



OTOP

Introduction

Eradicating Poverty by Addressing its Causes through Policy Coherence

As clearly stated in the Lisbon Treaty, the Cotonou Agreement, the Development Cooperation Instrument (DCI), and the EU Consensus on Development, **the eradication of poverty is the main objective of EU development cooperation and policies.** These are more than mere noble ambitions; the Lisbon Treaty provisions on development are binding and enforceable.

Achievement of an objective as vast as the eradication of poverty requires an unerring commitment to policy coherence and the coordinated and consistent use of all tools, policies and resources toward the objective at hand. Development policies alone will not bring success in this area: **EU and Member States' policies in related areas, such as trade, environment, agriculture and foreign policy, must support - or, at minimum, not harm - national, local and regional efforts to eradicate poverty in Southern partner countries.**

Like effective treatment of any disease, successful strategies to eradicate poverty must address the causes of the malady, not just the symptoms. The symptoms of poverty include exclusion, hunger, lack of access to education, violence, lack of economic opportunities for people, lack of access to health and so forth. **A strong EU development policy must address the causes of poverty as a means to achieving the objective of eradicating it, and thereby alleviating the symptoms. Inequality and discrimination are core amongst these causes, contributed to by poor governance and corruption. A sustainable European Union international development framework should support people, by addressing these causes and building an environment that is conducive to the realization of human rights.** This commitment to the basic rights of equality and non-discrimination lays

the foundation for true, **enduring empowerment of the citizens of the Global South.**

In this quest to eradicate poverty through policies in support of people, the EC must invest in a number of key areas, including social protection systems; access to education and health; rights and gender; redistributive policies; inclusive, green and pro-poor growth; local economic development, based on domestic markets and decent jobs; and democracy, citizenship and transparency. **This is the aim of the provision of Article 208 of the Treaty on the Functioning of the European Union on Policy Coherence for Development.**

While CONCORD acknowledges that the EU needs to develop and implement its new ambitions regarding external relations, we believe - especially in a world of scarce resources - that EU institutions have a responsibility to ensure that resources earmarked for development are not diverted for the Union's Foreign Affairs and External Relations ambitions. CONCORD would assert that the EU's diplomacy and External Relations instruments are currently being used to respond primarily to the Union's short-terms objectives and its own political interests. While the "*consistency between the different areas of the EU's external action*" is another legitimate provision of the Lisbon Treaty, **European leaders and Institutions must ensure that Policy Coherence for Development is fully implemented and promoted.**

In a growing interdependent world, **EU Development commitments and policies must respond to the sustainable development interests of developing countries and their population, not just to unilateral European interests.** We are confident that, in the long-term, a commitment to development will also contribute to a secure, stable and prosperous Europe. This is why Development policies require long-term processes and partnerships, adequate and predictable resources, and a sustained and transparent political/policy dialogue.

Poverty, Rights & Gender

Poverty is not a one-dimensional problem relating to a lack of income or resources. Poverty involves a lack of capacity to participate in societal dynamics and to manage one's own future. People living in poverty experience exclusion, hunger, they have no access to education, health, or economic opportunities. People living in poverty are deprived of the full enjoyment of their human rights. **Equality and non-discrimination are basic human rights that must be met, protected and defended.** As these rights are ensured, effective steps can be made toward the eradication of poverty.

Therefore, in addressing poverty it is necessary to look at the structural causes of poverty. This **rights-based approach**

(RBA) to development builds on the conviction that each and every human being is a holder of rights that cannot be taken away. A right entails an obligation on the part of the government to respect, promote and fulfil it. These rights are set out in international law and touch upon every aspect of life. They are about giving every human being the chance to live free from want, fear and discrimination. They cover not just the defence of liberties and freedoms (i.e. civil and political rights), but equally importantly, issues of equality and justice (i.e. economic, social and cultural rights).

Thus an RBA involves not charity or mere economic development, but a process of enabling and empowering those not enjoying their rights to claim them. It is more

than a legalistic approach to development, but demands a change in the way development is “done” and understood. **An RBA framework is based on the following basic principles:** (i) link to international human rights; (ii) legal framework; (iii) non-discrimination; (iv) empowerment; (v) participation; and (vi) accountability. Other key factors in creating an enabling environment for poor, vulnerable and discriminated people are the **participation of people in the decision-making affecting their lives**, and defining the relations between those holding duties and those having rights and accountability on those responsibilities.

Women, whose responsibility far outweighs their rights in much of the world, are particularly vulnerable to discrimination. **Women** produce 60-80% of the food in developing countries, yet they own less than 1% of the land, and **face overwhelming discrimination in access to credit, land, inputs, education and other key resources.** Unless governments and donors, including the EU, invest in the specific needs of women, and specifically women farmers, increase their rights to land and ease their unpaid care burden, hunger will never be eradicated. **Violence against women remains one of the single biggest causes of death and injury to women worldwide.** Women work more, but are valued less. Their unpaid care work alone would add billions to GDPs—if it were counted. **Securing women’s rights should remain at the centre of EU development objectives as both a standalone and cross-cutting area of work.** All EU development policies and programming should make the links between poverty,

power imbalances and patriarchy, while recognizing the different needs of different groups of women, e.g. Indigenous women, disabled women, and so forth.



Policy Coherence for Development - EU Policies that Do Not Harm

Although an element of the European Union’s external action, it is of paramount importance **that development cooperation remains a strong policy area within its own right and with its own specific objectives as stated in the Lisbon Treaty.** Development cooperation can only deliver on its tasks if it focuses on its core function—direct poverty reduction—and does not become an arm of a broader external relations approach driven by Europe’s self-interest with regard to security, energy and trade concerns.

The interdependent character of today’s world challenges traditional assumptions of development cooperation as a one-way process. Problems in Europe affect those in developing countries and vice versa. Trade, agriculture, climate change, migration, the financial crisis, food security, international inequalities, conflict prevention and peace are issues that concern all of us and have to be jointly addressed. Hence, poverty reduction and eradication, the EU’s main development goal as defined in the Lisbon Treaty, can only be achieved if all **EU policy areas, especially trade, energy, external relations, security, environment and climate change, migration, agriculture and fisheries policies, explicitly contribute to this goal, or**

at minimum ensure that they do not contradict it or prevent its achievement.

This is why “policy coherence for development” (PCD) is a key prerequisite for success in the field of development cooperation. For too long, other policy areas have not included development impacts within their thinking as they articulate and implement their policies and programs.

To guarantee that appropriate decisions are taken when there is conflict of interest or contradiction between several policies, **we strongly recommend that the President of the European Commission be responsible within the College of Commissioners and accountable for the PCD agenda,** supported by the High Representative/Vice-President of the Commission, and by the Commissioner for Development. In the Foreign Affairs Council, the High Representative and Ministers across the EU should fully understand, support and deliver on greater policy coherence for development. The European Parliament should closely monitor this Treaty requirement. **In summary, a truly unified and collaborative approach, across the highest levels of power, is required to support PCD and the overall objective of eradicating poverty.**

Growth and Poverty Reduction

Economic growth alone does not eradicate poverty. Alternative economic measurements as well as specific public policies are necessary to achieve inclusive and sustainable growth.

Angola & India

A case in point is Angola, a country with stunning growth rates over the last decade yet with insufficient improvements to the lives of ordinary Angolans, who belong to the poorest of the poor. Angola currently ranks 143rd of 182 countries on the Human Development Index. Trickle-down effects in countries without strong public regulation policies and governance are too often not more than 'wishful thinking'. This is not only the case in Sub-Saharan Africa. Average quarterly GDP growth in India from 2004-2010 was 8.37 percent, reaching an historical high of 10.1 percent in September 2006 and never falling lower than 5.5 percent in this period. Yet half of the children in India are malnourished and overall India ranks 134th on the Human Development Index. **Inequality is the main problem in both countries.**

One of the key factors limiting the potential of growth and the fight against poverty is inequality in enjoying the benefits of this growth. The idea that high growth improves the wellbeing of all is undermined by the significant negative impacts of inequality. History has shown that without an explicit focus on inequality, achievements such as high growth rates do not lead to an improvement of the livelihoods of the poor nor of society as a whole.

Indeed, a 2010 study by the Institute for Development Studies showed that three quarters of the world's poorest now live in Middle Income Countries, clearly demonstrating the limitations of classical economic growth as a driver for



the eradication of poverty. While we agree that growth can be a key element (under specific conditions and contexts) in the quest for development, human development is much more than economic growth.

For growth to be beneficial for development, CONCORD believes it has to be sustainable and inclusive, taking into account inequalities and with special emphasis on reaching the poor and vulnerable. **Pro-poor growth is based on decent job creation, functioning health services, universal access to education, a productive agriculture, and good governance.** We are convinced that these areas, because of their outstanding significance, **should form the core of EU development cooperation and spending.** Furthermore, focusing on these areas plays to Europe's strengths and expertise.

What kind of growth and how to measure it?

Economic production can and often does enhance people's well-being. However, there are vital differences between aggregate GDP data on one hand and what constitutes a quality individual life or a quality societal development on the other. Conflating the two often leads to wrong policy decisions. **As the Report by the Commission on the Measurement of Economic Performance and Social Progress emphasized, what we measure affects what we do.**

The flawed systems of economic measurement today conceal important aspects of people's well-being (or lack thereof) and the various linkages between them. **Household income and consumption are far more informative from a human development point of view than aggregate national production.** It is clear that wealth is not just money. Poor households, and women in particular, produce (and consume) many services not recognized in official economic statistics that are fundamentally important for lives of their communities. Social connections, political voice and scope of insecurity determine quality of life just as much as income or consumption.

Much of current economic growth brings (more or less questionable) material additions to present well-being, but it can reduce social cohesion, environmental services or breed instability. Human and social resources need to be preserved or even increased if various aspects of a good life are to remain available for future generations. **Thus statistical systems need to be developed that complement measures of market activity not only by multi-dimensional indicators of well-being but also by separate and reliable measures of sustainability.** Both in reducing poverty and enhancing quality of life, North and South, we need to develop new robust measures, construct new indexes and invest in statistical capacity.

Aid, Development Cooperation & New Financial Resources

Official Development Assistance (ODA) continues to be an important source of funding for development. In many developing countries, ODA is the most significant revenue for central and local governments to finance public spending in key areas including basic social services. ODA is currently the most flexible and predictable source of financing for many of the poorest countries.

We recognize that ODA alone will not be sufficient to overcome poverty, injustice and discrimination. As previously stated, the eradication of poverty and sustainable development requires holistic approaches that address the root causes of poverty. However, in the short term, ODA is often the only finance readily available to respond to the immediate needs of poor people, such as access to food, drinking water, and health care.

At the MDG summit in September 2010, the EU reaffirmed its commitment to increase aid spending to reach 0.7 % of GNP by 2015. It is time for words to be followed by actions. **EU Member States need to adopt binding national legislation or action plans setting out how they will each reach their respective aid spending targets.** Moreover, the EU needs to put into place a peer review mechanism at the EU Heads of State level to put pressure on under-performers to step up efforts to meet their targets.

The EU's ODA should be focused on supporting the poorest and most marginalised people. As a key principle, **the EU's ODA should not treat the poor as passive recipients of aid, but rather it should empower poor communities to lead their own development efforts. Therefore, EU donors must ensure that ODA is managed and driven by country stakeholders**—i.e. central and local governments, Civil Society Organisations (CSOs) and local communities—and **avoid the use of policy conditions** that weaken democratic ownership. EU ODA should be delivered predictably, coordinated across donors and with maximum transparency, so that it can be utilised most effectively and contribute to improvements in accountability of ODA flows.

Our concern is that the fight against poverty and inequality needs to have the right balance vis-à-vis other policies. While we acknowledge the importance of the neighbourhood and enlargement policies for the EU, it is worrisome that both policies are disproportionately prioritized compared with development cooperation with poorest countries. Turkey is the largest recipient of EC "aid", with Serbia and Croatia featuring in the top ten. Paradoxically, these three countries are Upper Middle Income Countries according to the DAC list of ODA recipients. By contrast, Least Developed Countries receive only 44% of EC aid for developing countries—a percentage that is much lower than equivalent percentages for other donors. **CONCORD urges that all expenditures from the EU budgets for development (DCI and the European Development Fund) must in future continue, as DCI states, to "be designed so as to fulfill the criteria for Official Development Assistance (ODA) established by the OECD/DAC".**

In 2005, the EU had a unique opportunity to credibly establish itself as a leading and successful donor: by law, expenditures under the DCI must be fully eligible as ODA, and the **Commission committed to a benchmark of 20% for basic health and primary and secondary education. Despite this, far less than 20% of DCI is currently being spent on the social sectors.** Economic development is not viable without a well-educated population in good health. This paradigm has been proven in Europe where massive investments in education and health systems have been the basis for economic success.

The lack of finance can no longer be an excuse preventing the EU—or any other government—from making meaningful and ambitious development commitments. **Financial Transactions Taxes (FTTs) are an innovative mechanism capable of raising between 25 billion and 1,060 billion in revenue globally.** The International Monetary Fund (IMF), the European Commission and the inter-governmental Leading Group on Solidarity Levies have all recognised FTTs to be feasible mechanisms. FTTs can



contribute to a more stable global financial system while generating the scale of resources that could significantly contribute to sustainable development in the face of multiple global crises and climate change. **The European Parliament has repeatedly stated its support for FTTs.** In October 2010 the special Parliamentary Crisis committee called for an EU-wide FTT as one response to the financial crisis. **CONCORD urges the EU to adopt an EU wide FTT that, if achieved, would be a powerful symbol of the EU's willingness to embrace bold and far-reaching measures to tackle financial reform to contribute to the eradication of poverty.**

An ambitious EU position on climate finance is also urgently needed. **The EU must honour, in full transparency, promises made in Copenhagen on new and additional fast-start finance. It also needs to support the establishment of a fair Climate Fund, which delivers to the poorest.** This is vital to rebuild trust within the negotiations. The EU needs to ensure the Climate Fund secures scalable innovative sources of public funding and establishes common measurement and reporting formats to ensure that finance commitments are fulfilled. The United Nations High Level Advisory Group on Finance (AGF) assembled by the United Nations Secretary General can help to identify innovative sources for climate finance. Finance mechanisms should be scalable to meet real costs to developing countries which will be dependent, for

example, on the success of mitigation policy measures.

Transparency regarding development programmes and policies, decision-making processes, results and financial flows is an essential building block of effective aid. At the MDG summit in September 2010, the EU reaffirmed its commitment to transparency and accountability, recognizing their importance in delivering progress on development outcomes. **We agree that transparency is key, as it enables citizens, CSOs and other stakeholders to hold their governments to account for their actions, practices and results.** A proactive approach to transparency helps build public engagement, and is fundamental to increasing the efficient and effective use of public resources. **Transparency should extend to all stakeholders, including to CSOs and Parliaments in developing countries and in Europe.**

We urge the EC to reflect upon the issue of **impact-driven versus disbursement-driven aid approaches.** We believe that aid results need to be driven by outcomes not inputs. However, we must also ensure that the drive to see results and **“value for money” does not overshadow the objective to improve people’s lives.** While the desire to achieve better value for money is understood, it is important to ensure that results-based aid does not mean constantly chasing results targets that do not benefit partners. **Ensuring aid works better needs to start with asking those receiving it how it should improve.**

Development Education & Awareness Raising

Development challenges cannot be met without the support of the European population and citizens. Facing an unseen economic crisis and the constant rise of populist movements in Europe, ambitious policies for Development Education and Awareness Raising (DEAR) are key to keep development high on the political agenda and to make it a central concern for all Europeans. DEAR can provide the

skills, knowledge and competences to enable citizens in the EU to take democratic ownership of and engagement in development. **DEAR is a high impact initiative:** Every euro spent to engage a European citizen on development issues is paid back in multiple ways eg through private donations, political support, personal engagement or consumer choices.



New Priorities Sectors for European Development Cooperation

We strongly advocate that support for the **development of social security systems** in developing countries becomes a priority of the EU. Social security enables poor people to spend more of their energy on their participation in economic activities. By way of example, the European success story of the last 100 years cannot be imagined without functioning social security systems available to all.

Democratic governance and democracy is another area where Europe's track record is unparalleled. The rule of law and democratic accountability and participation are pivotal for sustainable development, pro-poor growth and the fight against inequality. Democracy as we see it is not just the selection of leaders and representatives through elections, but a holistic concept including gender equality, balance of power between States and Societies and the freedom of people to pursue their capabilities and realize their rights. This requires long-term investment and partnerships.

Another key area of interest is a vision on food and agriculture. **CONCORD has welcomed the recently adopted EU Food Security policy framework that recognizes the importance of smallholders in tackling hunger and poverty in the Global South.** Investing in smallholder agriculture is not only the way to reduce hunger, but also a smart path to economic recovery and



resilience for developing countries hit by economic, food or climate change crises. The EC and, by extension, the EU, has the right policy framework in place with regards to investment in smallholders. However **it now needs to put this theory into practice and to focus more on investing in sustainable agriculture targeted at smallholder farmers, particularly women.** This is far preferable to investment in credit guarantees and reducing risks for foreign companies that are motivated by profit, and not by the well-being of the poor.

We urge the EU to provide a firm guarantee that no national or regional agriculture plan for achieving the MDG hunger targets will fail for lack of financing. Declining public financing and ODA for agriculture has been a major source of growing food insecurity in developing countries, and yet investment is still not happening. **The EU must ensure that the US\$3.8 billion promised in L'Aquila in 2009 is delivered in full and that it increases the share of aid delivered behind CAADP (Common Africa Agriculture Development Programme) country-led plans.** CAADP represents an excellent opportunity to make progress on and enshrine the key principles of the aid effectiveness agenda—ownership, harmonization, alignment and mutual accountability.

The European Commission must ensure that this money benefits women farmers in poor countries, as this approach goes right to the causes of hunger and tackles poverty. It must improve the gender impact of food security policies and spending through the use of tools such as gender budgeting and collection, and monitoring of sex-disaggregated data.

Accessible, reliable and sustainable energy for domestic use is also a key sector for economic development of developing countries. This approach should build synergies with Europe's commitments to develop green and sustainable energy within the EU as well.

What kind of agriculture?

It is time to abandon the "Green Revolution" that strengthens industrial and commercial agriculture and benefits transnational cooperations and large farmers, rather than smallholder farmers who make up the majority of populations in developing countries.

Agriculture still provides the main source of livelihood for 80 to 90 percent of the population in many countries. Increasing their incomes will bring rural economies back to life and generate more jobs for other poor people, while increasing demand for domestically produced goods and services. Greater numbers of rural jobs and increased incomes generally lead to improved nutrition, better health, and increased investment in education.

Increased revenues allow local governments to respond to demands for better infrastructure, such as roads.

Agriculture has driven broad-based economic growth from countries as diverse as 18th century England, to 19th century Japan, to 20th century Europe. Pointing to the "special powers" of agriculture in reducing poverty, the World Bank has demonstrated that GDP growth originating in agriculture is at least twice as effective in reducing poverty as in other sectors. In China, growth in smallholder agriculture had four times the impact on poverty alleviation as growth in the manufacturing or service sectors. In Uganda, a 3 percent increase in public spending on agriculture can generate a 1 percent increase in agricultural output—this increase cuts the poverty rate by as much as 1.38 percent.

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Conclusions

Focus Development Dialogue on Lisbon Treaty Provisions on Poverty Alleviation

Investments in the priority sectors mentioned would be futile without a **profound, honest and open political and policy dialogue with the governments and communities benefiting from EU cooperation**. It is important to remember that the Lisbon Treaty foresees that on the EU side, the core of the political/policy dialogue with developing countries is about “poverty alleviation” and the root causes of poverty: inequality, discrimination, exclusion and vulnerability in the partner country. All sectoral policy dialogues should take place within this framework. There is ample room for the EU to **respect Southern partner nations’ ownership of global development issues while maintaining its own convictions and values regarding these same issues**, providing opportunity for the EU to work with partners to develop policies that acknowledge and respect both parties’ objectives.

In summary, we strongly believe that the strategies identified in this paper should form the basis of a **roadmap for the EU’s development cooperation ahead of and beyond 2015**. Development is a process that requires long-term strategies and sustained implementation. The determined pursuit of these strategies will make a difference in reducing poverty and inequality, and will strengthen the development cooperation’s profile ahead of the negotiations for the next multiannual **financial framework**.

Whatever shape future financing instruments might take, the Lisbon Treaty’s commitment to poverty eradication makes a continued commitment to the efficient and coordinated use of ODA imperative. The EU can and should seize the opportunity of these budget negotiations to push for a more effective EU approach to international development—an approach that truly focuses on the countries and populations where needs are greatest and on activities that guarantee that EU policies can reduce poverty, inequality and discrimination.



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