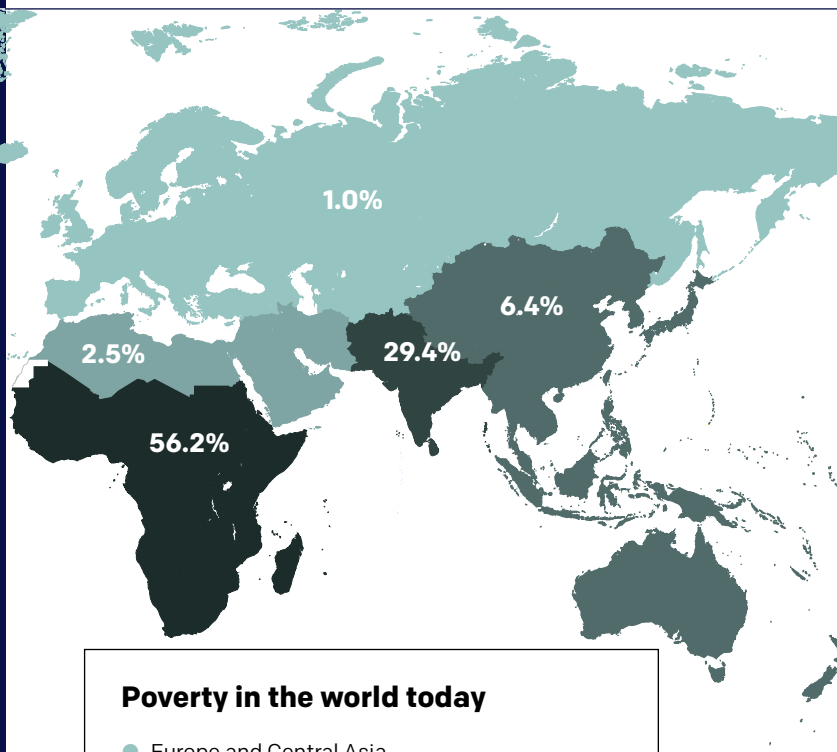
AN EU BUDGET THAT INVESTS IN POTENTIAL

ONE



THE WORLD IS NOT ON TRACK TO END POVERTY BY 2030.

This ambitious goal is top of the UN's list of Sustainable Development Goals (SDGs) and, while there has been some progress —the number of the world's population living on less than $1.90 a day has been halved since 1990— the reduction has been too slow to keep pace with a rise in population. In fact, in sub-Saharan Africa the number of those living in poverty has actually increased.[1]

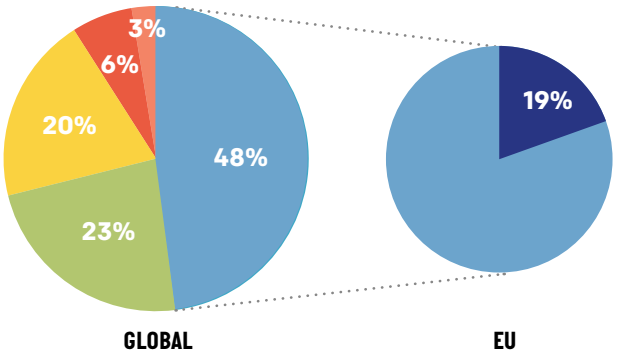
Poverty in the world today

- Europe and Central Asia
- Middle East & North Africa
- Latin America & Caribbean
- East Asia & Pacific
- South Asia
- Sub-Saharan Africa

Source: World Bank. Poverty and Shared Prosperity 2018: Piecing Together the Poverty Puzzle.

The picture may look bleak but there is much that can be done to get closer to ending poverty and, **as the world's largest aid donor, the European Union (EU)**[2] **could lead the way by not only maintaining but increasing its financial commitment** to supporting poverty eradication as it reassesses its post-Brexit budget.

Largest development aid donors (2017 EUR Millions)



- **European Union:** € 75,601 M
- **Other Donors:** € 36,444 M
- **USA:** € 31,280 M
- **Japan:** € 10,180 M
- **United Arab Emirates:** € 4,076 M

- **EU Institutions:** share of member states aid going to the EU institutions

Source: Total Flows by Donor (ODA+OOF+Private) [DAC1], OECD 2018. Last accessed on 5 November 2018. Figures are net disbursements in Euros.

THIS IS THE MOMENT TO ACT.

Right now, the EU is negotiating its Multiannual Financial Framework (MFF), which will set out its budget and spending priorities from 2021 to 2027, taking us to just three years before the 2030 deadline for meeting the SDGs.

While the MFF might sound like nothing more than a spreadsheet, it will mean life or death for many of the world's poorest people. The MFF will define the EU's position as a global leader committed to keeping its promise to the world's poorest people, so maintaining a global outlook during the largely internal discussions will be vital.

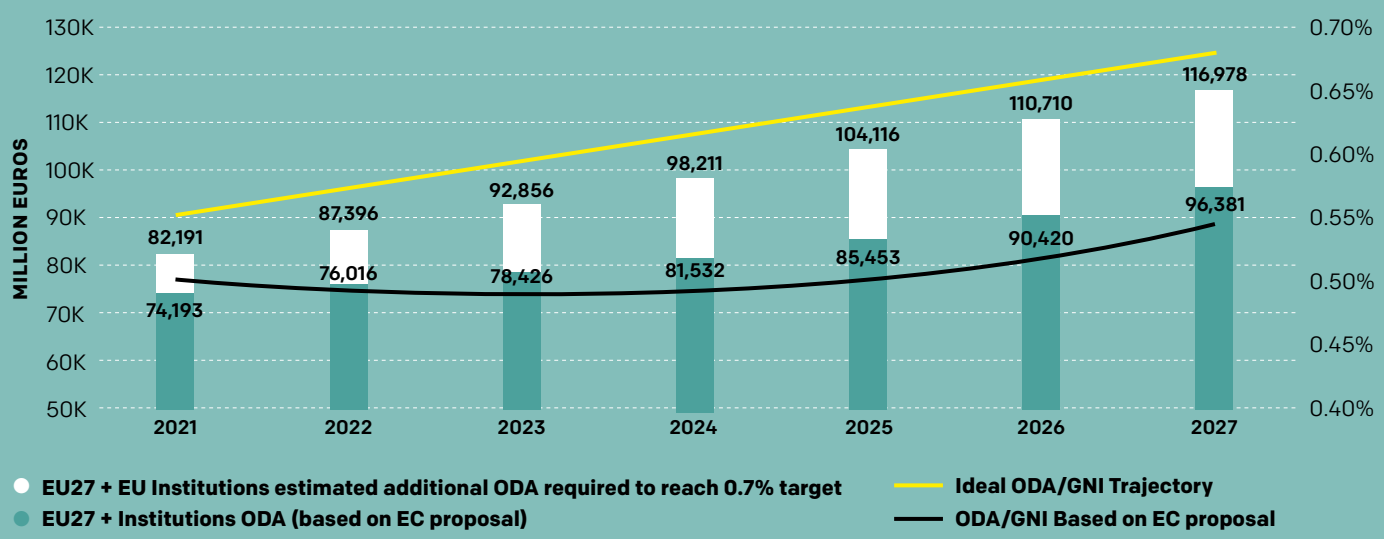
African countries must also allocate their share of the resources needed. Domestic revenue is crucial for poverty reduction, but it is not enough. **Even if every African country increased its current revenue to meet its revenue potential, over $119 billion would still be needed annually to finance basic social spending needs.**[3] These trends lead to an obvious conclusion: **aid is not only essential, it must increase.**

The 2017 European Consensus on Development[4] stating the EU's collective commitment to provide 0.7% of Gross National Income (GNI) as official development assistance (ODA) by 2030, has established the EU as a leading global force for achieving the SDGs. It is more important than ever that Europe continues to play this leadership role, but it can only maintain its credibility if it follows through on its commitment.

WHAT THE EU MUST DO

At just €123 billion, the current MFF proposal simply will not put the EU and Member States on track to meet 0.7% of GNI in ODA by 2030. But, as the European Commission (EC) has already noted,[5] if EU countries make serious progress towards the 0.7% target, and if EU institutions continue to contribute about 20% of total EU aid, the budget would have to include approximately €140 billion available for development over the next seven years.[6] This is a figure that would make a significant contribution to eradicating poverty.

EU ODA (Estimated 2021-27 towards 0.7% target)



Source: ONE's analysis of "Proposal for a Council regulation laying down the multiannual financial framework for the years 2021 to 2027," COM(2018) 322 Final. European Commission, May 2018. All figures are expressed in Euros (current prices).

ONE IS CALLING THE EU TO:

01

Achieve its collective 0.7% ODA/GNI objective by allocating €140 billion in ODA for the next MFF and allocating *at least* 50% of it to the least developed countries and fragile states in Africa, where the greatest need will be.[7]

02

Allocate *at least* 20% of all aid to health, education, and social protection to help meet the basic needs of people living in poverty.[8]

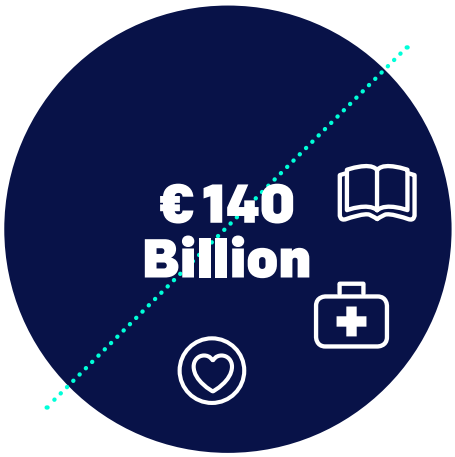
03

Support gender equality by ensuring that *at least* 85% of ODA disbursements have a gender objective, of which 20%[9] should go to projects with gender as a principal objective.[10]

04

Ensure that the EU's development policy has as its primary objective the reduction and, in the long term, the eradication of poverty.[11]

Where the money is spent and what it is spent on is of crucial importance; an ambitious budget would enable the EU to have a dramatic impact in a number of ways.



EU AID FOR DEVELOPMENT
OVER THE NEXT SEVEN YEARS

Analysis by ONE has found, for example, that if half of an EU aid budget of €140 billion was spent on education, health and other social sectors **in Africa's fragile states and least developed countries (LDCs)**, where we know the greatest need will be, it could deliver:[12]

- **Access to pre-primary, primary, and lower-secondary education** to **32.5 million** children *per year*;
- **Access to basic health care and nutrition** for **43.5 million** people *per year*;
- **A social safety net** (targeted transfers to address those living in or at risk of poverty) that could support **50.3 million** people *per year*;

and globally:

- **Immunisation** for over **2.7 million** children per year, thus preventing over **55,000** future deaths *per year*;[13] and
- **Antiretroviral therapy** for nearly **one million** people living with HIV, **four million** HIV tests, treatment for over **250,000** people with tuberculosis, **10 million** mosquito nets, and treatment for **5.5 million** cases of malaria, which could also prevent these diseases spreading.[14]

These results would not only benefit the continent's poorest, but would be an essential part of a new partnership between Europe and Africa.

Africa's proximity to Europe (at the closest point, Africa and Europe are just over 14 kilometers apart, barely more than the distance between Brussels airport and the European Commission) points to the potential for economic cooperation and shared interest, and the 'demographic dividend', borne of Africa's young working-age population, can benefit both Africa and Europe.

Some European leaders already recognise the importance of establishing an alliance between the two continents: Emmanuel Macron has made eleven visits since becoming president in May 2017. Angela Merkel recently toured Senegal, Ghana and Nigeria and, in September, Jean-Claude Juncker, the European Commission's president, proposed a 'continent-to-continent' trade agreement that could, he said, create up to 10 million jobs in Africa.[15] There is no doubt that responsible private investment is needed to create employment and boost trade, but the success of these initiatives depends on the presence of healthy, educated, and empowered workforces. And traditional aid which supports social sectors must fill the gap that African governments' spending cannot yet meet.

Making long-term investments in Africa now will reap benefits long after the next MFF cycle ends. While social sector investment alone won't end poverty in the next decade, coupled with investments in infrastructure, agriculture and industries to boost trade and growth, it will help end poverty in the longer-term and establish a solid foundation for growth in the coming decades. **Africa's population is set to double by 2050[16] and that increase could lead to a 'demographic dividend', which can kickstart economic growth and job creation. There are still over 100 million children and youth out of school in Africa.[17] At current levels, only one in ten young people in low-income countries will acquire the secondary-level skills necessary to thrive in the global economy.[18]**

Business as usual is no longer an option. The world is changing fast. Donors and developing countries must urgently mobilize additional finance to achieve the SDGs and ensure a healthier, more prosperous world for us all. Increasing aid is not only the right thing to do, it would also meet the demand of European citizens, 81% of whom agree that tackling poverty in developing countries is in the EU's own interest.[19]

8 IN 10 EU CITIZENS AGREE TACKLING POVERTY IN DEVELOPING COUNTRIES IS IN THE EU'S OWN INTEREST

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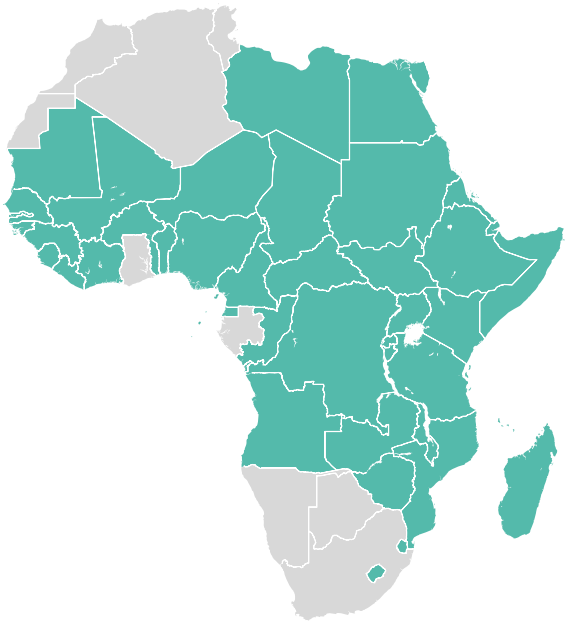
METHODOLOGY

This brief estimates the potential impact of an ODA budget of €140 billion, spent over seven years, using the median per capita costs of education, health and nutrition, and social protection programmes for African LDCs and fragile states, calculated by the Overseas Development Institute (ODI).[20] ODI's per capita costings for education were transformed to estimated costs per child.

The results show the number of people that could be reached by investing 50% of the proposed €140 billion total EU aid budget in African LDCs and fragile states, and spending 100% of that aid on three core social sectors (allocating 40% to education, 30% to health and nutrition, and 30% to social protection).[21] This is a doubling of ODI's proportions (20% for education, 15% for health and nutrition, 15% for social protection), to account for 100% of the funds. The calculations are meant to be illustrative, and are neither intended to reflect the EU's current allocation of aid, nor present a realistically expected outcome.[22]

The potential impact figures for aid delivered through the Global Fund to Fight AIDS, Tuberculosis and Malaria and Gavi, the Vaccine Alliance, are calculated using average financial contributions from EU institutions to each multilateral effort. These averages are used to calculate a simple proportion of the latest published yearly results that could be attributed to the EU. Assuming the next MFF budget were to increase by 40% to €140 billion, the impact figures correspond to a 40% increase of these results. These estimates do not take into account potential future yearly changes to the results delivered through these initiatives, nor scheduled changes in funding from the EU or other partner countries. In reality, it is not possible to directly attribute a share of results per donor due to the catalytic nature of aggregate funding, so these results are meant to be illustrative.

This methodology does not seek to identify or recommend the specific allocation of ODA resources by the EU. Many factors need to be taken into account for a complex aid delivery system. Additionally, it is not designed to reflect the total number of potential beneficiaries of EU ODA across all sectors. Instead, it aims to illustrate the number of people that a given budget could potentially reach, based on the best available cost estimates for the aforementioned sectors.



The African countries identified as LDCs (according to the UN) and/or fragile states (according to the OECD) are:

Angola, Benin, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Comoros, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Djibouti, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Nigeria, Rwanda, São Tomé and Principe, Senegal, Sierra Leone, Somalia, South Sudan, Sudan, eSwatini, Tanzania, Togo, Uganda, Zambia and Zimbabwe.

NOTES

1. World Bank (2018). 'Poverty and Shared Prosperity 2018: Piecing Together the Poverty Puzzle'. https://openknowledge.worldbank.org/bitstream/handle/10986/30418/9781464813306.pdf

2. The member states and the European Union institutions.

3. Based on revenue potential, excluding ODA. This gap is more than twice the total ODA received by Africa in 2016 ($50 billion). Total revenue potential refers to a country's tax potential (the level of tax revenue that it could achieve given its economic and structural characteristics) plus the latest non-tax revenue figures (ODI 2018): 'Financing the End of Extreme Poverty'. https://www.odi.org/sites/odi.org.uk/files/resource-documents/12411.pdf

4. The European Consensus on Development (2017). 'Joint Statement by the Council and the representatives of the member states meeting within the Council, the European Parliament and the European Commission'. https://ec.europa.eu/europeaid/sites/devco/files/european-consensus-on-development-final-20170626_en.pdf

5. According to the calculations of the European Commission (2018), and assuming that the EU institutions would maintain their current share of 20% of European ODA, and on the assumption that current ODA spending amounts to 100 billion euros. 'A new, modern Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post 2020', COM (2018) 98 final, 14 February 2018. https://ec.europa.eu/commission/sites/beta-political/files/communication-new-modern-multiannual-financial-framework_en.pdf

6. Current external spending amounts to roughly 100 billion in the previous MFF, an additional €40 billion would result in €140 billion for the next period.

7. See methodology for full list of African LDCs and fragile states, as defined by the United Nations and OECD. Between 2013-2016, the EU allocated on average 25% to African LDCs and fragile states. In 2014, the allocation peaked at 27.5% of all ODA, totalling at €3.4 billion.

8. By comparison, the EU institutions allocated 11.9% to these 3 sectors between 2013-2016. The 20% target, which is referenced in the European Consensus on Development, should be considered the bare minimum for spending on social sectors. International objectives set by UNESCO and the World Health Organization stipulate that at least 10% of ODA should be spent on education, and 15% on health, for a minimum target of 25%. See http://unesdoc.unesco.org/images/0024/002495/249568e.pdf and Jeffrey Sachs (2001) 'Macroeconomics and Health: Investing in Health for Economic Development, Report of the Commission on Macroeconomics and Health'.

9. The EU Gender Action Plan II (2016-2020) agreed that 85% of new programmes must score gender as a principal or significant objective. ONE is recommending to turn it into a funding target. https://ec.europa.eu/transparency/regdoc/rep/10102/2017/EN/SWD-2017-288-F1-EN-MAIN-PART-1.PDF

10. Various European countries are already allocating more than 20% of their gender equality funding to programmes with a principal gender objective, for example Spain (37%), Luxembourg (30%), the Netherlands (28%), Norway (25%), and Sweden (20%) in 2016. The EU institutions only invested 6.6% of their gender equality focused aid in gender specific interventions in 2016 (calculated on the basis of the OECD CRS Database, consulted in September 2018).

11. As stated on the European Union's Lisbon Treaty (2009). Article 208. See: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:12007L/TXT

12. In order to best address current poverty trends, the EU should allocate at least 50% of all aid to African fragile states and LDCs. Core social sectors include education, health and social protection. Costings are based on ODI's (2018) 'Financing the End of Extreme Poverty' report. https://www.odi.org/sites/odi.org.uk/files/resource-documents/12411.pdf
See methodology for details.

13. Results achieved through vaccines provided by the GAVI, the Vaccine Alliance, with the EU's support. See methodology.

14. Results achieved through the Global Fund to Fight AIDS, Tuberculosis and Malaria, with the EU's support. See methodology.

15. European Commission's press release (12 September 2018). 'State of the Union 2018: Towards a new 'Africa - Europe Alliance' to deepen economic relations and boost investment and jobs'. http://europa.eu/rapid/press-release_IP-18-5702_en.htm

16. United Nations (2017). https://esa.un.org/unpd/wpp/Publications/Files/WPP2017_KeyFindings.pdf

17. UNESCO Institute for Statistics (data for 2017). http://data.uis.unesco.org/Index.aspx?DataSetCode=edulit_ds#

18. International Commission on Financing Global Education Opportunity (2016). 'The Learning Generation: Investing in Education for a Changing World' pp.13-14. https://report.educationcommission.org/

19. European Commission Eurobarometer (2018). 'EU citizens and development cooperation' http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/survey/getsurveydetail/instruments/special/surveyky/2202

20. ODI (2018). 'Financing the End of Extreme Poverty'. https://www.odi.org/sites/odi.org.uk/files/resource-documents/12411.pdf

21. ODI's proportions for aid allocation mirror the recommended target for domestic expenditures, following the *Education for All* target for education (20% of government revenues), the Abuja target for health (15%) and the implied International Labour Office minimum threshold for social protection (at least 15%).

22. According to ODI, OECD governments spend more than 60% of government revenues on education, health, and social protection, and 35% all sector allocable donor aid is spent on these three sectors.

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