

Revising the EU Development Policy: Issues and Options

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1. Introduction: What does a 'good' development policy look like?

- 1.1. If the EU is considering a revision to its development policy, a first question is about the art form of writing such a document. Most development agencies work to some kind of over-arching policy or strategy statement, whether in the form of a legislative instrument, a formal White Paper or a publication approved by the relevant minister. These can be analysed in terms of: contextual analysis; how they adjudicate key issues and trade-offs in development; the comparative advantage of the agency; priorities set; the degree of action orientation; accountability; and stakeholder consultation. Appendix 1 reviews recent statements by thirteen different agencies, including the EU.
- 1.2. It is interesting that the documents vary considerably. All provide background contextual analysis, usually focusing particularly on poverty and the Millennium Development Goals. All say something about the key issues in development, mostly within what might be considered the framework of the current conventional wisdom (Washington Consensus plus). Beyond that, some pay more attention than others to their own comparative advantage; and the papers differ significantly in the extent to which they set priorities and targets for the agency's own actions. Thus, some of the documents (e.g. the first UK White Paper) list sectors without providing specific targets. Others (e.g. Norway, Netherlands) specify the share of particular sectors or the rate of increase. A number of donors also make specific commitments in terms of the number of priority partner countries or the share going to particular groups of countries. It is also interesting that the processes vary, with more or less participation. The recent Swedish development policy was a particularly thorough process, with a high degree of parliamentary involvement.
- 1.3. It is important to make the point that these various policies are followed in different ways by action programmes. For example, overall UK policy is reflected in the specific Public Service Agreement between DfID and the Treasury, which specifies in more detail the share of aid that will be spent in poorest countries and the outcomes that are expected in terms of MDGs.

2. Did the EU Policy of 2000 fit the bill?

- 2.1. Discussion of the EU Development Policy is often based on the Commission Communication to the Council and the European Parliament of 26 April 2000. In fact, the formal policy is the statement by the Council and the Commission, issued in November 2000. A textual comparison of these two documents is in Appendix 2. The two documents are broadly consistent but there are many differences of emphasis, and even of substance. For example, the November statement makes some important new points about exercising caution with respect to trade liberalisation. It also emphasises one or two topics not touched on in detail in the April statement, for example information and communication technologies. At the same time, the classification of different kinds of poverty focus, a feature of the April document, is not present in the November statement. There also seems to have been a watering down of the April position on selectivity. In general, the November statement is a less structured policy document than the April Communication.

- 2.2. The November 2000 statement emphasises the reduction of poverty, through sustainable economic and social and environmental development, promotion of the gradual integration of developing countries into the world economy, and the determination to combat inequality. It discusses the need to re-focus community activities in a more limited number of areas, building on the EU's comparative advantage.
- 2.3. From the April document, comparative advantage can be defined separately in relation to Member States and to the IFIs. For the former, comparative advantage is to be found in the values of the EU, in its collective experience of regional integration, and in the range, volume and reputation of EC development cooperation. With respect to the latter, the non-aid activities of the EU come into play, including its political relationships, along with the grant nature and size of EC development assistance (see Figure 2, p. 8).
- 2.4. Six priorities emerge from this exercise: the link between trade and development; support for regional integration and cooperation; support for macroeconomic policies; transport; food security and sustainable rural development; and institutional capacity building, particularly in the area of good governance and the rule of law. There are also cross-cutting concerns: human rights, gender, children's rights and the environment.
- 2.5. The policy identifies administrative changes required and ends by stating that
- the clarification of community development policy in the the context of a declaration is meaningful only if it can be quickly acted upon. It is, therefore, important to state clearly the operational content of the objectives, principles and methods reviewed above. Accordingly, it is essential that the Commission prepare an Action Programme based on results.*
- 2.5 A programme of action was produced in May 2002. It contains a long list of actions to be taken, but is essentially concerned with outputs (e.g. producing an agreed formula for allocating aid) rather than outcomes (e.g. a particular share to the poorest countries). There are no impact measures.
- 2.6 Seen in comparative perspective, the EU policy – though the April Communication rather more so than the November Statement – addresses most of the relevant headings from para 1.1 above. However, it does not go as far as some in terms of action orientation, nor does it have much to say about accountability. There was a limited stakeholder consultation.
- 2.7 There are, of course, points to make about the specifics of the content, taken up below.

3. What's new since 2000?

a) Context

- 3.1. The single largest change in the global context since 2000 has been the fall-out from 9/11 and the increasing prominence of security and terrorism-related issues on the international agenda. This has begun to impact in a major way on donor development policy, with the US and the latest Danish initiative being the most obvious cases. The EU's own discussion on security is also highly relevant.
- 3.2. Associated with the new security agenda has been a more intense concern with poorly performing countries – as problems in their own right but also as possible sources of exported security problems. There has also been greater concern with global problems, including migration and the spread of disease: these are often discussed in a framework of global public goods.
- 3.3. Within the development agenda more traditionally defined, the main phenomenon of note over the past four years has been the growing attention to the Millennium Development Goals as a framework for assistance, reflected in a number of policy documents reviewed. This follows on particularly from the Millennium Declaration, agreed just prior to the adoption of the EU Development Policy, but not yet reflected therein. The Millennium Declaration is normally cited for the Millennium Development Goals, but has a number of other important aspects, including issues to do with peace, security and the partnership between rich and poor countries.

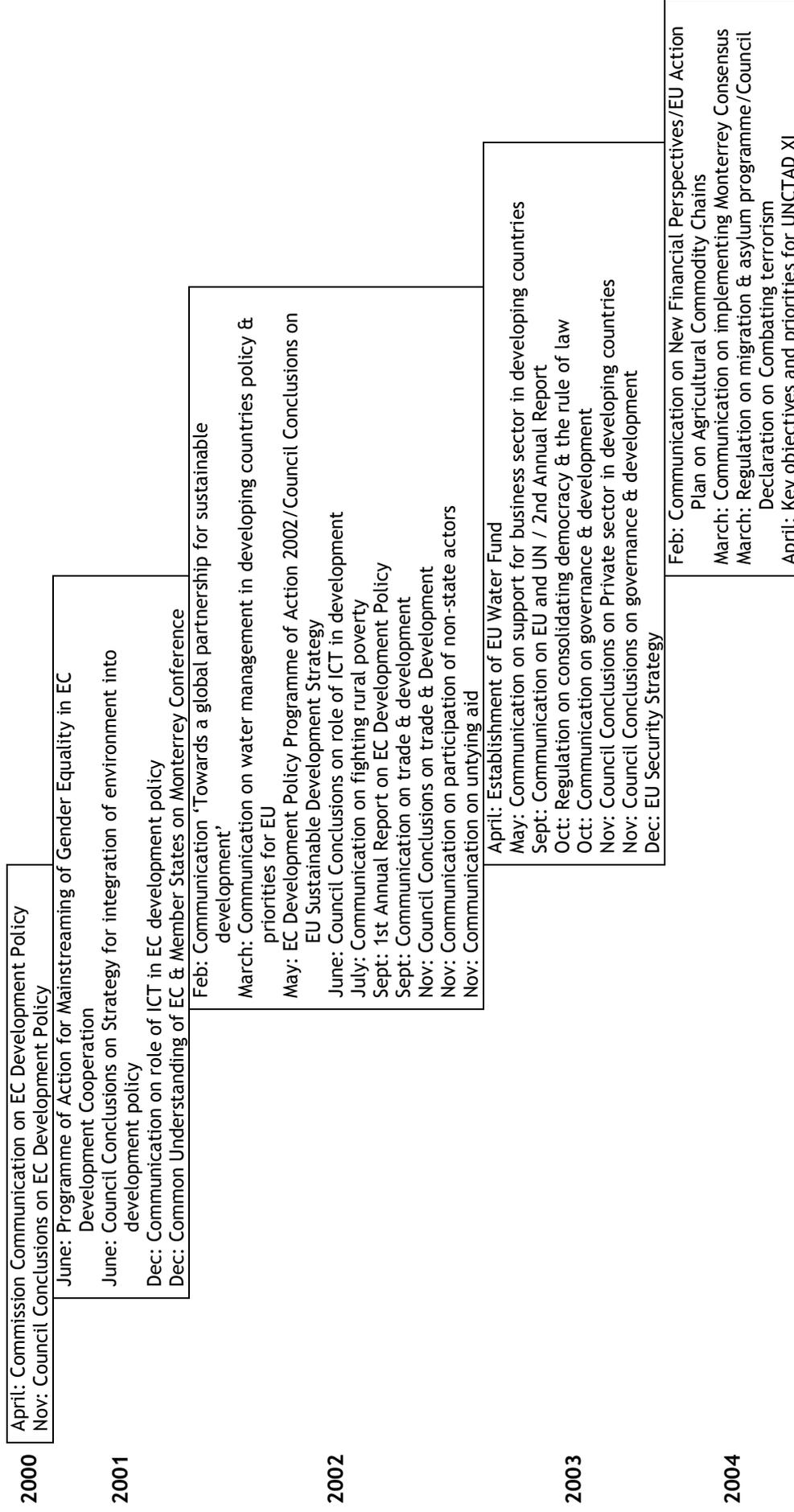
b) Development thinking

- 3.4. The 2000 Development Policy correctly reflected many of the development nostrums of the time, including the emphasis on ownership, country-led development strategies, participation, and the strong linkage between aid and trade issues. In the years since, there has been greater attention to the interface between development and humanitarian assistance, especially in poorly performing countries. There has also been a rapid spread of results-based approaches. In the aid community, harmonisation and alignment have been critical issues; issues of conditionality and selectivity have been much debated. The Dollar & Burnside finding: that aid works only in countries with good policies (and should therefore be targeted to such countries), has been challenged. The current conventional wisdom is that aid works in both well and poorly performing countries. However, this conclusion raises new issues, especially regarding the choice of aid instruments in difficult environments.
- 3.5. ODI is working on the overall development consensus, what we call the 'meta-narrative', trying to capture the dominant consensus, identify areas of challenge and see whether an improved formulation is possible. This is work in progress but is included in preliminary form in Appendix 3, as an illustration of the kinds of issues that ought to be considered in a revision of the EU policy. On many of these, the EU is at the forefront of thinking, for example on PRSPs, budget support and the mechanics of a genuinely reciprocal partnership (at least in the case of the ACP).

c) EU priorities

3.6. EU policy has naturally evolved since 2000. At least thirteen relevant European Council resolutions can be identified, backed up by close to twice that number of Commission communications of various kinds (see bibliography). These cover issues like environment, gender equality, ICT, trade, the private sector, governance, migration, and security. There was an important Council resolution on relations with the UN in 2003. Figure 1 illustrates these various initiatives.

Figure 1: Major EU/EC Publications on Development Policy 2000-2004



3.7. All of these were important, but particular attention should be drawn to the European Security Strategy, approved at the Council in December 2003, because it has implications for the thorny question of the relationship between development and foreign and security policy. This document, 'A Secure Europe in a Better World', adopted a fairly wide-ranging definition of human security (including poverty and disease), but focused particularly on terrorism, weapons of mass destruction, regional conflicts, state failure, and organised crime. The Strategy emphasised security in Europe's immediate neighbourhood, called for an international order based on effective multilateralism, and outlined a number of actions, including greater coherence between foreign and development policy. It stated that

The challenge now is to bring together the different instruments and capabilities: European assistance programmes and the European Development Fund, military and civilian capabilities from member states and other instruments. All of these can have an impact on our security and on that of third countries. Security is the first condition of development.

d) EU structures and funding

3.8. There have, of course, been many changes since 2000: the creation of EuropeAid, deconcentration to country offices, formulation of country strategy papers, new staff, improved reporting etc. These are reviewed in the new Annual Report on EC development policy, of which the most recent edition was published in 2003, covering the year 2002.

3.9. The creation of an inter-service Quality Support Group (iQSG) and subsequent elaboration of country strategy papers offered routes for further promotion of coherence. This country-based approach, however, does not guarantee overall coherence in international development and may need to include other policy areas beyond RELEX (e.g. environment, fisheries, CAP).

3.10 Since 2000, the EU has created a Rapid Reaction Facility, enabling it to act quickly in crisis environments for up to 9 months and up to 12 million Euros. The RRF potentially improves the EU's reaction time; it is administered by DG Relex, whereas ECHO's activities (which might operate in the same environments, just like CFSP actions) are under DG Dev.

3.11 Not least, the Eastern Enlargement of the EU is likely incrementally to change the character of the Union. A new Neighbourhood Policy has been formulated and is financed from the same budget heading as development assistance.

e) Further pipeline of changes

3.12 A number of processes will occur and decisions be made during the period 2004–05. These include the election of a new Parliament and the appointment of a new Commission in 2004 (and a possible 'pre-emption' of constitutional provisions in external relations, i.e. double-hatting in November), continuation of the discussion on the financial perspectives for the years 2007–13, deciding on the European Constitutional Treaty, the operationalisation of the European Security Strategy, the mid-term review of the European Development Fund and possible decision on its budgetisation, etc.

4 Issues for a new Development Policy

4.1 It is important to remember that there are many change processes related to EU development cooperation which lie outside the remit of a formal EU development policy. These include those listed in para 3.12 regarding the structure of the new Commission and the reorganisation of DGs, as well as the Financial Perspectives decision process and the question of budgetising the EDF. There may also be issues coming out of the mid-term review of the EDF and others to do with the various EU regional agreements. The issues are reviewed in a series of Briefing Papers recently produced by ODI and available on the website (www.odi.org.uk).

4.2 Taking the headings from para 1.1, the key issues that need discussion in the new EU policy can be summarised as follows:

- i. *Contextual analysis*: this is straightforward from paras 3.13.3 above but the policy will have to be explicit about the relationship between development policy and the CFSP;
- ii. *Key issues and trade-offs*: this is again straightforward from paras 3.4–3.7 above; the EU has already carried out quite a bit of the ‘heavy lifting’ required on topics like rural development. It will be interesting to see whether the EU has a distinctive take on development thinking to distinguish itself from the Bretton Woods institutions, or whether it is contributing to and reinterpreting an international consensus, of the kind found in World Development Reports and DAC guidelines. This is relevant to the question of the comparative advantage of the EU with regard to the IFIs, and to the question of how the supply side of the aid ‘market’ is organised (see Andrew Rogerson’s ODI Working Paper on this subject).
- iii. *Comparative advantage*: This is an area that requires more thought and which has both political and operational implications. What are the advantages of the EU, compared, say, to the UN, the World Bank or the multilateral development banks? Does the market analysis referred to above suggest that there is value in diversity for its own sake? Some of the advantages claimed for the EU (e.g. special expertise in regional development) are correct, but hardly enough to drive an entire aid programme. Others, however, are more substantial: the diversity of aid instruments, the link to trade and security policy, and the political dialogues and partnership arrangements that derive from them. Presumably, only the comprehensive reference to all its features makes the EU distinct from both leading bilateral donors (i.e. some Member States) and multilateral institutions (Bretton Woods, UN, etc.). A summary of possible areas of comparative advantage is in Figure 2; note, however, that there is now quite a literature on ‘good donorship’ which is relevant to the question of comparative advantage (see e.g. the DAC poverty guidelines). Furthermore, claiming comparative advantage is not the same as demonstrating it. Claims about e.g. more efficient procurement and the impact of partnership on the ground have to be tested (and generally have not been). Similarly, the EU could well have a distinctive voice on development (which could be useful in the kind of multi-player market model described by Andrew Rogerson) but this will not happen without significant investment in analytical capacity in Brussels.

Figure 2

What is the comparative advantage of the EU with respect to	
Member States	Multilateral organisations
<p><i>From the April 2000 Communication</i></p> <ul style="list-style-type: none"> • The values of the EU • Experience of regional integration • Range of development cooperation • Volume of aid • Reputation <p><i>Alternatively</i></p> <ol style="list-style-type: none"> 1. Economies of scale in design and delivery 2. More efficient procurement 3. Wider pool of expertise 4. Trade as an EC competence best included at the European level 5. Strong field presence 6. Strong partnership framework with ACP 	<p><i>From the April 2000 Communication</i></p> <ul style="list-style-type: none"> • Political relationships • Size • Grant nature of assistance <p><i>Alternatively</i></p> <ol style="list-style-type: none"> 1. Close link to EU foreign policy and trade policy 2. A complete package of grants, emergency assistance ('one-stop shop') 3. Strong field presence 4. Strong partnership framework with ACP 5. A distinctive voice on international development

iv. *Priority-setting*: this is another complex area, in which a balance has to be found between strategic direction and over-fussy earmarking (a burden which the EU has been trying to shed). Probably the most important aim is to be more specific about the share of aid reserved for the poorest countries. In addition, however, it may be worth trying to provide more structure to the present, rather loose, collection of subject and sectoral priorities and cross-cutting issues. As the table below illustrates, there has not been a very close fit between the sectoral priorities identified in the policy statements and the country strategy papers: only 8% for rural development, for example, which is identified as one of the six priorities, but 21% for social sectors. But note that this will be difficult, especially if the EU aid programme is driven by country-owned priorities. The main priority would probably be to equip the EU to play a larger part in programme aid and budget support – the category in Table 1 loosely defined as ‘support for macroeconomic policies’ (and also to be found under ‘support for social sectors’). As a large provider of grant aid, the EU may have a special advantage in working with countries at sector level (for example in transport or energy) – but within the context of budget support rather than projects.

Table 1: Funding for EC ‘priority areas’ from Country Strategy Papers in 2002

EU Priority Sector	Share of total resource allocation
Trade and development	5.9 %
Support for macroeconomic policies	14.7 %
Support for social sectors i.e. education, health and population programmes, water supply and sanitation, and other social infrastructure	21.4 %
Transport	19.2 %
Food security and rural development	7.8 %
Institutional capacity building, good governance and the rule of law	14.9 %
Others	16.1 %

Source: Annual Report on the EC development policy and the implementation of the external assistance, 2003.

- v. *Action orientation*: as noted, the 2000 policy was not constructed to specify outcome targets, or in terms of country or sector targets. Enthusiasts for performance-based approaches might want to see the new policy directed to the MDGs in some way. Note, however, that the DFID Public Service Agreement has been criticised for over-specifying outcomes (like growth rates or health status) to which aid can at best only make a contribution, in support of government and alongside other donors. Outcome targets may be helpful in a general sense but need to be realistic. As the DFID Chief Economist has observed: ‘we should take the MDGs seriously but not literally’.
- vi. *Accountability*: this is an area worth developing in the new policy. In particular, it would be good to develop the idea of mutual accountability between donor and recipient countries, building on the kind of legislation and procedure embedded in the Cotonou Convention (see the ODI Working Paper on this). Can this be (a) strengthened and (b) spread to other regions?
- vii. *Stakeholder consultation*: there was little last time; there should be more this time round.

5 Options for a new Development Policy

5.10 An over-arching issue to be decided is whether or not a revised Development Policy Statement (or European law?) will refer only to aid expenditure or whether it will also be a policy binding from a development perspective on both security and trade issues. There are five main options:

- i) a tidying up exercise
- ii) a tidying up exercise with stronger targets and accountabilities
- iii) a development policy which recognises security interests, but carves out a separate niche for development

- iv) an over-arching development policy which incorporates foreign policy and security matters
- v) an over-arching policy which also includes trade issues and is binding on trade negotiations

5.11 The minimum option is to revise the Development Policy in order to incorporate intellectual and programmatic conclusions from the series of Council decisions and related background work by the Commission. This would incorporate new thinking in different sectors (for example, the recent rural development policy) and would build in references to the Millennium Declaration, the Monterrey Declaration and the conclusions of the Johannesburg Environment meeting. It would also give greater priority to some issues that were not dealt with in great detail in 2000, for example HIV/AIDS. This option, while updating the development statement to the current debate, potentially has a negative effect on coherence and could result in an extended wish-list with no real impact on existing instruments and regional programmes. It could also widen the expectations-capability-gap.

5.12 Option 2 is to complete the tidying up and updating exercise, also building on best practice, as evidenced in some of the policy statements by other donors, but being more specific about the implications of setting priorities, both with regard to the share of aid going to poor countries and the proportion of the budget to be spent on different sectors. This option has possible trade-offs with regard to both partnership and political flexibility, but could assure a build-in of measurements for successful policy implementation. Transparency and accountability would be improved.

5.13 Option 3 is to write a policy that recognises current security concerns and pays due acknowledgement to Europe's concerns with its immediate neighbours and also its wider security interests, in such a way as to insulate the development policy from those concerns. This would be consistent with the argument that money for the poorest countries should be ring-fenced in the budget, particularly after the EDF has been budgetised. This option could assure that development is not politically marginalised while acknowledging changes on the international agenda. It promises good links to ideas of complementarity in external relations (the neighbourhood policy), under the condition that it successfully manages to ring-fence, e.g. by prescribing a share of the external actions budget for poverty reduction in LICs.

5.14 Option 4 is to recognise the importance of the foreign policy and security concerns and use the Development Policy to emphasise the pre-eminence of poverty and human security concerns in the foreign policy and security discussions. This would mean that the development policy was an integral part of the external relations strategy. It would be necessary for it to be binding across the whole range of Commission activities. Although the internal standing of development policy would be improved under this scenario, it also contains risks. The provisions of the draft Constitutional Treaty point in another direction, with the result that the pre-eminence of development policy will be very difficult to achieve.

5.15 Finally, the same principle might be applied to the discussion about coherence, which is noted in the 2000 policy but not fully developed as an action programme. Again, it would be appropriate to build best practice targets and actions into the process, so that trade policy was determined by

the development policy, at least in part. This option needs to be qualified in a similar way to the previous option. If pursued, much of its actual impact will depend on the internal Commission structure (i.e. the relationship within the RELEX group). These issues are only indirectly under Member States' influence.

5.16 Best practice from the various strategy documents reviewed in Part 1 of this paper would suggest a solution close to option 5, viz a policy paper which:

- is a statement of overall EU external policy, rather than a position paper to be used by development interests in their debates with foreign policy, security and trade departments;
- therefore brings thinking up to date across the development, foreign policy, security and trade fields, and which defines common principles (with reference to the European Security Strategy);
- includes outcome targets based on the Millennium Declaration (going beyond the MDGs and linking to human security);
- identifies input targets, at least with respect to the share of aid to be devoted to the poorest countries;
- provides for annual reporting and other forms of accountability across the whole range of development-related policies (including the working of partnership arrangements); and
- perhaps is complemented by more detailed (but mutually reinforcing) action plans for the different spheres of development cooperation.

5.17 It is important to note, however, that this is a high-risk strategy, especially if there is no clear earmarking of aid for the poorest countries.

5.18 Finally, the relationship of the Development Policy Statement to other legal provisions needs to be taken into account. In particular, major changes to the development policy might require changes to the Cotonou Agreement and to the various regional agreements (ALA, MEDA, etc.) which sit alongside it.

6 Some process points

6.10 It is worth considering whether or not a new process should be adopted for the revision of the EU Development Policy. There are lessons to learn from other donors, but also from the EU's own experience with the Green Paper processes leading up to the revisions of the Lomé Convention. An open debate, involving both developed and developing countries, and civil society as well as official voices, would certainly help to shape the document in new ways. This option, however, would require (political) leadership to keep the output of the debate focused.

6.11 A useful connection is to the network of research institutes and think-tanks brought together by the European Association of Development Research and Training Institutes (EADI), which is already working together on 'European Development Cooperation to 2010' (www.eadi.org/edc2010).

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Appendix 1: Overview of Major Donors' Development Policies

Country	Contextual analysis	Adjudicate key-issues and trade-offs	Analysis of comparative advantage	Set priorities	Action-oriented	Accountability	Stakeholder consultation	Contact person
Sweden (Government Bill, 15 May 2003)	Internationally agreed agenda for global development: MDGs, Monterrey, Johannesburg Key challenges: peace and security; economic growth; environmental protection; demographics; HIV/AIDS; human rights; democracy Rights-based approach	Primary goal defined as contribution to equitable and sustainable global development to be pursued on national, regional and global levels Clear commitment to policy consistency and coherence aimed at achieving MDGs	Global Public Goods (co-sponsor of International Task Force) Conflict prevention and management	Respect for human rights Democracy and good governance Gender equality Sustainable use of natural resources and protection of environment Economic growth Social development and social security Conflict management and human security Global public goods	No regulation of policy in detail rather "Sweden should..."	Responsibility of government to implement, monitor and evaluate policy Regular reporting to Parliament Promotion of international 'Coherence Index' of OECD	Produced by committee composed of all members of all parliamentary parties	Ruth Jacoby, Director-General, Ministry of Foreign Affairs (Tel. +46 8 405 56 33)
Finland (Government Resolution, 5 February 2004)	MDGs as overall policy framework Commitment to rights-based approach Eradication of extreme poverty Change in development cooperation towards programme-based cooperation	Focus of development cooperation on fewer countries and larger entities to improve effectiveness (8 long-term partner countries with 3 sectors or programmes at most + budget support for PRSPs) Variation of cooperation: from grant aid to more diversified forms of relations (with Egypt, Namibia, Peru) Otherwise: limited duration of involvement, participation as member of international community, arrangements for joint financing	Own cultural history and experiences and values, e.g., role of regional arrangements Special strengths and skills acquired in certain sectors, e.g., ICTs	Cross-cutting themes: Promotion of gender equality Environmental issues Promotion of marginalised groups in society Specific areas: Education Health care HIV/AIDS Social security Water Natural resources Food security Information society	Commitment to 0.44 % of GNI in 2007 and 0.7 % in 2010 for development Other quantitative targets for aid spending for certain countries and groups Preparation of separate action plan, specifying targets and areas of responsibility; independent evaluations, e.g., OECD/DAC	Long-term commitment and transparency in financing and contents of policy Quantitative ceilings for use of ODA for administrative expenses of MFA (5 % of annual increase)		Ritva Jolkkonen, Director General, Department for Development Policy, Ministry of Foreign Affairs and Development Cooperation (Tel. +358 9 160 56490)

<p>United States (White Paper on 'U.S. Foreign Aid: Meeting the Challenges of the 21st Century', USAID, January 2004)</p>	<p>2002 National Security Strategy: development along with diplomacy and defence as part of national security Challenge of improving aid effectiveness and policy coherence 'Transformational Development' as extension of MDGs</p>	<p>Clear delineation of goals and alignment of resources with goals Increased selectivity in allocating resources across countries based on performance (via MCA mechanism) Stronger emphasis on institutional capacity, and absorptive capacity both in allocating and programming aid Greater emphasis on graduation</p>	<p>5 operational goals: promoting transformational development strengthening fragile states providing humanitarian relief supporting U.S. geostrategic interests, i.e., strategic states mitigating global and transnational ills, e.g., HIV/AIDS, climate change, drugs</p>	<p>Based on recipients' need, commitment and performance evaluation leading to increase in aid effectiveness</p>	
<p>Norway (Fighting Poverty. Norway's Action Plan 2015 for Combating Poverty in the South, March 2002)</p>	<p>Commitment to poverty reduction, MDGs, and PRSPs Rights-based perspective Challenge of policy coherence, e.g., in energy, fisheries, immigration, and agriculture</p>		<p>Education = No. 1 priority (increase to 15 % if total ODA) Health Good governance Democracy-building through support to political parties Peace and development Private sector development</p>	<p>Increase ODA to 1 % of GNI by 2005 At least 40 % of bilateral aid to LDCs Evaluation and development assistance administration underway</p>	<p>Hilde Johnson, Minister of International Development, Ministry of Foreign Affairs, Tel.: +47 22 24 39 00; e-mail: utyvikingsminister@mfa.no</p>
<p>United Kingdom (White Paper on International Development, December 2000 + International Development Act June 2002)</p>	<p>Commitment to goal of poverty reduction and MDGs; Globalisation as central challenge of our time</p>		<p>Health Education (primary schooling) Good governance and rule of law Private finance and investment Trade liberalisation Environment Reform of international system</p>	<p>Commitment to 0.33 % of GNP for ODA by 2003/4; Untying of all UK aid; Annual Departmental Report includes progress towards reaching the MDGs; Public-Sector Agreements (PSAs) between DFID and other ministries regarding MDGs</p>	

<p>Netherlands (Mutual interests, mutual responsibilities: Dutch development cooperation en route to 2015. Minister for Development Cooperation, October 2003)</p>	<p>Sustainable poverty reduction in context of MDGs Programmatic approach in bilateral policy Integrated foreign policy approach combining diplomacy, political dialogue and pressure, security policy, trade, market access and development cooperation</p>	<p>Concentration: Number of bilateral partner countries to be reduced from 49 to 36; number of sectors per country limited to two or three at most Results-driven: new appraisal system and assessment framework for country and sector policies; Public-Private Partnerships</p>		<p>Education (15 % of development budget) Reproductive health HIV/AIDS Environment and water (0.1 % of GNP)</p>	<p>Continuation of 0.8 % of GNP allocation to ODA At least 50 % of ODA to be used in Africa focusing on conflict management, security building and peace brokering (establishment of Stability Fund for quick release of money)</p>	<p>Up-front statement on spending on reaching MDGs for education, environment & water, AIDS prevention and reproductive health care by 2015; Multiple instruments for measuring quality and effectiveness of aid, e.g., evaluating partner countries, sector performance and forms of assistance; Annual report to parliament on Dutch contribution to reaching MDGs in partner countries starting in 2004</p>		
<p>France (French development aid policy, 2002)</p>	<p>Central objective: poverty reduction and inequalities in the framework of sustainable development</p>	<p>‘Strategic country documents’ (DSP) since 2000 (15 in 2002) to be extended to all countries in ‘priority solidarity zone’ (ZSP)</p>	<p>Concentrating resources on countries in the ZSP (54 countries in 2002, mostly in Africa and LDCs), ZSP received 53 % of bilateral aid in 2001</p>			<p>Annual Report on aid efficacy by inter-ministerial working group</p>		
<p>Austria (Three-Year Program for Austrian Development Cooperation: 2004-2006)</p>	<p>Official goals: Fighting poverty (MDGs) Maintenance of peace and human security Environmental protection</p>	<p>Geographical concentration on focus countries based on following criteria: Poverty indicators Good governance assessment Partnership assessment Synergies based on complementary interests</p>	<p>Based on experiences in last 10 to 15 years comparative advantages in: Water and sanitation Rural development Energy SME development Education Good governance and democracy-building</p>					

Denmark	Focus on support for poverty-oriented economic growth in context of PRSPs Increased focus on efficiency Recent attention to international terrorism	Cohesion between assistance policy and Danish refugee policy (readmitting of rejected asylum seekers) Demands for good governance and respect for human rights when allocating aid		Education Health Private sector development Promoting the role of women Fight against global terrorism (approx. DKK 145 earmarked for 2004-2006), bilateral focus on Middle East area (Yemen, Iran), Asia (Indonesia, Central Asia), and Africa (Niger, Kenya)			
Canada (CIDA policy statement on strengthening aid effectiveness, September 2002)	30 core (or Category 1) countries and regions, but traditionally least concentrated aid of all DAC member states	Lack of aid concentration changed for limited number of enhanced partnerships (high poverty level, commitment to development effectiveness and good governance)		Commitment to MDGs followed up by at least doubling of investments in four Social Development Priorities over 5 years		Evaluations and audits conducted at program and country levels with priority on assessing institutions and countries receiving largest aid	
Japan (Official Development Assistance Charter, 2003)	New cross-border problems and challenges, e.g., terrorism, human rights, democratisation; need to secure national security and prosperity	Basic policies: Supporting self-help efforts Individual human security perspective Assurance of fairness Utilization of own experience and expertise International partnerships		<u>Priority Issues:</u> Poverty reduction Sustainable growth Addressing global issues Peace-building <u>Priority Region</u> = Asia; Assistance to other regions based on specific needs and circumstances		Medium-term ODA policies and country assistance programs for major recipient countries to be drawn up; methods of assistance (FC/TC) linked together; coordination through Inter-Ministerial Meeting on ODA	Annual Report on implementation of ODA charter
Australia (Statement to Parliament, September 2002)	Poverty reduction and advancement of national interest	Support for fewer but larger programme activities; Strategic approach to funding multilateral development organisations (support for effective and efficient organisations aligned with national priorities)	Practical experience and relationships with countries in Asia Pacific region	Geographic focus on East Asia and Pacific region (89 % of bilateral aid in 2001/2); bilateral aid partnership with 47 countries; Sectoral focus on good governance programmes and social policies (basic education)			

<p>European Union (EC Development Policy, November 2000)</p>	<p>Poverty reduction objective, yet no reference to MDGs; Country ownership principle</p>		<p>Community advantage defined in relation to Member States (economies of scale and knowledge; more than sum of its parts) and to IFIs and other multilateral bodies (holistic view of development; grant-based aid)</p>	<p>Priority areas (in line with overall objective and added value of EC): Trade and Development Support for economic reforms Transport Food security Capacity-building, esp. on good governance and the rule of law Cross-cutting areas: Promotion of human rights Gender equality Children's rights Environmental protection (NB: no explicit focus on HIV/AIDS)</p>	<p>Action Programme to be followed up with</p>	<p>Annual report on implementation 2002 and 2003</p>	
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Appendix 2: Comparison between Commission Communication and Council Statement on European Development Policy in 2000

	Commission Communication ‘The European Community’s Development Policy’, April 2000	Statement by the Council and the Commission, November 2000
New challenges for development	Sustainable development; globalisation; aid fatigue; crises and conflicts rising; DAC Objectives 1996	Communicable diseases; globalisation; inequality; debt; poverty and exclusion as root causes of conflict
Trade and development	Trade preferences for developing countries EU-ACP Partnership negotiations Bilateral free trade agreements Importance of trade-related capacity building Major challenge for EU until 2010: mutual reinforcement between development and trade and investment policies	Improved trade preferences for developing countries Sequential approach to trade and investment liberalisation Capacity-building measures, e.g., technology transfers, access to information and world networks, investment promotion, etc.
Coherence, coordination, and complementarity	<i>Coherence</i> of external policies (trade, development, etc.) Avoiding unintended incoherence by paying attention to indirect effects of policies Commission to point out incoherent decisions and orientations <i>Complementarity</i> between EC and member states’ policies to be ensured by division of labour	Increased <i>coordination</i> within EU (reciprocal information exchanges) offers great scope for increasing aid efficiency Better coordination between Commission and member states’ representatives on the ground using the Country Strategy Papers (CSPs) as main vehicle; improved donor coordination <i>Complementarity</i> between EC and member states’ policies to be ensured by division of labour; preparation of CSPs is special opportunity for promoting complementarity Greater <i>coherence</i> between various EC policies focused on sustainable development to be ensured by analysis of indirect effects of measures in sensitive areas
Partnerships	Working with civil society	Cotonou agreement as role model for inclusion of non-state actors, esp. NGOs, in EU development cooperation
Implementation problems	Aid system too complex and fragmented; policies guided by instruments rather than objectives and priorities; understaffing; slow disbursement; problems with M&E; little visibility of EU proper in international fora	

Comparative advantage of EU aid vis-à-vis member states	Global presence; bigger programmes; economies of scale; projection of 'European (social) model'	Community action especially well placed to support institutional capacity-building as it is more neutral than action by member states with their own history and restrictions by specific legal systems
Policy objectives	Poverty reduction Country ownership Partnership approach Focus on gender equality Different support structure based on incidence of poverty	Reduction and eventual eradication of poverty by support for sustainable economic and social and environmental development, promotion of the gradual integration of the developing countries into the world economy and a determination to combat inequality Primacy of role of developing countries (ownership)
Implementation of poverty focus	Primary focus: LDCs Secondary focus: MICs Tertiary focus: rest of developing countries	Differentiation of needs between LDCs/LICs and MICs Coherence between country policies and EC support operations to be ensured by dialogue Importance of aid absorption capacity and good governance
Priority areas (for EC human resources)	Trade; regional integration and cooperation; macroeconomic policies, esp. health and education; transport; food security and rural development; institutional capacity-building, esp. good governance and the rule of law	Trade; regional integration and cooperation; support for macroeconomic policies and promotion of equitable access to social services; transport; food security and sustainable rural development; institutional capacity-building, esp. good governance and the rule of law
Cross-cutting or horizontal themes	Human rights; gender equality; environmental protection	Promotion of human rights; gender equality; children's rights; environmental protection; good governance; conflict prevention and crisis management
Other aspects of importance	Promotion of private sector development Humanitarian assistance, esp. in post-crisis situations or post-conflict countries	Communicable diseases Addressing the 'digital divide' Promotion of research in developing countries
Sectoral approach	Sector programming approach, e.g., use of budgetary aid; reference to CDF and PRSP	Sectoral programmes especially important for health and education
Administrative reform	Reunification of project cycle management; overhaul of programmatic approach through interdepartmental Quality Support Group; more devolution of project management to Delegations; Country Strategy Papers to become main instrument for guiding, managing and reviewing EC assistance programmes	Introduction of rolling programming in line with needs and performance of beneficiary countries welcomed Cotonou partnership seen as epitome of new approach to improve efficiency and effectiveness Refocusing of management committee tasks toward strategic aspects of cooperation to ensure streamlining of procedures
Impact assessment	Increased selectivity based on country performance in terms of policy reforms and outcomes; results-orientation for level of aid disbursement; proposed budgetisation of EDF	Transparent and responsible management of resources to be taken into account for distribution of aid Results-based approach needed, appraisal more to be taken into account for new programmes and projects

Follow-up	Annual Report on EC development assistance	Annual Report on EC development policy Commission to prepare action programme based on results
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Appendix 3: The meta-narrative (work in progress)

A. What is the meta-narrative?

1	The Millennium Development Goals provide the framework for thinking and action on international development.
2	But security aspects are also important
3	The key MDG is to reduce poverty by half by 2015. 'Poverty' has many aspects but is most easily measured by income, using the dollar a day measure.
4	Growth is the most important driver of poverty reduction.
5	Improving health and education helps meet the MDGs, but also boosts growth and poverty reduction.
6	Trade is an engine of growth and poverty reduction: economies need to be open.
7	In general, too, market economies deliver faster growth and poverty reduction
8	Infrastructure for productive sectors, and health, and education - these are the priorities for public expenditure
9	Public monies are most likely to be well-spent when public institutions are results-driven, accountable and decentralised
10	PRSPs provide a way to focus both poverty policy and participation
11	Development aid should be concentrated on poor countries which are well governed and have good policies
12	For countries which do not qualify, humanitarian assistance will be best, backed up with security interventions in the case of the worst performers
13	More aid is certainly justified - at least to double present levels
14	Some of this should be spent on debt relief
15	Global Funds and other special instruments help to leverage additional aid
16	And also focus aid on critical problems like famine, HIV/AIDS, or education for all
17	But in general, additional aid is best delivered through the multilateral system, especially the World Bank
18	And wherever possible should support national budgets rather than individual projects
19	Subject to the condition that countries continue to use it well
20	Meanwhile, rich countries need to reduce subsidies and provide better trade access

B. What are the problems?

1	The Millennium Development Goals provide the framework for thinking and action on international development.	The Millennium Declaration provides a better framework. It includes the MDGs, but also a commitment to a set of core values (including freedom, equality and solidarity) and to peace and security (including respect for the rule of law).
2	But security aspects are also important	Beware: security concerns may swamp development concerns, esp in the EU and the US
3	The key MDG is to reduce poverty by half by 2015. 'Poverty' has many aspects but is most easily measured by income, using the dollar a day measure.	Poverty reduction is good, but social inclusion is better, giving greater weight to participation, citizenship, voice and justice
4	Growth is the most important driver of poverty reduction.	Yes, but don't forget that small improvements in the distribution of assets and income can have an even greater impact than even pro-poor growth
5	Improving health and education helps meet the MDGs, but also boosts growth and poverty reduction.	Yes, but there has been too much focus on these sectors in PRSPs and public expenditure plans, at the expense of productive sectors (incl. rural development)
6	Trade is an engine of growth and poverty reduction: economies need to be open.	Trade liberalisation has many losers, who need to be helped through the adjustment process; and the benefits also pass some people by, e.g. because FDI goes only to few countries
7	In general, too, market economies deliver faster growth and poverty reduction	Yes, but remember the key lesson of the post-Washington Consensus, that market institutions need to be in place before liberalisation takes place - too often, markets are missing or imperfect, especially in rural areas.
8	Infrastructure for productive sectors, and health, and education - these are the priorities for public expenditure	Social protection is a vital, missing element - food and nutrition safety nets are at the heart of this.
9	Public monies are most likely to be well-spent when public institutions are results-driven, accountable and decentralised	Yes, but developed country experience clearly shows the limits of target-driven approaches. Other strategies are also necessary, including introducing choice and exit options in public services. Effective decentralisation is also very difficult.
10	PRSPs provide a way to focus both poverty policy and participation	PRSPs have been much better on process than content. There is a huge gamble that better process will deliver better politics and better content in the long run - but in the long run, to quote Keynes, we are all dead.
11	Development aid should be concentrated on poor countries which are well governed and have good policies	The evidence does not support the conclusion that aid works only when policies are 'good'. Aid needs to be used strategically to reach poor people and leverage change in all countries
12	For countries which do not qualify, humanitarian assistance will be best, backed up with security interventions in	There are better ways to engage in poorly performing countries, using humanitarian assistance and security support, but also looking for ways to

	the case of the worst performers	help countries establish upward trajectories
13	More aid is certainly justified - at least to double present levels	Yes, but the Zedillo estimates were only rough: 0.7% remains a better guide
14	Some of this should be spent on debt relief	Yes, with the proviso that the total cake is limited and that resources should be concentrated in places with the greatest return
15	Global Funds and other special instruments help to leverage additional aid	There is no evidence for this. It would be better not to earmark and subdivide aid budgets
16	And also focus aid on critical problems like famine, HIV/AIDS, or education for all	The evidence is rather that special funds distort spending priorities and disrupt budget processes in developing countries
17	But in general, additional aid is best delivered through the multilateral system, especially the World Bank	The governance of the BWI is a major problem and should inhibit this strategy. Instead, some of the money should be used to accelerate change in the UN. Beyond that, more competition in the aid system is desirable (but probably alongside fewer, bigger players)
18	And wherever possible should support national budgets rather than individual projects	Yes. General Budget Support should be encouraged
19	Subject to the condition that countries continue to use it well	Yes, but improving partnerships mean that there need to be explicit procedures for vetting performance and holding both parties to account, not simply allowing donors to impose conditions
20	Meanwhile, rich countries need to reduce subsidies and provide better trade access	Yes, and rich countries need to be held to account - but developing countries also need to lift trade barriers

C. What, then, is the counter-narrative?

1	The Millennium Declaration provides the framework for thinking and action on international development, beginning with core values like freedom, equality and solidarity, and covering peace and security as well as development and poverty reduction.
2	Both security and development matter, each contributes to the other, and neither should be pursued at the expense of the other. In particular, development money should not be 'raided' to improve security.
3	Social exclusion is both a cause and a manifestation of poverty. That's why action to tackle discrimination and guarantee all forms of rights needs to sit side by side with action to increase income.
4	That's also why growth, even pro-poor growth, needs to be complemented by measures to reduce asset and income inequality - equity has an instrumental logic (redistribution can make growth easier and poverty reduction faster) but also has intrinsic value in a fair global society.
5	Improving health and education contributes to the progressive achievement of economic and social rights as well as to long term reduction of poverty, but needs to be balanced against investment in productive sectors, especially those (like rural development) which benefit the poor. An imbalance in public expenditure needs to be rectified.
6	Considered in aggregate, developing countries, and the poor within them, can only gain from a long term increase in trade, especially in manufactures and services. However, they should absolutely not be exposed to sudden liberalisation without substantial investment in capacity to supply and, equally important, a guaranteed safety net against falling prices and import surges. Adjustment assistance needs greatly to be increased.
7	By the same token, market liberalisation within countries will deliver faster growth and poverty reduction, provided markets exist and market institutions are in place. Where these conditions are not met, prior investments are needed.
8	Social protection - safeguarding health, nutrition and livelihood - needs to be at the heart of poverty reduction strategies. It is right that no country committed to universal primary education should be debarred from providing it by lack of resources. The same should apply to any country committed to eliminating hunger and malnutrition.
9	Poor countries need well performing public institutions and high quality service delivery. There are no simple solutions - certainly not simple targets - but a combination of results-based approaches, local engagement, and, in some cases, the extension of choice, will do the trick.
10	Poverty Reduction Strategies provide a good vehicle for concentrating the minds of developing country governments and their people, as well as donors - and should be judged both by their content and by the quality of the political process they engender.
11	Aid is essential to the reduction of poverty, especially in the poorest countries. The key decision is not about where to target aid - it should always seek out the poor - but rather about how to deploy aid in different kinds of environment, including the war-torn and in failed states.

12	The sharp divisions between development, relief and security assistance need to be eliminated, whilst still respecting the principles of humanitarian intervention. The most difficult countries to work in need multiple and carefully coordinated interventions to establish an upward trajectory.
13	The Monterrey commitment to increased aid is a good starting point, but further commitments will be needed. All developed countries should commit to a specific date for reaching 0.7%.
14	Debt relief is appropriate in some countries, but should not be at the expense of aid to other poor countries, some of which have managed to keep debt low. The focus needs to be more on the total volume of resources reaching poor countries, less on the modality of distribution.
15	Setting up global and other special funds does little to increase the total volume of aid. They therefore have little value-added.
16	Furthermore, they distort expenditure, make national ownership of budgets more difficult, and increase the transactions costs of providing development assistance. Earmarking is wrong, and global and other special funds make it worse. They should be closed down.
17	Transactions costs would be greatly reduced (and the Rome principles on harmonisation) made much easier to achieve) if there were fewer bilateral donors and if more money was channelled through multilateral agencies. However, governance reform should be a pre-condition of any more money going to the World Bank; and, in any case, the UN should take a greater share in order to encourage competition in the system.
18	If the budget processes of developing country governments are to predominate, and if those governments are to be accountable to their electorates, most, if not all aid should be delivered through budget support.
19	Donor countries need to strengthen their partnerships with developing countries, and in a way which encourages predictability, mutual accountability and reciprocal obligations (for example on aid volume).
20	Rich countries should set more demanding targets for market access and the reduction of subsidy distortions; and developing countries should also liberalise trade between themselves.