Dialogue on Globalization

BRIEFING PAPERS

FES BERLIN

EU Development Cooperation: Rebuilding a tanker at sea

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Abstract

International development cooperation is changing. Commitments have been made in the Millennium Declaration and have been re-stated and operationalised in a number of subsequent documents, such as the Monterrey Conference on Finance for Development (2002) or the Paris Declaration on harmonisation and alignment (2005).

Since 2000, the EU has been reforming its development cooperation. Several policy documents have been introduced, not least a development policy statement in 2000, at the start of the reform process. This statement was revised in December 2005 and was replaced by a European Consensus on Development, signed by the 'Brussels' institutions – Commission, Council and Parliament – and by the 25 member states. The European Union is thereby continuing a recent development to act across policy areas and to include both EU institutions and member states. Other high-level documents have been formulated: the European Security Strategy (2003) and the EU Africa Strategy (2005). The Union increasingly aims at agreeing on standards and creating benchmarks, also concerning its timetable for reaching the target of 0.7% of GDP dedicated to development assistance.

The EU has taken serious steps towards international best practice in policy formulation, and has increasingly promoted the development agenda at the international level. Issues remain concerning the coherence in the implementation of actions, for instance with regard to the relationship between trade and development in planned Economic Partnership Agreements (EPAs) with regions within Africa, the Caribbean and the Pacific. Furthermore, the coordination among member states and between member states and the Commission has not been fully elaborated upon. In this context, the question of complementarity remains pertinent and has not yet been systematically explored. Debates about the division of labour – and Europe's role in international development – are ongoing, and go beyond the European realm.

Introduction

In December 2005, the European Union (EU) published its new development policy, the 'European Consensus on Development'.[1] Earlier drafts bore the title 'Brussels Consensus' and thus symbolically put itself in a line with the obsolete 'Washington Consensus'. While an unfortunate choice of words in claiming succession to a highly disputed and unpopular concept – and thus ultimately reworded – the European Consensus nevertheless chose the symbolic reference initially to illustrate its global conceptual aspirations for development policy. This aspiration came with reform endeavours over the last year, after the European Commission was labelled 'the worst donor' by the then UK Secretary of State, Clare Short. The resignation of the Commission under Jacques Santer in 1999 was motivated not least by severe shortcomings in accountability for external aid programmes. How much of this claim is on its way to being realised and which issues will have to be addressed next?

Common European development cooperation is a relatively recent endeavour, which in just over a decade – between 1980 and 1990 –saw tremendous growth. Only since the Maastricht Treaty of 1993 on the European Union (EU) have there been legal provisions for development cooperation in the European legal framework. Yet, development assistance has been part of trade agreements with other parts of the world since the late 1970s. And cooperation with states in Africa, the Caribbean and the Pacific (ACP states) dates back even further. This was the first step towards an international role for Europe at the beginning of integration in 1958 – even though it has been kept legally out of the EU treaty framework to this date. This experience with cooperation agreements has not automatically translated into awareness of challenges in the management of growing aid programmes at the European level. However, development cooperation is more than the transfer of funding. As the world's biggest trading block, EU trade policy impacts on developing countries, whether targeted to them or as an effect of internally-driven rationales. Additionally, the European common foreign and security policy (CFSP) has gained momentum since 1999.

[1] Cf. under http://www.europa.eu.int/comm/development

The role of a 'European Consensus'

The European Consensus on Development was jointly agreed upon by the Commission, the Council and the European Parliament. It is formulated for different levels of development policy and explicitly includes member states' bilateral assistance in its section on principles and guidelines. This high-level document is the successor of a policy formulated for Commission programmes in 2000. The revision of this key policy document has been of particular relevance to EU development cooperation since 2003, as a number of new member states are in the process of building up their own development policies. The establishment of bilateral cooperation programmes with developing countries was a requirement for EU accession, as development policy is part of the *acquis communautaire* (the common achievements of the EU). European development cooperation therefore consists of 25 bilateral programmes plus the Commission activities. For this multitude of actors, the European Consensus on Development of 2005 potentially provides a reference point in the absence of the approval of the Constitutional Treaty, which was rejected by the electorates of France and the Netherlands in May and June 2005, respectively.[2] The constitutional provisions on development are rather consistent with the current treaty of Nice; development cooperation is meant to remain a complementary task of the Commission rather than replacing bilateral cooperation of member states. However, the Constitution envisages slightly rectifying some ambivalences about goals, e.g. by putting poverty reduction at the centre of EU development cooperation, instead of having it as one competing goal among others.[3] The European Consensus therefore remains the key document of reference beyond the regional programmes, clarifying and expanding on provisions concerning development cooperation in the EC Treaty.[4]

The legal basis for cooperation below the level of the EU treaties is predominantly laid down in regional programmes which provide 'package deals' of combined trade, aid and political dialogue provisions. The Cotonou Agreement, the successor to Lomé, as well as the MEDA programme for the Mediterranean, TACIS for Eastern Europe and Central Asia, and the programme for Asia and Latin America (ALA) still form the legal framework for EU assistance to countries in these regions. However, the EU's regional programmes – incrementally grown in a specific historical context – are often not identical with boundaries of regional organisations, and often are designed more in accordance with EU interests (e.g. the Asia-Europe Meeting, ASEM). Cooperation with some organisations is consistent with and can be conducted under broader regional programmes, such as the Association of South East Asian Nations (ASEAN) and the Common Market of the South (MERCOSUR); or sub-regional organisations like the Economic Community of West African States (ECOWAS). However, at times overlapping regional agreements have been concluded that can be at odds with existing programmes. This is most obvious in Africa, where new developments since 2001 have created new regional bodies, such as the African Union (AU) and the New Partnership for African Development (NEPAD). The EU, with its existing instruments, does not have tailor-made continental answers to these new dynamics. It historically differentiated between the long-term Cotonou framework (sub-Saharan Africa, including South Africa on some issues) and the MEDA programme (for Northern Africa and the Middle East, matching the 'Barcelona process'). As a political strategy, the European Consensus is not legislation. It thus does not supplant legal requirements of regional programmes but rather assembles them under one common roof. The EU Africa Strategy fulfils a similar purpose, as do the strategies on the Caribbean and the Pacific. The latter two are in the preparation stage at the time of writing.

Financing for development – How much and how?

There are very few showcases of successful development aid (where graduation from Official Development Assistance (ODA) could be taken as an indicator of success); while most of the success stories in Asia never received much aid in the first place, most of sub-Saharan Africa remains mired in a high degree of aid dependency. The amount of aid and the channels through which aid should be disbursed are topics in the discussion. The EU – both member states and the Commission – provides more than half (55%) of the world's official development assistance, amounting to € 34.3 billion in 2004 – two thirds of which was given in the form of grants. Besides the 25 member states' bilateral ODA, about a fifth of all European development aid (€6.9 billion in 2004) is channelled through the EU Commission.

[2] Little progress was made on the question of the constitutional treaty – and little thought was given to it despite a declared 'period of reflection' – during the UK Presidency of the EU. It is still in limbo at the time of writing (2005).

[3] Cf. EU Constitution, Art. III-193, 2, and Art. III-218.

[4] Art. 177 to 180 of the EC Treaty in its Nice version.

The new 'European Consensus on Development' of December 2005 reconfirms the commitment to increase finance for development assistance made in May 2005, when the EU member states agreed on a plan for the eventual *de facto* doubling of their ODA. The 'old' member states undertook to set aside 0.51% of their gross domestic product (GDP) for ODA by 2010 and 0.7% by 2015. In 2004 the ODA ratio in the EU averaged 0.36%, with only Sweden, Denmark, the Netherlands and Luxemburg reaching the UN target of 0.7%. Targets for the new EU member states are 0.17% by 2010 and 0.33% by 2015; most of them currently provide less than 0.1% of their GDP through their still nascent bilateral ODA programmes. Given the tight budgetary situation in many member states and the pace of expansion the achievement of these targets would require from many of them, this collective target is a real challenge. Some member states intend to meet their commitments with new financing mechanisms, such as a tax on air fares. Half of this additional ODA is to be spent on sub-Saharan Africa.

While much of the dynamic seems to play out in Brussels and 'on the ground' at partner-country level, inter-regional relations still prevail. Some have argued that they are less prominent than in the 1980s and 1990s.[5] Yet, due to its lagging behind on delivering the Millennium Development Goals, Africa was high on the international agenda in 2005. The EU took an active stance in the 2005 discussions and placed Africa higher on its agenda by elaborating an EU Africa strategy.[6] With an ODA share of about 50%, the largest donor in sub-Saharan Africa is the EU as a whole (including the member states' bilateral programmes). Community ODA for the ACP countries is primarily financed by the European Development Fund (EDF), established in 1958. The EDF is renegotiated every five years and replenished through members' contributions. In contrast, cooperation with the other developing countries, including those of North Africa, is financed from the EU budget, the contributions to which are calculated on the basis of member states' populations and the size of their economies. The Commission has repeatedly proposed to integrate the EDF into the EU budget ('budgetisation' of the EDF). If the EDF were budgetised, some EU states would have to pay a higher share than they currently pay into the EDF (e.g. the UK, Germany and Spain), while others currently pay more than their economic weight would suggest (e.g. France, Denmark, Sweden). The debate on the 'budgetisation of the EDF', however, seems to have largely come to a standstill, due to lack of political will in a number of member states. The Commission has recently started negotiations for the 10th EDF. The overall amount of the fund was fixed in the Financial Perspectives at roughly € 22.7 billion for the period between 2007 and 2013. Overall spending on external relations from the budget was fixed to reach a maximum of € 8.1 billion per year in 2013.

One historical problem of EU development funding was the slow speed with which funds are disbursed. This has improved over the last few years, but is not yet ideal.[7] Additionally, the modalities of aid – i.e. the way aid is disbursed – have come under discussion. Some authors claim that aid structures established by donors parallel to developing countries' institutions have added to undermining capacity in aid-receiving countries.[8] Concerns about the speed of disbursement and the impact of parallel donor structures on existing capacities of developing countries could be seen as reasons for the rapid expansion of budget support by the EU, i.e. aid channelled through the state budgets of recipient countries. Within the ACP group, 30% of funding was provided as budget support in 2004; the corresponding figure in 1999 had been 7.9%. However, there is not yet any 'hard evidence' on whether this mode of aid delivery through partner countries' budgets improves development performance. Therefore, the debate is still ongoing about the requirement of minimum standards for this form of aid intervention. Even though budget support enhances 'ownership' of development in partner countries, guarantees are sought against the misuse of funding and conditions are attached to aid channelled through country systems.[9] The discussion on negative conditionality in development assistance in the form of sanctions

[5] Cf. N. Alecu de Flers / E. Regelsberger (2005): The EU and Inter-regional Cooperation. In: Hill, C. / M. Smith (eds.) (2005): International Relations and the European Union. Oxford, pp. 317-342.

[6] Cf. S. Grimm / N. Kielwein (2005): The European Union's Strategy for Africa – coherence in the face of a complex, changing continent? DIE Briefing Paper 9/2005, Bonn.

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[7] Nevertheless, the slow speed of EDF disbursements and the anticipated accelerated pace of liberalisation under the proposed Economic Partnership Agreements (EPAs) would have to be synchronised, the EU Commission stated.

[8] Cf. N. van de Walle (2005): Overcoming Stagnation in Aid-Dependent Countries. Washington D.C.; also: D. Bräutigam / S. Knack (2004): Foreign Aid, Institutions, and Governance in sub-Saharan Africa, in: Economic Development and Cultural Change 52 (2004), 2, pp. 255-285.

[9] Cf. P. Schmidt (2005): Budgethilfe in der Entwicklungszusammenarbeit der EU, DIE Studies No. 10, Bonn.

has not been very prominent in the last few years, the focus rather being on rewarding 'good performers'. However, the Commission seems to be driving discussions on budgetary support towards more difficult environments as well, including states labelled 'fragile', as stated in its draft Africa Strategy.

Focussing European cooperation policy?

The development assistance administered by the Commission potentially includes all developing and middle-income countries, as reemphasised in the European Consensus. Within this global reach, however, there have been some noticeable shifts in the **geographical distribution** of aid in the last few years. After the end of the Cold War, European policy shifted attention to immediate 'neighbours' in the East and South. European developing countries (*inter alia* Serbia and Montenegro, Moldova, Albania) and Northern Africa and the Middle East have received an increasing share of the ODA administered by the Commission, while Africa's share has decreased. There are indications, however, that this trend of decreasing funds for Africa has come to a halt, as most of the funds for Least Developed Countries (LDCs), which are not specifically allocated to countries in the Commission's 2004 statistics (see Table 1), will have to be added to the category of sub-Saharan Africa, where the majority of LDCs are located. And under new commitments, half of the additional funding is to be made available for Africa (see Table 1).

The average income levels of recipient countries of the Commission's ODA tend to be somewhat higher than those of EU member states' bilateral programmes: in 2002, low-income countries accounted for 37% of all disbursed aid, lower middle-income countries received 38% of all EC aid, and 9% of aid went to upper middle-income countries.[10] EU enlargement is likely to further impact on aid allocation to middle-income countries, as new EU member states have particular links to their eastern neighbours. The relatively high levels of aid to European and Mediterranean countries – not among the poorest nations in the world – cannot be explained by an emphasis on poverty reduction, but are part of foreign policy interest in neighbouring regions. A further geographical focus of European cooperation could be demanded by some European actors. Yet, it remains highly unlikely that the EU will reduce the number of partner countries, as no internal agreement on their selection is in sight.

The treaty provisions on development cooperation stipulate that Commission policy must complement bilateral development cooperation of EU member states. This does not necessarily have to be understood as geographical complementarity, but can also comprise coordinated **thematic choices**. The definition of complementarity and the operationalisation of this concept is an open debate in EU cooperation policy. In its first development policy statement, the Commission committed to six focal sectors in cooperation.

The choice was based on advantages of the Commission over both bilateral assistance and multilateral organisation, as argued in a communication of April 2000. These sectors comprised:

- trade and development
- regional integration and cooperation
- macro-economic assistance and equitable access to social services (which has basically become another term for budgetary support)
- transport
- food security and sustainable rural development
- institutional capacity-building.

Combined with the cross-cutting issues of human rights, gender, the environment, good governance, conflict prevention and crisis management, there are few issues that were not dealt with. One can hardly speak of a focussing of cooperation policy.

However, the Paris agenda on harmonisation and alignment, agreed upon at the Development Assistance Committee of the OECD in March 2005, offers progress towards better coordination between aid donors. In particular, it lays down concrete targets: for example, 66% of all country analytical work by donors should be jointly produced with others, and 90% of donors should use the public financial systems of recipient countries, rather than imposing their own procedures. The Commission consequently pushed for a more flexible approach for its programmes, arguing for the need to respond to developing countries' demands. The European Consensus lists the same issues plus a few for EC cooperation: trade and regional integration; the environment and natural resources;

[10] 13% were unallocated and 3% went to Malta and Slovenia. Both were re-classified as non-developing countries as of 1 January 2003. Cf. S. Grimm (2004): International development and foreign policy, ODI Briefing Paper in the series on European Development Cooperation to 2010, London; also cf. A. Berlin / N. Resare (2005): The European Community's External Actions, Stockholm (SIDA), for figures on commitments.

Table 1: Regional disbursement of bilateral ODA by the EU Commission (in %)

	1981/82*	1991/92*	2001/02*	2004**
Sub-Saharan Africa	58.9	51.1	39.5	36.7
Mediterranean	9.2	13.7	17.6	16.6
Eastern Europe	3.2	8.4	25.0	11.4
Latin America	21.9	8.4	11.4	8.3
Asia	4.6	8.0	9.2	11.5
Oceania	2.4	2.2	0.8	0.8
LDC non-specified	-	-	-	13.6

* OECD/DAC 2004,
**: Calculations based on EU Commission 2005; the figures do not include EU disbursements to international organisations.

infrastructure, communications and transport; water and energy; rural development, agriculture and food security; governance and institutional reform; conflict prevention and fragile states; human development; gender equality; and HIV/AIDS.

This is an agenda for an all-encompassing aid donor, not a niche donor agency. In return for the broad claim of expertise, the Commission ultimately committed to a concentration of its activities on **two focal sectors per country** rather than global limitations in the content of Commission activities. Country Strategy Papers (CSPs) have been elaborated for all partner countries since 2000 and are regarded as the central planning documents at country level. CSPs are supposed to cover all EU activities; information on member states' programmes, however, is of varying quality and depth. Country strategies are supplemented by regional papers. And since recently, continental documents have been written which transcend the Commission's regional programmes, such as the Africa Strategy. As one of the new features, the EU Africa Strategy of December 2005 particularly emphasises support – including financial support – for African governance initiatives under the umbrella of the AU, NEPAD and the African Peer Review Mechanism.

Common Foreign and Security Policy

Support to the AU also links to increasing EU activities in Common Foreign and Security Policy (CFSP). This area is one of the most dynamic policy areas, one which has implications for development cooperation. The dynamic in this policy area is, at first glance, surprising, as CFSP is purely intergovernmental and thus requires high degrees of coordination and consensus among member states. Javier Solana, the 'High Representative' of the CFSP, is responsible for coordination in this field – with little more than his personal authority available to convince member states to formulate common interests.

Common foreign policy consequently provides for a high potential for coordination lapses, as the Iraq war of 2003 illustrated. Reacting to its Iraq experience, the EU countries adopted, in December 2003, a common 'European Security Strategy' (ESS) under the ambitious title 'A secure Europe in a better world.'

The European Security Strategy states EU intentions and discusses the EU's understanding of what constitutes security. Threats named by the European security strategy include terrorism, the proliferation of weapons of mass destruction, regional conflicts, and also state failure and organised crime. It puts security into a larger context of concerns about human needs and also lists poverty as a key challenge to European security policies. The notion of 'human security' – as opposed to security of states – deliberately widens the term 'security' and offers some bridges between development and security. This corresponds to the idea of a 'responsibility to protect' asserted by the United Nations in its stock-taking summit on the Millennium Declaration from 14 to 16 September 2005 in New York. However, the tricky question remains *how* to coordinate different agendas with different timeframes on the ground under this broad conceptual umbrella. Choices remain to be made about how close the coordination is to be, some of which still may be uneasy at times.[11]

Most likely candidates for action, according to the European Security Strategy, are 'failed' or 'fragile' states, identified as one of the challenges to security and also mentioned in the European Consensus as a key challenge. Even though the phenomenon of states with limited control over their externally defined territory is

[11] Cf. S. Klingebiel / K. Roehder (2004): The Development-Military Relationship: the Start of a New Alliance? DIE Briefing Paper No. 1/2004, Bonn.

not new,[12] the search for coherent action across portfolios is the common feature of a number of diverse experiences in the more recent past. The limited and short-term EU intervention in DR Congo's province of Ituri, in 2004, for instance, was considered a success. Congo will be another area for EU troop deployment in the context of an election support mission to Kinshasa. At present, the EU is strengthening its military capacities by establishing EU battle groups, providing for 13 groups of 1,500 soldiers each, deployable within 10 days for a minimum of 30 days within a radius of 6,000 km. Additionally, civilian crisis reaction units will be established; these will comprise experts in the areas of police, administration, rule of law, and civilian protection. The relationship of these battle groups and their civilian counterparts to UN missions has not yet been fully elaborated and is an ongoing discussion; the civilian groups are not even mentioned in the European Security Strategy.

The EU, however, generally favours the partnership approach in its promotion of 'effective multilateralism', which explicitly mentions other regional organisations as pillars for international peace. Via its African Peace Facility (APF), for instance, the EU is funding peace-keeping operations by the African Union. The APF was established in 2003 at the request of the AU, funded via uncommitted monies from the European Development Fund. The funding for the APF was an overall sum of € 250 million, most of which has already been committed in support of the AU peace-keeping mission in Darfur, the mission in the Central African Republic by the Central African regional organisation CEMAC, as well as for a first programme of the institutional capacity-building efforts of the AU Peace and Security Directorate. The APF funding decision was taken for three years and will have to be renewed in 2006/07. This initial decision created a contested precedent, and while most actors regard the APF as an asset, there are debates surrounding ring-fencing ODA against attempts of other policy areas to gain access to development funding.

EU trade policy and development cooperation

From the institutional point of view, trade is of particular importance, as it is one of the policy areas in which the EU truly 'speaks with one voice': the Commissioner for trade is the spokesperson for the EU in international negotiations. His mandate for negotiations is formulated by member states and closely followed up in the so-called Article 133 Committee (named after the EU treaty article providing for it). The European Commission has regarded trade as one of the six priority areas for its development cooperation since 2000. The question is, *can* the EU use trade as an instrument for development – and if so, *how* does it use the instrument?

The EU treaty provides for 'smooth and gradual integration of developing countries into the world economy' as one of the goals of EU development cooperation. The EU's traditional one-sided trade preferences for products from the ACP States do not differentiate between levels of development, but are based on regional agreements. They are thus not granted until a certain level of development is reached, and they have therefore been declared to be incompatible with the rules of the World Trade Organization (WTO), established in 1995. A 'waiver' allows for the non-reciprocal regime to be continued until 2008; the EU, however, is not seeking a renewal of this exception. The trade regime with the ACP states thus needs to be renegotiated, based on the provisions for Economic Partnership Agreements (EPAs), as stated in the Cotonou Agreement of 2000. EPAs would have the advantage of consisting of contractual provisions rather than the current non-reciprocal EU concessions. They also have the potential to cover trade in services, which may be particularly beneficial for some of the more advanced ACP states, not least in the Caribbean. It is not yet possible to say what form EPAs will finally take or what impact they will have on partner countries. Debates on alternatives have only just started, and they might include an improved General System of Preferences for all developing countries rather than regional arrangements.[13]

In 2001, the EU granted tariff- and quota-free market access to all products from the LDCs under the Everything but Arms (EBA) initiative. Exempted from this are bananas, rice and sugar until 2008. This, for the first time, granted preferences to states by income group. It thus cut across existing regional programmes. In practice, both the blanket approach for the heterogeneous group of LDCs and other trade barriers, such as strict rules of origin, technical

[12] See Myrdahl's notion of 'soft states', formulated in the 1970s. These 'soft' states were never able to act 'tough on conflict and tough on the causes of conflict', to paraphrase UK Prime Minister Tony Blair's line during his 1997 election campaign.

[13] Cf. C. Stevens (2005): An Alternative Strategy for Free Trade Areas: The Generalized System of Preferences. In: O. Babarinde and G. Faber (eds.): The European Union and the Developing Countries. Leiden/Boston, pp. 111-125.

and sanitary standards, cast doubts on the value of this market access. Additionally, changes in the trade regime for protected goods – e.g. with preferential market access for some ACP countries – will create winners and losers among developing countries and different types of producers within these countries.[14] It remains to be seen whether EPAs will generate more favourable conditions for the LDCs as regards rules of origin, non-tariff trade barriers and trade in services.

Since 2003, negotiations have been conducted with four regional blocs in Africa, the Caribbean and the Pacific, with a view to strengthening regional integration. However, the negotiating groups are not necessarily identical with existing organisations. As a result of the overlapping membership of African regional organizations, EPAs also affect non-ACP countries with which the EU already has separate trade agreements. This is the case, for instance, for the group of countries in the Southern African Development Community (SADC): it includes South Africa, which has special trade and aid conditions with the EU. The negotiation group ESA (Eastern and Southern Africa), for its part, overlaps with the Common Market for Eastern and Southern Africa, the latter including e.g. Egypt, a non-ACP country. In particular for the LDCs, EPAs therefore present both opportunities and risks. Alternatives to EPAs, such as relying on EBA, would hinder regional integration among developing countries, as regional groups comprise both LDCs and non-LDCs and trade with the EU would thus have to differentiate between members of the same regional grouping. This would undermine attempts to formulate a common trade regime for regions. In order to enable developing countries to progressively open up their markets to competition and to create incentives for WTO-compatible agreements, trade-related assistance ('aid for trade') has entered the debate. At the WTO conference in Hong Kong in December 2005, the EU made a commitment to provide € 1 billion annually as trade-related assistance by 2010 and thereby created an explicit link to funds for development aid. It is still unclear whether this commitment is for fresh money.

[14] Cf. S. Page /A. Hewitt (2002): The New European Trade Preferences: Does 'Everything But Arms' (EBA) Help the Poor? in: Development Policy Review, 20 (2002), 1, pp. 91-102. For the case of sugar, cf. inter alia M. Brüntrup (2005): Between protectionism, poverty orientation and market efficiency: The reform of the EU's sugar market, DIE Briefing Paper No. 8/2005, Bonn.

Conclusion: Progress and some unresolved issues

European cooperation has improved, mostly on the level of policy clarification, but also with regard to implementation. After some internal administrative and policy reorientation in the area of EU external relations since 2000 – a number of new strategies and the administrative devolution to Commission's Delegations in partner countries – the current dynamic has been particularly visible in the field of foreign policy. For external relations more broadly, the Commission is increasingly aspiring to formulate common goals and set benchmarks for the now 25 member states' policies in development cooperation. Furthermore, the Commission has been acting as an international driving force in some international discussions in the last years, not least on the aid modality of budget support.

There is evidence of a remarkable increase in the EU's capacities as an external actor over the last decade, despite the prevailing fragmentation of competences. The need for coherence in development cooperation and, consequently, coordination between different departments is a general one, valid also for member states' administrations. At the European level, however, there are additional difficulties. While trade is a highly integrated policy area, foreign policy remains a largely intergovernmental area, and development policy is supposed to be complementary to the 25 member states' policies. The latter are highly reluctant to renounce development cooperation altogether or to define their priorities if this means subjecting them to Commission coordination. The biggest 'elephant in the room' remains the European Constitution. Development cooperation will remain a shared competence in a multilevel system. Because of this, a number of issues need addressing, more so now than before.

Internal administrative fragmentation: The fragmented responsibilities within the EU are an obvious disadvantage in interacting with the outside world. Fragmented actions have the potential to hinder effectiveness, particularly in countries with weak institutions (if unable to coordinate donors), and in large or economically stronger partner countries (if unwilling to accept donor standards). The Commission has started to address the high number of financial instruments beyond the regional programmes and has suggested reducing them to six. Below the level of treaty obligations or legal necessities, however, one particular difficulty consists in the geographical division of responsibilities for external relations in the Commission.

Responsibilities within the Commission are not only divided by policy area (development cooperation, trade, external relations, etc.), but also geographically. The Development Commissioner is responsible for Africa south of the Sahara, whereas his colleague for external relations also deals with cooperation with the rest of the world and also leads on the oversight of EuropeAid, the Commission's unified implementation agency created in 2001. This politically divisive distribution of labour within the Commission is particularly obvious in the case of Africa, where administration of the same policy issue (aid) needs to be coordinated between different entities: EU Development Commissioner Louis Michel is responsible for development cooperation with sub-Saharan Africa, whereas North Africa is part of EU Foreign Affairs Commissioner Benita Ferrero-Waldner's responsibility.

Making trade work for development: The EU is key to many countries' trade relations and to their strategies to increase their national wealth, given its weight in international trade. By default, trade will remain a dominant tool in the EU's interaction with the South. The EU Commission often points out that the EU is the most open market for developing countries' products, with free market access for LDCs and trade preferences established in a generalised system and in specific regional agreements. Yet, at second glance, more detailed questions arise about the actual impact of these agreements, e.g. with regard to rules of origin, determining which products qualify as made in LDCs and thus eligible for preferences. Equally important are the effects of technical or sanitary standards as trade barriers for producers from developing countries. With regard to Africa, it has to be acknowledged that most producers are not competitive. Historically, the EU has granted the non-reciprocal preferences to former colonies – without much in tangible results with regard to economic or even pro-poor growth. Economic Partnership Agreements (EPAs) – or alternative scenarios – are to replace the traditional EU preferences. Negotiations over EPAs are ongoing and their development impact is far from being taken for granted. The negotiations will have to be concluded in the first half of 2007 – under the German EU presidency – if they are to have a chance of being implemented by 2008, as stipulated the Cotonou Agreement.

Europe's place in the international aid architecture: The share of aid channelled through the EC is likely to decrease unless steps are taken to maintain the EC's share. Recent cumbersome internal negotiations have settled on overall financial planning for the years 2007 to 2013. With the European Development Fund fixed in monetary terms (at € 22.7 billion), and the recently agreed ceiling on external policy spending in the budget between 2007 and 2013, there seems to be little scope for the EC to absorb its share of increasing aid volumes. At the same time, the European agenda for activities is growing ever longer. An increase in aid would not just be a consequence of an increasing international role for Europe. More aid has already been committed to in Monterrey in 2002, and this decision was reconfirmed by the European Consensus. The Commission is trying to promote either trust funds or co-financing with member states, in order to halt the decline in share in development assistance from the EU. Currently, decisions about the role of the European Commission in international aid happen in a rather uncoordinated way – more by hazard than on purpose. Nevertheless, decisions on EU development cooperation and the modalities of shared, but somewhat uncoordinated, competences are linked to broader international reform discussions within the Bretton Woods institutions and the UN system.

Europe has come a long way since the late 1990s in development cooperation. Many policy documents read well, some are at a rather general level and still fulfil an important role for a rapprochement of European actors in international development cooperation. A proactive stance by member states and clear ideas about the direction of EU external actions would be desirable. Yet, small steps and a close eye on implementation of its commitments will be needed in the coming years to sustain Europe's improvements and international credibility.

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