

Dealing with the crisis: here comes the EU

By Simon Maxwell

I've complained in public that the [European Commission has been behind the curve](#) in framing a development response to the financial crisis and recession – so it is both a duty and a pleasure to report that a new [package of materials](#) makes up lost ground. Proposals from the Commission do not equate to decisions by the Council, but there is real meat for leaders to get their teeth into.

The centre-piece of the new package is a short (14 page) '[Communication](#)' from the Commission to the political actors – mainly the Council (of Ministers) and the Parliament. The Communication is supported by a series of much longer and more detailed Working Papers, dealing respectively with the [impact of the crisis](#), [financing for development](#), [aid effectiveness](#), and [aid for trade](#).

I'll leave others to comment in detail on the Working Papers – except to say that they contain challenging analysis on progress with the Paris agenda on aid effectiveness and the EU's own [Code of Conduct on Complementarity and Division of Labour](#), as well as on aid volume. These are much-discussed [topics](#).

The main Communication contains a brief diagnosis of the causes and consequences of the crisis, with a nice Venn diagram to help pinpoint the most vulnerable and least resilient countries. It moves quickly on to solutions, however, with 28 concrete proposals. These cover: the volume of aid and other finance; aid effectiveness; social protection; sustaining economic activity; revitalising agriculture; investing in green growth; stimulating trade and private investment; economic governance; trade; and global institutions. If nothing else, that's a pretty good list of topics, covering the same kind of territory that ODI laid out in its [Development Charter](#) for the G-20.

So, what are the specific recommendations?

- Meeting aid commitments for 2010 and 2015. That's a topic on its own, given current threats to aid volume. I have [written separately on this](#), but the Commission is right to press for commitments to be met.
- Using aid to leverage additional money. A ratio of 1:5 is suggested, with every euro of aid used to leverage 5 euros of trade finance and private investment.
- A set of points about acting quickly and counter-cyclically: re-programming aid, looking for quick investments in e.g. infrastructure, implementing fast-disbursement procedures, front-loading existing commitments, speeding up budget support, and working constructively with the IMF.
- Measures to improve effectiveness, noting that the cost of failing to implement the Paris and Accra agendas reduces the value of EU aid by 5-7 billion euros a year. The measures include proposed new codes of conduct on vertical funds and on use of country systems, and also measures to improve coordination of EU aid. There is also support for the idea of 'results-based conditionality'.



- Sectoral measures for social protection, to safeguard social spending, and to invest in infrastructure and agriculture. The paper says that the Commission will propose that 500m euros should be dedicated in 2009 to support ACP countries hardest hit by the crisis, disbursing as budget support wherever possible. It also reports that the Commission is front-loading the 1 billion euro Food Facility, designed to recycle funds unspent by the Common Agricultural Policy to help countries affected by the food crisis - with 800m euro expected to be committed by the end of 2009.
- A strong commitment to green growth, with specific commitments to the Global Climate Change Alliance, to innovative financing, and to renewable energy.
- Measures to stimulate trade, including Aid for Trade, export credit and investment guarantees, as well as commitments to refrain from protectionism and make progress on the Doha Round.
- Finally, action on reform of the UN and the IFIs.

It bears repeating that these are proposals not decisions. It will be a pity if they are watered down, or if the package is adopted selectively. The package as a whole is balanced and far-reaching. Will it be adopted? Let's hope so. As the paper concludes 'none of this will happen without strong and unconditional European Leadership pushing forward the new Global Deal decided in London. To make the difference, Europe must be united. The time to act is now.'

Quite so. ODI work is concerned with this agenda. To quote a [recent paper](#):

'This is a momentous year for EU development cooperation.

On the one hand, the 'development project' faces unprecedented challenge, the result of a vicious interaction between the food, fuel and financial crises, with climate change assuming ever-greater urgency. On the other hand the EU faces major changes and choices in 2009– the result of elections to the European Parliament, the appointment of a new European Commission, the potential final ratification of the Lisbon Treaty and the results of the fundamental budget review. Decisions made this year will have a direct effect on the EU's ability to live up to its potential as a proactive and effective actor on the international stage.

At the end of 2009, the EU could find itself in a stronger position. The 27 Member States could be working towards a shared vision of development cooperation, focused on eradicating poverty, pooling expertise and resources. Or they could find themselves at cross-purposes . . . It is interesting to speculate as to which scenario best describes the current position, and which is the most likely in 2010. '

Simon Maxwell, April 2009

