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The Financing and Adjustment of EU Development Cooperation: Implications for Poland

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Development cooperation is one of the major external relations tools for the EU. The Union will remain among the top providers of aid in the world, with a budget for external assistance in the new financial perspective amounting almost €80 billion. As the global context of aid is changing, the EU will focus mostly on the eradication of poverty in its development policy, but will place more emphasis on protecting the environment and support for democracy. This converges broadly with Polish principles of foreign aid, and provides an opportunity for further expansion and strengthening of Poland's development cooperation system.

The Changing Global Context. The EU is in the process of adjusting its development cooperation policy. Such adjustment takes place in a time of important changes in global aid architecture, financial constraints, and the emergence of new trends in international development cooperation. First, Millennium Development Goals, which have placed the focus on the eradication of poverty and were quite successful in mobilising public support and financial resources for development assistance from 2000, must be replaced by a new post-2015 development agenda. The discussion ahead of the UN Summit in September 2015 concentrates on new goals and priorities for development cooperation, a new definition of official development assistance (ODA), and sources of financing. Climate change negotiations and preparations for the COP 21 climate summit in Paris in late 2015 will also have an impact, and the merging of development with climate policies into one universal goal of "sustainable and inclusive growth" can already be observed.

Second, the emergence of new, significant donors, such as China, India and some Arab countries, as well as non-state actors, such as private foundations, brings more complexity and variety to the development system. This means more difficulties for the West in shaping aid architecture unilaterally. With new and more assertive partners, setting universal and binding principles and standards of providing aid will be harder, and the global development partnership postulated at the fourth High Level Forum on Aid Effectiveness in Busan (2011) will be more difficult to establish. Thirdly, the global economic crisis unfolding since 2008 means that mobilising financing for development would be more difficult, hence there is a risk of marginalisation of development cooperation and a decrease in funds for foreign aid, unless new solutions to better engage the business sector are found. Finally, the Arab Spring in 2011, and democratic upheavals in Eastern Europe, elevated support for democracy and good governance as an important item on the development agenda.

Aid in the New MFF. For the EU, development assistance is the major instrument of external action and its visibility as a global player. In fact, at least 90% of the budget for external relations (Heading 4: Global Europe) is to be accounted as ODA. In the multiannual financial framework 2014–2020 (MFF), this budget has risen by 3% to €58.7 billion (in 2011 prices), which constitutes 6% of the overall MFF. Together with the extra-budgetary 11th European Development Fund (EDF), which finances aid for African, Caribbean and Pacific (ACP) countries, worth €27 billion, the European development budget stands at around €80 billion for the next seven years. Still, funding for external action was hit hard by financial austerity in the EU, and has been reduced by €11 billion (16%) and

€3 billion (11%) in the EDF, compared to initial proposal of the European Commission in June 2011. This shows that, although the EU reconfirmed its commitment to spend 0.7% GNI for ODA, it will be more difficult to achieve this target.

Decisions on aid financing coincided with changes in European development policy. Although the EU vision for post-2015 is far from complete, a few major documents set the guidelines for future EU policy in this regard. These include Agenda for Change (2011), A Decent Life for All (2013), and several European Council conclusions, which indicate that, after 2015, the EU will adhere to the eradication of absolute poverty as the major goal of aid, but it will pay more attention to sustainable development and the promotion of good governance and human rights. At a time of financial austerity, the EU follows a differentiation principle, so it will stop grant assistance to some 19 more developed countries and will refocus aid on countries most in need (the least developed), in situation of fragility (conflict affected or post-crisis) and those introducing democratic reforms (the "more for more" approach). Furthermore, it will encourage a greater role for the private sector in development, and use more innovative financial instruments, such as blending grants and loans. It can be expected that the EU will continue struggling to improve aid effectiveness, Policy Coherence on Development, and transparency of aid. The EU kept the major external instruments in the new MFF, although the Industrialised Countries Instrument was replaced by the Partnership Instrument (PI), to support relationship with emerging economies and strategic partners. A Pan-African Programme (PAP) has also been created, under the Development Cooperation Instrument (DCI), to support the implementation of the Joint Africa Europe Strategy. The largest instruments will remain DCI (around €17.3 billion), which accounts for 30% of the whole EU external budget, the European Neighbourhood Instrument (ENI—€13.6 billion), and the Instrument for Pre-Accession (IPA—€10.5 billion). The biggest increases from the previous budget were allotted to the PI (up 390%), the ENI (22%), and the European Instrument for Democracy and Human Rights (EIDHR, 7%), which confirms the EU's new political priorities.

Implications for Poland. The changes in EU development policy and new budget for development cooperation are relatively good signs for Poland. First**,** Poland resisted EU pressure to raise its development budget to 0.33% PNB by 2015 (in 2012 it was only 0.09%) and with waning enthusiasm for ambitious development policy, it will find easier to plan its development aims according to national capacities. Although key contribution to extra budgetary EDF for Poland has risen substantially from 1.3% to 2.0% and will require over €600 million for the next seven years, it will automatically lead to a better ODA/GDP ratio.

Secondly, Poland welcomes the EU refocus on democracy and good governance in development cooperation and in immediate neighbourhood, both of which are Polish areas of specialisation. The budget increase for the ENI and EIDHR, as well as the horizontal augmentation of democracy in all assistance, would serve Polish foreign policy aims well. For instance, two major programmes, the EIDHR and the programme for civil society and local authorities under the DCI will have a budget of almost €3 billion to support human rights campaigners, democracy-building and NGOs. Moreover, thanks to Polish efforts, the European Endowment for Democracy, though not an official EU institution, may gather extra funds for democratisation in the EU neighbourhood. Another success is EU recognition of the special transformation experience of new Member States in development cooperation, which may augment the image of Poland as an expert in transformation.

Thirdly, greater openness of the EU for engagement with the private sector may be a positive development for Poland, which has thus far been reluctant to cooperate with business in the implementation of development projects. Poland should take this opportunity to strengthen cooperation with business in regard to Polish aid, and encourage private participation in the EU projects. Not only could this help to generate extra funding for development assistance, but it could also help Polish companies to expand on developing markets. Finally, the prioritisation of the EU's sustainable energy aim is, paradoxically, a positive change. For post-2015 agenda negotiations, the Polish government plans to make universal access to energy its second priority, next to good governance and democracy. Although this may seem surprising to many, as Poland is not seen as a champion of ambitious climate policy, Poland rightly claims to know well the dilemma of having accessible (and cheap) energy that does not hamper economic growth, and the requirement for green (renewable) energy that is less harmful to the environment.

Conclusions. Recent changes show that Polish development cooperation is moving from the margins of European development policy into the very centre. Functioning under so conducive an environment, Poland should do more to further strengthen its development cooperation system and address remaining challenges. It should strive to increase the aid budget gradually, to reach the level of average EU donors in the mid-term, prepare country strategy papers for priority partners, and focus more on results and outcomes in both planning and implementing aid. Now, with consultations on the 2016–2020 multiannual programme of development cooperation underway, is the best moment to use this opportunity and transform Poland into a credible and effective donor.

Moreover, in joining DAC OECD in October 2013, Poland gained not only an opportunity to influence global discussions on development (including the new definition of ODA and the post-2015 agenda) but also gained more responsibility to improve aid transparency, reporting and effectiveness. To further strengthen its position within the EU development policy, Poland should also engage more actively in joint programming, delegated cooperation, and trilateral cooperation with other EU Member States, as well as supporting the participation of Polish civil society and business in the implementation of EU-funded projects.