

## **Green Paper: "EU development policy in support of inclusive growth and sustainable development - Increasing the impact of EU development policy"**

### **- CONTRIBUTION OF FINLAND TO THE EUROPEAN COMMISSION'S CONSULTATION, 17 January 2011**

#### **GENERAL COMMENTS**

- Finland thanks the Commission for the launching of this broad-based consultation process which can be regarded as an important milestone in the making of EU's Development Policy. There is undeniably scope for more innovative and strategic thinking whilst aiming at increased impact and better value for money.
- We acknowledge the need to draw lessons from the past and establish why we have not been so successful and what we could and should do better. We need to concentrate more efforts on what works.
- Nevertheless, also in the future we should stick to our key principles of development policy. Lisbon Treaty art 208 clearly stipulates that "Union development cooperation policy shall have as its primary objective the reduction and, in the long term, the eradication of poverty. Similarly, the principle of sustainable development is enshrined in the Lisbon Treaty. Whilst the title of the Green Paper includes the term sustainable development, its substance is not sufficiently reflected in the paper. It is essential to address sustainable development in a comprehensive frame taking into account of its three pillars: economic, social and ecological.
- Whilst applauding the Commission in its search for a new vision and orientation in development policy and in broad terms agreeing on the importance of *inclusive* economic growth, including a renewed focus on private sector, and a focus on certain sectors as energy & climate, agriculture and food security, we need to stick to the guidance agreed in the European Consensus on Development. This is, such values and principles, as for example, human rights, gender equality, good governance, democracy and civil society participation should not be regarded only as means for supporting growth but also as self-standing objectives in line with the Consensus. Overall, the values and principles of the Consensus should be more explicitly reflected throughout the Green Paper.
- The real challenge lies in the process of translating economic growth into progress in poverty reduction and in achieving the MDGs. There is regrettably no automatic causal relationship. Economic growth should mean the creation of jobs and increased investments which in turn contribute to growth. Similarly, we need to bear in mind that GDP is only one indicator which may also fail to capture many essential elements of socio-economic reality. The real question is the distribution of the benefits of economic growth and thus how to ensure true "inclusiveness" and how to ensure pro-poor economic growth. The primary responsibility of ensuring the inclusiveness belongs to the national government, including through mobilisation of domestic revenue and full use of national resources. International ODA should complement and support this objective, In addition, we fully agree with the statement "Without a food-secure, educated and healthy population, a country can never

grow and pull itself out of poverty”. Economic growth and human development are certainly mutually supportive and complementary.

- With regard to the possible up-date and revision of the European Consensus on Development, we should not compromise on the level of ambition in comparison to what we agreed to in 2005. We should further examine how we could operationalize what we have agreed to in the Consensus. It would be essential to know the relationship of the on-going evaluation of the Consensus and this consultation. In general, full use should be made of existing and forthcoming evaluations of past practices.
- The EU has been in the avant-garde in promoting policy coherence for development. Some tools both at the EU and the Member States-level already exist, but a lot still needs to be done to turn PCD into reality. We need to safeguard that coherence stays in our focus also in the post-Lisbon era. Little impact can be guaranteed without a genuinely holistic approach as development policy and cooperation alone is not enough to pull the poorest countries out of poverty. Development policy should be sufficiently connected with other relevant policies. In this context, we would like to reiterate the idea of a Global Strategy for the EU which would be based on the EU’s existing global strengths, such as development, environment and trade and would facilitate increased coherence of both external and internal EU policies with the objective of a more coherent and stronger EU in the world.
- The global presence of the Commission- or the EU-.remains an important added value in comparison to Member States. The role EU plays in different developing countries, and also its role as a donor, can however vary from country to country.
- We emphasize the fact that this consultation on the future of EU’s development policy cannot be seen in isolation from the on-going, parallel consultations on external financial instruments and budget support. As a general principle, we would be cautious to avoid any fragmentation of the EU’s external aid instruments. Overall, we wish to see the on-going, partially inter-related consultation processes in a comprehensive frame.
- It is essential that cooperation builds on genuine partnerships with our partners in the developing world. The importance of dialogue at the country-level, and committing to common goals, cannot be overemphasized. Programming and aid allocations should be based on these country-level processes rather than top-down sectoral targets.
- We should keep in mind that the EU of course does not operate in a vacuum. Also from an aid effectiveness perspective we should seek to clarify the added value the EU can provide. We have to take into account the actions of other partners and benefit from synergies with to their fullest extent. A particular attention should be paid to developing the transatlantic partnership on sustainable development.
- Finally, it is important to emphasize that in order to operationalize the renewed EU vision, aimed through this consultation process, adequate and functional institutional arrangements, including for cooperation between the Commission and the European External Service, need to be in place.

**1. How could the EU and its Member states develop a set of guidance instructions on programming and expenditure requiring a certain number of conditions to be met (added value, coordination, impact) for all programmes/projects/support?**

The best way to ensure aggregate added value of EU cooperation is to strengthen division of labour. Therefore, a prerequisite of EU coordination might be considered. However, the real value of coordination depends on whether it actually links to Member States' strategic planning processes and to the planning and budgeting cycles of partner countries. Special effort must be made to address issues related to programming cycles and practices/mechanisms of the EU and MS (at both HQ and country level).

Overall, more emphasis could be given to aid predictability and reliability as key EU features, building on the fact that the EU and MS on average operate in relatively long-term planning cycles. This is, a good level of predictability of aid, facilitated by multiannual programming within the financial perspectives, is a significant added value of the Commission's development cooperation and should be preserved. At the same time, it is important to acknowledge that the idea of increased conditionality or performance-related incentives approach (question 7) poses certain challenges to predictability and reliability elements.

**2. What are current good practices at EU and Member State level on which to build?**

Effectiveness and impact start at country level. We should build on and strengthen country level coordination, information sharing and division of labour, maximally utilising existing mechanisms.

Long-term approaches to development, predictability and reliability of EU and MS as development partners could be emphasized also here.

**3. How could the diversity of aid flows (from public and private sources, from various policies' external action budgets) be adequately combined, tracked and reported on for maximum impact, accountability and visibility)?**

Any international efforts to address the diversity of aid flows should take place under the existing, common OECD/DAC framework, which provides the standards for defining, reporting and tracking development finance.

First of all, to be able to preserve the integrity of ODA we need to improve the clarity and transparency of ODA definitions. Pressing issues include linkages between climate financing and ODA, as well as other "grey areas" such as ODA reportable financing for development and security. This discussion should be taken up in OECD/DAC, the only forum for internationally comparable reporting on ODA (e.g. the ongoing work on ODA reportable refugee costs).

At the same time, a comprehensive approach to development finance is vital and we also need identification and analysis of non-ODA flows. The introduction of an "ODA plus" category might be useful. It is important that both the merits and the risks of a new development finance category be thoroughly analysed, as well as the resource requirements of introducing non-ODA reporting carefully considered. The starting point has to be that "plus" means additional funding, and not an

attempt to redefine traditional ODA. The Monterrey Consensus provides a well balanced framework for this analysis.

It is important to study ways to track and curb illegal financial flows from developing countries, as these flows can easily negate the development efforts of those countries.

To successfully engage all available resources for development efforts, we must build concrete partnerships among the private and public sectors and civil society actors. This requires exploring practical ways of cooperating between different actors and combining different sources of know-how and finance. Practical approaches include exploring the tax deductibility of development cooperation donations and the possible roles of private companies in development cooperation.

#### **4. How can the EU and its Member states best ensure that aid on education and healthcare becomes more focused and increases further its impact, effectiveness in terms of human development and growth?**

This question needs to be seen and addressed in the broader context of two relevant Commission's Communications from last spring: "EU's role in Global Health" and "A Twelve-point EU Action Plan in Support of the Millennium Development Goals" and the resulting Council conclusions. Similarly, the real issue at stake with respect to health, social protection and education is not whether efforts in the area have been too comprehensive. A narrowed focus on education and health support might prove counterproductive and represent more a problem than a solution. At the same time the role and genuine commitment of partner countries is crucial in terms of sustainability also in education and health sectors. We should seek to ensure that aid policies support comprehensive and long-term efforts on building health, social protection and education systems in ways that are accessible for all. This approach focusing on universal access is reflected in multilateral initiatives that relate to global social floor. EU efforts should appropriately link to these initiatives. Local ownership and avoiding aid fragmentation should be the point of departure of activities also under vertical funds/global initiatives. The prospects of cooperating within the transatlantic partnership for sustainable development in this field are promising.

Furthermore, well-being and social development need to be seen also as aims of development policies, rather than merely means to enhance growth. However, explicit recognition of the central role of education as a driver for sustainable development and for economic growth as well as a critical foundation for ensuring the achievement of all MDGs is missing in the Green Paper.

Finally, linked to both education and health, the EU has historically been a strong supporter of the rights of the child, gender equality and reproductive rights. This should be taken into account in future initiatives on EU development policy.

#### **5. How should the EU support skills development in partner countries in line with the features and needs of local labour markets, including in the informal sector? How could the EU's global approach to migration contribute in this regard?**

The EU should support skills development primarily through comprehensive sector wide interventions, such as education sector programs. In cases, where the needs of the informal sector are not fully reflected in the national education plans, the EU may have an impact on the sector strategies through policy dialogue, or sometimes be better advised to plan more targeted interventions towards development of the informal sector. Accordingly, technical, vocational or academic skills may at times be excluded from national education sector programs and therefore more easily supported through targeted interventions.

Furthermore, from the attitudinal perspective, the inflow of young people into the labour market, rather than being viewed as a *problem*, should be recognized as presenting *an enormous opportunity* and potential for economic and social development. Thus, the real effectiveness and impact of the EU should be measured in terms whether it has helped people in *becoming employable* and in *finding productive employment or self-employment*. Generally speaking, stronger focus on gender equality in access to education and training as well as overall empowerment of girls and women cannot be over-emphasized, including in relation to migration.

**6. How can the EU adapt its approach, instruments and indicators in support of governance reforms in developing countries/regions?**

The EU should benefit from the experience and make use of existing Governance Initiative (GI) to analyze the different development contexts. The Governance Profile under the Initiative should be used as a diagnostic tool (situation analysis) in operational activities. The Governance Initiative needs further development and commitment from the EU, its Member States and Development Partners. In this context the forthcoming EDF performance review will hopefully prove to be useful.

**7. How and to what extent should the EU integrate more incentives for reform into its aid allocation process, for both country and thematic programmes?**

The question of performance incentives is a multifaceted issue which requires careful consideration. On the one hand, it relates to the closely to the EU -self-evidently- upholding and defending the values it represents: human rights, democracy, rule of law etc. On the other hand, there is also the question how the EU promotes in practice good governance, transparency and accountability in her development cooperation and in relations with the partner countries.

While good performance should be rewarded and incentives used to encourage further progress, the EU should avoid *a priori* abandoning the plight of poor people living in difficult environments and often in those most off-track on the MDG's. Thus, aid allocations should be primarily be done according to country-specific needs and circumstances and actual feasibility, including absorption capacity. The aid modalities to be used should be chosen accordingly. It is also important to safeguard a good balance between incentives and the predictability of aid.

We should examine which incentives work in practice and make sure we have identified correctly the causality between incentives and good or bad performance. Unsatisfactory results might, for example, not necessarily be attributed to lack of commitment to reforms but result from external factors. The willingness and commitment to the development agenda and good governance should be prioritized. Past experience should be fully utilized. Also in this context the forthcoming EDF performance review will hopefully prove to be useful.

Incentives are also linked to the concept of conditionality. While promoting common EU values in development cooperation, it is important to remember that in order to support development results, conditions for cooperation should be based on partner countries' own development strategies and performance in meeting nationally defined development objectives.

**8. How should the EU promote sound frameworks to assess and monitor development results achieved by recipient countries?**

The EU support should be channeled to the strengthening of the national accountability mechanisms of the partner countries. The objective should be to develop capacity and systems for assessment and monitoring of public policy results, not only the results of aid. External support should be directed to the development of open and inclusive processes (incl. civil society, parliaments), adequate capacity and systems for designing policies and programmes, data collection and management (incl. statistical capacity), analysis and use of information for evidence-based decision making.

In aid interventions, a results-based-approach should guide the process starting from the design phase. This implies definition of clear objectives and related indicators, collection of base-line data, establishment of a systematic monitoring and work planning process for implementation, and periodic independent evaluations, including end-of-project evaluations, to support the lesson learning and accountability. The key is the existence of reliable m&e information for drawing conclusions for taking decisions.

Aid interventions should be implemented to support the capacity development of partner institutions for monitoring and evaluation. If full use of the partners' own systems is not possible, this can be achieved e.g. by joint planning of m&e with partners, active involvement of partners in various roles in the m&e processes (also as consultants), disseminating systematically the results of m&e in partner countries with the aim of their full utilization in improving programmes and policies.

**9. How should the EU tackle the nexus between security and development, especially in fragile and conflict prone countries, and put greater emphasis on democratic governance, human rights, the rule of law, justice and reform of the security sector, when programming development interventions?**

It is difficult to over-rate or over-emphasize the importance of democratic governance, human rights, the rule of Law, justice and the reform of the security sector in fragile and conflict prone countries. Progress in this complex field requires long-term presence and cooperation.

A truly comprehensive approach is needed in EU external action as regards security and development. The various elements of EU external action should be as closely inter-connected as possible and complement each other in optimal synergy. An integrated approach should be adapted to ensure more coherent use of different instruments in fragile and conflict-prone countries.

A comprehensive approach should commence from the early phases of EU development programming. This implies a broad sector-wide approach (police-judges, judiciary, prisons etc.) in a way that operational and technical support is accompanied by development of administrative capacity on which the RoL is built and maintained. At the same time, the role of the civil society and participatory aspects need to be ensured to the extent possible. In fragile states transitional justice needs special support. Overall, any progress in the field of RoL bears potential positive impact on economic growth and development, including the creation of more enabling circumstances and interest of foreign investors.

Good governance requires a holistic and integrated approach, but it also requires more targeted efforts to support economic activities and sectors like health, education, forestry, etc. in building the capacity in the sector itself. Sectoral and global approaches to governance should not be seen as competitive but rather as inter-related and –connected, mutually supportive elements. In certain

circumstances sectoral approach may appear easier to implement due to lesser political connotations than general governance approach. However, overall, the European development commitment needs to be understood to imply a two-way street in which sufficient, reciprocal commitment for European values and principles, including good governance, is to be met.

According to the World Bank estimates 20-40 billion dollars are spent annually on direct corruption in development co-operation. The trend is increasing. Corruption hits most the most vulnerable in fragile societies and eats the base from any nation building processes. Whilst an effective global tool to fight corruption – United Nations Convention against Corruption (UNCAC) exists, more work is needed from the EU to capture the full development potential of UNCAC. Its review mechanisms need also a more harmonized EU approach to openly review the implementation of the Convention. UNCAC should be at the centre of EU good governance work.

#### **10. How could the EU better coordinate with development actions when programming security interventions?**

The full potential of the new External Action Service should be used to promote a more comprehensive EU approach in conflict and fragile situations. Within the EAS, particular attention should be paid to close cooperation between the planners of the Instrument for Stability (IfS) and the Common Security and Defence Policy (CSDP). In addition, relevant Commission Services, especially DEVCO and ECHO, should be appropriately involved from the early stages.

The EAS should take the lead in finalising the draft EU Action Plan on Conflict and Fragility (i.e. the follow-up work of the November 2007 Council Conclusions on Security and Development and Fragile Situations) or a similar political strategy laying out the general framework for a comprehensive EU approach in situations of conflict and fragility. This framework, while guiding a common EU approach, should leave enough room for flexibility taking into account that all conflict and fragile situations are different and often require a rapid response.

Due account should be taken of the Crisis Management and Planning Directorate's (CMPD) ongoing work on a Comprehensive Approach to EU Crisis Management. IfS planners as well as planners of longer-term development interventions should actively participate in this work.

#### **11. How could the EU best address the challenge of linking relief, rehabilitation and development in transition and recovery situations?**

The debate on linking relief to development dates back to 1996 and attempts for mainstreaming have been carried out. However, conceptual changes have taken place during the past decade as actors of security policy have come on board. The emphasis has been shifted towards ensuring the coherence and synergy between security policy, diplomacy, development cooperation and reconstruction efforts, including through developing joint objectives and strategies. In this context, the 2009 Disaster Risk Reduction policy and the finalisation of a related action plan should be seen as central elements, including an increased role for development actors.

Overall, the EU's contribution to fragile states should be increased, taking into account also their challenges in achieving the MDGs. Such financing should be faster, more flexible and risk tolerable than earlier. Financing fragile states should be seen more from the perspective of development objectives than solely on political grounds. As more internal coherence and cross-sectoral cooperation is a must, it is again necessary to point out the demand to finalize the EU Action Plan

on Conflict and Fragility which could help to establish a truly comprehensive EU approach. Naturally, also improved coordination within the EU and between the relevant council working (CODEV, COHAFA, CONUN, COHOM) groups is needed.

In terms of substance, more efficient ways to support the capacity development of the national administration and basic state structures in fragile states are needed. More focus is needed on improving livelihoods, services and infrastructure. Finally, more efforts should be put on operationalisation of the UNSC resolution 1325 and thus direct more post-conflict funding to women's organizations and gender issues.

**12. What are the most appropriate manner and structures, legal and practical, to make aid effectiveness and European country strategy documents a reality? How can practical effect be best given to the Lisbon Treaty and the Council Conclusions of 14 June in that regards?**

As noted in the Green Paper, truly effective coordination at the programming stage is still rather an exception than a rule. An important reason for this is that the operational challenges regarding timing and process of programming practices have not been sufficiently addressed. Political commitment for improved coordination must be accompanied with technical/operational level work on how to put cooperation into practice. Coordination, division of labour and eventually joint programming can only succeed if they successfully link to EU and MS strategic planning processes. It is welcome that the Commission has started to analyze the Member State practices in programming, any realistic EU- initiatives must take into account the practices as they exist today.

For effective coordination, there must be clarity on different actors' roles and responsibilities. Within the new post-Lisbon set-up, we must clearly define the role of the Commission vis-a-vis the Member States, as well as how the EEAS and DEVCO will work together in practice - and how EU delegations will be positioned in this set-up. To be able to produce appropriate country specific policy mixes, as well as sharpened strategic development policies in the wider framework of effective external action, it is particularly important that sufficient development expertise in EU delegations and EEAS staff be secured.

**13. What practical and policy related measures could be taken in the EU to improve Policy Coherence for Development? How could progress and impact be best assessed?**

We need to keep focus on the key objective of development policy and policy coherence, which is poverty reduction and eradication.

The necessary decisions and mechanisms to improve policy coherence for development at the EU level are there, as described in the Green Paper. What is needed now is to put them in full use: to develop concrete ways for the implementation, monitoring and evaluation of policy coherence for development (e.g. measurable targets, indicators). As the solutions to global challenges can only be comprehensive, we need to use broad-based impact assessments for coherence. To this end, it would be welcome, as the Green Paper suggests, to intensify the proactive use of the PCD Work Programme.

Organizationally, a responsible structure/unit for PCD - as in the OECD secretariat under the Secretary-General - should be created between the EEAS and the European Commission at a high enough level, to lead the inter-service consultations and groups.

The country strategies provide a comprehensive operative framework in which coherence, to a certain extent, comes as a result of coordination, including the priorities of the partner country. It must be recognised that PCD also means coherence between different development policy actors at the country level.

Perhaps in a very initial planning phase early warnings with regard to policy (in)coherence could come when preparing and reviewing country strategies.

Progress and impact could be best assessed by (regularly) evaluating the impact of the combination of EU actions and actors on areas that are priorities to the partner countries. The assessment should appraise all policy areas relevant for a particular development objective in a particular country. The evaluations could be then meta-analyzed at certain intervals in order to produce comprehensive data on impact of different policies and actions for development objectives, i.e. on policy coherence for development.

**14. How and to what extent should EU aid support industrial investment projects in developing countries and how can the correct balance be made between developing extractive/energy interests and promoting post extractive and industrial sectors?**

EU aid should continue to leverage support for ancillary infrastructure (energy, water, transport & telecommunications) in the LDCs with regional instruments like EU-Africa Infrastructure Trust Fund and similarly designed country-specific instruments. This must of course be done by respecting principles of ecologically, economically and socially sustainable development. A functioning infrastructure is a condition for economic growth and a part of enabling business-friendly environment for private sector investments. It also facilitates regional integration and trade. The role of the European Investment Bank, also as a channel for direct support to industrial investment projects should be kept in mind.

The EU should endeavour to enhance private sector industrial development in its partner countries by strengthening the activities of the existing International Financial Institutions (IFIs) and bilateral development finance corporations. Through joint programmes and projects with IFIs, EU support should be of enabling or indirect nature, supporting partner governments in creating better operational environments for FDI and private enterprise through training, in removing administrative or regulatory obstacles to investment as well as in setting up social protection schemes and environmental policies in order to ensure sustainable, inclusive growth for poverty reduction. The IFI's support should focus on improving the access to capital and affordable credit for the partner countries' private sector, especially SMEs.

Based on country-specific policy mix with clear, jointly agreed division of responsibilities between the partner country and the EU member states, the EU should focus on supporting the transition of partner countries into knowledge-based economies. In countries where the developmental phase does not yet allow the transition, support to extractive industries could be continued with focus on building the capacity of partner governments in good governance as well as safeguarding social and environmental sustainability.

A greater balance between mining activities and more general industrial policies can be achieved through implementing the principle of "Minerals for Development" with focus on policy coherence. EU should also steer the partner governments through policy advice and through leveraging financial support from IFIs towards gradually increasing the degree of processing/refining/upgrading the ores and minerals in the original countries in order to support the partner countries' transition from raw material suppliers into process industries and gradually into higher-value products with more skilled work-force. At the same time, support should be given to developing the service sector and knowledge-based economy.

**15. How can the EU ensure that support to economic development guarantees fair social inclusion of the benefits and provide better protection of social and economic rights, including implementation of core labour standards and better corporate accountability?**

Economic growth must be inclusive and it must be accompanied by effective domestic poverty reduction programs. For that purpose many partner countries need more efficient mobilization of domestic resources for development. In practice this often requires reforms of tax policies and tax collection. European aid should be used to strengthen and build capacities in such institutions.

The EU and other traditional donors should pay more attention to the development of infrastructure and supporting a productive private sector while continuing our efforts for direct poverty reduction. The emerging new donors should be invited to use more resources for the social sector through, for example, supporting primary education and health care. In these areas they have gathered valuable experience in their own societies.

It is also important to pay attention to the fair distribution of the opportunities to participate in and contribute to economic development and not only to fair distribution of the benefits of the economic development. High livelihood and business risks, lack of reliable social protection and therefore high vulnerability to fall into poverty are the main constraints for millions of poor women and men to participate in and contribute to economic development. Investments into reliable social protection are key to dynamic private sector development in developing countries. The European Report on Development (ERD) 2010 makes this case strongly and convincingly and should be used as a guide for the further development of EU development cooperation policy.

**16. Which measures should be taken – and how should they be best differentiated – to assist developing countries' efforts in establishing an economic environment that is apt to promote business, particularly SMEs?**

Development does not take root without economic sustainability. We should focus on policies that promote economic growth, like creating incentives and an enabling environment for economic activity and encouraging domestic and foreign investment.

The EU should continue its support for partner governments in creating better operational environments for investments and private enterprise through supporting developing countries in improving their ancillary infrastructure (energy, water, transport & telecommunications) and in removing administrative or regulatory obstacles to investment (which by no means should lead to weakening of social and environmental norms or product safety), and environmental policies in order to ensure sustainable, inclusive growth for poverty reduction. The support should focus on improving the access to capital and affordable credit for the partner countries' private sector, especially SMEs.

Particular attention in EU aid to micro-, small and medium-sized sustainable enterprise development, should be given to the promotion of cooperatives, youth employability and employment, and entrepreneurship (including in-school curricula), women's empowerment and entrepreneurship, and entrepreneurship programmes for disadvantaged groups, e.g. persons with disabilities

**17. Which measures or structures might be developed with partner countries, and European and international financial institutions to provide financial support and where necessary low cost finance and financial guarantees to support such growth?**

Finland encourages increasing coordination and collaboration between European and international financial institutions. The decisive collaboration between several European financial institutions and the Bretton Woods institutions to secure financing for the Eastern European countries in the immediate aftermath of the recent financial crisis serves as a good example of how cooperation can increase effectiveness and efficiency even in the face of very daunting challenges. This said, any such collaboration in the future should not result in increasing bureaucratic burden and fragmentation of aid. If new structures need to be created, old idle ones should be dismantled.

Support to partner countries' financial sector development is essential. The donors and European/international FIs should coherently support the development of the financial markets, institutions and the broader economic environment as well as access to financial services, incl. microfinance, in partner countries. The IFIs as well as the member states are already implementing a range of different financing instruments (incl. interest subsidies, concessional credits, blending, soft loans, guarantees etc.). The task before us therefore is not necessarily the creation of new instruments, but effective combination of them as well as collaboration between various actors.

Supporting developing countries extend reliable social protection schemes is one way to generate low cost finance and financial guarantees to support inclusive growth. Social insurance is a mechanism that helps people to make savings. The livelihood security thus provided can change the economic and investment behaviour of millions. On the other hand, the pension and health insurance contributions paid by people and pooled into statutory social insurance funds can be turned into important sources of developmental investment finance in traditionally capital-dry countries.

**18. Which instruments could the EU use to promote creativity, innovation and technology transfer and ensure their viable applications in developing countries?**

Creativeness, innovativeness as well as the technology transfer should be approached in a market-based way. The role of the governments is to build-up such an infrastructure that the market mechanism works in a sustainable and efficient way. That includes reducing the obstacles to entrepreneurship. Cooperation aiming at new innovations and technology transfer has to be mutually beneficial and reciprocal in order to be continuous and to successful. The EU could support the capacity of the local innovation administration for example through exchange of best practices.

Particular focus should be put on the encouragement of local, indigenous entrepreneurship and innovation. ICT, especially mobile solutions, offer vast opportunities to grass-root innovative applications. An example of a successful multilaterally funded activity in this domain would be the infoDev [www.infodev.org](http://www.infodev.org) program hosted by the World Bank Group. EU should lean on public-private partnerships in fostering local innovation by providing incentives to EU companies looking for innovation partnerships in developing countries. Cooperation between enterprises providing applications for services and research sector should be strengthened in-country, regionally and internationally. Sufficient IT-infrastructure is a precondition for the use of new solutions. The EU should therefore support its partner governments in developing adequate IT-infrastructure enabling free, reliable and fast data transmission, for instance the use of broadband channels, as well as in creating better legislative environments supporting use of these technologies. Also regional harmonization should be promoted in order to maximize development impacts of the IT. Furthermore the growing need for public and private services using IT-networks as well as increasing know-how of service providers of developing countries should be taken into account.

Other ways to promote innovation and technology transfer is an exchange of experts (scientists, civil servants) between EU members and developing countries as well as between the developing

countries in different stage of development. Exchange programmes of students should be promoted and they should also include exchange of EU students to developing countries in order to enhance the understanding of different societies.

EU should support and develop specialized education and management training exchange programs for developing country managers and officials in fields such as technology transfer, innovation, commercialization and internationalization. Finland has in the past provided specialized training courses in forestry (FTP) and international marketing (PRODEC) with good results. These could be revitalized, perhaps as joint EU programs. Other similar training programs should be considered for other member states.

The activities and efficiency of organisations in developing countries which have as task to transfer technology could be strengthened. Special care should be taken when establishing new organisations in the fields where there already exist actors.

We should not forget that one important way to promote creativity and innovation in developing countries is to use all instruments that can unlock the human capability and entrepreneurship of women and men in developing countries. In the social protection sector there are several instruments that can be used to relieve poor of their livelihood security concerns so that they can focus their energies and creativities into innovation of new businesses and sources of livelihood.

#### **19. How can the EU's experience better inform regions seeking to strengthen their integration?**

Regional integration can serve as an important vehicle for development. Integration provides not only an opportunity to increase economic interaction within regions but also makes those regions more interesting for foreign trade and investors through economies of scale.

The EU has gathered a tremendous experience in integration and is undoubtedly best placed in communicating its benefits and challenges to other regions. Especially the more recent Members of the Union could share valuable lessons learnt in how to harness integration in the interest of economic growth and development. The Union on the other hand has provided significant support to integration both before the accession of New Member States and after the accession. Therefore it falls naturally on the Commission to facilitate the utilization of these experiences to the benefit of the developing world. This requires close cooperation between different Commission services.

#### **20. What can be done to ensure more consistency between the EU's trade and development policies?**

The good cooperation between different services of the commission, as well as between the commission and the EEAS is a prerequisite for better consistency and coherence of the EU action.

In practice, the consistency between the EU's trade and development policies can be ensured through open, interactive debate between representatives of different sectors and institutions. All stakeholders should see policy segments they represent as part of the whole and understand that the consistency cannot exist without compromises. Consistency forums for expert and executive levels are essential part of the work. The issue should be discussed regularly also in ministerial level (both trade and development ministers).

In addition to EU's policy coherence reports, better policy coherence could be promoted by incorporating a chapter on trade into the EU's annual report on development policy and vice versa a chapter on development into EU's annual report on trade.

**21. How improve the aid for trade provisions in order to make maximum use of its leveraging potential for expanding sustainable economic activities in the developing countries, leading to further growth?**

Aid for Trade should be improved to better serve trading and economic integration. The enterprises of developing countries could often reap the largest benefits from regional and in-country trade. The growth of trade potential for agricultural producers in Africa is larger in the domestic markets than in the overseas European or North-American markets. Also in the African cross-border markets the growth potential is substantially larger than in the OECD-country markets. Therefore aid for trade should focus in the facilitation of domestic and cross-border trade.

The aid for trade is defined widely enough in current provisions and there is no need to extend it. Instead, the participation of private sector to the aid for trade should be enhanced by creating sectorial, thematic or geographical clusters and improving development policy instruments that promote private sector participation and partnerships between actors of public, private and third sector.

The main goal of EU aid for trade should remain poverty reduction in developing countries. If this priority is always kept in mind, EU aid for trade can be made much more simple and effective than it is today.

**22. Given the close interlinkage between climate change, biodiversity, and development, and given the new opportunities offered by climate finance and the markets, how can the mainstreaming of climate adaptation as well as disaster risk reduction into the EU's development policy be strengthened in order to ensure more climate resilient and sustainable economies, as well as forest and biodiversity protection?**

Firstly, all planning and action should be guided by holistic thinking. In other words, the concept of sustainable development and its three pillars or ways of thinking (ecologically, economically and socially sustainable development) should be always applied. The goals of the Rio Conventions should be integrated into all development planning in a synergistic manner. Going into detail, this means that development cooperation should be climate proofed and, at the very minimum, the negative impacts and risks caused by the climate change should be assessed when planning a program or a project taking into account long term changes in e.g. extreme weather events, sea level rise, changes in biodiversity and desertification potential, and keeping in mind that prevention is usually more cost-effective than reconstruction.

It is also important to notice the importance and value of ecosystem services (e.g. clean water or air or productive soil), and avoid shortsighted actions in that respect. It is important to perceive that climate change often only exacerbates the negative effects originally caused by human action (e.g. desertification). Active strive towards win-win solutions should be an integral part of planning. Furthermore, it should be noted that sound economic management strengthens the resilience of economies. Also, in order to enhance effectiveness, participation of all relevant stakeholders, including women, should be assured. In the long-term, climate neutral action and low or zero carbon development paths should be aimed at. It is important to make sure that EU policies encourage the private sector to be an active partner promoting these goals. The transatlantic partnership on sustainable development provides an important avenue of cooperation with the US in this field both at partner country and policy level, as climate change is one of the priorities within the partnership.

The theme “transition, DRR and early recovery” whether we talk about natural disasters or conflicts is strongly on the international agenda, and there is as of yet no global successful recipe to guarantee success. Both the Commission and Member States should pursue efforts in this field.

**23. How can the EU best act to support developing countries’ efforts to secure sustainable energy for all their citizens? What role might, for example, an EU-Africa Joint Programme to progressively provide sustainable electricity to every citizen, combining development and climate change funding and leveraged loans from Development Financial Institutions?**

In supporting developing countries’ efforts to secure sustainable energy for all their citizens, the EU should focus on working with each developing country on sector-wide approach based on country-specific policy mix with clear, jointly agreed division of responsibilities between the partner country and the development partners (not only EU member states). This approach enables to have adequate political weight to influence partner country policies for energy sector reform through joint policy dialogue. EU should also utilize high-level forums, such as G-20, to bring emerging donors like China, India, Brazil and South Korea, to join more coherent development policy framework and policy dialogue with developing partner countries.

Through blending grants and loans from IFIs, EU support should be of enabling or indirect nature, supporting partner governments to create better operational environments for private sector energy investments, to remove administrative or regulatory obstacles to investment, to set up incentive-based fiscal and financial instruments to encourage local private investments, to set up output-based social protection schemes to protect the poor and most vulnerable groups, and to set up and implement environmental and natural resources policies that ensure sustainable, inclusive governance and benefit-sharing.

For increased access to tackle energy poverty EU assistance should focus on supporting the partner governments in further up-scaling the already proven technologies and business models that support local entrepreneurship, employment and skills upgrading in partnership with local public and private sector operators and NGOs. EU support should place more emphasis on developing and providing sustainable energy services that cover all energy needs of end users in an integrated manner, including electricity, heating and cooking fuels as well as motive power or mechanical energy, and that take into account the cross-sectoral nature of energy resources, ranging from agriculture to forestry, water, waste to energy and mining sectors, requiring improved inter-sectoral co-operation, planning and governance.

Support is also required for larger-scale renewable energy grid-based investments and smart grids through regional instruments like EU-Africa Infrastructure Trust Fund and similarly designed country-specific instruments. EU should also increase co-operation in the field of science, technology and innovation with developing countries to enable them to develop their knowledge and technologies in renewable energy, energy efficiency and cleaner traditional energy through joint research and development projects with EU counterparts. On these, EU can play a key role in providing know-how.

According to the World Energy Outlook 2010 report, a cumulative investment of some \$340 billion would be required to electrify all households in Sub-Saharan Africa by 2030. At the same time, the DESERTEC Industrial Initiative with participants of private European energy companies and financial institutions is targeting to invest a total €400 billion by 2050 on concentrating solar power systems, PV systems and wind parks on 6,500 square miles (17,000 km<sup>2</sup>) in the Sahara Desert. From the very beginning, the aim will be to start supplying electricity to the European Union and to

generate sufficient power to meet the needs of the MENA region producer countries as soon as possible. The aim is to supply around 15% of Europe's electricity by 2050. Against this context, if the EU-Africa Joint Programme would be able to partner also with the EU energy industry and financial institutions (unlike the current Africa-EU Energy Partnership), better targeted actions to solve the energy needs of Sub-Saharan Africa and other least developed countries could be jointly programmed. Increased emphasis on policy coherence is needed to ensure this goal. Blending of grants, loans and climate funding could be used to incentivize the private sector to participate and better address the EU development policy goals.

**24. How can the EU's development policy best contribute to enhanced food security while safeguarding environmental qualities? Which policies and programmes are most conducive for smallholder and private sector investment in agriculture and fisheries?**

The EU's development policies can enhance food security while safeguarding environmental qualities by supporting sustainable agricultural and livestock production together with aquaculture and sustainable exploitation of wild fish, animal and plant stocks and by enhancing the resilience of food and farming and harvesting systems to withstand environmental problems. This could be done for example by developing and promoting adaptation of good agricultural practices, agroforestry, methods for ecosystem restoration and efficient water management systems. Environmental considerations, including climate change, should be mainstreamed at all levels of the EU support: policies, strategies, programmes and projects. In addition, the national food production should serve primarily the aim of ensuring a country's own food-security. In case of export potential, the opportunities provided by regional trade should be fully exploited, also in order to foster regional integration. Demand for agricultural products will grow and market-opportunities will emerge increasingly within developing countries, rather than in industrialized economies.

The involvement of local people in all processes from the start, use of indigenous knowledge and gender equality are necessary to include in these policies. Addressing the problems of entire value chains will enhance not only production but also market supply and availability of food. Functional infrastructure is necessary for value chain development.

There is an enormous need to transform agriculture towards climate-smart systems that simultaneously address the aspects of climate change adaptation and mitigation, and food security and sustainable development. Climate financing based on agricultural mitigation and carbon sequestration creates new opportunities for improving food security while protecting the environment.

In addition to the sustainable agricultural production and fisheries, the other aspects of food security (access to food, utilization of food) have a link to environmental qualities. Poverty reduction in general will enhance food security and reduce environmental risks. Strengthening preparedness for food insecurity, developing safety nets and early warning systems are part of prevention of environmental risks of food insecurity.

The most conducive policies and programmes for investments are based on stability and predictability of the policy and economic environment which is a precondition for efficient functioning of markets. This often requires policy reforms, well-defined government role in market control and capacity building as well as securing land tenure rights. Food legislation, regulations and distribution systems can also be reformed. Increasing institutional capacity of government agencies (e.g. research, extension, food safety) involved in agriculture value chain supports investments for the sector. It is often important to relieve the physical constraints of smallholders' market access.

Policies and programmes that improve organization of small and medium scale farmers and provide them with access to credit, inputs and value addition of their production are necessary for investments.

Food security is one of the three priority themes within the transatlantic partnership for sustainable development. The potential of the partnership especially at the country level should be fully exploited.

**25. What strategic areas should the EU engage in, particularly with respect to Africa? How can the EU stimulate agro-ecological approaches in farming and sustainable intensification of agriculture, sustainable fishing and aquaculture?**

Strategic areas where the EU should get engaged in the agriculture and food security sectors in Africa are regional integration, land tenure rights and agriculture sector's adaptation and mitigation capacity to climate change. Rural-urban relationship and good governance needs also to be considered in food security issues.

Agro-ecological approaches need to be promoted first at the policy level followed by applied research and capacity building of extensionists on sustainable agriculture and innovative extension methods. It is essential to provide enough resources for extension systems for transferring knowledge from research to practice. It would be beneficial to combine the value chain approach and agro-ecological approaches to ensure the engagement of the private sector with environmentally sustainable production.

In terms of trade we emphasize the importance of food for South-South trade in food and agricultural products to meet growing demand. This also serves the objective of strengthening regional integration.

**26. How should the EU support the fight against malnutrition?**

Sound political and economic development lays foundation to food security. EU should assist governments to ensure availability of food in the country and people's access to it by channeling support on country-led food security policies and agriculture sector and poverty reduction strategies. The attention needs to be paid to ensuring nutritional quality of food in the whole value chain from production and storage to cooking. The gender sensitiveness of food and nutrition security needs also to be understood. Nutrition related research, education and awareness raising should be part and parcel of agriculture and food security programs.

Disaster risk reduction systems, including strengthened preparedness for food insecurity and development of safety nets and early warning systems are a part of the fight against malnutrition. Food aid is needed in emergency situations while a continuum –approach must be emphasized in fighting against malnutrition in longer term.

Rural economy and the entire countryside need to be developed in a diverse way. Rural income diversification could be an efficient mechanism for income generation and risk management. Gender equality and especially better opportunities for women in agriculture and food security sectors is necessary in fighting against malnutrition. The European Union can give its strong support to the integration of the “social protection for food security” into national plans for broader, inter-sectoral social protection.

Policy coherence of EU actions in its' own agriculture, environment, trade and development policies is essential in fighting malnutrition. Coordination and harmonization between the member states, international organizations and other donors is necessary.