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**Increasing the impact of EU Development Policy:
an Agenda for Change** (excerpt)

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1. REDUCING POVERTY IN A RAPIDLY CHANGING WORLD

At a critical juncture - facing new global challenges, close to the 2015 target for achieving the Millennium Development Goals (MDGs) and in the midst of preparations for the next Multiannual Financial Framework (MFF) - the EU must choose the right mix of policies, tools and resources to be effective and efficient in the fight against poverty in the context of sustainable development. The Commission is proposing an Agenda for Change to strengthen Europe's solidarity with the world's developing nations in this fight.

As the Lisbon Treaty states, supporting developing countries' efforts to eradicate poverty is the primary objective of development policy and a priority for EU external action in support of EU's interests for a stable and prosperous world. Development policy also helps address other global challenges and contributes to the EU-2020 Strategy.

The EU has already done much to help reduce poverty and in particular to support the achievement of the MDGs. Yet severe poverty persists in many parts of the world. A series of global shocks has left many developing countries vulnerable. As the world's population continues to grow, more action is needed to tackle global challenges like conflict prevention, security, environmental protection, climate change, and to deliver global public goods such as food security, access to water and sanitation, energy security and migration.

Meanwhile, people-led movements in North Africa and the Middle East have highlighted that sound progress on the MDGs is essential, but not sufficient. This leads to two conclusions: first, that the objectives of development, democracy, human rights, good governance and security are intertwined; second, that it is critical for societies to offer a future to young people.

EU development policy must take into account the increased differentiation between developing countries. Recently, several partner countries have become donors in their own right, while others are facing increasing fragility. The EU must now explore new ways of working with them and promote a more inclusive international development agenda.

There is also scope for the EU to work more closely with the private sector, foundations, civil society and local and regional authorities as their role in development grows. At EU level, the Lisbon Treaty has firmly anchored development policy within EU external action. The creation of the post of High Representative/Vice-President (HR/VP), assisted by the European External Action Service (EEAS), offers new opportunities for more effective development cooperation and more joined-up policy-making. The EU is not simply the 28th European donor. While the Commission implements 20 % of the collective EU aid effort, it also acts as coordinator, convener and policy-maker. The EU is an economic and trading partner, and its political dialogue, security policy and many other policies - from trade, agriculture and fisheries to environment, climate, energy and migration - have a strong impact on developing countries. It must translate this multi-

faceted role into different policy mixes adapted to each partner country. To be fully effective, the EU and its Member States must speak and act as one to achieve better results and to improve EU's visibility.

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

With this new context in mind, in 2010 the Commission launched a consultation on EU development policy. This confirmed the relevance of the existing policy framework, while agreeing on the need to increase impact.

Changes on a number of fronts are called for. In particular, the EU must seek to focus its offer to partner countries where it can have the greatest impact and should concentrate its development cooperation in support of:

- human rights, democracy and other key elements of good governance;
- inclusive and sustainable growth for human development.
- To ensure best value for money, this should be accompanied by:
 - differentiated development partnerships;
 - coordinated EU action;
 - improved coherence among EU policies.

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

- an increased share of EU country and regional cooperation programmes dedicated to
- the policy priorities given in sections 2 and 3 below;
- the concentration of EU activities in each country on a maximum of three sectors;
- an increased volume and share of EU aid to the countries most in need and where the
- EU can have a real impact, including fragile states;
- enhanced importance of human rights, democracy and good governance trends in
- determining the mix of instruments and aid modalities at country level;
- continued support for social inclusion and human development through at least 20%
- of EU aid;
- a greater focus on investing in drivers for inclusive and sustainable economic growth,
- providing the backbone of efforts to reduce poverty;
- a higher share of EU aid through innovative financial instruments, including under
- facilities for blending grants and loans;
- a focus on helping reduce developing countries' exposure to global shocks such as
- climate change, ecosystem and resource degradation, and volatile and escalating
- energy and agricultural prices, by concentrating investment in sustainable agriculture
- and energy;
- tackling the challenges of security, fragility and transition;

- joint EU and Member States response strategies based on partners' own development
- strategies, with a sectoral division of labour;
- a common EU results reporting framework;
- improved Policy Coherence for Development, including through new thematic
- programmes that build synergies between global interests and poverty eradication.

The proposed Agenda for Change does not seek to re-write basic policy principles. There will be no weakening of the EU's overarching objective of poverty elimination in the context of sustainable development, as set out in the European Consensus on Development. EU commitments on financing for development, MDG achievement and aid effectiveness remain firm, as do its ambitions as a political leader and key donor. Development strategies led by the partner country will continue to frame EU development cooperation in line with the principles of ownership and partnership. The EU is seeking greater reciprocal engagement with its partner countries, including mutual accountability for results. Dialogue at country level within a coordinated donor framework should determine exactly where and how the EU intervenes. More effective collaboration within the multilateral system will also be pursued.

2.1. BUSINESS ENVIRONMENT, REGIONAL INTEGRATION AND WORLD MARKETS

Economic growth needs a favourable business environment. The EU should support the development of competitive local private sectors including by building local institutional and business capacity, promoting SMEs and cooperatives, supporting legislative and regulatory framework reforms and their enforcement (including for the use of electronic communications as a tool to support growth across all sectors), facilitating access to business and financial services and promoting agricultural, industrial and innovation policies. This will also allow developing countries, especially the poorest, to harness the opportunities offered by globally integrated markets. Better and more targeted Aid for Trade and trade facilitation must accompany these efforts.

In the same vein, crucial to developing countries' success is attracting and retaining substantial private domestic and foreign investment and improving infrastructure. The EU should develop new ways of engaging with the private sector, notably with a view to leveraging private sector activity and resources for delivering public goods. It should explore up-front grant funding and risk-sharing mechanisms to catalyse public-private partnerships and private investment. The EU should only invest in infrastructure, where the private sector cannot do so on commercial terms.

The EU will further develop blending mechanisms to boost financial resources for development, building on successful experiences such as the European investment facilities or the EU-Africa Trust Fund for infrastructure. In selected sectors and countries, a higher percentage of EU development resources should be deployed through existing or new financial instruments, such as blending grants and loans and other risk-sharing mechanisms, in order to leverage further resources and thus increase impact. This process should be supported by an EU platform for Cooperation and Development incorporating the Commission, Member States and European financial institutions. Regional development and integration can spur trade and investment and foster peace and stability. The EU should support regional and continental integration efforts (including South-South initiatives) through partners' policies in areas such as markets, infrastructure and crossborder cooperation on water, energy and security. Support will be offered to tackle competitiveness gaps, as part of the EU's substantial and growing Aid for Trade activities, Economic Partnership Agreements and other free trade agreements with developing regions.

2.2. SUSTAINABLE AGRICULTURE

The EU should use its support in agriculture to help insulate developing countries from shocks (such as scarcity of resources and supply, price volatility) and thus help provide the foundations for sustainable growth. It should tackle inequalities, in particular to give poor people better access to land, food, water and energy without harming the environment.

In agriculture, the EU should support sustainable practices, including the safeguarding of ecosystem services, giving priority to locally-developed practices and focusing on smallholder agriculture and rural livelihoods, formation of producer groups, the supply and marketing chain, and government efforts to facilitate responsible private investment. The EU will continue working on strengthening nutritional standards, food security governance and reducing food price volatility at international level.

The EU should support capacity development and technology transfer, including in climate adaptation and mitigation strategies. The EU is looking for long-term partnerships with developing countries, based on mutual accountability.