly monitored by EU Delegations and Member States through political dialogue and mid-term reviews of programming. The governance incentive tranche is allocated at the start of the programming process and is not dependent on results. It is an incentive tool designed to encourage partner governments to initiate a reform process in which civil society fully participates.

## 2) A broad approach to governance with civil society involvement

➔ The European Union has mapped out a broad approach to governance in development cooperation, *“based on the universal principles and objectives and the common aspirations that must inform the main functions of government, all areas of state intervention and the interaction of public institutions and citizens.”*

France fully supports the implementation of this approach by the Commission and recognises its added value in this area. France favours a multidimensional approach that supports, for example, tax administration reform and judicial training, as well as the integration of the governance concept into each sectoral programme, including the deconcentration and decentralisation components.

France firmly believes in the importance of working closely with parliaments but also in involving non-State actors from both the non-governmental and private sectors in defining European development policy and programming its financial instruments. France invites the

Commission and the EEAS to strengthen the role of local actors in European programmes and, in particular, to promote the development of platforms for multi-partner consultation. To this end, it recalls the ambition of the European Charter on development cooperation in support of local governance. Faced with the proliferation of cooperation players at local level, the Charter defines more coherent types of action to complement other international initiatives, sets out principles and procedures for more effective cooperation at the local level and identifies priority fields of action to enhance aid effectiveness.

With respect to existing Community programmes (in particular, DCI-Non-State Actors and DCI-Investing in People), the European Union must continue to actively support civil society organisations. The Palermo II process, designed to operationalise the Accra Declaration commitments, is an encouraging step in this direction. More specifically, this support should strengthen the capacity of civil society organisations to dialogue with their national governments and help to develop more inclusive public policies. Promoting social dialogue and building the capacities of social partners are thus important objectives and dovetail with various International Labour Office programmes. The European Union’s efforts to involve these organisations in discussions on aid programming are also vital and must be continued and amplified.

Regarding the terms of this aid, France is in favour of the European Union proposing financing mechanisms that support the implementation of small-scale projects tailored to the expectations of civil society in the poorest countries. The minimum threshold for EDF projects benefiting non-State actors is usually too high when compared against the needs of these communities.

## Reinforce the link between security and development, notably in situations of fragility

➔ The Treaty of Lisbon and the setting up of the European External Action Service (EEAS) should afford the European Union an opportunity to give greater coherence to its action by reinforcing the links between security

and development. The European Security Strategy (2003) and the European Consensus on Development (2005) have already explicitly recognised that sustainable development is not feasible without peace and security and that sustainable peace cannot be attained without development and poverty eradication. The tangible threats identified by the European Security Strategy include regional conflicts, the failure of States, and organised crime.

To meet these challenges, the EU has several efficient tools at its disposal: for example, the African Peace Facility, the Instrument for Stability (IfS), governance programmes funded by the European Development Fund (EDF), the Financing Instrument for Development Cooperation (DCI) and European Security and Defence Policy (ESDP) operations.

### **1) Promote conflict prevention and peace-building in European Union external relations**

➔ As early as in 2001, the European Union's Gothenburg Programme had identified the prevention of violent conflicts as a key objective for the EU's external relations. Since then, the European Union has gradually built up its conflict prevention and crisis response capabilities.

France advocates that this priority should remain a prominent feature of the European Union's external relations, especially in fragile States that require specific attention and a differentiated approach.

### **2) Increase the coherence and effectiveness of the European Union's action in fragile or failed States**

➔ In November 2007, the Council adopted conclusions on the strong nexus between security and development, on the one hand, and on the EU's response to situations of fragility, on the other hand. In 2009, the principles underpinning the merger of the two action plans were agreed upon. France fully supports the formulation of a European Union action plan on the security and development nexus in fragile States. It considers that this should be a priority

item on the agenda of the future European External Action Service.

Ensuring aid effectiveness in States in situations of fragility (estimated at more than thirty) is a major issue for the international community. It calls for the creative use of all European instruments, namely, the geographic and thematic programmes of the European Development Fund and of the Financing Instrument for Development Cooperation; the Instrument for Stability; the African Peace Facility; and humanitarian assistance. It is crucial to combine these tools effectively in order to ensure the continuum between emergency aid, rehabilitation and development.

France's view is that budget support can play a role in maintaining the stability of fragile countries, whether they are in an acute crisis or post-conflict situations. It enables basic public services to remain operational in countries where the State lacks the means to finance them, pending mobilisation of its fiscal resources, which must remain the primary objective. Budget support must be accompanied by initiatives to provide governance advice, so that control procedures can be set up to guarantee good financial management and fight corruption and tax evasion.

Although this comes with undeniable risks, adopting a flexible and non-standardised approach makes it possible to adapt to the specifics of each situation. The Commission's work to formalise a common approach by the EU, World Bank, IMF (International Monetary Fund) and AfDB (African Development Bank) founded on strengthened dialogue and effective field coordination is of utmost importance.

In fragile States, the European Union and the United Nations have a key role to play in preventing conflicts, managing crises and proposing an appropriate response strategy. The fact that the European Union (like several Member States) has a permanent seat at the Peacebuilding Commission is illustrative of this shared responsibility.

France favours a reinforced partnership between the European Union and the United Nations to deal with situations of fragility. If necessary, the European Union needs to be in a position to contribute to the United Nations Peacebuilding Fund.



### 3) Develop the European Union's peace-building skills

➔ From 2001 to 2008, the EU channelled some EUR 5.3 billion (excluding the Balkan region) into conflict prevention and peace-building by mobilising the financial instruments of European development policy. Since both Brussels and the EU Delegations have limited expertise in this domain, the programmes are most often implemented by regional or international organisations.

This is true, for example, of the Security System Reform (SSR) programmes, including justice and police programmes, and Disarmament, Demobilisation and Reintegration (DDR) programmes for former combatants.

France is in favour of the European Union developing its own analysis and intervention capabilities for SSR and DDR. Modules on conflict prevention, SSR and DDR should be an integral part of EEAS staff training. In addition, the European Union should ensure the short-term availability of relevant expertise that can be rapidly mobilised in case of crisis, drawing on Member State resources. "Defence Advisor" and "Internal Security Advisor" positions filled by representatives from Member States could be created within EU Delegations in developing countries where these issues are a priority area of cooperation. EU Delegations should acquire new skills not only in the area of hard security, but also in complementary areas such as civil security.

Security is not, however, an end in itself and the action taken in this area must necessarily be a part of a more comprehensive approach to reinforce democratic governance and foster development.

### 4) Strengthen the African peace and security architecture

➔ The African Peace Facility was created at the request of the African Union (AU) to flesh out the African peace and security architecture. The Facility channels funds to peace support operations conducted by African regional or sub-regional organisations in Africa, as well as to capacity building initiatives within the African Union's newly created security structure. This innovative instrument is highly appreciated by African partners. It is the only

substantial, predictable source of funds for African peacekeeping and security operations and thus encourages Africa to assume responsibility for security on the continent.

France considers that the European Union must continue to support the African Peace and Security Architecture. To do so, proactive efforts are needed to enhance African capacities (of the AU particularly) in the administration and financial management of allocated funds.

### 5) The case of Sahel-Saharan Africa

➔ The Sahel-Saharan region is currently facing a number of social, economic and security challenges that threaten the stability of the region and are of concern for Europe given its geographic proximity.

The region's security and stability is also a key issue for Europeans, as the weakened sovereignty of Western Sahel countries undermines the fight against illicit trafficking and the management of migration flows. Furthermore, European interests are increasingly targeted by terrorist threats in this region.

It therefore appears necessary that programmes to restore State authority take into account the living conditions and expectations of the population concerned and, consequently, the development outlooks for these regions.

France considers that this situation calls for coherent, sustained action geared at helping the region's States to strengthen their capacity to control their territories and neutralise threats. Such action must also support the development of regions excluded from social and economic growth. To achieve this strategic objective, resources need to be better coordinated within national and regional projects, on the basis of existing cooperation instruments such as the EDF and the Instrument for Stability.

### Increase support of regional integration

➔ France fully supports all efforts that can be deployed in favour of regional integration. Such projects are key determinants for peace, stability and development, as they endeavour to overcome, through common agreement, the

political, physical, economic and social hurdles that separate countries from their neighbours. They also aim to foster collaborative management of shared resources and promote common interests in the international arena.

Promoting regional integration is a central component of the European Consensus on Development and is an area in which the European Union can bring a comparative advantage. For many years, the EU has actively supported a model of regional integration around the world. A particular case in point is the ACP region, where Economic Partnership Agreement (EPA) negotiations must continue to focus on this priority objective, regardless of the difficulties involved. European support for regional integration could gain in effectiveness if a more political, gradual and coherent approach is adopted.

### 1) A more political strategy

→ The presence of numerous regional organisations with overlapping mandates and scope, particularly in sub-Saharan Africa, and the continuing weakness of institutional capabilities and common policies make it necessary for the European Union to re-align its strategy.

The EU's regional partnerships could enjoy better coordination if greater account were taken of Member States' support, the reality of their sectoral expertise and the political role played by the different organisations. A strategic choice of stakeholders, to avoid kindling inter-organisational rivalry, would improve the impact of European institution-building programmes and would encourage collaboration between Regional Economic Communities, sub-regional organisations and the African Union Commission.

To assess regional integration, there is a need for indicators other than those based solely on intra-regional trade figures. To this end, the EU could support the pan-African programme launched by the African Union Commission to develop a common framework for monitoring the regional integration process.

The new EEAS should also enable the EU to develop a more integrated approach for its regional integration support through closer linkage between political and institutional

dialogue, capacity-building support, project aid and assistance in trade negotiations. EU Delegations should also develop their role as donor coordinators and implement the division of labour at the regional level. Greater interaction between the EU Delegation in charge of a region and all Member State Delegations within the region should also be sought.

### 2) More gradual support

→ European support for regional integration could be scaled to match the needs of each organisation, focusing on accompanying their growth in a gradual, realistic manner. An in-depth analysis of institutions would avoid support being given to objectives that are overly ambitious compared to an organisation's resources and allow a more effective use of aid for capacity building. The Commission has already emphasised the need to simplify institutional architecture and integration programmes, and the European Court of Auditors has issued recommendations to this effect. Stepping up technical assistance should bolster these efforts.

### 3) A more coherent approach

→ In extended and more harmonised markets, the free movement of goods, services, capital and persons should facilitate economies of scale and stimulate investment, thereby fuelling economic growth and South-South trade. For this to happen, the policies developed by regional organisations, particularly for harmonising legal frameworks, need to be complemented, supported and strengthened by national-level policies to build up production capacity, improve economic competitiveness and promote sustainable social and environmental development. The success of regional integration processes also depends on a deeper involvement of the private sector and civil society.

In programming its aid, the European Union must also consider regional integration as a cross-cutting objective. Under the 10th EDF, national programming documents and regional programming documents were drafted separately due to other concurrent trade negotiations, which is a weakness that needs to be addressed in the next programming period.

Lastly, the EU must defend a trade policy that gives priority to the achievements and potential of regional integration. Although EPA negotiations have strengthened interregional dialogue, some of the bilateral interim agreements do not appear to be compatible with the commitments made to customs unions. The signing of full regional EPAs, which is a necessary step after the interim EPAs negotiated in 2007, should also give priority

to regional integration, promoting growth through economies of scale and contributing to poverty reduction.

In this setting, it is also necessary to ensure economic complementarity between Europe's ultra-peripheral regions (UPR) and the countries surrounding them, particularly ACP countries, with due consideration for their individual sensitivities.

# OBJECTIVE 5

## For comprehensive policies and more coherent European action to promote development

→ European policy coherence for development (PCD) appears as a pivotal stake in the European response to the global challenges. Article 208 of the Treaty of Lisbon requires all policies to address the objective of poverty reduction.

Accordingly, in 2005, the EU decided to apply PCD to twelve policy areas that could accelerate the achievement the MDGs. Every two years since then, the Commission has issued a progress report on PCD in these twelve areas.

The latest Commission report on this theme, released in 2009, suggests strengthening PCD in five priority areas: trade and finance, climate change, global food security, migration and security. In the Council, France backed the renewed focus on these priorities, while underlining the special importance it attaches to the themes concerning the trade-development nexus, the migration issue and the future of the Common Agricultural Policy (CAP). The importance of the climate change strand in development policies has been discussed earlier<sup>3</sup>. As for the linkage between taxation and development, the strategic study launched by France<sup>4</sup> will provide useful insights into this topic.

The European Union is in a position to foster a positive approach geared to strengthening and leveraging synergies between development policy and other policy areas, such

as trade, migration or agriculture. Yet, this refocusing of priorities should not overshadow the importance of other themes such as the coherence between intellectual property and development, which this document has accordingly chosen to address.

## Trade and development

→ As the main market for developing countries and the world's leading donor, the EU seeks to combine trade tools and development instruments to support growth in developing countries and combat poverty. Its action in this area could be made more effective by taking advantage of opportunities offered by the Treaty of Lisbon and better responding to new aid challenges, for example, by differentiating development levels, supporting more diversified local production and promoting social and environmental norms.

### 1) Improve institutional cooperation

→ The Treaty of Lisbon can help to establish a more coherent link between trade policy and development policy. To do so, there needs to be closer cooperation between the different Commission departments and the EEAS, as well as the EU's three institutions. The European Parliament now plays a bigger role in European trade policy as its formal approval is required before agreements are signed by the Council. National parliaments should also be more deeply involved. With respect to its external partners, the EU should also pursue its dialogue with the WTO and the UNCTAD (United Nations Conference on Trade and Development) concerning the link between trade and development.

3. Reinforce the development aspect of the European Union's "climate diplomacy", Objective 4, p. 28.

4. Taxation and development, a strategic study launched in September 2009, currently being finalized.

## 2) Better address the needs of the poorest countries in trade agreements

➔ Although “Everything But Arms” is an important initiative, European trade policy does not always give priority support to the poorest countries. The upcoming revision of the Generalised System of Preferences (GSP) should, on this count, better target the economic development objective by reserving trade preferences to the benefit of those countries most in need. Trade agreements can also help to foster development and reduce poverty in developing countries. Economic Partnership Agreements with ACP countries, in particular, can serve this purpose insofar as the level of market opening required from developing countries allows them to protect their sensitive sectors and long-run support measures are set up. As the world’s largest donor and trading power, the EU is especially well placed to advocate for better differentiation between the developing countries in the WTO. Within the Doha Development Round, the economic performances of emerging countries are now far in excess of those reported when it was launched, whereas the situation in LDCs and other poor countries has barely evolved. This makes a strong case for better differentiation of developing countries, notably as distinct from emerging countries. The EU should thus encourage discussion on this subject in the WTO, support further research on differentiation criteria and promote special consideration for the needs of the poorest countries in negotiations, notably by recommending better utilisation of Special and Differential Treatment (SDT).

Lastly, the effective implementation of European aid-for-trade commitments should also improve the integration of developing countries into world trade.

## 3) Give priority support to local production and markets

➔ The EU seeks to foster better integration of developing countries into the international economic system by means of unilateral trade preferences and free trade agreements supported by assistance programmes, especially ones to building up production and export capacities. Yet, the decline in the production capacities of many developing countries is particularly

worrying in a context of economic and food crises and tougher competition from emerging countries, which suggests that European strategy should be geared first and foremost towards supporting local production and markets.

Compensatory instruments and assistance mechanisms to adapt traditional industries are intended to cushion developing countries from exogenous shocks caused by globalisation and trade liberalisation. Yet, these tools are labouring to support the development and diversification of local production. To prevent the marginalisation of developing countries in the world economy, it is necessary to help them adapt to liberalisation processes. The EU could adopt a more flexible and differentiated approach to the market access conditions of the free trade agreements negotiated with least developed countries, much in the same way as France is encouraging with the EPAs.

There is also a need to redirect European aid for trade toward priority support of local and regional markets, as is recommended in the French aid-for-trade strategy. The current gap between supply and demand with respect to aid for trade implies that European aid needs to be better aligned with the priorities of developing countries, following the approach of a division of labour among donors and enhanced complementarity between regional and national levels. The development of an aid-for-trade frame of reference, akin to that in Western Africa, would facilitate the task of ensuring coherence. European support for private sector development must also be strengthened, particularly by drawing on expertise from Member States to upgrade businesses.

## 4) Promote an ambitious commodities policy

➔ Commodities are a global issue both in terms of economy and food supply. The commodity trade represents about 28% of global trade and more than ninety countries are dependent on commodities for over 50% of their exports.

Given the current volatility of agricultural and energy commodity prices and the fact that commodities as raw materials are sources of income for developing countries, the European Union must lay particular focus on commodity

markets and develop coherent policies in this area. While commodities contribute to economic growth and the reduction of poverty in developing countries, as well as the planet's food security, they also reflect economic and trade interests for the European Union and its private sector.

The problems specific to each of the major commodities must nonetheless be identified and addressed. Agreement must be sought with producing countries to implement sustainability, which is an approach that for the time being arouses their wariness. For this, agronomic, economic and social solutions adapted to local conditions could be proposed to bring about reform in some sectors through the use of European expertise in this area.

The present crisis reveals, above all, a lack of European and global regulation that must be addressed urgently. For this reason, it would be desirable at EU level notably to reinforce the work of the Council Group on commodities (PROBA-Group) and to define an ambitious commodities strategy for the European Union. For example, the European Union could encourage improved economic organisation of the value chains and promote instruments for the management of commodities market; further integrate commodities into European aid programmes and national and regional aid-for-trade strategies; adopt measures to fight raw material speculation by promoting the creation of a European regulatory body for futures markets, along the lines of the CFTC (Commodity Futures Trading Commission) in the United States; and, lastly, support international initiatives to combat commodity price volatility and establish global governance for these products.

### **5) Reconcile the developing countries' economic interests with the promotion of social and environmental norms**

→ The EU has three means of promoting compliance with social and environmental clauses in developing countries: the special incentive arrangement for sustainable development and good governance, known as the Generalised System of Preferences Plus (GSP+); the inclusion of clauses in bilateral

agreements; and support for civil society. Adapting the first and stepping up the third would give stronger impact to its action.

At present, little incentive is offered by GSP+, as beneficiaries must have effectively implemented twenty-seven international conventions in human and labour rights. In reality, the application of these conventions is assessed on the basis of often incomplete reports. Moreover, the Commission services tend to give precedence to the regime's trade benefits rather than to its incentive role and keep to very flexible evaluations so that as many countries as possible can benefit from this preference.

The resulting situation is disquieting: not only is the objective of promoting good governance abandoned, but the rigour of the European selection process could again be challenged before the WTO's Dispute Settlement Body (DSB).

Improving this evaluation process is thus an urgent matter and must be initiated with the revision of the GSP. More comprehensive European research on the basis of internationally recognised criteria would help to preserve the incentive effect of the GSP+. Greater responsiveness from the EU in dealing with failure to comply with international obligations is also desirable in order to strengthen the credibility and legitimacy of GSP+.

The inclusion of social and environmental clauses in trade agreements is an avenue to be explored, since at this stage progress within the multilateral framework remains limited, especially for the Doha Round negotiations on the relationship between trade and the environment (social issues are excluded here from the negotiating mandate). Greater attention should be devoted to this issue with respect to implementing development assistance and agreements with the private sector. The EU should also bolster its direct support to representative stakeholders and members of civil society who are actively working in developing countries to promote decent work and environmental sustainability. This approach would reinforce government ownership of these issues, as demonstrated by France's experience in promoting West African agricultural trade union structures.

## 6) Strengthen the role of culture in development cooperation

➔ Our partners' culture should be given greater consideration in development cooperation policy. Integrating culture into development programmes, whatever the sphere of intervention, is a factor for success as it ensures better alignment with our partners' needs, lifestyles and values. In turn, this leads local populations to take on fuller ownership of these programmes.

The EU has negotiated cultural cooperation frameworks with some of our trade partners, such as the Cultural Cooperation Protocol with the CARIFORUM countries to promote the implementation of the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions. The French concept paper, *Pour une nouvelle stratégie culturelle extérieure de l'Union européenne* ("For a new European Union external cultural strategy"), offers several recommendations for European cultural cooperation, particularly when this cooperation is linked to trade liberalisation. These proposals call for cultural cooperation frameworks to take into account the level of development of a partner country's cultural industries, as well as its expectations and interests in the different cultural sectors. The paper also recommends that the EU adopt a comprehensive and differentiated approach to cultural cooperation with its partners, and incorporate this cooperation into its development policy.

## For a global approach to migration and development

➔ The Global Approach to Migration, adopted in 2005 by Heads of State and Government, provides a clear framework for action by the European Union and can be used to take advantage of the development opportunities offered by migration.

Its three focus areas—promoting mobility and legal migration, preventing and combating illegal immigration and its networks, and optimising the link between migration and development—require well-balanced implementation to ensure "policy coherence for development".

Migration policy cross-cuts a variety of domains including domestic affairs, justice, foreign affairs

and the economy, all at both the national and European level. Although progress has been made toward harmonisation, legal regulation still varies considerably across Member States in terms of entry, mobility, long-term stay and migrant integration within the host community. In light of demographic prospects in Europe and worldwide, this situation calls for increased efforts, especially concerning legal migration, in order to promote policy coherence and give real substance to the Global Approach. Furthermore, as human trafficking is on the rise, stronger cooperation is needed to effectively combat illegal immigration networks in home and transit countries, where they are a source of economic, social and political destabilisation.

The European Pact on Immigration and Asylum as well as the EU-African conferences in Rabat and Paris were milestones in the area of "migration and development." They demonstrate the common European desire for a global and coherent approach.

## 1) The migration and development nexus could benefit from a more dynamic approach

➔ Since 2006, Europe and Africa have been engaged in a dialogue on migration-related issues. The EU-African process on migration and development was launched in Rabat in July 2006. On 25 November, France, which is firmly committed to this regular dialogue, hosted the second EU-African Ministerial Conference on Migration and Development in order to give fresh impetus to practical and operational cooperation between the partners involved in the process. This conference led to the adoption of a triennial cooperation programme comprising around one hundred practical recommendations.

Migration must become a key component of the external relations of Member States and the Union. This means that, in the relations with each third country, the quality of the existing dialogue should be taken into account.

The goal is to better integrate migratory policy and development policy to help reduce inter-regional development disparities, in line with the specific development policy objectives, in particular the Millennium Development Goals. Migrant remittances, the involvement of diaspora populations and circular migration are three

key components that the Union should put to full use to incorporate development into migration policies and boost policy coherence for development.

## **2) France encourages the EU to strengthen the legal regulations pertaining to legal migration, particularly circular migration**

➔ Adopted by the European Council on 16 October 2008, the European Pact on Migration and Asylum encourages Member States to offer third-country nationals legal immigration opportunities in function of their labour market capacities. Through Commitment 5, the Pact promotes inclusive development actions that enable migrants residing in the European Union to take part in the development of their home country, thereby furthering the consultative and partnership-based approach.

The EU should make further headway with agreements on the mutual recognition of qualifications, making them a systematic component of the bilateral strand of the “Partnerships for Mobility” in which it participates. In addition, France encourages full implementation of the “EU Policy Plan on Legal Migration”.

## **3) France encourages the European Union to fully invest its efforts in facilitating and lowering the cost of migrant remittances toward home and transit countries, and to back development projects undertaken or supported by migrants**

➔ More specifically, France would like the EU Member States and the Commission, within the framework of the European Directive on Payment Services, to work jointly with transfer operators to increase cost disclosure, develop the opportunities created by new technologies and support financial products tailored to the needs of migrants and their families in recipient countries. This should be achieved by encouraging and supporting migrants’ initiatives for productive investment in their countries of origin through appropriate incentive mechanisms, in particular building on European diaspora networks.

France encourages the EU countries and the European Commission to coordinate their efforts and cooperation with origin and transit countries, with a view to improving migrant families’ access to financial services and to encouraging origin and transit countries to adopt regulations that will facilitate the emergence of new actors on the migrant remittance market in connection with micro-financing institutions notably in rural areas.

## **Agriculture and development**

➔ The promotion of agriculture and food security in developing countries must be a key objective for the Union. As illustrated by the food crisis, agriculture crystallises major human, economic and environmental challenges for developing countries. It frequently represents one-third of developing countries’ GDP (Gross Domestic Product) and provides employment for two-thirds of their active population. Agriculture is therefore one of the five priorities of French policy on development assistance.

### **1) Bolster synergies between European policies that impact agriculture in developing countries**

➔ As the world’s foremost agricultural power, the European Union is cognisant of the prominent role it has to play in meeting the global food challenge. In 2009, it pledged to increase its policy coherence by placing the global food security objective at the heart of the Common Agricultural Policy (CAP) reform process.

The series of reforms in the 1990s and 2000s have already marked up clear progress and built support for agricultural industries in developing countries. The proportion of export refunds in the European agricultural budget fell from 29.5% in 1993 (EUR 10.159 billion) to 5% in 2006 (EUR 2.494 billion). This downward trend has continued ever since, with refunds accounting for a mere 1.2% of CAP spending in 2009. Their impact on developing countries must continue to be closely monitored. Thanks to the decoupling of direct European aid, almost all CAP domestic support (programmes designed to support guaranteed income, structural



adjustments or environmental protection) now qualifies as non trade-distorting (“green box”) according to the WTO rules. The EU should improve its communication on these radical reforms, which have made it possible to counter the criticism frequently levelled against the CAP. It should also step up efforts to support the growth of local industries in developing countries. A mid-term review of biofuel production objectives on the basis of their impact on food security is also essential.

It is important to underscore that the impact of the CAP varies depending on the country. Net exporters of agricultural products tend to suffer from the increased competition and lower prices resulting from European agricultural subsidies, as opposed to importing countries, which tend to benefit from this situation.

Furthermore, thinking on the relationships between food security policy and humanitarian aid could be taken further, especially as the London Food Aid Convention is under renegotiation. The notion of food aid should be developed so as to reinforce the continuum that stretches from emergency aid to long-term food security. Beyond this framework, a Europe-wide reflection on the role of multinational agro-industrial firms appears necessary.

## 2) Promote the coherence of policies for food security in international bodies

→ The European Union should also work with international bodies to frame coherent policies for worldwide food security. The Doha Development Round must respect the legitimate desire of States to ensure their food security, which involves *inter alia* using the most appropriate measures to develop the agricultural sector, particularly in the case of very small-scale farmers. Regulation of the international financial system can also target measures to protect the commodities markets from potentially harmful speculation, and monitor measures designed to limit the volatility of agricultural prices. Lastly, the EU will need to be attentive to the negotiation of new climate agreements in the areas of adaptation, mitigation, and sustainable agricultural production in developing countries.

## Intellectual property and development

→ Innovation and the development of creativity are essential drivers of economic growth, especially in today’s global knowledge economy. Intellectual property, which is an incentive mechanism for innovation, is an important tool in this context. Developing countries must be in a position to use and adapt the intellectual property regime to meet their specific needs.

While a balance needs to be determined between protecting European industries and disseminating technology in developing countries, the European Union must enhance its incentives for technology transfer, as well as its offering of technical cooperation.

France encourages the European Commission to conduct a study into the added value of agriculture, particularly with regard to geographical indications. Today, little is done to protect traditional knowledge and local products in the South, or to promote these assets in developed country markets despite the fact that they offer promising development opportunities.

France encourages its partners to consider technology dissemination as an essential development lever, particularly in the health sector. It proposes a specific approach for the least developed countries, which notably involve:

- identifying requirements and a study into how technology dissemination can be facilitated, in particular through patents and patent transfers;
- adopting an integrated approach to mobilise European aid for the use of patents;
- implementing of practical solutions such as royalty-free voluntary licensing, or obtaining funding for the acquisition of rights.

---

**Developing the external aspects of certain “internal” policies calls for greater coordination with the EU’s general political foreign policy objectives, in particular with regard to development.**

---

# OBJECTIVE 6

## For more modern and responsive European financing solutions

→ Starting in 2000, the European Union began a major reform of aid management that has helped to streamline its instruments and considerably improve its programming process. However, maintaining the EDF outside the Union's general budget puts a brake on its effectiveness. European programmes must continue to be implemented in line with the aid effectiveness agenda laid down by the Paris Declaration in 2005.

### Asserting a contractual and incentive-based European policy

#### 1) For a well-balanced partnership between ownership and incentive

→ When it signed the Yaoundé Conventions with the ACP countries, the EU became the first donor to establish a truly partnership-based relationship with developing countries, grounded in the equality of the parties and in contractual commitments. Country strategy and aid programming must continue to be jointly defined with the partner country according to the latter's development strategy and priorities.

To increase the impact of its aid, the EU has developed a partnership approach focused on results, requiring that aid be disbursed according to the *“progress made with regard to several indicators, in particular the results achieved toward reducing the aspects of poverty directly*

*tied to the provision of services and to the management of public finances.”* In the Cotonou Agreement signed with the ACP countries, the EU thus introduced an approach geared to allocating aid on the basis of needs and results, while maintaining the essential principles of aid predictability and joint programming.

It appears necessary for European aid to be deployed within a structured development agenda led by the beneficiary country. Whenever possible, priority should be given to a programme approach understood as constituting a framework for donor-beneficiary relations that is underpinned by the principles of ownership and alignment and, at the same time, backed by a process for coordinating and harmonising procedures. In order to adapt to the diversity of developing country situations and the weakness of public policies in certain countries, France has chosen to intensify its use of the Sector-Wide Approach (SWAp) to aid, which is a sector-oriented programme approach. This solution should above all be rolled out in countries where growth strategies and poverty reduction strategy papers (PRSP) are too general to give direction to the development process.

#### 2) The need for stronger political investment supporting an incentive-based approach

→ Over the past few years, the EU has sought to increase the effectiveness of its aid by developing two incentive-based models: MDG contracts and the “governance initiative” mentioned earlier.

With the “MDG contracts,” the Union is promoting an innovative approach that more overtly links aid to the improvement of human

development indicators. Under these contracts, a proportion of total funding is contingent on the progress toward achieving the Millennium Development Goals (MDGs). This mechanism offers many potential advantages in terms of effectiveness and mutual commitment. However, it is not suited to all circumstances and, if implemented, should be coupled with close monitoring of MDG-related public expenditure, particularly in the social sectors.

By sharing responsibilities and commitments, the new incentive-based approaches have altered the nature of the donor-recipient relationship. The emphasis is now on defining public policies and assessing their implementation: programme execution is entrusted *de facto* to the partner countries on the basis of results-oriented management.

Yet, these approaches will yield benefits only if the EU can successfully lead a strong and coordinated political dialogue. The capacities of the EU's new Delegations should be reinforced, not least by mobilising Member States' expertise, in order to engage with partner countries in a more comprehensive dialogue on public policies.

## Better managed budget support for the benefit of aid recipients' public policies

### 1) Promote the use of budget support without quantifying general objectives

→ The 2005 European Consensus on Development recognised that budget support should be given prominence as an aid delivery method. The choice of this instrument is in line with the orientations adopted by the international community in the Paris Declaration. Given the critical mass of European budget support and the expertise developed by its services, the Commission unquestionably has a comparative advantage for implementing this type of aid, which has moreover been commended by the OECD's Development Assistance Committee.

This purpose of this aid delivery channel is to reinforce partner governments' capacities to manage their resources, prepare budgets and deliver basic social services. It should also help

to reduce aid transaction costs, particularly for the beneficiary country, while furthering donor coordination.

Under firm impetus from the previous Commissioner in charge of development, Louis Michel, the Commission set the objective of channelling nearly 50% of its programmable aid under the 10th EDF in the form of general or sector budget support (in some countries, the latter accounts for up to 80% of this type of aid). Under the 9th EDF, only twenty-nine ACP countries received budget support; their number will increase to forty-four under the 10th EDF.

Setting in advance an overall target for budget support from European funds—in this case a 50% mark—is hardly coherent with a strategy aimed at improving aid effectiveness. The amounts and modalities of budget support can only be determined in light of each country's economic and political situation and in conjunction with the recipient State. Otherwise, there is a risk that aid be disbursed with little regard for development priorities. If the overall financial target, which reflects a disbursement obligation, is determined *a priori*, this could run counter to effectiveness and ownership objectives.

### 2) For more differentiated budget support

→ Given the inherent political and fiduciary risks, implementing budget support is a formidable challenge. It requires excellent management, concerted action and, above all, capacity building. Since 2007, the Commission has consequently endeavoured to adapt its budget support programmes to the nature and needs of each beneficiary country.

The Commission must continue to adapt its budget support modalities to country situations and needs. This is a pragmatic approach that should be reflected not only in the criteria used to select this instrument for a given country, but also in the related procedures. For instance, should a country have no national development policy and adequate poverty reduction strategy, underpinned by a realistic budget framework with medium-term programming, the use of sector budget support to build credible and budgetarily sustainable sector policies may prove more effective than general budget support.

In accordance with the Paris Declaration on Aid Effectiveness, there should be continued emphasis on budget support, but this is not a feasible solution in all countries or in all circumstances. The Commission must thus use a more integrated approach drawing on the entire spectrum of available financing tools (aid tied to specific projects, support for sectoral programmes, sector and general budget support, humanitarian aid and crisis prevention assistance, support for civil society and via civil society, approximation of standards, rules and legislation, etc.) to increase its aid effectiveness.

At the same time, budget support must also encourage the mobilisation of beneficiary countries' fiscal resources. It is likely to reinforce government capacity on three counts:

- effective implementation of public policies defined by the government and under government ownership are likely to encourage taxpayer compliance when citizens see that planned projects are completed;
- both general and sector budget support strengthens the capacity of government administrations to better manage public finances, make more effective and transparent decisions and implement more efficient actions;
- the policy dialogue established by the budget support process fosters greater transparency and fuller participation of civil society actors and, at the same time, improves the reliability of information. As a result, this may create an incentive for productive investment to generate new fiscal resources for the State.

Budget support is an effective instrument and reveals its full potential when coupled with a sound policy for strengthening State capacities in public finance management and the mobilisation of fiscal resources. France has recognised experience in this field and welcomes the European Commission's desire to reinforce its expertise in this domain.

Budget support can also play a significant role in regional integration through its support for the implementation of transnational sectoral policies (environment, natural resources, health and education) and the harmonisation of fiscal

and customs policies. Such harmonisation is likely to stimulate investments that generate additional resources for the State and create jobs that foster the emergence of a tax-paying community

### 3) Work to strengthen the dialogue on policies

➔ The introduction of specific political conditionalities into budget support (this being only one of many development financing instruments) could prove counter-productive, which makes it vital for policy dialogue to be conducted at the highest level.

Budget support must be conceived as a programme to bolster the State, particularly in countries in fragile situations. This means providing short-term assistance on top of the financial envelope to ensure the proper execution of budget support, as well as longer-term support for State capacity building. This "package" must be complemented by high-level dialogue on the public policies implemented by the beneficiary State.

### Greater support to the productive sector through a new commitment from the EIB and new loans and grants blending mechanisms through the creation of a European platform to fund development

➔ The private sector is deemed to be one of the engines of poverty reduction. Yet many projects designed to support productive sectors fail to find funding, especially in Africa, where it often seems easier to marshal resources for other forms of aid (technical assistance, debt relief, food aid, etc.). The EIB is mandated to promote the private sector. To this end it disposes of valuable tools that would gain in effectiveness if the bank's actions were defined in closer relation to Commission policy. Commission resources and EIB lending have so far been highly inadequate for want of coordination between their respective programming processes.

The increasing diversity of developing countries' situations, the amplitude of the new challenges facing development assistance and the need

to regard grants as rare resources all call for a greater blending of loans and grants, together with a new platform to knit closer ties between the Commission, the EIB and bilateral agencies. This would then mean that grants could be focussed on the poorest countries and least profitable sectors, and that lever effects could be sought in other regions or sectors to increase European funding. A truly robust offering of European financing is conceivable if it brings together, through the use of new instruments, all of the actors involved—the Commission, the EIB and Member State agencies.

### **1) A stronger EIB commitment in sub-Saharan Africa**

→ Sub-Saharan Africa has overwhelming needs in terms of infrastructure, investment and support for its private sector. Given the efforts to bring EIB activities more closely into line with EU external policy, it seems crucial to reform EIB's mandate for sub-Saharan Africa, facilitated by a possible budgetisation of the EDF. A study into the Investment Facility and inclusion of sub-Saharan Africa in the EIB's external mandate would help to expand the bank's margin of manoeuvre in this region, where it currently operates in alignment with the Cotonou Agreement. The EUR 3.4 billion endowment for the ACP countries remains far below the budgets allocated to candidate countries (8.7 billion) and neighbouring countries (12.7 billion), and is equivalent to those earmarked for Asia and Latin America (3.8 billion).

### **2) A possible subsidiary to house all or part of the EIB's external actions**

→ The EIB has a limited scope for intervention in developing countries, although the needs identified could open up real opportunities. For EU-guaranteed loans, the EIB is bound by strict mandates and by the guarantee fund mechanism, which has a very high provisioning rate (9%). Under the Cotonou Investment Facility for ACP countries, leveraging opportunities are particularly narrow: some resources are not borrowed but drawn from a fund directly fed by the EDF. For loans from the bank's own resources, the Board of Directors only approves lending to risk-free counter-

parties. The possibility of revising the rules and practices in both these directions should thus be explored so as to enable the EIB to take more risks. Short-term recommendations included in the report by the "committee of wise persons", chaired by M. Camdessus, as part of the mid-term review of the EIB external mandate should open up opportunities for additional lending in favour of developing countries, particularly in the areas of climate change, economic infrastructure and the private sector. Another possible avenue worth exploring would be to consolidate the Bank's external activities within a new independently governed EIB subsidiary devoted to non-EU and non-candidate country financing. This subsidiary would then be able to take its own risks without a Commission guarantee.

Notably because this option would involve creating a new structure, it seems to have triggered opposition from a large number of Member States on the grounds that the subsidiary would lose economies of scale on its overheads, as well as the EIB's advantages of low-cost borrowing and financial diversification. In the Camdessus report this option is meaningful only as a first step towards creating a European agency that would build new synergies and involve bilateral development agencies.

An alternative recommendation from the commission chaired by Charles Milhaud would be to limit subsidiarisation to the EIB financial instruments in the Mediterranean region, which are now framed by the Facility for Euro-Mediterranean Investment and Partnership (FEMIP). The creation of a Mediterranean bank would facilitate a more effective response to the region's specific and hefty needs for funding. The proposed bank would be regional, much like the EBRD for Eastern Europe, with capital open to Southern countries (and governance-compliant with co-development requirements). Its affiliation with the EIB group would give this subsidiary access to low-cost borrowing.

### **3) The need to develop tools blending European agency loans and European grants through the creation of a European platform for development finance**

→ In recent years the Commission has developed instruments for certain regions,

based on variable governance arrangements and associating Member States who are asked to contribute to a trust fund. These instruments are open to Member States' bilateral financial institutions as well as the EIB, and encourage co-financing and coordination. The grant component can be allocated to technical assistance to enhance the quality of project design and management, or to offsetting environmental impact. The number of eligible projects is on the rise.

A coherent and overarching strategy should be developed with respect to the geographic coverage and governance of these instruments in order to encourage the widespread use of this approach. They should evolve into a platform that coordinates financial institutions with a view to further bolstering synergies.

Blending mechanisms are currently funded by the multi-country programmes under the Community budget devoted to the concerned regions. More funds will need to be allocated to them to ensure they reach full maturity.

As a complement, loans and grants blending could also be proposed as an option for implementing national programmes. The required level of funding would be determined jointly with partner countries, depending on their circumstances and priorities, during the drafting of strategy papers. This proposal would mean that very high volumes of consolidated financing could be channelled to Southern partners, with swift and substantial macroeconomic impact.

#### **4) The scenario of a future European development agency**

→ In the Camdessus report, on top of proposals to develop and improve loans and grants blending and to create a platform to reinforce ties between the Commission, the EIB and bilateral agencies, an even more ambitious reform is suggested: the setting up of a large European development agency (merging the EIB and EuropeAid), or even a major European development bank (which would also take over Member States' EBRD shareholdings). In an increasingly competitive and fragmented landscape, the universality of instruments offers a comparative advantage that may hold an appeal for the EU as it offers greater effectiveness and visibility. However, this idea first needs to be duly discussed with the

EBRD's non-European shareholders, since such a move would alter the status of what is currently a multilateral bank.

The creation of these new structures, which are moreover vastly different from one another, would undoubtedly result in a major shift in the positioning of the European development policy. The consequences of such a reform must thus be carefully measured.

### **European aid: a stronger capacity for rapid response to crises**

→ The latest series of energy, food, economic and financial crises has severely affected developing countries' economies and may have jeopardised the progress marked up by some of them over the past few years. The European Union has responded by mobilising additional resources (in the case of the food facility), EDF reserves (in the case of the vulnerability FLEX mechanism [V-FLEX]) and the EDF B-envelope reserved for ACP countries.

#### **1) The need for greater reserves to face crises**

→ Two sources of funding can be mobilised by the EDF: the reserve determined at the beginning of the programming cycle (EUR 600 million under the 10th EDF), and the B-envelope allocated to each country and replenishable as needed. This envelope is intended to cover unforeseen needs such as emergency assistance that cannot be resourced from the EU budget, contributions to internationally agreed debt relief initiatives, as well as support to mitigate the adverse effects of fluctuations in export earnings. These resources have proved insufficient to cope with both the economic and financial crisis and the food crisis. Although EDF reserves, determined for a six-year period, made it possible to fund the V-FLEX mechanism to compensate for loss of tax revenue, this operation consumed a large fraction of the resources available for the mid-term review, which are a vital aspect of the incentive created when funds are allocated on the basis of needs and results.

## 2) Create insurance instruments to protect developing countries from exogenous shocks

→ A subject to be explored is the creation of a mechanism that would safeguard the level of investment spending indispensable to the State in the event of an exogenous shock. The study initiated as part of the V-FLEX mechanism reform is noteworthy in this regard. The idea would be to set up a fund that could be mobilised in the event of a shock. The fund would be replenished annually by the European Union and, on a voluntary basis, by the Member States and “high-income” developing countries. It would be used to directly meet the exceptional needs of ACP countries or, more innovatively, to finance (initial capital, premiums) the underwriting of insurance policies with private companies.

## A more strategic allocation of the European development budget

→ The Union’s external action budget has gradually increased over the years, although it still accounts for a relatively modest fraction of the Union’s total spending. In 2008, EU external aid amounted to EUR 12.8 billion, equivalent to 9% of total EU spending (EDF included).

The Treaty of Lisbon aims to scale up the external action of the EU by creating a High Representative Vice-President of the Commission and a European External Action Service (EEAS). In the next Financial Perspectives, the EU’s external action budget should be adapted to the new priorities.

### 1) Budgetisation of the European Development Fund

→ The existence of an intergovernmental fund separate from the Union’s general budget and dedicated to ACP countries is explained by history and by the differing levels of Member States’ commitment towards these countries. The prime argument for budgetisation stems from the nature of Europe’s commitment to Africa, which is now grounded in geography and our shared interests, over and beyond the legacies of history. Secondly, it is no longer

tenable that the European Parliament not be fully involved in EU-ACP relations, as it is with the other instruments and regions of the world. There are also many technical arguments in favour of budgetisation. Most importantly, other cooperation frameworks that do not coincide with the ACP configuration have been established and these require better linkage between our instruments. This is particularly true for the new pan-African component of the EU-Africa strategy.

Budgetising the EDF would increase transparency and visibility, while complying with the principles of budgetary unity and enabling all EU development funding to be presented under a single budget.

Budgetisation would also make it possible to circumvent the lock-in caused by the five-yearly negotiation cycle of successive EDF budgets. It would also help to avoid the lengthy procedures for ratification of financial protocols, and to harmonise the implementation procedures for European aid, thereby reducing management costs for the Commission and beneficiary States. This move, however, should not jeopardise the continuity of relations established within the framework of the EU-ACP, both in terms of commitments and management methods. It should provide an opportunity to disseminate EDF good practices to the other European external aid instruments.

### 2) Give priority to Africa and the Least Developed Countries

→ The European Union has pledged to set Africa at the top of its aid agenda. This choice could not be better grounded. Sub-Saharan Africa is the region where progress toward achieving the MDGs is lagging most. It is also the region that concentrates the greatest development-related challenges. Governance problems, climate change, strong demographic growth and globalisation all pose a threat to the region’s political stability, food security and sustainable growth. The fragility of certain countries coupled with the extreme poverty also raises critical humanitarian, migratory and security challenges for the international community and, *a fortiori*, for the EU.

Africa’s population is expected to rise to 2 billion by 2050. Already today, 60% of the sub-Saharan population is under 25 years of

age. The EU has a duty to intensify its efforts to help African governments offer a brighter future to their populations, especially their youth. This objective means making Africa and the Least Developed Countries the budgetary priority of European development assistance, particularly for the most concessional aid, by exploiting, where possible, the lever effects of loans and grants blending.

---

**At the Accra conference in 2008, the European Union showed that it is a driving force in international debates on aid effectiveness. Its programmes are fully framed by the 2005 Paris Declaration agenda. France is particularly committed to the contractual and incentive-based nature of European policy and invites the Commission to further strengthen this approach grounded in performance and dialogue. To do so, it appears essential for European aid to systematically adopt programme-based approaches that combine budget support, multi-donor funds and project aid.**

**The need to support the productive sector and build a comprehensive range of European financing solutions implies enabling greater synergies between grant and loan programming by the EIB and by Member States. The role of the EIB in achieving this goal should be stepped up in developing countries.**

**France favours the use of budget support by the Commission, particularly for countries in a situation of fragility. It encourages the Commission to fine-tune the associated procedures in order to take better account of the needs of each beneficiary country, rather than pre-define an overall financial target that is not directly linked to the specificities of each ACP country. Lastly, it is vital that the Commission increase its efforts to diffuse information on this instrument's performance, which needs to be precisely measured. This will reinforce its legitimacy in the eyes of recipient country populations as well as for our taxpayers.**

---





*The entry into force of the Treaty of Lisbon and creation of the European External Action Service have given the European Union the means play a key role on the international stage. Meanwhile, new global challenges and the emergence of new players have brought about a sea-change for development in the countries of the South.*

*In this setting, France is more convinced than ever that Europe needs to propose a new and powerful vision in international debates on development.*

*The volume of its contribution to European development policy also has led France to set high expectations for the Union: it should become a landmark in terms of policy coherence, precisely targeted actions, the effectiveness of its interventions and take better account of the respective assets of European and bilateral aid.*

*A few months before the start of negotiations on the next Financial Perspectives of the EU budget, the French strategy for the European development policy is proposing a comprehensive vision of European aid architecture for the next ten years.*

*This document reiterates the importance of development assistance in the European Union's external relations and advocates the modernisation of its financial instruments.*

## **Directorate-General of Global Affairs, Development and Partnerships of the French Ministry of Foreign and European Affairs**

The missions of the French Ministry of Foreign and European Affairs are:

- summarize information on the changing global economy and put it into perspective, prepare decisions on the French government's foreign policy;
- draft France's foreign policy;
- coordinate France's international relations;
- protect French interests abroad and assist French nationals outside France.

The creation of the Directorate-General of Global Affairs, Development and Partnerships (DGM) in April 2009, as part of the reform of the Ministry, enables diplomacy to anticipate, identify and respond to the challenges of globalisation more effectively.

Confronted with global issues that have a direct impact on the lives of our citizens and multiple actors, the Ministry intends to emphasise the need to tackle global issues, in the firm belief that every major economic, cultural and societal issue calls for collective action with more outward focus, anticipation, interministerial coordination, responsiveness, interdisciplinarity and a resolutely European approach.



Directorate for Communication and the Spokesperson's Office

[www.diplomatie.gouv.fr](http://www.diplomatie.gouv.fr)