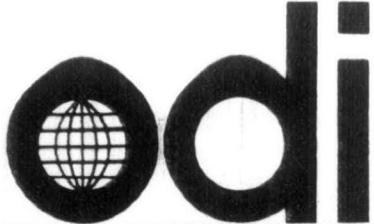


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EU aid post-Maastricht: Fifteen into One?

When the Maastricht Treaty on European Union (TEU) came into effect in November 1993, development co-operation became a stated part of European policy in a treaty for the first time. This Briefing Paper covers the main aspects of the EU aid programme and explains what has changed in EU development co-operation since the Treaty of Maastricht. It asks if a Europeanisation of EU aid is taking place and describes what has happened to the priorities for EU aid. Finally, it discusses ideas about the future shape and direction of EU development policy and the role of the European Commission in relation to the donor agencies of the EU's fifteen Member States.

Characteristics of EU Aid

The incorporation of development co-operation in the Maastricht Treaty is a step towards a common European policy in this area and provides a juridical basis and objectives for EU development assistance. The Treaty is built, nonetheless, on an extensive existing aid programme consisting of the expenditures under the Lomé Convention's European Development Fund (EDF) and under the general budget of the Union.

The Lomé Conventions, whose precursors drew on historical links with former colonies, and the 1957 Treaty of Rome, have provided programmes of development assistance, including aid and trade provisions, for African, Caribbean and Pacific (ACP) countries. The ACP group expanded from 46 under Lomé I in 1975 to 70 countries in 1993, and over time the coverage of the Convention's provisions has been extended. The EDF, funded directly by Member States' contributions to aid for the ACP countries, made up 35% of EU aid disbursements in 1993 (see Table 1).

In addition to Lomé aid, there have been increasing aid allocations under the general EU budget. Until 1990, food aid accounted for most (66% in 1989 and 50% in 1990) of the aid disbursed from the budget, but recently aid to Asian, Latin American (ALA), and Mediterranean countries in particular, has taken a growing share.

On a country basis, however, South Africa, which is the only sub-Saharan country outside the Lomé Convention, receives the largest aid programme of all countries funded via the European Commission. New flows to Central and Eastern Europe (CEEC) and the former Soviet Republics (FSR) also took 19% of EU aid in 1993. Most striking in recent years has been the expansion of humanitarian aid, which in 1993 accounted for 9% of EU aid.

The legal and budgetary distinction between development assistance to ACP and non-ACP countries is reinforced by the division of responsibilities among two Directorates-General of the Commission plus a separate humanitarian office and, since January 1995, among four Commissioners (see Box 1). It is further emphasised by the Maastricht Treaty which excludes the Lomé Convention from new provisions relating to development co-operation (Art. 130w), at least until 1999.

Implications of the Treaty

Development co-operation is envisaged to become a part of the EU's Common Foreign and Security Policy (one of the three pillars providing the basis for political union) which has yet to be established. However, while European foreign and security policies remain intergovernmental, in the area of development co-operation, the Member States have succeeded

in spelling out common objectives under Article 130u of the Maastricht Treaty namely to 'foster:

- the sustainable economic and social development of developing countries, and more particularly the most disadvantaged among them,
- the smooth and gradual integration of developing countries into the world economy,
- the campaign against poverty in developing countries,
- the observance of human rights and fundamental freedoms, and developing and consolidating democracy and the rule of law.'

In addition, article 130u states that development policy should be 'complementary to the policies pursued by the Member States', indicating that Member States and the European Commission share competence and responsibility for the achievement of these objectives. Their efforts should reinforce each other and lead to greater effectiveness. However, the imprecision of the Treaty on how this can be achieved has encouraged different views as to what complementarity entails. This contrasts with other areas of common policy, such as trade in goods, where Member States have transferred full responsibility to the Union.

Another article of the Treaty with a significant impact on EU development co-operation is 130v which states that the EU should take account of the above objectives in any of its policies likely to affect developing countries. This legally-binding requirement for policy coherence implies that development objectives should be taken into account in every

Box 1: The division of Commission responsibilities

Although in the 1980s there was a Commissioner for 'Development' and another for 'North-South' relations, in the 1990s one Commissioner dealt with all aid to the ACP, Asian, Latin American and Mediterranean countries, including humanitarian aid. Since the installation of the new Commission in January 1995 the responsibilities are divided up among four Commissioners.

Commissioner Joao de Deus Pinheiro is in charge of external relations with the ACP and South Africa and is responsible for the DG (Directorate General) for development (DG VIII) which deals with the Lomé Convention, non-emergency food aid, decentralised co-operation and NGO co-financing. Relations with the other developing countries are organised from the DG for external relations (DG I).

Commissioner Manuel Marin deals with the EU's external relations with and development aid for the Southern Mediterranean, Middle East, Latin America and Asia, except Japan, China, Korea, Hong Kong, Macao and Taiwan, for which Commissioner Sir Leon Brittan is responsible.

Commissioner Hans van den Broek is responsible for external relations with the Central and Eastern European Countries (CEEC) and Former Soviet Republics (FSR), Mongolia, Turkey, Cyprus, Malta and other European countries outside the EU.

Commissioner Emma Bonino is in charge of the European Community Humanitarian Office (ECHO), which deals with EU humanitarian aid. This agency was established in 1992 and kept separate from the other DGs with development co-operation responsibilities.

The President of the Commission, Jacques Santer, is responsible for Common Foreign and Security Policy of the EU and human rights, and has the co-ordinating responsibility for development co-operation.

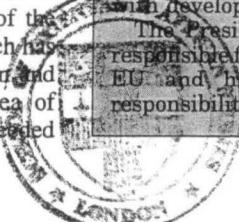


Table 1: Disbursements of EU Aid 1990–93 (ecu m.)

	1990	1991	1992	1993
European Development Fund^a	1256	1195	1942	1354
General EU Budget	953	2228	2037	2529
of which:				
Food aid	485	650	627	434
Asia and Latin America	245	253	319	354
Mediterranean	103	165	219	353
Humanitarian aid ^b	20	116	121	341
NGOs	85	87	101	129
PHARE and TACIS ^c	—	305	484	719
Other ^d	16	651	165	200
Total	2209	3423	3979	3883

(1 Ecu = US\$1.17 in 1993)

Notes:

- a) EDF disbursements fell in 1993 because there was no disbursement of STABEX funds (which took up 32% of EDF expenditures in 1992).
- b) Figures for humanitarian aid are not unambiguous due to the changes in the statistical series resulting from the creation of ECHO in 1992 and the fact that some forms of aid especially food aid may include humanitarian aid.
- c) Funds provided under the PHARE (Poland and Hungary Assistance for Economic Restructuring) and TACIS (Technical Assistance to the Commonwealth of Independent States) programmes exclude food aid in the form of funding provided between 1989 and 1993 from the Common Agricultural Policy Guidance Fund. ECHO funds have also gone to the CEEC and FSR.
- d) Includes aid to countries affected by the 1991 Gulf war (528m ecu), and (in 1993) environmental projects (15m ecu) and projects in South Africa (60m ecu).

Source: Aid Reviews 1992–93 and 1994–95; Memorandum of the European Communities to the DAC

common policy and may well require the EU to amend all its existing policies (including the Common Agricultural Policy) that have an impact on developing countries.

The integration of development policy as an area of shared competence for the Union and the Member States implies that communal (*communautaire*) procedures will now be applied to its management. This gives the European Commission the right of initiative and the responsibility for elaborating strategies as well as for implementing EU policy. The Council of Ministers can now take binding decisions on Commission proposals by qualified majority voting rather than unanimity. The Council of Development Ministers meets only twice a year and its resolutions are effectively subordinate to the General Affairs Council which takes the final decision on all issues relating to foreign affairs, including development co-operation.

The powers of the European Parliament have also been extended, although the Council still has the power to override its amendments, or its rejections, of Directives and the EDF remains free from its scrutiny and subsequent intervention.

Bilateral versus European aid flows

In the last decade the contribution of EU Member States to aid disbursed through the European Commission, including the EDF, has increased from US\$1,479m in 1984 to US\$4,098m in 1993. Although this is a significant shift, the Commission is still only a medium-sized donor, compared with Member States such as France and Germany, as most bilateral aid budgets have grown considerably over that time. Aid channelled through the Commission represented 15.3 % of total official development assistance funded by the governments of EU members in 1993. (See Figure 1).

Contributions are likely to be increased in the next five years following the decision on the budget taken at the Edinburgh Summit in December 1992 when the then twelve

Member States voted a near-doubling of the ceiling for the budget for external actions, to 5.6bn ecu, by 1999. It is not yet clear where the extra money will be spent and in particular how much will be left for developing countries after aid for the CEEC and FSR has been decided.

The decision will be reviewed together with other post-Maastricht constitutional developments at a special intergovernmental conference in 1996, so numbers could move up or down from then. For some Member States, any such EU budget increase is likely to be balanced by cuts in other multilateral contributions or in their bilateral aid expenditure.

Commitments to increase EU budget aid are already having an effect on the EDF. Member States are having difficulty in agreeing on an increase in real terms for the final five years of Lomé IV, despite the enlargement of the EU (see Box 2). In the past the Fund has always been expanded – Lomé IV saw an increase of 39% – but this time some Member States have proposed a reduction in their contribution to the EDF, which is voluntary, in contrast to the contribution to budget aid which depends on Member States' share of the EU's GDP, and other factors.

The question whether the EDF should now be integrated into the EU budget has again arisen during the negotiations. Currently the EDF share of UK, France, Belgium and Denmark is relatively larger than their share of the EU budget (see Table 2), but the latter is not fixed and might change annually. Although integration is favoured by some Member States, by the European Parliament, and formally by the Commission, others (among them France and the UK) remain reluctant to hand over control of the fund. This may be due less to concerns over losing control over aid management (in which DG VIII now has much expertise in the long established Lomé tradition) but rather over the ceiling on EU aid.

Changes in priorities?

In contrast to the commitment to increase the budget for external relations, stagnation of the EDF might indicate a shift in priority away from the ACP group to other regions. During the Essen Summit in December 1994, promises were made to both Eastern Europe and to North Africa.

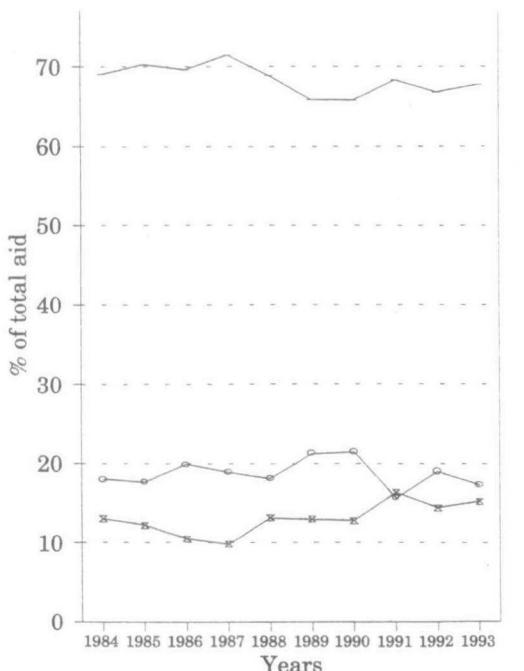
Aid to Asia and Latin America is to be increased as well, with the latter countries expected to benefit from the completion of the transition period following Spanish and Portuguese entry. Increasing aid for some Asian countries seems to be a logical consequence of the Treaty's objective of paying special attention to the most disadvantaged developing countries. Although the ACP group includes most of the least developed, according to the UN classification, it excludes some extremely poor Asian countries, such as Bangladesh, Afghanistan, Nepal, Cambodia, as well as India.

There are signs that the new EU member states, in particular Sweden, will support a global development policy allocating EU aid on a poverty basis rather than in terms of the past colonial links of some Member States.

Change to reflect such a global EU aid policy will be gradual. The current Lomé Convention does not end until 1999. Thereafter the situation might look different. At a London press conference in 1994 the then Acting Director-General for Development stated that he did not see Lomé lasting as an *exclusive* club beyond the end of the century. It is not clear what would happen then to the special EU-ACP relationship. One option would be to extend the coverage of this special co-operation programme by incorporating more of the poorest developing countries, while reducing the scope of the Convention, in narrowing its instruments and sectors, and thus making a global EU development policy appropriate to the management capacity of the European Commission.

However the stagnation of aid to the ACP countries and the reluctance to integrate the EDF in the EU budget may indicate that Member States want to protect their bilateral aid programmes and reconsider the rationale of a distinctively European aid programme, only just over a year after the Maastricht Treaty came into force.

Figure 1:
Aid from European Union Member States
(% distribution 1984–1993)



Source: DAC Report 1994

Table 2:
EU Member States' Shares of Budget Aid and EDF

	EU budget (% 1994)	EDF VII (% 1990–95)
Austria*	2.7	—
Belgium	3.8	4.0
Denmark	1.9	2.1
Finland*	1.4	—
France	18.3	24.4
Germany	29.5	26.0
Greece	1.4	1.2
Ireland	0.8	0.6
Italy	13.3	13.0
Luxembourg	0.2	0.2
Netherlands	6.1	5.6
Portugal	1.6	0.9
Spain	7.7	5.9
Sweden*	2.5	—
UK	15.5	16.4

* Contribution to the EU budget of new Member States is for 1995.

Sources: Report of the Foreign Affairs Committee of the House of Commons, 15 December 1994 and Official Journal of the European Communities: L 17 August 1991

Co-ordination and Complementarity: towards better aid effectiveness

The Maastricht Treaty places greater emphasis on aid co-ordination and complementarity. Article 130x of the Treaty states that 'The Community and the Member States shall coordinate their policies on development cooperation and shall consult each other on their aid programmes, including in international organisations and during international conferences'. This article allows the Commission the opportunity to take initiatives to promote co-ordination. Although this in itself is not a new objective – as early as 1974 the Council of Ministers passed a resolution expressing the desire for more exchange of information, donor consultation and a common voice in international conferences – Ministers seem more committed to its implementation than before.

Three potential levels for co-ordination have been outlined: policy co-ordination, co-ordination in international fora, and operational co-ordination. For policy co-ordination, EU Development Ministers have selected four priority areas – health, education, poverty alleviation and food security, and the Council has adopted a resolution for common policies during 1993 and 1994.

In order to achieve more complementary operational co-ordination of EU aid, EU Development Ministers have also agreed on a pilot exercise in six developing countries: Costa Rica, Peru, Mozambique, Ethiopia, Côte d'Ivoire and Bangladesh. If successful, the exercise could be extended to other sectors and countries. There are obstacles, however. National development objectives still diverge (e.g. with respect to conditionality and tying of aid) and the capacities of donor delegations in recipient countries are still uneven. The recipient governments themselves remain ambiguous about improved aid co-ordination.

The exercise will show whether co-ordination on this basis is cost-effective for the donors and beneficial for the recipients. If it is decided to extend the exercise, there is a question to be addressed on whether co-ordination should go beyond an exchange of information and experience, and move towards sharing and allocating responsibilities for taking the lead in a more intensive effort in particular areas. In such a

Box 2:**The Mid-term Review of the Lomé Convention**

Four successive Lomé Conventions have systematically widened the scope and scale of EU intervention to encompass virtually every field from small-scale projects and cultural co-operation, to industrial development and the STABEX mechanism for the stabilisation of export earnings.

EU requests for revision in the Mid-term Review (MTR) of Lomé IV raise aid-human rights linkages and propose stronger forms of decentralised co-operation. The most controversial points have been changes in the procedures for technical and financial co-operation, adjustment of the trade provisions in order to address the implications of the GATT Uruguay Round and the enlargement of the EU and, last but not least, the size of the EDF for the last five years of Lomé IV.

The Commission and France favour an increase from 10.8bn ecu for the first five-year Financial Protocol of Lomé IV to 14.3bn ecu for the next five years, allowing for inflation and an increase from the contribution of the new Member States. Germany, the Netherlands and Italy have shown reluctance to increase their contribution in real terms, while the UK wants to reduce its contribution. Germany's aid budget is under pressure from its major commitments to its eastern neighbours and to the reconstruction of East Germany, while the UK argues that it needs to protect its bilateral aid programme. Some countries now justify reductions on the grounds that they will be compensated for by the contributions of the new members (Sweden, Austria and Finland) which joined the Union in January 1995. Since two of these are traditionally generous donors, and together the new Member States almost contribute 7% to budget aid, the ACP are not happy with what they see as the missed opportunity to increase the Fund. Disagreement on this issue has forced postponement of the final EU-ACP Ministerial Council, which should have finalised the Mid-term review negotiations in February 1995.

In April 1995, the Member States appeared to move closer to agreement, possibly on Ecu 13.34bn for the eighth EDF. This figure in, real terms, is the same as the last EDF (10.8bn) and does not take into account the extra contributions of the three new Member States.

case, it would need to be established which donor – Member State or the Commission – would have the major role in which area or sector, or, to put it differently, which agency – or even government – would be prepared to be co-ordinated by another in a particular area.

Some Member States, in particular Belgium and Germany, do not think the co-ordination effort goes far enough to improve EU aid effectiveness. They propose a reallocation of tasks on the basis of comparative effectiveness and potential capacity to deal with different sectors, instruments or geographical areas of development co-operation. The division of labour would be gradual and agreed upon voluntarily, and it would not amount to a transfer of responsibilities; competence would remain shared.

The allocation of tasks is interpreted differently. Its advocates regard it as a two-way mechanism whereby Member States and the Commission allocate tasks on the basis of comparative advantage, capacity and competence. Opponents voice fears of loss of sovereignty, political influence and commercial advantage. They expect to end up transferring tasks, and resources, from a bilateral level to the Commission, which would become a stronger institution slowly taking over the sovereignty of the Member States without necessarily having the capacity to deliver aid effectively.

The role of the Commission

So can the European Commission be other than just a sixteenth European donor, and exploit its 'multilateral' role? What would be the most effective institutional arrangement for delivering EU aid in the future?

The Commission has a duty to ensure the coherence of aid and other EU policies affecting developing countries, but apart from that, various roles can be envisaged. Some propose that the Commission should concentrate its attention on policy co-ordination and that it should withdraw from implementing and monitoring development assistance on the ground. Another option would be for it to take the lead in operational co-ordination and manage teams of European donors in the appropriate sectors selected. Others feel that the Commission should concentrate on areas where it might appear to have some comparative advantage: such as regional co-operation; influencing the context of structural adjustment programmes, and trade promotion. Another option is for the Commission to provide the financial resources for large aid projects and programmes, while the Member States complement this with institutional skills and technical co-operation to improve the programmes' sustainability.

These options contrast with an alternative scenario in which competence and financial resources are shifted from the Member States to the Commission, with development policy becoming the full responsibility of the EU. There is clearly great reluctance among Member States to concede such a possibility of eliminating national aid agencies. Some would prefer the responsibility of the Commission to be reduced simply to that of an administering body rather than see its competence expand substantially.

Conclusion

The Europeanisation of development co-operation policy in the form of a 'communitarisation' has not followed instantly from the Maastricht Treaty. National development policies remain predominant; EU aid channelled through the Commission amounts to only 15% of Member States' development assistance; new decision-taking powers of the Commission, the Council of Ministers and the European Parliament have been extended to only a part of EU aid; and despite the pressure for the globalisation of EU aid, the Lomé Convention continues to be an intergovernmental issue separate from the rest of EU development assistance.

Nevertheless, it seems inevitable that the separation between Lomé and EU budget aid will be eliminated at some stage. If this happens, the special treatment of the Lomé countries could be amended after 1999 with the richest ACP states 'graduated', and the exclusive ACP arrangements replaced by a more balanced worldwide policy combining respect for EU global interests with the Maastricht undertakings to help the poorest and most disadvantaged. More broadly, efforts towards greater co-ordination and complementarity of European aid appear to require a greater commitment, on the part of the fifteen member governments, towards putting the objectives of the Maastricht Treaty into practice.

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