

Making the case for strong EU development cooperation budget in the next Multiannual Financial Framework

CONCORD Europe Position

Introduction

In a changing, complex and increasingly interconnected world, “*carrying on as we are*” or “*doing less together*” are simply not options for the European Union (EU) or its member states (MSs). Poverty, inequality, shrinking civic space, human insecurity, climate change and environmental degradation, violence and human rights violations – all are still part of our world’s shared reality. What happens elsewhere is a concern also for the EU. Collectively, the EU and its member states are the world’s leading donor of development and humanitarian aid, and they have everywhere been at the forefront of promoting sustainable development and the European values of respect for human dignity, freedom, democracy, equality, the rule of law, human rights and gender equality.

The EU demonstrated great leadership in making the 2030 Agenda for Sustainable Development a transformative political framework, and it made positive and constructive contributions to the Paris climate agreement and to human rights conventions such as the UN Convention on the Rights of Persons with Disabilities (UN CRPD). The EU Consensus on Development sets out how the EU will support the implementation of the 2030 Agenda outside Europe. The Global Strategy for the EU’s Foreign and Security Policy embodies a commitment to living up to EU values, making a positive difference in the world, acting globally to address the root causes of conflict and poverty, promoting human rights, and acting responsibly as a global stakeholder.

The post-2020 Multiannual Financial Framework (MFF) must reflect these existing commitments and live up to the values that have inspired the EU’s creation and development. This means that the EU must preserve its role as the major global development and humanitarian aid donor and as a leader in the fight against climate change.

1. WHY EU member states should channel development and humanitarian aid through the EU

The Reflection Paper on the future of EU finances stresses that *concerns and expectations of European citizens should be a major factor in shaping the new EU budget*. Increased support for **EU development aid** is one of these concerns and expectations, as more than two thirds of EU citizens believe that tackling poverty in developing countries should be one of the EU’s main priorities.¹ The vast majority of Europeans also believe that aid for developing countries contributes to a fairer, more peaceful world.² Additionally, contributing to EU development aid creates obvious added value for MSs as, by working together, the EU can do more, and do it better:

- **Enhanced political influence and policy dialogue:** EU MSs can build on the strategic alliances and long-standing partnerships that the EU – as a supranational organisation – has developed with third countries and other regional organisations. EU external and development action are backed by strong political as well as economic ties with recipient countries, and they give EU MSs a global reach. Furthermore, the EU is perceived as a more neutral actor than its MSs,

¹ https://ec.europa.eu/europeaid/sites/devco/files/sp455-development-aid-final_en.pdf.

² According to the April 2017 [Eurobarometer survey on aid](#).

as it does not advance a particular national agenda.³ These unique features provide a framework for disseminating EU values, creating the conditions that are conducive to sustainable development, responding to global challenges and advancing global agendas. They also increase the **EU's potential to influence global governance and decision making at the international level**, which most notably resulted in the adoption of the 2030 Agenda.

- **Increased development impact thanks to the EU's expertise and resources** – and to the financial weight and the geographic and thematic coverage of EU aid. The EU also has a normative role in setting up common positions on development cooperation, as well as by taking a joint stand during negotiations and political dialogue with partner countries. Additionally, by being the driver of EU joint programming, the EU helps reduce aid fragmentation and can help align aid better with partner countries' development priorities. Working alone can bring about only marginal change in terms of major global challenges such as gender inequality and climate change, whereas the EU provides an opportunity to pool efforts and resources and thus to have a more meaningful impact. Increased development impact also derives from the architecture of EU aid and the predictability that comes with pluriannual budgeting.
- **Promoting a human rights- and principle-based approach to development** – and strong support for civil society. This approach contributes to aid/development effectiveness and the EU's capacity to take forward many issues – including the most sensitive ones. It can also have a positive impact within the EU, as working jointly to promote EU values externally contributes to their dissemination and ownership internally.

EU humanitarian assistance also provides strong added value. The European Commission has been quite a principled donor, driven less by political considerations than by people's needs, and as a donor for "forgotten crises" it has been crucial. In addition, the worldwide network of field experts is a key added value of EU humanitarian aid, which provides both intel and monitoring and evaluation capacity that other donors rely on. At the policy level, the EU has been a global leader when it comes to gender, disability and education in emergencies, as well as on resilience and linking relief, rehabilitation and development.

2. WHAT purpose for the EU's development cooperation

The MFF must maintain the integrity of development and humanitarian aid by respecting the Lisbon Treaty and the European Consensus on Development. EU development cooperation must keep its focus on long-term objectives, such as the eradication of poverty, tackling inequality and exclusion, promoting democratic governance and human rights, and enhancing sustainable and inclusive development, as embedded in the EU Treaty (Articles 21 and 208). This should be done by supporting partner countries' national plans to achieve the Sustainable Development Goals (SDGs), by investing in global public goods and supporting inclusive and just economic opportunities for people through fair trade and investment policies.

In the future MFF, expenditure for pursuing the EU's internal objectives under the headings of migration, asylum and internal security on the one hand, and that geared to supporting the implementation of the European Consensus on Development, on the other, must be kept separate. To merge these two distinct headings would be to run the risk of further instrumentalising EU aid, including by making it conditional on cooperation in the field of migration. This does not mean, of course, that progress should not be made with stepping up coherence between internal and external action: that is precisely the purpose of "policy coherence for development", which should be implemented fully.

³ According to the [External Evaluation of the DCI](#).

As a universal set of objectives aiming at sustainable development in all countries and regions, the 2030 Agenda provides an important framework for exploring areas of convergence and possibilities for cross-fertilisation and co-funding between internal and external programmes, in particular when addressing common challenges – such as poverty, inequality, discrimination, sustainable consumption and production – or managing global public goods. This should, however, be done on a case-by-case basis to ensure that development aid is used in accordance with its original purpose, with due regard to aid/development effectiveness principles. EU development cooperation should be aligned with partner countries' plans and needs, and not its own, short-term, internal EU objectives.

The development-migration nexus

Under the current MFF, Headings 3 and 4 have very different purposes, and that clear distinction should be maintained. Expenditure under the future external cooperation heading should not be used to finance measures relating to the reception of refugees and asylum seekers in the EU, the externalisation of reception centres and asylum seekers' application procedures outside EU borders, or the cost of forced return and re-admission to their countries of origin and transit. While supporting refugees arriving in Europe means protecting human rights, and is both a legal and a moral obligation, it should not come at the expense of already scarce aid to the world's poorest and most marginalised people.

External action can play an important role in the area of migration, refugees and asylum, and measures supported from the EU's external action budget should be designed both to tackle the causes of forced displacement and to increase the benefits of migration and mobility for development and poverty reduction, while at the same time using a rights-based approach to protect all people on the move, whatever their country of origin or status.

This means:

- Addressing all the factors and drivers that may force people to leave their homes and communities (e.g. economic and social injustice, including land eviction, insecurity and conflict, environment degradation and climate change, inequality, poverty, human rights violations and governance failures) while recognising that tighter border controls will not solve the problems driving people from their homes and may in fact reinforce them, by preventing mobility in the region.
- In case of forced displacement, ensuring the protection of populations on the move, in particular the most vulnerable, safeguarding their human rights and meeting their basic needs. It also means providing more financial support for the activities of CSOs working to save lives and meet the basic needs of migrants and refugees, to safeguard their rights and protect them from abuse and violence, in particular gender-based violence and violence against children.
- Creating and promoting legal pathways for human mobility and increasing the benefits of migration, including south-south migration, for local development, knowledge and technology sharing and brain gains.
- Country aid allocations should not be dependent on migration deals with the EU, and there should be no diversion of finance from poor countries and regions to the migrants' countries of origin, or of transit to Europe, on the sole basis that they are on the migration route.

The development-security nexus

Strengthening the synergies between development and security should be based on four principles:

- 1) The fact that security serves development (and vice versa) does not imply that all measures relating to security in third countries should be funded out of ODA. Today already, too much

aid is spent on security at the expense of other key priorities of human and social development.

- 2) If and when peace- and security-related activities are funded through development aid, human security and the protection of civilians should be prioritised over state security.
- 3) Effective solutions to complex crises take time, and should not be subjected to political pressure to deliver visible results in the short term.
- 4) Under no circumstances should the EU's short-term (security or migration) domestic interests drive its development agenda. The aid/development effectiveness principles should be fully respected and applied to all forms of development cooperation.

ODA is a scarce resource and should be used first and foremost for the actions that are the most effective in alleviating poverty. The mid-term review of the Instrument contributing to Stability and Peace (IcSP) acknowledges the trend to "[securitise] development and peace", i.e., to shift the focus from human security to an alignment with state security interests. Several risks are associated with securitised activities, namely, problem oversimplification, loss of mediating potential and negative effects on the EU's cross-cutting priorities. Previous studies have shown that securitisation "has had an unwelcome and negative impact on key development areas, such as social development, human rights and governance reform."⁴

In the area of security, programmes and measures supported by the EU development budget should give priority to human security, which – as highlighted by the UN⁵ – calls for people-centred, comprehensive, context-specific and prevention-oriented responses that strengthen the protection and empowerment of all people and all communities. Human security relies on national ownership, encompasses human rights, and includes equal opportunities for all to enjoy their rights and develop their human potential to the full.

This means:

- Keeping the focus on the security of civilians and communities and ensuring local ownership: development policy and humanitarian objectives cannot be subjugated to donor countries' security or foreign-policy objectives.
- Paying special attention to those most at risk, such as women, children, older people, minorities and persons with disabilities.
- Integrating a clear women's rights perspective, notably by fully implementing UN Security Council Resolution 1325 and subsequent resolutions on women, peace and security.
- Intensifying the focus on tackling climate change and the pressure on natural resources as drivers of insecurity and conflict.
- Investing more (political and financial) resources in conflict prevention and disaster preparedness, and responding to early-warning systems by taking action early in the face of both conflicts and natural disasters.
- Building societal and state resilience by strengthening inclusive governance, civil society participation and social protection systems.
- Strengthening and supporting civilian conflict transformation and civil society efforts and capacity in the areas of human rights, human security, peacebuilding and humanitarian aid.
- Supporting humanitarian aid and relief efforts that strictly respect the civilian character of ODA as well as humanitarian law and principles (humanitarian imperative, impartiality, independence and neutrality) and that in no way pursue state-security or anti-terrorism objectives.

⁴ According to the [Mid-term evaluation of the IcSP](#) (January 2017).

⁵ [UN General Assembly, 66th Session "Follow-up to paragraph 143 on human security of the 2005 World Summit Outcome" \(A/RES/66/290\), 25 October 2012.](#)

None of this can happen in the short run. Addressing the underlying causes of vulnerabilities requires long-term approaches that are firmly rooted in context analysis and knowledge, and that are aligned with aid/development effectiveness principles.

Actions and programmes that are aligned with national security interests (those of EU member states and partner countries) and that support partner-country government stabilisation objectives – such as counter-terrorism, countering violent extremism and organised crime, border control and cyber security – should not be funded using development finance. Under no circumstances should the EU spend development aid on security-sector actors, including military actors, if these actions are not listed in the applicable reporting directives in the OECD-DAC guidelines.

Moreover, contrary to the aim of the current MFF, no spending on the military should come from the EU development budget through a transfer of funding from ODA-eligible development resources to other instruments. If the EU and its member states wish to take joint initiatives to organise the training and equipment of military actors in partner countries, they must find separate methods and instruments for funding them. In addition, they must state clearly who their potential partners are, what criteria will be used for selecting them, what kind of technical equipment and training they will receive, and for what purposes. And in this context too, policy coherence for sustainable development must still be respected.

The development-humanitarian aid-nexus

While we recommend keeping separate instruments and budgets for humanitarian and development action, we do recognise that there is a need to establish strong, strategic links in conducting joint analysis and, where possible, in operations conducted under both mandates in situations of emergency, protracted crisis or fragility.

In the spirit of the Lisbon Treaty, the Communication on Resilience and the Consensus on Development, the operationalisation of the nexus between development and humanitarian aid should take the following requirements into account:

- People and communities should remain the core targets and stakeholders in building resilience. The concept of state resilience should be based on inclusive governance. Vulnerable populations must be empowered to manage risk and to access decision-making processes that impact their futures. This will ultimately lead to investment, services and policies that correspond to their needs and that build community and state resilience.
- A context-specific approach should be adopted in all circumstances, based on a solid analysis of the drivers and impacts of shocks: one that takes on board the views and concerns of local communities and civil society actors, who are a great asset for multi-stakeholder risk assessments and for analyses of vulnerability and capacity/strengths.
- The resilience agenda should be led primarily by development agencies and actors, bearing in mind its long-term approach and global scope. All actors should help implement it, including by agreeing on specific targets for cooperation and coordination between those within the development-humanitarian nexus – without, of course, undermining the needs-based humanitarian decision-making and operations.
- Longer-term funding strategies should be established, including for humanitarian aid, with multi-year programming and multi-year funding options in protracted crises, while giving those implementing the strategies more flexibility for adapting quickly to changing circumstances on the ground. Flexibility is needed for operations to serve a crisis-affected population, but not to cater for changing political priorities in Europe.
- Given their proximity to affected populations, and their expertise and experience developed through working on resilience at community level over many years, local, national and

international CSOs should be involved and supported at all levels in decision making on resilience.

3. HOW MUCH the EU should allocate to development aid

What happens outside its borders is not only a moral concern for the EU: it impacts it internally. To address major global issues – such as the forced displacement of a record number of people as a result of persecution, conflict and human rights violations; climate change; soaring inequality, and the spread of epidemics – the EU needs to show political and financial leadership. In other words, it needs to scale up its development aid and to start really working on policy coherence, with an emphasis on the words “for development” in order to tackle the roots of poverty.

Under the future MFF, expenditure devoted to development aid and humanitarian assistance must:

- Increase or at least maintain the current levels of EU ODA, to enable the EU to honour its international ODA commitments such as the collective objective of 0.7% of gross national income (GNI) and the Addis Agenda target of allocating 0.2% of ODA/GNI to the least developed countries (LDCs).
- Ensure that, if the European Development Fund (EDF) is integrated into the EU budget, this does not lead to an overall decrease of EU development aid (compared to current levels).
- Ensure that aid/development effectiveness principles,⁶ which are fundamental for delivering on the SDGs, underpin all forms of development cooperation.

4. WHAT ROLE for civil society in the next MFF

A vibrant civil society is a building block for democracy, peace, resilience, wellbeing and development, and a prerequisite for strengthening the citizen-state compact and increasing the accountability of governments to their citizens. The work of civil society has a powerful impact on the inclusion of marginalised groups, social cohesion, and the equity and sustainability of policies and programmes. Civil society also has a crucial role to play in catalysing transformative social and economic change. Organisations often act as agents of change, and bring new ideas and strategies to the task of tackling challenges. Civil society representatives are not only stakeholders in consultations or political dialogue, but very much agents of change in their own society. To play their role they need adequate space, opportunity and support.

As well as being an issue of fundamental human rights, promoting space and an enabling environment for civil society is vital in order to make sustainable development possible. To contribute to civic space and an enabling environment, the EU has a number of good policies in place in its external action,⁷ in which it expresses its willingness to protect and expand the space for civil society. The next MFF should move these commitments on from theory to practice, and therefore:

- The EU must commit to strengthening a pluralistic and diverse local civil society with established connections to people living in poverty and exclusion; supporting democracy and all human rights defenders, including women’s rights defenders, and protecting and expanding civic space in all countries and under all circumstances.

⁶ These principles are embodied in the Paris Declaration on Aid Effectiveness (2005), the Accra Agenda for Action (2008) and the Fourth High-Level Forum on Aid Effectiveness in Busan (2011), and were renewed in the Nairobi Outcome Document of the Global Partnership for Effective Development Cooperation (2016).

⁷ These include the EC Communication “The roots of democracy and sustainable development” (2012), and an EC report and Council Conclusions from 2017 following it up.

- As a matter of urgent need, the next MFF must ensure EU funding for CSOs' roles as watchdogs, human rights defenders and promoters of democratisation both inside and outside the EU.
- Both local and European CSOs should be engaged in multi-stakeholder dialogues on EU policies such as development, trade, investment and bilateral relations with third countries, as well as in programming (from identification through implementation to evaluation) across all instruments, and their views must be taken into account by the EU institutions and MSs. The involvement of local CSOs should also be ensured in the selection and implementation of EU trust funds and the External Investment Plan programmes.
- In situations where civil society is at risk, the EU is expected to use the full range of its diplomatic and financial instruments to make sure that human rights defenders are protected and CSOs are in a position to play their role as actors of development, reconciliation and conflict prevention.
- In order to ensure more inclusiveness for all kinds of CSOs, mainly at local level, diverse funding modalities and mechanisms – especially grants – should be made available to civil society under all instruments/programmes (both thematic and geographic). The requirements for project proposals should be proportional to the size of the grant awarded, and simplification should take into account not only the management phase but also the selection phase.
- A separate human rights and democracy instrument, and a dedicated civil society programme, such as the current CSO-LA thematic programme under DCI, should both be maintained.
- In addition, the possibility of introducing a CSO support envelope as a stand-alone priority sector in the national or regional indicative programmes, as is currently the case in the EDF and the ENI, should be kept and expanded to all geographic programmes.

5. HOW to deliver EU development cooperation

Principles applicable to all programmes and instruments

Regardless of the final structure of programmes and instruments for development aid and humanitarian assistance, the following **principles** should always be upheld:

- **A clear distinction** in the budget between **ODA-eligible funding** aimed at poverty reduction in the context of sustainable development and other, non-ODA-eligible funding.
- The **integrity of budgets and mandates** to be established on a legal basis with objectives that make clear reference to the EU's political commitments on poverty eradication and sustainable development.
- The principle of **Policy Coherence for Sustainable Development (PCSD)** to be used in order to ensure consistency within and between MFF headings and programmes. By applying PCSD, synergies between and within programmes can be sought while the potentially negative impacts of other policy areas on human rights and sustainable development can be avoided.
- To ensure transparency and accountability, the **European Parliament's legislative power and scrutiny** must be applied across all instruments.
- Existing **benchmarks and commitments** on core sustainable development areas should be harmonised across instruments, **increased, or, as a minimum, maintained at existing levels**. Clear indicators should be developed for monitoring the funding spent on these benchmarks, and they should be reported on regularly using DAC CRS codes and benchmarks.
 - At least 20% of ODA should be spent on social inclusion and human development, in line with the EU consensus on development.
 - There should be a 50% benchmark for climate-relevant support that has clear and identifiable climate benefits.
 - Eighty-five per cent of all EU external assistance to be gender mainstreamed and score at least G-1 (gender as a significant objective) on the OECD DAC Gender Equality Policy

Marker, in fulfilment of the commitment given under GAP II (2016-2020). Moreover, at least 20% of all external programmes should score G-2 (gender as a principal objective).

- A **role** must be envisaged **for civil society** in political dialogue as well as in programming (from identification through implementation to evaluation) across all instruments. Funding should be made available to civil society throughout all instruments/programmes (both thematic and geographic).
- **Country differentiation** in terms of funding allocations and cooperation modalities should not be **based on** GDP but rather on a **broad range of criteria** taking into account inclusive human development, human rights and levels of inequality, together with the country's priorities for sustainable development. This notably means supporting the collection and monitoring of reliable disaggregated data, as highlighted in the 2030 Agenda. The fact that a country is an important partner in the areas of trade and security, or is on the migration route to Europe, should not interfere with decisions on development aid allocations. Furthermore, considering that inequalities still remain in all countries, even middle-income countries (MICs), it is important to ensure specific funding allocations for them too.
- Increased funding to be allocated – and reserved through earmarking – to **Least Developed Countries** (LDCs). Any increase in flexibility should not be at the expense of reduced funds to LDCs.
- **Coherence and complementarity** between all external funding instruments and programmes, as well as **joint programming** between the EU and its MSs, should be strengthened in order to reduce duplication, increase efficiency, bridge funding gaps and align with countries' development priorities and needs.
- **Administrative costs for applicants** under instruments should be commensurate with the objectives to be met and the real administrative costs.
- **Administrative costs at EU headquarters and in delegations** need to be **adequately resourced** in order to meet their objectives and obligations.

Predictability vs flexibility: finding the right balance

There is a need to increase flexibility in the next MFF, but this should not be seen in opposition to predictability. Where development aid is concerned, to maintain a balance between flexibility and predictability the following rules should be applied:

- Exceptional unforeseen needs should be covered by a **more substantial flexibility instrument** and by **global margins** – on both commitments and payments – that apply to the whole budget, rather than by relying primarily on the possibility of reallocating funds between budget headings.
- Flexibility under each heading should be ensured by establishing **contingency reserves** for the main instruments, harmonising the levels of reserves across those instruments. It should be ensured that, despite transfers of funding, they still support the objectives of each one.
- In accordance with the aid/development effectiveness principles, **flexibility on ODA spending** must be **justified** by changes in the situation and needs of partner countries, and not by changing priorities in the EU.
- **Uncommitted funds or de-committed funds** in one year should be used to increase the volume of the contingency reserves for the following year.
- A **separate reserve** should be maintained **specifically for humanitarian aid**, and the relevant budget should be increased to take into account the fact that the humanitarian aid reserve has been constantly activated during the current MFF period.

Future EU External Financial Instruments (EFIs)

EFIs are central to development aid, as they are the main channels through which funds are made available to achieve development objectives. The architecture of the new EFIs should take into account the proven good functioning of the current EFIs, ODA eligibility, and the need to deliver on the SDGs by including the following instruments:

- A **100% ODA-eligible instrument** for development cooperation focusing on long-term intervention for poverty eradication and the implementation of the SDGs **in all developing countries** (i.e. a **Sustainable Development Instrument or SDI**), notwithstanding their GNI. The following points should be taken into consideration in the new SDI:
 - It should include a mix of both geographic and thematic programmes that allow for development actions on different scales from the local to the national, as well as at regional and global levels.
 - While a larger instrument, like the one proposed, can allow for increased flexibility, a number of benchmarks and ring-fenced earmarking, as well as mainstreaming commitments (in particular human rights, child rights, gender, disability, environment and climate change) should be specified in the legal basis and common implementing regulations, to ensure appropriate budget allocations for agreed long-term geographic and thematic priorities.
 - In particular, the decision to “budgetise” the EDF should be conditional on an amount equivalent to current allocations to national, regional and intra-ACP programmes being ring-fenced for long-term development objectives in ACP countries, and on an amount equivalent to the 11th EDF reserve being put aside to cover unforeseen needs in the three regions. In other words, there should be a legal guarantee that incorporating the EDF into the budget will not lead to the reduction of these financial resources or to their diversion for geographic areas or cooperation priorities that are not part of any future agreement(s) between the ACP states and the EU.
 - A programme specifically designed to support civil society, preserving CSOs’ right of initiative and their independence of EU action (no prior consent required from partner countries).
 - A specific programme (such as the Global Public Goods and Challenges programme) to support the implementation of SDGs holistically and at the global level.
 - The focus on LDCs and fragile countries should also be kept, so that the EU can meet the target of 0.2% of GNI as ODA to LDCs.
- A **separate instrument for humanitarian aid, with its own regulation and budget** so that the integrity of mandates and objectives and the independence of decision making are preserved. Humanitarian aid is implemented through partnerships with CSOs, based on the Framework Partnership Agreement (FPA), and through other implementing agencies – this allows for a diverse range of partners to be part of the dialogue and the implementation. and to respond to diverse needs.
- A **Human Rights and Democracy Instrument**, with a separate regulation, to advance and consolidate human rights and democracy in the EU’s external action and to preserve the independence of that action. This is essential for giving additional visibility to EU action, in line with the EU strategic framework on human rights and democracy, and for keeping the required flexibility and pace of delivery (e.g. small grant schemes for human rights defenders).
- A dedicated **instrument** to support **conflict prevention and peacebuilding**, with a focus on human security and civilian action and excluding any military expenditure. At the same time, the EU should also ensure that conflict sensitivity is better mainstreamed in other external financing instruments, to enable greater complementarity.
- EU Partnership Instrument should be removed from the external heading.

EU funding delivery mechanisms fit for the new EFIs

A well-designed mix of funding modalities and mechanisms should allow for timely, predictable funding, as well as flexibility. It should also allow for better coordination and complementarity between humanitarian and development interventions, in particular in response to protracted crises, while keeping the specificities and objectives of the different funding instruments.

Modalities for CSOs: appropriate funding modalities and mechanisms should be made available to civil society organisations throughout all instruments/programmes (both thematic and geographic)

and including EU Trust Funds. Calls for proposals need to be broadly accessible in terms of geographic scope/multi-country requirements, minimum/maximum budget amounts, and balance between local CSO and European CSO capacity. Efforts should be made to explore new funding mechanisms that are better adapted to the needs of civil society, as discussed in the Structured Dialogue (e.g. extending programme funding to CSOs through an extended use of Framework Partnership Agreements, more use of ring-fencing and follow-up grants, etc.).

Private sector: all modalities for promoting private-sector engagement in development must support inclusive, just economic opportunities for people, and they must be aligned with the aid/development effectiveness principles and with agreed international commitments on environmental sustainability, human rights, decent work, gender equality and the elimination of all forms of discrimination. EU support for the private sector must prioritise micro-, small and medium enterprises in developing countries, which are the main providers of decent work, and must promote an enabling environment for small-scale farmers and entrepreneurs including by developing local markets and value chains. Private finance must not replace public expenditure or investment in public-service delivery, in particular as regards health, education, water and sanitation, agriculture, the environment or adaptation to climate change, or in social protection, but it may complement it.

Blending and investment facilities: there is little evidence to show that leveraging European companies' investments in LDCs, lower-MICs and fragile countries will deliver decent jobs or services for the poorest in a sustainable way, or that the private sector will invest appropriately in these contexts. Strong standards and criteria are required to make sure that financial and, more importantly, development additionality are demonstrable, that risks to people's rights and livelihoods and the environment are effectively minimised, that women's rights, economic opportunities and decent work creation are effectively promoted, and that the public sector is not undermined, but rather strengthened. Using ODA to provide private-sector guarantees must not divert it away from supporting small-scale, domestic, private-sector development or inclusive local business models, or from investing in public goods.

The EU's trust funds (TFs) should only be used in specific circumstances and in line with the following criteria:

- An exceptional need to act quickly and in a coordinated manner at an EU level (meaning with the added value of acting as EU).
- A time-bound mandate linked to an emergency or post-emergency situation in one or more partner countries.
- An assurance that additional funding from MSs and other donors will be pooled through the TF and that the TF programmes bring additionality and complementarity to the existing development programmes.
- The objectives of the TF must be aligned with the broader objectives of the EU development objectives as per the Lisbon Treaty.
- Adherence to a number of rules and procedures that secure the full transparency and accountability of the expenditure and respect for aid/development effectiveness and humanitarian principles.

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