

KEY QUESTION

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What are the EU's strategic priorities for development?

Focus on poverty reduction and the SDGs; increased emphasis on human rights and inclusive growth

The EU's development strategy is outlined in the European Consensus on Development, signed by the three main EU institutions (the European Commission, European Parliament, and the Council of the European Union) in 2006. Its overarching objectives are poverty reduction and achieving the Millennium Development Goals (MDGs), which have been translated into nine focus areas:

- trade and regional integration;
- environment and sustainable management of natural resources;
- infrastructure;
- water and energy;
- rural development and food security;
- governance and human rights;
- conflict prevention;
- human development;
- and social cohesion and employment.

The Consensus is currently being revised for after 2020. A communication presented by the European Commission in November 2016 suggested an ambitious, collective European development policy. It highlighted the need to give more prominence to key drivers (including women and youth), and to better coordinate the development cooperation of the EU and the member states. The proposal will be discussed by the EU member states and the European Parliament in the first half of 2017. The objective is to agree on a joint text (a 'Joint Statement'), which contains a common framework for European development policy under the shared ownership of EU institutions and the member states. The review is likely to influence the mid-term reviews of the two main instruments of the EU's development assistance: the European Development Fund (EDF) and the Development Cooperation Instrument (DCI).

In 2012, the Agenda for Change was adopted, which outlines policy guidelines that complement the Consensus. The main objective of the Agenda for Change is to improve the effectiveness of EU development policy, and as such it prioritizes human rights and inclusive growth, as well as general budget support with stricter aid conditionality. It calls for a focus on the poorest countries and increased engagement with the private sector. It also further highlights the use of innovative financing mechanisms such as the blending of grants and loans.

The Cotonou Agreement, a partnership framework signed in 2000, governs relations between the EU and African, Caribbean and Pacific (ACP) countries; it thus presents the framework for the EDF. The agreement is set to expire in 2020. Principally, negotiations to renew and discuss the terms of the cooperation between the EU and ACP after 2020 must begin no later than September 2018 (18 months before the current agreement's expiration). In practice, they were already under discussion in 2016; a Joint communication from November 2016 suggests that the renewed partnership with ACP countries should build on the Agenda 2030, on the EU's Foreign and Security Policy, and on coherence with the Consensus. A central issue under consideration is whether to incorporate the EDF into the EU's general budget (the so-called 'budgetization'). This would allow for the European Parliament to have a say in the allocations made by the EDF. While the issue has already been debated during the negotiations of the current multiannual financial framework (MFF), the decision was postponed. The Commission will do outreach and gather feedback on the new Cotonou Agreement until mid-2017.

The EU disburses nearly all of its ODA bilaterally; focus is on economic development, humanitarian aid, and infrastructure projects

The EU is a multilateral institution that receives funding from its member states. At the same time, it is a donor that channels ODA itself; it provides the vast share directly to countries as bilateral ODA (99% in 2015).

The largest share of the EU's bilateral ODA is allocated to financial services and business support (14% in 2015, or US\$2.6 billion), in line with the EU's focus on economic development. Humanitarian aid and infrastructure projects come second and third, each accounting for 11% of bilateral ODA in 2015 (around US\$2 billion each). The

EU's humanitarian assistance is mainly carried out by the Directorate-General for European Civil Protection and Humanitarian Aid Operations (DG ECHO) to address humanitarian crises outside the EU.

Infrastructure projects largely benefit middle-income countries (MICs), which received 71% of ODA for such projects in 2015. Turkey alone received 23% of this funding.

Implications of the refugee crisis

The 'refugee crisis' has had a major impact on the EU's external action and development policy. In response to the high influx of refugees in Europe, the Commission provides increasing humanitarian aid in fragile areas and within the EU. In March 2016, the Commission committed €700 million to fund emergency support operations within EU borders for 2016 to 2018; it has disbursed €300 million in 2016 and will disburse €200 each year in 2017 and 2018.

The Commission amended its 2015 and 2016 general budget to increase spending on the refugee crisis by €4.7 billion each year, amounting to a total of €9.3 billion (US\$12.2 billion). This included the establishment of the 'Emergency Trust Fund for Africa' (to which the Commission contributed €1.8 billion) and the 'EU Regional Trust Fund in Response to the Syrian Crisis' (aiming to raise €1.2 billion by early 2017), both targeted at tackling the root causes of migration abroad.

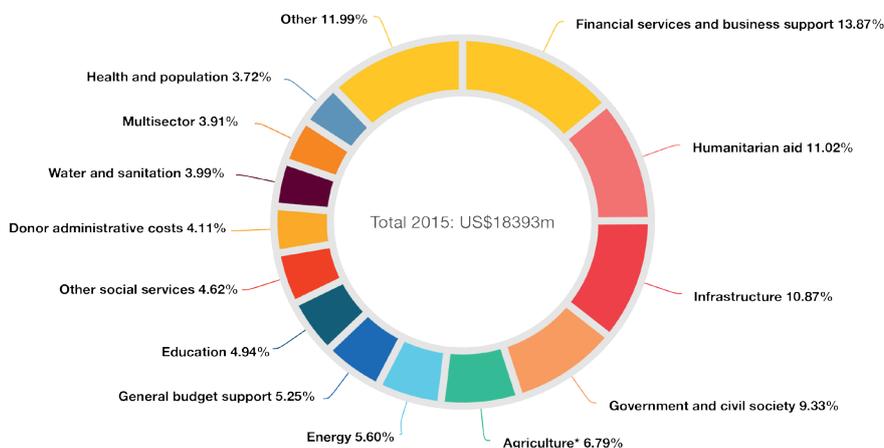
For 2017, EU institutions agreed on spending a total of €6 billion on addressing the consequences of the migration crisis within Europe, as well as tackling the root causes of the refugee flow outside of the EU. This includes the protection of the EU's external borders, actions within the EU, and actions outside the EU to address the root causes of migration.

'Brexit': the UK's decision to leave the EU

In June 2016, the British people voted in favor of exiting the EU. It is still unclear how this decision will affect EU development policy. Brexit could impact the EU's development policy in the following ways:

- **Reduce financial resources for development programs:** The UK contributes around US\$2 billion per year to EU development programs through the EU's general budget and the EDF; these may see cuts
- **Create a leadership gap:** The UK has been a strong supporter of value for money, evidence-based policy, and a strong results agenda within EU development policy, placing emphasis on multilateral development assistance
- **Reduce the focus on poorest countries:** The UK has advocated for a stronger focus on low-income countries and fragile states within the EU's aid programs.

THE EU'S BILATERAL ODA BY SECTOR



Source: OECD CRS. *Includes agriculture, forestry, fishing, and rural development.