# The Evolution of EU Development Cooperation: Taking the Change Agenda Forward

## Conference paper

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## Acknowledgements

## 1. Introduction

This is a momentous year for EU development cooperation.

On the one hand, the 'development project' faces unprecedented challenge, the result of a vicious interaction between the food, fuel and financial crises, with climate change assuming ever-greater urgency. On the other hand, the EU faces major changes and choices, in 2009 – the result of elections to the European Parliament, the appointment of a new European Commission, the potential final ratification of the Lisbon Treaty and the results of the fundamental budget review. Decisions made this year will have a direct effect on the EU's ability, in the long-term, to live up to its potential as a proactive and effective actor on the international stage.

At the end of 2009, the EU could find itself in a stronger position, ready to play a more prominent role in the world, looking after its own interests whilst recognising that those interests are reinforced by an international outlook that actively promotes stability and sustainable development. The 27 Member States could be working towards a shared vision of development cooperation, focused on eradicating poverty, pooling expertise and resources. Or they could find themselves at cross-purposes. In 2003, Maxwell and Engel proposed four possible scenarios for European Development Cooperation to 2010, reproduced in Figure 1. It is interesting to speculate as to which scenario best describes the current position, and which the most likely in 2010.

*Figure 1: European Development Cooperation to 2010: Four scenarios*
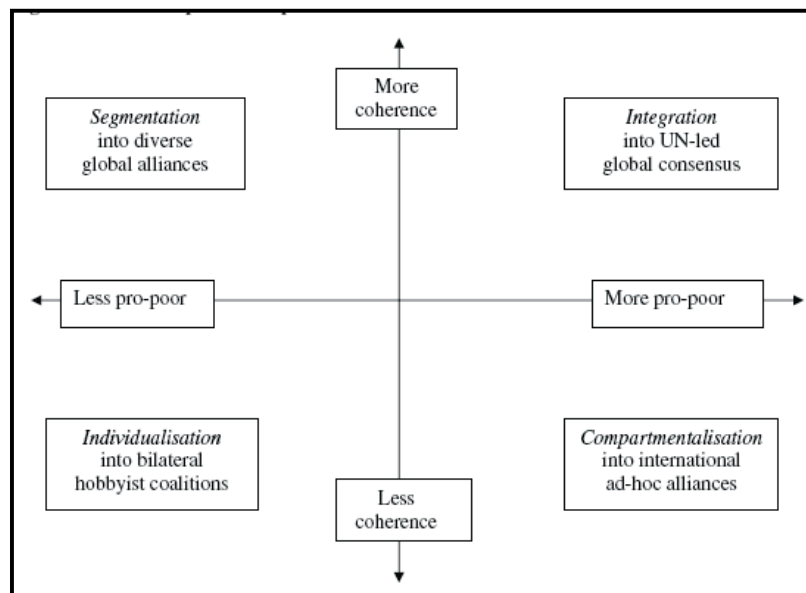
The paper reviews opportunities for change in EU development cooperation and external relations and offers some choices for policy-makers to consider over the coming months. It builds on the discussion which took place at a meeting convened by the Agence Française de Développement and held at Ermenonville near Paris in December 2008. A general sense was evident at that meeting that EU development cooperation had improved substantially, but that it still suffered from problems to do with political legitimacy, intellectual incoherence, institutional capacity and Member State governance. There were no major 'decisions', but there was discussion of an 'Ermenonville Initiative' to take forward debates on (a) telling a new development story, (b) finding ways to 'synchronise' the EDF and the budget, (c) the possibility of one Commissioner in charge of development in the next Commission, and (d) an initiative to make the EU a more strongly knowledge-based organisation.

To take this forward, the London meeting on 27-28 April 2009 will briefly review the emerging development agenda and discuss practical options for further strengthening EU international cooperation. The meeting will also discuss management of the policy process to support change.

## 2. The changing development agenda

The global financial crisis is having a large impact. By the end of 2009, developing countries are expected to lose incomes of at least US $750 billion. In sub-Saharan Africa, the figure is over US $50 billion[1]. The consequence is likely to be rising unemployment, poverty and hunger, with an extra 50 million people trapped in absolute poverty, and the number expected to rise to 90 million[2].

At the same time, longer-term development challenges are also pressing. Population, urbanisation, resource depletion, and problems in fragile states all provide development challenges. Most important, climate change requires immediate action.

Put these together, and a re-think is required. A recent background paper for the Department for International Development (DFID) summarised the challenge as follows:

> "*In the most simple case, the recession will prove to be sharp but short, and will leave untroubled a development model which has been strongly focused on the benefits of rapid globalization. The development model will also prove to be consistent with plans to tackle climate change and other long term challenges. Business-as-usual may need to be modified slightly but will resume in fairly short order. Does this seem likely? At the time of writing, not very.*
>
> *An alternative is then needed, one that is: principled in its approach to policy; based on sound analytics; and robust in the face of uncertainty. The demands of the current crisis will be considered in this alternative, alongside the long term business of achieving inclusive and sustainable development. To be successful, the alternative will need to engage the public in both North and South, and offer a development "story" with new resonance and new ambition.*"[3]

As a regional organisation with a world-wide presence, the world's largest single market, the world's largest aid donor (60% of global aid) and the main trading partner of most developing countries, the EU is well placed to support developing countries through the crisis in this period of change. As one observer wrote in 2008:

> "*The EU has major comparative strengths in tackling the emerging development agenda. Like others, it is firmly committed to poverty reduction, well-represented at country level and deeply engaged in meeting the MDGs. The EU is also possessed of a range of non-aid policies and instruments and thus has more arrows in its quiver than the World Bank. It is potentially more accountable. It also has more muscle than the UN, with a direct line to rich country policy and the ability to manage the collective voice of its 27 member states. This is not to say that the EU should neglect the World Bank or the UN, far from it. With its*

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[1] Overseas Development Institute, March 2009.
[2] Address by Douglas Alexander, Secretary of State for International Development, Chatham House, London 2009: http://www.dfid.gov.uk/news/files/speeches/sos-wb-speech.asp
[3] Eliminating World Poverty: Building Our Common Future, Department for International Development, March 2009

*particular mix of principles, policies and programmes, Europe has much unrealised potential.*

*On the other hand, we should not be naïve. European consensus is not universal and, where it exists, not easily achieved. National interests have not been subsumed, and for example shape the geographical distribution of aid. National differences of view still constrain policy, for example on the protection of European agriculture. ... Nevertheless, the cards in Europe's hand look better by the day, and must encourage more ambitious play."*[4]

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[4] *A six-point plan for reforming EU aid*, Simon Maxwell, Europe's World, Autumn 2008

### 3. Continuing challenges to EU development cooperation

Since 2000, there have been substantial improvements in EU external assistance, designed to restore the political credibility and legitimacy of European Community aid, and also to articulate common values and principles. The table below sets out the achievements and commitments made in EU external assistance to date.

*Table 1: The evolving framework of European development cooperation*

| Year | EU Milestone |
|---|---|
| 1992 | Maastricht Treaty:<br>- Development - shared competence, poverty focus, policy coherence, coordination & complementarity between EC & Member States |
| 2000 | EC External Assistance Reforms:<br>- EC Development Policy Statement<br>- New implementing agency - EuropeAid<br>- Deconcentration of project management to delegations<br>- Regional & Country Strategy Papers<br>- Inter-service Quality Support Group<br>- Annual Report of EC development assistance |
| 2000 - 2020 | The EU-ACP Cotonou Partnership Agreement:<br>- Integrated package – aid, trade & political dialogue<br>- Political dialogue – Art. 8, violation of essential elements - Art. 96)<br>- Conflict, peace & security – Africa Peace Facility<br>- 10th European Development Fund – €22.7 bn<br>- EU Water Facility, EU Energy Facility, EU-Africa Infrastructure Trust Fund, Natural Disaster Facility, Migration Facility<br>- MDG Contracts<br>- Good governance initiative<br>- Economic Partnership Agreements |
| 2005 | Financing for development – EU aid targets:<br>- 0.39% by 2006<br>- 0.56% by 2010<br>- 0.7% by 2015<br>- 50% of aid to Africa |
| 2005 | European Consensus on Development - European Community & Member States. EU external policies are '*common*'. Recognition of '*policy mix*'. |
| 2005 | OECD Paris Declaration on Aid Effectiveness + specific EU targets:<br>- EU aid more predictable<br>- EU aid better coordinated<br>- EU aid aligned with partner countries' plans & systems<br>- EU aid untied<br>- EU technical assistance reformed |
| 2005 | EU Strategy for Africa – '*whole of Europe for whole of Africa*' |
| 2006 … | EU Donor Atlas – annual |
| 2007 | EC external assistance budget instruments rationalized and simplified |
| 2007 | European Parliament Development Committee scrutiny of Country Strategy Papers under the Development Cooperation Instrument |
| 2007 | EU Code of Conduct on Complementarity and Division of Labour & joint co-financing |
| 2007 | EU Report on Policy Coherence for Development (biennial) |
| 2007 | Joint EU-Africa Strategy |
| 2008 | European Report on Development |

In spite of these achievements, observers argue that competing agendas in external relations, sub-optimal institutional structures, conflicting goals and blurred pillar structures continue to hamper the EU's performance.

a. Policy coherence
In 2005, the European Commission committed to producing a report, every two years, to assess progress by the EU towards promoting a higher degree of coherence between the main policies that affect developing countries.[5]   12 policy areas were identified for the first report.   These were: trade, climate change, migration, security, environment, fisheries, agriculture, social dimension of globalisation, employment & decent work, research & innovation, information society, transport & energy.

According to the report, "*Conflicting political priorities amongst policies or different interests amongst Member States as well as amongst developing countries are the main obstacles Policy Coherence for Development.*"[6]

Complicating the picture, DG External Relations has as its main mandate the promotion of EU interests in the world.  Neighbourhood policy, managed by DG External Relations, has as its main objective the promotion of stability, security and prosperity within and beyond the borders of the EU.  There is thus a natural tendency to consider development cooperation as just another instrument for furthering the EU's values and interests in other countries.  Yet the European Consensus on Development refers to development as a 'central goal by itself'[7].  In these terms, EU development cooperation has not been designed as an instrument of foreign policy, but rather to defend the interests of vulnerable populations, to work towards poverty alleviation, sustainable human, social and economic development.

b. Institutional coherence
As with the rest of the development architecture, the EU's development role has evolved over time.  European Community aid is split geographically between the African, Caribbean and Pacific (ACP) group managed by DG Development and the rest of the world, managed by DG External Relations.  It is also split institutionally between policy/programming and implementation/evaluation.  This can be argued to have led to red tape, institutional rivalry, duplication and mixed messages with different objectives pursued in different regions.

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[5] Commission Communication on 'Policy Coherence for Development – Accelerating progress towards attaining the Millennium Development Goals' – COM(2005)134 final of 12 April 2005
[6] Commission Working Paper – 'EU Report on Policy Coherence for Development' – COM(2007) 545 final of 20 September 2007
[7] Joint Statement by the Council, the European Parliament and the Commission on European Union Development Policy: "The European Consensus", November 2005

c. Pillar coherence/decision-making

The boundary between Pillar 1 (Community) and Pillar 2 (Intergovernmental) issues is increasingly blurred. While the Secretary-General of the Council is the EU High Representative for the Common Foreign and Security Policy (CFSP), it is the Commission which manages the worldwide network of EC delegations.

At the same time, many Member States are reluctant to subordinate their national foreign policy to a common EU position. As a result, the process of finding an acceptable compromise position is time-consuming and does not allow for bold decisions or the seizing of short-lived windows of opportunity. Agreeing who is in charge and who is accountable is not obvious. The end-result is poor policy coherence and mixed messages.

Other long-term challenges include:
- The gap between EU Member State aid commitments and financial means;
- The relatively low share of European Community aid going to low income countries (44% of ODA to least developed countries and other low income countries in 2007)[8];
- The lack of EU channels for increased aid resulting in the relative decline of the European Commission as a donor (see figure 2 below). The Financial Perspective set for the period 2007 – 2013 and the 10th European Development Fund (EDF) set for the period 2008 – 2013, mean that the real share of the European Community's contribution to the EU's collective ODA will decrease from 20% today to 15% by 2010 and 13% by 2013;
- The relevance of the ACP as a group, as well as the stated desire to treat Africa as a whole in spite of the existing EU budgetary and EDF structure.

*Figure 2: ODA as a percentage of total EU 15 GNI and percentage of total EU 15 ODA managed by European Commission compared*
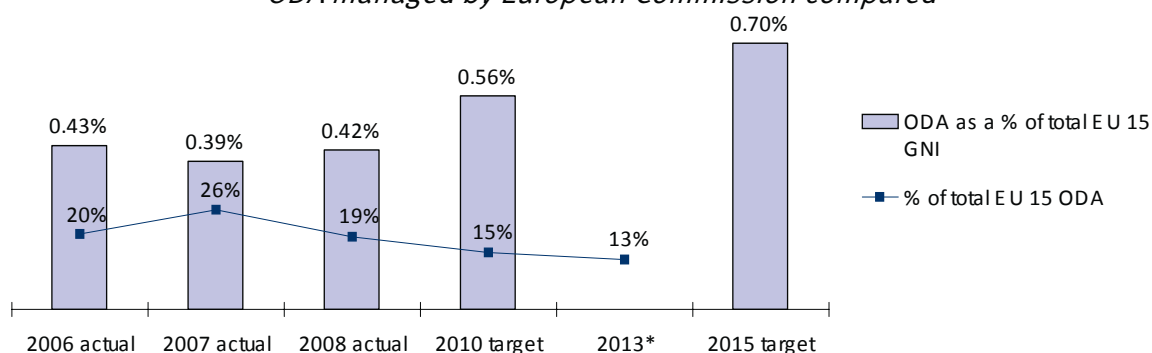


Note: *Percentage at end of current Financial Perspectives. Source: "Aid targets slipping out of reach?" OECD/DAC 2007 and Commission Communication: Financing for Development & Aid Effectiveness – The challenges of scaling up EU aid 2006-2010 (COM(2006) 85 final)

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[8] 2008 Annual Report on the European Community's development assistance policies and their implementation in 2007

## 4. Opportunities for change

2009 is a crucial year for change. Whether or not the Lisbon Treaty comes into force, the EU will be swept into a wave of reform touching especially on the institutions and the instruments of EU engagement in the world.

*Figure 3:  Timeline of EU decisions in 2009*
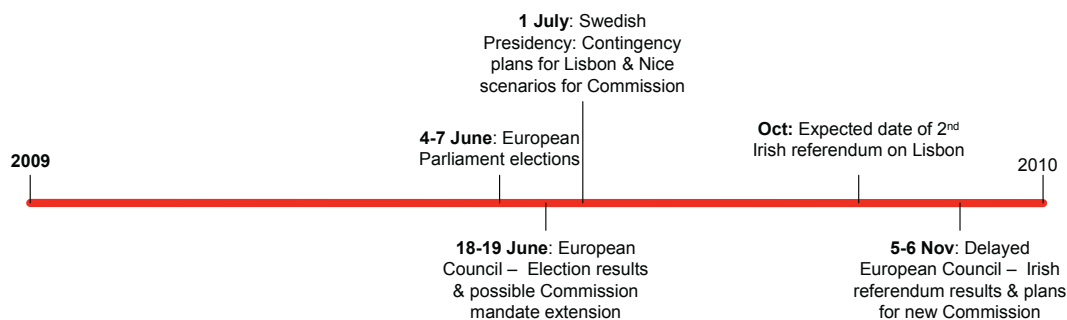


In June, 736 Members of the European Parliament will be elected under the provisions of the Nice Treaty, rather than the 751 foreseen by the Lisbon Treaty, to represent some 500,000,000 Europeans. The balance of power in the European Parliament is expected to stay broadly the same, although the majority parties will probably lose some ground, while far left and far right parties will probably gain.[9] The Lisbon Treaty increases the percentage of EU legislation jointly decided by Council and Parliament from 80% to 90%. It also offers national parliaments the opportunity to be more involved in EU legislation by expanding the scrutiny-time of legislation and enabling them to jointly compel the Commission to review or withdraw legislation.

The take up of office of the next European Commission presents an opportunity to revisit the structure of the Commission and the portfolios of Commissioners. If Ireland votes 'yes' and the Czech Republic, Poland and Germany complete ratification of the Lisbon Treaty, then a new Commission would be appointed, which will continue with one member per country as promised to Ireland in December 2008. As the number of Commissioners remains large, the political weight and abilities of the individual Commissioners are likely to continue to play a big role.

If the Irish say 'yes' to the Lisbon Treaty in October 2009, it could come into force at the start of 2010. The Lisbon Treaty establishes a High Representative for Foreign Affairs and Security Policy, who will also be the Vice President of the European Commission and will thus represent both the Council and the Commission. The High Representative/Commission Vice President will be tasked with, among other things,

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[9] EU Observer, EU Elections 2009: http://euobserver.com/883/27664

developing and implementing the EU's CFSP, chairing the Foreign Affairs Council (today's General Affairs & External Relations Council [GAERC]) and promoting coherence among EU external policies. With the elimination of the Commissioner for External Relations and the introduction of the High Representative/Commission Vice President, there will be a restructuring of the Commission and Council Secretariat responsibilities. The Treaty also provides for a European External Action Service (EEAS) to support the High Representative, but does not spell out any details regarding structure, scope or role. Member States and the European Parliament will decide on the functions and structure of the EEAS. EC Delegations will become EU Delegations and act under the authority of the High Representative/Commission Vice President. (Annex 1 details the organisational changes that the Lisbon Treaty proposes and the decisions that will need to be made.)

In December 2005, the European Council called on the European Commission to carry out a 'full, wide ranging review covering all aspects of EU spending" and to report in 2008/9. A White Paper due to be published in 2009, will set out a vision for the future of the EU budget. The budget review and the negotiations for next Financial Perspectives 2014 – 2020 will be important opportunities to modernise the budget and to equip it better to meet the challenges of the 21st century.

## 5. Redesigning the EU's external relations architecture

## A.    Institutional architecture

### A1.  Decision-making

In June 2002, in a bid to rationalise Council formations, the European Council decided to dissolve the Development Council and incorporate development cooperation and humanitarian issues into a General Affairs and External Relations Council (GAERC).  The former Development Council had a number of strengths.  It gave policy momentum and instigated sectoral policies.  It provided a formation for ensuring greater complementarity and coordination between Community and Member State policies.  It was an essential forum for technical debates or discussion of vexed issues.

At the same time, however, technical debates were of an uneven quality and the Development Council had extremely low visibility.  It was a policy objectives body with little decision-making authority and no rule-making power.  The setting up of the GAERC created opportunities for greater coherence between development and foreign policy geo-strategic approaches, greater political links and coherence between trade and financial cooperation and greater coherence of EU messages towards partner countries.  It also offered the possibility of a greater role for development cooperation in EU decisions as well as increased visibility.  But, it did not come without risk, namely, an over-emphasis on policy without technical discussion and the predominance of foreign policy limiting the importance attached to development cooperation.

Under the Lisbon Treaty, the GAERC will be split into two bodies, the General Affairs Council and the Foreign Affairs Council.   In which forum will development cooperation be discussed?  There are three options:
1. Integrate development cooperation into the Foreign Affairs Council, chaired by the High Representative;
2. Integrate development cooperation into the General Affairs Council, chaired by the rotating presidency;
3. Reinstate a separate Development Council, chaired by the rotating presidency.

Option 1 lends itself to more coherent policy-making where development would be discussed as part of an external relations agenda.  One could imagine a discussion on EU-Africa issues that would address all dimensions – development, trade, political and security.  The more intensively the Foreign Affairs Council deals with policy coherence, the more the Committee on Development Cooperation (CODEV) as its preparatory body on these matters is obliged to concentrate on policy coherence matters.  However, without a strong vision of EU foreign policy based on sustainable development and human security, the status of development cooperation would be put at risk.

Option 2 achieves little for coherence or development cooperation. It would only serve to give the rotating presidency more weight.

Option 3 would safeguard the independence of development cooperation, but would also risk marginalising it and relegating it to a technical issue.

If development cooperation were to be integrated in the Foreign Affairs Council, in order to ensure that it is given a political space in its own right, informal meetings of Development Cooperation Ministers could be transformed into systematic, regular gatherings prepared by the Presidency focused on three-year multi-annual programmes.

## A2. Organisational structure

Many of the Member States have attempted to use organisational restructuring as a mechanism for increasing the effectiveness of their programmes and improving coherence. Because of the uniqueness and peculiarities of the EU, the experience of other countries cannot be applied directly but there are lessons that can be learned.

Before looking at structures, a set of aims needs to be identified. These would be valid for an EU governed by the Nice Treaty or the Lisbon Treaty. Figure 4 contains some suggestions.

*Figure 4*

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*What do we want to achieve?*
- To improve the coherence of EU external action and instruments as they affect developing countries;
- To improve the impact and effectiveness of European Community aid;
- To build on what has been achieved to date as a result of the reform of European Community external assistance;
- To retain and strengthen the voice for development across the EU.

*Given these aims, what is our vision for the organisation?*
- An organisation that offers a coherent and effective approach to development cooperation and developing countries;
- A results-driven and country-based approach to development;
- High political visibility for development in EU fora;
- An effective set-up that minimises duplication, reduces transaction costs, cuts red tape, gives clear messages and links policy with actions.

*What set-up would apply the above principles and aims?*
Examples of national configurations offer the following:
- Integrated Ministry of Foreign Affairs
- Development Cooperation Directorate within the Ministry of Foreign Affairs
- Policy Ministry with separate Implementing Agency
- Autonomous Aid Agency
- Multiple Ministries with separate Implementing Agency

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Various configurations are possible, including hybrids of the models above. But, what set-up would best apply to the EU?

*Model 1: DG International Development*
One possibility would be to create a new enlarged DG International Development in the Commission with a broad mandate, managing relations with all developing countries and all aspects of the programme cycle. It would unite geographic desk officers for the ACP, Asia, Latin America and the Neighbourhood with EuropeAid and ECHO. Headed by an International Development Commissioner, it would:
- Formulate policy for all developing countries
- Manage all aspects of the programme cycle in the ACP, Asia, Latin America and the Neighbourhood
- Manage identification, appraisal, implementation, monitoring and evaluation of all development assistance
- Instruct Delegations on all facets of country programming – Country Strategy Papers, Regional Strategy Papers, mid-term reviews, end-term reviews etc.
- Manage the European Development Fund (EDF), the Development Cooperation Instrument (DCI), Humanitarian Aid Instrument (HAI) and the European Neighbourhood and Partnership Instrument[10] (ENPI)
- Lead policy dialogue with third countries


*Model 2: DG Development Policy & Implementation (DPI), DG ECHO & the EEAS*
Alternatively, all geographic desks from the Commission and the Council could be united in the proposed EEAS covering political relations and aid programming. DG DPI would be responsible for development policy-making and implementation. DG DPI (which would include parts of DG Development, DG External Relations and DG EuropeAid) would be headed by a Development Commissioner. Administratively and financially, DG DPI would report to the Development Commissioner. Neighbourhood and Enlargement policy would be combined in a separate DG in the Commission, but with implementation for both regions done by DG DPI. DG ECHO would remain intact headed by a Humanitarian Aid Commissioner.

*Model 3: DG Development Policy, Programming & Humanitarian Aid (DG Devecho), DG Implementation (DG EuropeAid), DG Neighbourhood & Enlargement & the EEAS*
A third option would split the political functions and the programming functions of current geographic desks. Development policy-making and programming in Sub-Saharan Africa, the Caribbean, the Pacific, Asia and Latin America would come together in a new DG Devecho, together with ECHO. DG Devecho would be headed by a Development & Humanitarian Aid Commissioner. DG Development would:

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[10] EC assistance is provided under the ENPI to the following countries: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestinian Authority, the Russian Federation, Syria, Tunisia, and Ukraine

- o Manage development policy formulation and programming in the ACP, Asia and Latin America
- o Manage the DCI, the EDF and the HAI
- o Instruct Delegations on country programming
- o Lead thematic policy dialogue and participate in political dialogue with partner countries

A new DG Neighbourhood & Enlargement would be created and headed by a separate Commissioner to manage neighbourhood and enlargement policy and programming (ENPI and IPA).

DG EuropeAid would remain intact and report to both the Development & Humanitarian Aid Commissioner and the Neighbourhood & Enlargement Commissioner on implementation of external assistance programmes. It would manage implementation, monitoring and evaluation in all developing, neighbouring and enlargement countries.

The EEAS would lead the overall EU political relationship with third countries, focusing on political monitoring and reporting. It would advise the High Representative/Commission Vice President and Commissioners on political issues, monitor human rights, democracy and rule of law and prepare input for Cotonou Articles 8 (political dialogue) and 96 (violation of essential elements), lead on the European Security Strategy, manage CFSP and coordinate European Security and Defence Policy (ESDP) actions. It would coordinate conflict prevention, conflict management analysis, crisis management and planning operations and manage post-conflict institution-building tools and spending. The Delegations would report formally to the High Representative/Commission Vice President, but report directly to the Commissioners on policy.

Cross-cutting policies/activities would be:
- o Conflict prevention, crisis management and post-conflict reconstruction
- o Environmental policy and climate change
- o Policy on monitoring human rights, democratisation, rule of law
- o Gender policy
- o Civil society relations
- o Institutional relationships with the OSCE, the UN, the Council of Europe

*Model 1* would create a strong international development body with a development budget focused on and steered by development priorities. It should enable a clear and coherent development approach which is consistent across all developing countries and where policy, programming and implementation go hand in hand. However, policy coherence would most likely suffer.

*Model 2* would facilitate a coherent EU approach towards partner countries but not driven by development concerns. It runs the risk of creating a negative impact on

poverty focus.  The programme cycle would be split with less direct links between policy, programming and implementation.  The quality of programming would most likely be adversely affected and this will impact implementation.  This could lead to rivalry and mixed messages.  ECHO would remain separate at the cost of linking relief, rehabilitation and development.  The voice of development in the Commission would be weakened and the Development Commissioner would be seen as a mere technician.

*Model 3* would result in greater coherence of policies and better integrated agendas offering the opportunity to raise the profile of development and its impact on other external aims.  It would ensure a coherent and effective approach in developing countries where policy is filtered down to implementation.  It would bring together enlargement policy with neighbourhood policy allowing for lesson learning across the two policies and regions.   It would also ensure that Community and Intergovernmental functions are not blurred.  And finally, it would create a political hub which all Commissioners would be able to draw on, thereby enhancing effective policy-making.

In any model, however, an important principle and lesson learned from the current set-up will be to avoid, or at least reduce, the creation of conflicting and overlapping portfolios in the Commission.  It will be essential to avoid 'silos' within the Commission, or the EEAS, allowing for the pursuit of conflicting objectives.  For example, on the one hand, the High Representative/Commission Vice President could be charged with improving EU stabilization efforts through the full range of EU conflict prevention, crisis management and post-conflict institutional building options.   On the other hand, political influence by the High Representative/Commission Vice President over development cooperation could lead to development being overridden by short-term foreign policy objectives which will result in a weaker focus on poverty reduction.

A3.  Organisational Coordination
Currently, External Relations Commissioners meet irregularly based on an agenda agreed between Heads of Cabinet and Directors-General, chaired by the President of the Commission.  The group's main preoccupation is geo-political and it reviews the regular EU meetings with the United States, India or Russia and the trade agendas. Reviewing development assistance has always been perceived as technical, rather than political.

With the introduction of the High Representative/Commission Vice President, the External Relations cluster could become a group with the High Representative/Commission Vice President as chair and the Commissioners for trade, development, enlargement and the neighbourhood members of the group. The penholder would be the EEAS.  Discussion would focus on a country-by-country

basis taking development, economic and trade, social and environmental issues into account.

At the level below, an External Assistance cluster, comprised of Director-Generals and Directors from DG Development, DG EuropeAid, DG Enlargement, 'DG Neighbourhood' and DG Trade, could convene to discuss technical development issues focusing on aid quality, aid modalities and delivery. This coordination mechanism could potentially provide the Commission with a stronger and less fragmented voice in external assistance policy, programming and implementation.

A4. Accountability

The double-hatted arrangement of the High Representative/Commission Vice President which combines in one person Council and Commission responsibilities, moves away from the separation of institutional powers underlying the original Treaties. Accountability of the High Representative and the EEAS to the different institutions will be important:

1. To the Council on CFSP issues;
2. To the College of Commissioners on external relations issues;
3. To the European Parliament on issues dealt with by the Commission

In May 2008, the European Parliament Foreign Affairs Committee put forward a report on the CFSP, which was intended to constitute a wish-list vis-à-vis the Council and the Commission on establishing External Action Service. The report pointed out that the role of High Representative/Commission Vice President would derive its legitimacy directly from the European Parliament. It also stressed the need for "transparency and democratic input" into the process of setting up the External Action Service.[11]

There are a series of options for increasing parliamentary oversight of the new structures and external policies:

1. The External Action Service could contain a service responsible for relations with the European Parliament;
2. Heads of delegations could be required to appear regularly before parliamentary bodies and before taking up their posts;
3. Heads of Development Sections in the Delegations could be required to appear before special hearings of the European Parliament's Development Committee.

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[11] Draft report on the annual report from the Council to the European Parliament on the main aspects and basic choices of the Common Foreign and Security Policy, Motion for a European Parliament Resolution, Raporteur: Jacek Saryusz-Wolski MEP, 14/3/2008

## B.    Financial arrangements

B1.  The European Development Fund & the EU budget:
The incorporation of the EDF into the annual budget of the EU – budgetisation of the EDF – has been a long-standing debate in EU circles.  Both the European Commission and the European Parliament have been strong proponents of budgetisation.  The European Commission failed in its last attempt at budgetisation, during the institutional negotiations on the 2007-2013 EU Financial Perspectives for two main reasons:

i. Certain Member States opposed budgetisation on two accounts:  For some, it would have entailed an increase in their share of contribution to the EDF as it became based on a percentage of GNI as opposed to a voluntary contribution. Others were reluctant to put at risk the strong poverty focus of the EDF by integrating it into the EU budget where funds have the potential to be captured by differing priorities.

ii. Although a strong proponent of budgetisation, the European Parliament was reluctant to take it forward without a clear commitment from the Council to increasing the overall budget in order to safeguard EDF resources.

Since the last push towards budgetisation, conditions and arguments in favour have strengthened.  Administrative harmonisation of the EU budget and the EDF is almost complete.  The differences between the financial regulation of the EU budget and the financial regulation of the EDF are small and the two accounting systems are almost completely harmonised.  Furthermore, currently 20% of aid to the ACP originates from the EU budget.  With aid programming taking place at regional and national levels (the three regional strategies for Africa, the Caribbean and the Pacific and the strategies for sub-regions of Africa have already been drawn up and agreed), an all ACP geographic strategy has become redundant.

According to the Commission, there would be large efficiency gains from budgetising the EDF.  Comitology would be simplified with only one geographic committee, cash management would be simplified with a unique envelope, disbursement delays would reduce significantly and stockpiling of funds would be avoided.  Furthermore, both the European Parliament and the Commission consistently argue in favour of good governance and increasing democratic accountability.  Arguments of democratic control and scrutiny have been reinforced by the fact that the European Parliament's Development Committee now has the right of scrutiny of Country Strategy Papers and National Indicative Programmes for Asia and Latin America, under the Development Cooperation Instrument.  The EDF, being separate from the EU budget, prevents the European Parliament from exercising a similar role for the programming of ACP Country Strategy Papers.

Concerns have been raised, however, in relation to the continuation of the principles of the Cotonou Partnership Agreement if budgetisation becomes a reality.  The ACP

side point in particular to the risk of abandoning co-management (i.e. the synergy of joint EU-ACP financial cooperation – joint programming, joint assessments, joint solutions).[12] Aid predictability and the ring-fencing of EDF funding for the ACP is another main concern.

Some of these concerns could be overcome through an Inter-Institutional Agreement which would secure funding for the ACP in the EU budget together, with a Declaration confirming the key principles of the Cotonou Partnership Agreement.

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[12] Official Journal of the EU, C272/39, 3 November 2005.

## 6. Making it happen

The EU's institutions for managing external relations are currently sub-optimal. However, this is not just because of inadequate institutional arrangements. More important has been the reluctance of EU Member States to recognize and give enough priority to achieving common policies. As long as EU Member States and different EU institutions pursue their own policies and do not see the need for coordination and cooperation, even the best-designed instruments and structures will remain mostly ineffective.

Institutional and budgetary reforms in 2009 and 2010 are an opportunity. But they are also a challenge. They can be no more than a contribution to more effective external actions. Even more important will be a determination among Member States to make the new arrangements work.

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## Annex 1: Organisational changes proposed by the Lisbon Treaty

| Proposal | Role | Benefits | Decisions to be made |
|---|---|---|---|
| "Double Hatted" High Representative | - Vice President of Commission<br>- Chairs Foreign Affairs Council<br>- Conducts CFSP as mandated by the FAC<br>- Coordinates all external policy | - Ends duplication between the High Representative and the Commissioner for External Relations<br>- Ends the problem of an individual Member State representing the EU with third countries | - Function and structure<br>- How the High Representative will work with the President of the Commission, the President of the Council and the Member States<br>- Extent of authority over Commission resources |
| External Action Service | - Reports directly to the High Representative<br>- To comprise staff from the Commission, Council Secretariat and seconded staff from the Member States<br>- Heads of EU Delegations to report directly to the High Representative | - Brings together Council Secretariat and Commission desks to end and duplication<br>- Gives the High Representative more staff capacity<br>- Should improve external policy coherence<br>- Should bring together the full range of EU conflict prevention, crisis management and post-conflict institution-building tools<br>- Allows for the creation of single EU missions with ability to coordinate EU policy in country<br>- Should support cooperation with the Member States, from whom it should import significant expertise, and consultation and joint-working among the EU's external representatives | - Function and structure<br>- The status of the EAS (An 'Office' like OLAF; an 'EU Body/Agency' like the European Environment Agency; or a 'quasi institution' like the Committee of Regions or ECOSOC)<br>- The exact number and balance of EAS staff between the Commission, Council Secretariat and the Member States<br>- How the EAS will be financed<br>- What resources will be available to the EAS<br>- Political and management culture<br>- Role of the European Parliament in the EAS [The European Parliament will have scrutiny rights over what constitutes the EAS' administrative budget] |
| Split GAERC into General Affairs Council (GAC) and Foreign Affairs Council (FAC) | - FAC to be chaired by High Representative<br>- GAC chaired by rotating presidency | - Separates European Council preparation from Foreign Affairs discussions<br>- Should ensure coherence of all external actions<br>- Should ensure coherence of the EU's message towards third countries | - Development, trade and other external policies to be included in or separated from the FAC - Separate Development Council?<br>- What role for Foreign Ministers in the FAC<br>- Who to chair the FAC in the absence of the High Representative |

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