



Overseas Development  
Institute

## European development policy

### Key points

- The EU has the power to make a significant contribution to development on a global scale
- The EU's international credibility and legitimacy rests on meeting its self-imposed standards
- Continued improvements are required for the European Commission to retain its share of global and European aid

‘The EU has much to do if it is to fulfil its potential and lead new global initiatives on international development and poverty reduction’

#### Overseas Development Institute

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**T**he European Union (EU) is the world's largest donor, represented in 120 developing countries. It is also the world's largest humanitarian aid donor, supporting some 18 million people every year in over 60 countries. Today, the European Commission (EC) channels around 20% of all EU aid.

There will be major changes to the governance of EU development cooperation in 2010, as a result of the Lisbon Treaty and the reorganisation of European structures, including the creation of the External Action Service. Negotiations will begin for the new Financial Perspectives, to run from 2014 to 2020.

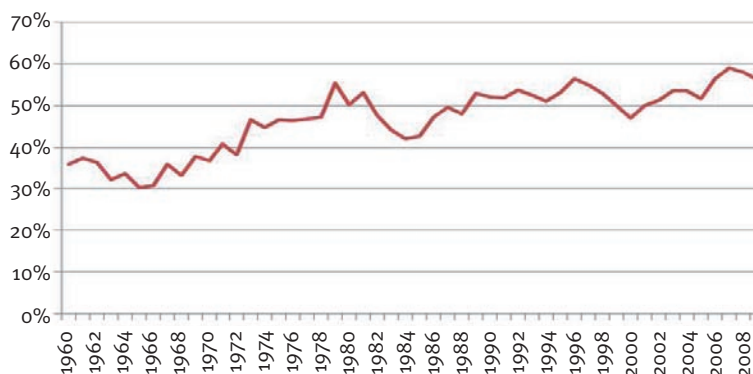
Decisions will also be made about how to allocate fast start climate funding and, eventually, larger financial flows for climate change mitigation and adaptation.

#### The role of the European Union

The EU has a unique role in the emerging development agenda. It is committed to poverty reduction, well-represented

at country level and engaged in meeting the Millennium Development Goals (MDGs). No other agent in the multilateral sphere has the range of instruments and opportunities of the EU. The United Nations has the political role, but not the capacity to disburse on the scale or with the variety of instruments available to the EU. The World Bank and the other multilateral development banks have the financial resources, but not the voice on trade, nor the role in foreign and security policy. This gives the EU a unique role.

At the same time, the EU has much to do if it is to fulfil its potential and lead new global initiatives on international development and poverty reduction. Since 2000, the effectiveness of EU external assistance has improved – there is now one development policy, one organisation for aid delivery for almost all regions, one set of rules and 10 financial instruments (down from 30). However: funding is lagging behind targets and does not always benefit the

**Figure 1: EU Aid as a share of total ODA**

Source: OECD DAC.

poorest, policy and institutional coherence remains an aspiration, and coordination between Member States remains an uphill task.

### Policy recommendations

According to the European Development Cooperation Support Project at ODI, continued improvements are needed if the European Commission is to retain and increase its share of global and European aid.

- The EU Development Commissioner has said that the EU's credibility is at stake if aid pledges are not met. The UK needs to push this agenda and ensure that climate funding is generous, additional to ODA, and disbursed in line with the Paris principles on aid effectiveness.
- The EU's financial instruments need revision, with a clear separation made between instruments that are ODA-eligible and those that are not, with more ODA reaching low-income countries and the poorest people.
- All actors need to play their part in promoting strong and coherent EU external action, while respecting development objectives. The new High Representative, for example, has a role to play in delivering joined-up policy to achieve the Millennium Development Goals. The Development Commissioner needs the space and authority to work with the External Action Service, team up in international diplomacy, and stop initiatives that do not conform to development principles.
- The EU Code of Conduct on Division of

Labour remains voluntary, but needs to be taken more seriously. Leadership is needed at Headquarters and country levels, with a clear mandate for the European Commission. The EU must work together to provide aid, to simplify a global aid system that is too complex and fragmented.

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### References and useful resources

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#### Useful resources:

[www.international-development.eu](http://www.international-development.eu) (an ODI initiative on European development cooperation).