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**REPORT FROM THE COMMISSION TO THE COUNCIL, THE EUROPEAN
PARLIAMENT, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND
THE COMMITTEE OF THE REGIONS**

EU 2009 REPORT ON POLICY COHERENCE FOR DEVELOPMENT

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TABLE OF CONTENTS

1.	The EU's Commitment to PCD	3
2.	Organisational Mechanisms	3
3.	Progress in the thematic areas	5
3.1.	Trade	5
3.2.	Environment.....	5
3.3.	Climate Change.....	6
3.4.	Security	6
3.5.	Agriculture	6
3.6.	Fisheries	7
3.7.	Social dimension of globalisation, employment and decent work.....	7
3.8.	Migration.....	7
3.9.	Research	8
3.10.	Information Society.....	8
3.11.	Transport	8
3.12.	Energy	9
4.	Assessing the impact of increased PCD against the MDGs: Taking a Results based approach	9
5.	Conclusion.....	11

1. THE EU'S COMMITMENT TO PCD

Realising that its policies in areas other than development had some unintended impacts on third countries and building on the OECD work in this area, the Union elaborated a concept of Policy Coherence for Development aimed at strengthening synergies between EU policies other than aid and development objectives. Careful design and implementation of EU policies were to lead to increased effectiveness of development aid and non aid policies altogether, and to an efficient use of resources, by limiting policy incoherence and developing synergies.

To make such an approach a reality, the EU took bold commitments towards PCD in twelve policy areas¹ in 2005 and dedicated time and energy to strengthening PCD procedures, instruments and mechanisms at all levels since then. These efforts were formally embedded in the European Consensus on Development adopted in December 2005, and a first progress report on PCD in the Union, integrating the views and expertise of the Commission and EU Member States, was issued by the Commission in September 2007, in line with the mandate from the Council in May 2005.

A results based approach to assessing PCD

The debate that followed the issuing of the 2007 PCD report, together with debates with civil society organisations and international organisations on PCD issues, in particular the OECD, led to a rethinking of the EU PCD methodology for the 2009 reporting exercise and to an increased focus on the impact on developing countries.

In keeping with the positive experience of 2007 while integrating some evidence based PCD analysis, the 2009 Report has been prepared on the basis of a two pronged approach. An updated analysis of policy changes was compiled, on the basis of contributions from Member States and the various Commission services. As such, the 2009 report remains an EU wide effort to reflect European endeavours to promote PCD at national, EU or international levels and to report on progress made towards the PCD commitments.

In addition, the 2009 report also presents an overall conceptual framework linking the 12 EU policies areas to the Millennium Development Goals (MDGs) in developing countries and elaborates on three concrete case studies in developing countries and specifically in Africa, given the particularly dramatic situation of the continent with regard to the MDGs. Two case studies focus on MDGs (MDG1 on hunger and MDG6 on fight against HIV/AIDS) in three developing countries (Ethiopia, Mozambique and Senegal for MDG1; Rwanda, Tanzania and Zambia for MDG6), the third case study concentrates on the Africa EU joint Strategy as a framework with strong PCD potential.

2. ORGANISATIONAL MECHANISMS

Since 2007 the EU has substantially strengthened its approach towards PCD, with the emphasis on implementing the policy commitments made in 2005, as well as the sharpening of the mechanisms to promote PCD, their more effective use and awareness raising.

¹ May 2005 Council Conclusions on PCD. The twelve policy areas are Trade, Environment, Climate Change, Security, Agriculture, Fisheries, Social Dimension of Globalisation, employment and decent work, Migration, research, Innovation, Information Society, transport and Energy.

The **Commission** has achieved a high profile for its work on PCD, as recognised in the latest Development Assistance Committee (DAC) Peer Review of EC aid². In 2008, the Commission took its PCD work further by sharpening, and making better use of inter-service consultation (ISC) and impact assessments (IA), both of which are powerful mechanisms to promote PCD. At international level, the Commission contributed to the OECD DAC Reflection exercise on the revision of the DAC mandate thus helping to make PCD a renewed priority for the OECD in the future.

At the **Council** level some progress was made through the PCD Rolling Work Programme, the PCD screening of the Council agenda and joint Council sessions, even though systematic follow-up of these exercises proved to be rather limited. While EU Presidencies can play a lead role on PCD, their efforts are necessarily limited to their term of office, which often results in a lack of continuity from one EU Presidency to the other.

The **European Parliament** took a keener interest in PCD during the second half of its term. MEPs asked many written questions on specific aspects of EU policies including migration, trade and fisheries and their impacts on developing countries. On 17 June 2008, the EP also adopted a resolution on policy coherence for development and the effects of the EU's exploitation of certain biological natural resources on development in West Africa.

Member States have also made progress individually. Many of them strengthened their commitment to PCD, refined their institutional mechanisms to promote PCD and engaged in a more intensive dialogue with society at large. Member States with a legal base on PCD found it easier to promote PCD. Obstacles remain with regard to the lack of awareness of development issues on the part of non-development line-ministries. This is compounded by the difficulty of providing evidence about the ultimate impact of non development policies on poverty in developing countries, making it difficult to demonstrate the results of increased PCD.

However, the picture is not all rosy. Difficulties encountered at the national level often spill over to the EU level and are sometimes self-reinforcing. Member States point to the lack of political will and the limited priority given to world poverty reduction as a serious hindrance to progress on PCD. Diverging interests can make it difficult at times to ensure consistent Council messages on PCD.

Based on this groundwork it appears that a more strategic approach could be proposed. Reporting on PCD progress achieved in the 12 policy areas has been important as a way to raise awareness and to demonstrate the importance of the broader EU policy agenda for development. The strengthening of the PCD instruments was necessary in order to better harness the potential of EU policies for development. However, in order to make real progress, the EU needs to change its approach. Rather than monitoring the impact of all policies on developing countries the EU could promote PCD more effectively through a more focussed approach. The EU should select some key development challenges, analyse how it can contribute to achieving them through the broad array of its policies and instruments, and ensure political mobilisation around these challenges.

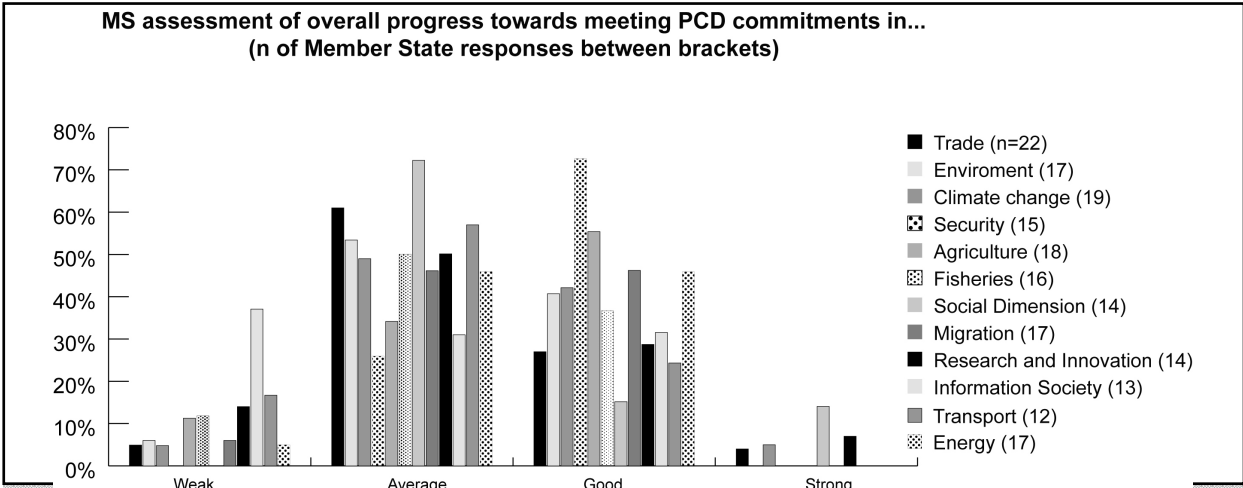
In this third phase the EU should also move towards a partnership approach to PCD. The EU and developing countries could for instance launch a reflection on the consultation

² OECD Development Assistance Committee (DAC) Peer Review of the European Community, 2007

mechanisms provided for in the impact assessment guidelines, the Cotonou Agreement and possibly also the Africa-EU Partnership and improve them if necessary.

3. PROGRESS IN THE THEMATIC AREAS

Progress made in the 12 policy areas is uneven. The PCD report assesses the progress made in each of the areas and identifies outstanding issues that need to be addressed to enhance synergies between the different policies.



3.1. Trade

Progress in Trade PCD commitments has been made in those areas in which the EU can control the outcome – e.g. autonomous preferences offered to developing countries (such as the GSP and the transitional Market Access Regulation for ACP countries having initialled an EPA). On other issues, the EU has been working actively towards the achievement of a successful outcome and is continuing to do so in order to achieve possible effective development friendly outcomes. At the multilateral level, a breakthrough in the WTO³ Doha Development Agenda requires the commitment of all key players, including the major emerging economies. At the bilateral level, a successful conclusion of EPAs and FTAs depends on substantial efforts by both parties (EU and partner countries) to reach agreements that appropriately foster regional integration and take the developmental dimension into account.

3.2. Environment

Some good progress has been made in the EU to integrate development concerns into the environment policy area, as exemplified among others by the Sustainable Consumption and Production initiative, the Forest package or the strengthening of dialogue with developing, including emerging, economies. However, a few critical issues remain to be tackled, such as improving International Environment Governance and reinforcing the implementation of the Convention on Biodiversity.

More coherence for development is paramount in the environment policy area if the "greening" of the developed and developing countries economies is to deliver on its promises

³ World Trade Organisation

of a safer and more hospitable world. Strong and converging public policies are required to provide clear guidance and orientation for the public at large to allow a rapid and smooth environment friendly global economic transition. Policy coherence for development provides the required tools (e.g. consultation mechanisms, Impact Assessment) to ensure that developing countries will be part and parcel of these developments.

3.3. Climate Change

Good progress has been made in Climate Change policies as their development dimension is gradually being better understood and articulated. Within the EU, the Climate Change and Energy Package adopted in 2008 will offer important opportunities for developing countries in particular with regards to Clean Development Mechanisms, Carbon Capture and Storage, sustainable production of biofuels, the development of low carbon strategies etc. Progress has also been made with the launch of the Global Climate Change Alliance in 2007, with the UN post-2012 negotiations on Climate Change, which should take development concerns into account in the run-up to the United Nations Climate Change Conference taking place in Copenhagen, in December 2009, and with development policies which now better integrate mitigation and adaptation measures, even if implementation is still at an early stage.

In the context of the financial and economic crisis, which is likely to divert the attention and budget allocation of both developed and developing countries towards issues of immediate interest, it is of the utmost importance that policy dialogue should be enhanced to develop a shared vision with the most vulnerable developing countries, thus highlighting the necessary coherence of our actions in the field of climate change, energy and development.

3.4. Security

The European Union supports peace processes in many developing countries politically, financially and with military means thereby providing these countries with the stability and peace needed for development. However as acknowledged in the Report on the Implementation of the European Security Strategy, which was endorsed by the European Council in December 2008, there is a need to further strengthen coherence.

At EU level, the pillar structure still impedes coherent action between ESDP missions and development cooperation. The different services of the Commission and the Council keep each other mutually informed, but there is room for further improving the inter-institutional co-ordination, planning and decision-making. The proper sequencing and coordination of EU activities are particularly important as well as the alignment with partner country initiatives. Also, the EU should increase its efforts to speak with one voice. The Africa-EU Strategic Partnership on Peace and Security clearly is a milestone on the way towards more PCD.

3.5. Agriculture

The world wide food prices crisis of 2007-2008 shed some new lights on the food situation in developing countries underlining the numerous factors at work and their intricate inter-relationships. The impact of EU agriculture policy therefore has to be pondered carefully in the face of such complexity and here the recent adaptation of the Common Agriculture Policy represents a step in the right direction, in particular through the decoupling of a greater share of income support to farmers and the reduction in export subsidies in recent year in the EU. Beyond its domestic agriculture policy changes, the EU responded rapidly to the food prices crisis by setting up, among others, the €1 billion Food Facility, thus demonstrating its strong commitment to poverty eradication and food security in partner countries. As a

complementary measure, the EU decided to strengthen the focus on agriculture in its development efforts and offered a safeguard clause on Food Security, which helps to ensure food security in the Economic Partnership Agreements negotiated with Africa, Caribbean and Pacific (ACP) countries.

Food and Agriculture will remain high on the international political agenda in the coming years and, in the longer term, agricultural policy both in the EU, and in developing countries, should take into account the constraints imposed by climate change measures, demographic trends, changes in consumption patterns and the limited area of new land available for cultivation. Feeding the world's growing population will require globally doubling the production of food by 2050, with a fourfold increase needed in Africa. In that context, progress in agricultural productivity, especially in developing countries, and sustainability of the production will be critical challenges which coherent agriculture and development policies in EU will help address.

3.6. Fisheries

With the replacement of all old-style fisheries agreements by Fisheries Partnership Agreements the EU has implemented the more development friendly policy framework established through the reform of the Common Fisheries Policy (CFP) as decided in 2002 and 2004. The measures taken at EU level to combat illegal, unreported and unregulated fishing are important steps to avoid resources diminishing and a situation where developing countries lose potential catches and revenues. However concerns remain with regard to the sustainability and the social consequences of the agreements. The forthcoming reform of the CFP provides an opportunity to re-evaluate the external dimension of this policy with a view to making it more development-friendly.

3.7. Social dimension of globalisation, employment and decent work

In the area of the social dimension of globalisation, the issues that are to be tackled are wide-ranging (decent work, gender, children, youth, employment programmes) and coordination and coherence is important although not easy to achieve. The EU is continuing with its commitment to raise important issues in international fora. In light of the global economic crisis, the social dimension of globalisation and decent work becomes even more important for development and poverty reduction. Raising the level of social protection, funding of social safety nets and using the decent work agenda as tools to tackle the crisis are vital elements in addressing the issues. Promoting and taking account of the gender dimension as an automatic reflex across the board is crucial in this respect.

3.8. Migration

Through its Global Approach to Migration, the European Union seeks to ensure that the positive benefits of migration are harnessed to bring mutual benefit to the EU and its partner countries. The Policy Coherence for Development process is instrumental to ensure that this delicate balance is taken forward. The EU has reinforced its dialogue with third countries on migration and development issues while further integrating mutual migration concerns and challenges in cooperation with these countries. These efforts need to continue in order to embark upon the policy challenge of offering real migration and mobility options for nationals of developing countries legally seeking employment in the EU. Portability of socio-economic rights is also being addressed but needs to be tackled further in the coming years. Furthermore, implementation has started and must continue on a number of issues, especially

remittances, increased mobility, and a stronger relationship and dialogue with diaspora organisations. Also, facilitating labour migration, labour matching, the efficient transfer and recognition of new skills and addressing brain drain remains important. Finally, new issues such as the impact of the economic crisis and climate change on migration, will be further explored.

3.9. Research

The EU continues to contribute to development objectives through its research programmes and to promote the participation of researchers from developing countries in research projects and mobility schemes. By financing projects across a broad range of issues, such as in the health or food security areas, research policy has contributed decisively to development.

However, overall, the participation of researchers from developing countries often remains low. A major difficulty of involving developing countries into research cooperation is their limited research capacity and infrastructure.

In addition to actions in support of developing countries, and in particular the strengthening of research capacities, increased emphasis is being placed on an intensified dialogue with regional bodies to identify common research priorities and capacities for joint research. The AUC could play an important role in that respect e.g. by managing an African research programme and by playing an active role in facilitating the partnership between Africa and Europe in research

3.10. Information Society

The EU has taken important steps to promote an inclusive Information Society. It has intensified its research cooperation with developing countries in the area of ICT and has stepped up its cooperation on regulatory issues with them. Internet expansion is also being addressed by the African Union (AU) and the European Union (EU) as part of the new strategic partnership for science, Information Society and space. Through this partnership the EU supports the building of infrastructure and the strengthening of capacity for ICT in developing countries. The potential of this partnership should be further exploited to intensify research cooperation, continue policy dialogue and increase efforts to expand ICT infrastructure.

3.11. Transport

In the area of Transport, coherence is increasingly being addressed by more balanced actions across transport modes, in particular in Sub-Saharan Africa, and addressing cross-cutting issues. Better frameworks for coordination and cooperation would be needed in order to set out PCD goals and initiatives. The Partnership on Infrastructure could be an important starting point if the actors involved were to make use of the opportunity at hand.

Strengthening cooperation between Europe and Africa in the transport sector is at the core of the Communication on partnership between European Union and Africa. It aims to connect the Trans-European and African networks. The Commission will make available the experience it gained from European Transport Policy to its African partners. This seeks to contribute to the implementation of a more efficient transport system, assisting in the development of the African continent in order to face the challenges of poverty, environmental degradation and migratory imbalances.

3.12. Energy

Over the last two years, Energy has received significant political attention and possible synergies with development have been sought. The 2008 EU Climate Change and Energy Package, for instance, could affect developing countries, in particular through its biofuel chapter, by creating new opportunities for biofuel exports. Both opportunities and risks will be generated and those will need to be carefully weighted. Against this background, the development dimensions of the EU biofuels policy have been considered carefully. Reciprocally, development policies in specific developing countries can be implemented in synergy, helping countries where there is good potential to develop biofuel production and use, with due respect for the sustainability scheme outlined in EU's Renewable Energy Directive. However progress has also been achieved on other initiatives as exemplified by the setting up and implementation of energy dialogues with developing countries, including emerging countries, or through the adoption of a thematic programme to support the environment and the sustainable management of natural resources, including energy, in the developing world.

Future energy policies and energy related technology strategy in the EU will play a key role in ensuring the sustainable economic development of the Union, its response to Climate Change and its efforts to assist developing countries to reach the Millennium Development Goals. There are synergies between the policies of the EU and the developing countries' which will need to be harnessed. Such complementarities will contribute to better access to sustainable energy for all partners while allowing important climate changes targets to be met. Under these conditions, economic development can continue and should assist with delivering on the double goals sets to eradicating poverty through better access to energy and keeping climate change within acceptable parameters⁴.

4. ASSESSING THE IMPACT OF INCREASED PCD AGAINST THE MDGs: TAKING A RESULTS BASED APPROACH

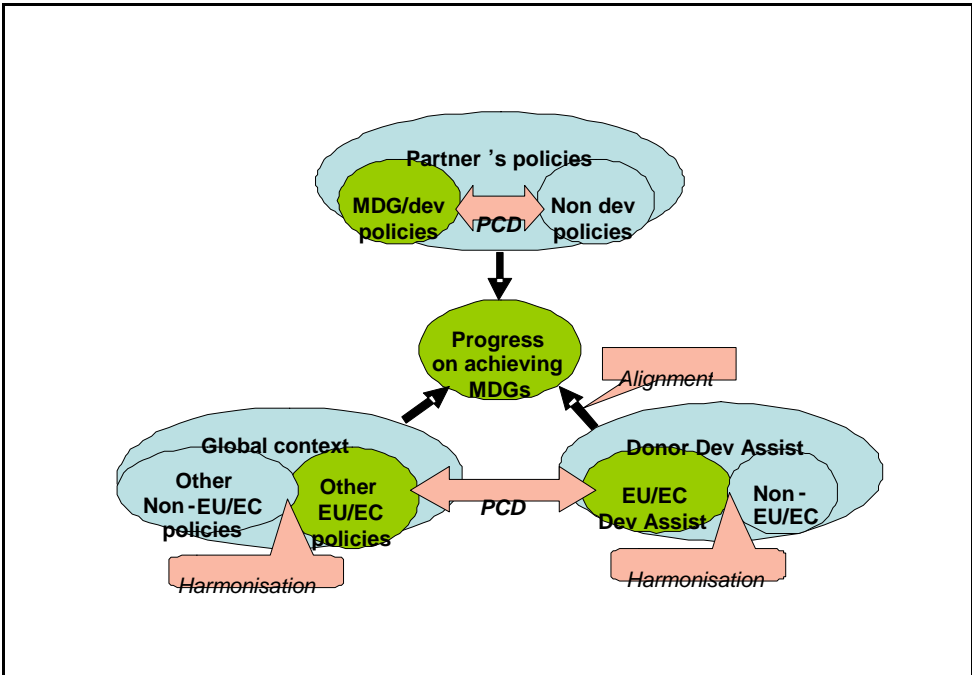
The EU Research paper on "the MDGs at Midpoint: where do we stand and where do we need to go?"⁵ is the starting point for the conceptual framework to assess PCD impact in developing countries. The approach stresses the importance of three clusters of policies, namely the global context, development assistance, and domestic policy, that are important for achieving MDGs.

While understanding the interactions between these three clusters is key to assessing progress on MDGs, the PCD focus is more specifically placed on the interactions between the development assistance policies and other policies of the EU as highlighted below (Fig.1)

⁴ EU objectives is limit the global average temperature increase to not more than 2°C above pre-industrial levels.

⁵ http://ec.europa.eu/development/icenter/repository/mdg_paper_final_20080916_en.pdf, Bourguignon et al's (2008b)

Figure 1: Key Policy Interactions and progress on MDGs



Such a framework allows for a systematic exploration of the effects, positive or negative, that EU policies other than aid might have on development, and, more specifically, on the achievement of the MDGs. While very often the emphasis is on the potential negative impact, the framework also encourages the identification of possible synergies, and potential positive impacts on development, in addition to the core sector objective of the policies.

Elements gathered from the field studies in Mozambique, Ethiopia and Senegal for the case study on **MDG 1** (in relation to hunger) confirmed that depending on the country's characteristics, a set of impacts can occur in relation to EU food safety standards, agriculture and trade policies. However, the problem of attributing impacts such as the relative role of EU, other international policies and domestic policies in generating the impacts - remains a limiting factor in the exercise and any attempt to extract policy recommendations from such an interplay should be carried out with extreme caution. In addition EU policies and domestic policies sometimes converge, leading to a similar impact: in Ethiopia or Senegal for instance, changes from trading bulk commodities to marketing of differentiated products into specific EU markets are as much a result of EU policy initiatives (food safety standards, agricultural and trade policies) as the result of a deliberate attempts by those two countries to shift to more differentiated products with higher value-added. Regarding fisheries, the situation in Senegal has highlighted the potential for synergies between an EU Fisheries Partnership Agreement and the Senegal fisheries policy which need to be reinforced and supported. Regarding climate change and energy policies, the current EU efforts on the international scene to simplify access to CDM for developing countries should help the three countries sampled to benefit from CDM projects in the future. In addition, the opportunities offered by the biofuel chapter of the 2008 EU Climate Change and Energy Package should allow both Mozambique and Ethiopia to develop further in that sector, with expected positive impacts on poverty reduction in Mozambique, for instance.

The case study on **MDG 6** (in relation to the combat against HIV/Aids), looks at the impact that EU trade policy, and in particular Trade Related Aspects of International Property Rights, research and migration policies have had on the access to HIV treatment in Tanzania, Zambia and Rwanda. It finds that neither Rwanda nor Zambia managed to make use of the flexibilities offered by the TRIPS agreement due to issues not directly related to the agreement. In Tanzania though there seems to be some scope to explore and use the flexibilities of TRIPS and to make progress towards MDG6.

With regard to research policy the study finds that some important Commission financed projects in Tanzania have either already contributed to fighting HIV/AIDS or have the strong potential to do so. Some recent developments in migration policy show the increased awareness in the EU of the impact of its migration policies on staffing levels in the health sector in developing countries. However the study has so far been unable to produce concrete evidence of these provisions working out in practice.

The case study on the **Joint Africa EU Strategy (JAES)** looks into the potential impact on PCD. Adopted in December 2007, the JAES is a new framework that extends longstanding cooperation between the two continents beyond the boundaries of Africa, beyond development policy and beyond institutional actors. This new framework has also been an important step towards treating Africa as one and putting into practice the principle of division of labour to further enhance the coherence and complementarity of EU action. Given the short time frame since its inception and operationalisation, the JAES has shown some, albeit limited, impact on PCD outcomes to date. Expectations must be kept realistic, given the wider challenges associated with JAES implementation.

5. CONCLUSION

In keeping with the original mandate, the 2009 report provides a basis for assessing PCD progress in the EU. In addition, the report takes a results based approach by looking at the effects EU policies have had on developing countries and their capacity to meet the MDGs and the PCD potential of the Africa-EU Joint Strategy. Through this combined approach the report provides both concrete evidence from developing countries on the relevance of PCD and illustrates how the EU through a broad range of policies can support developing countries in their combat against poverty. As an information tool the report is intended to generate debate and feedback from a broad range of actors in the private and public spheres.