

## **Does a New Europe Mean New Aid? What should the new European Commission's policy be in the field of development aid?**

**The document herein provides an accurate account of the presentations and discussions that took place at the Conference held by FERDI, on 4 February 2010 in Paris, on the future of European public aid.**

### DISCLAIMER

It had been established with all of the participants, the list of which can be found in the Appendix, that the rule would be free speech and open discussion, each party speaking on its own behalf, rather than as the representative of an administration or institution.

For this reason, the decision was made to present all of the presentations and contributions anonymously: it goes without saying that, when read closely, some of the authors can be recognised, but the choice was also made to refrain from any editorial amendments, which would have diluted the speakers' words or possibly even go against their thoughts.

Nonetheless, the Appendix to the present document contains the written presentations which were authorised for circulation by their authors. All of these can be accessed at the FERDI Web site ([www.ferdi.fr](http://www.ferdi.fr)).

The purpose of this seminar was not to discuss the structure of European aid, but its substance, through fundamental questions dealing with the foundations of European aid policy, its geopolitical impacts and its implications as to the instruments chosen:

- how can European aid be justified alongside other multilateral aid and the bilateral European aid that already exists?
- how does the principle of subsidiarity apply? Europe's other common policies are connected to European development aid policy and can justify certain aspects. In addition, European aid can offer advantages when compared to certain types of aid in certain fields, such as support for regional cooperation, coordination of national aid, risk prevention, etc.
- how can the historical and geographical ties between the European Union (EU) and the African, Caribbean and Pacific (APC) Group of States, and the Mediterranean countries, within a consistent comprehensive framework? How can these ties be reflected in decision-making about European aid instruments and allocation procedures?

The one-day event was organised (see Agenda in Appendix) as a series of 3 workshops, including presentations and discussion, followed by a conclusion about the implementation of the Treaty of Lisbon.

## **Workshop I:**

### **How can European aid be justified alongside other multilateral and bilateral European aid already in existence?**

#### **Presentation 1**

In under two years' time, the international system has become very unstable. It went through a food crisis, followed by a financial and economic crisis, the arrival of new development paradigms, with climate change and the emergence of new players which will have to be taken into account, in particular major foundations. Unlike traditional development players, whose aim is to implement projects or programmes that are assumed to support themselves, large foundations such as the Bill Gates Foundation take a solidarity-based approach, rather than a development-based one, addressing development issues through financial support. The Lisbon Treaty offers several responses to this unstable system.

For a long time, France was extensively involved in defining the architecture of development aid as aimed at ACP and Mediterranean countries, without calling into question the philosophy underlying that involvement. Today, in public opinion throughout Europe, questions are being raised as to the effectiveness of that aid.

#### **Avenues to explore with regard to European aid**

- The end-purposes of European aid

European aid proceeds from the political ambition to make the Union a global player. It enables us to shoulder our historical responsibilities and serves as a vehicle for harmonising bilateral policies between Member States.

European aid can further be substantiated by its added value and effectiveness. This original model of North-South relations encompasses aid, trade cooperation and political dialogue. European aid has undergone reform and is now governed by rationalised and efficient management procedures, as well as strategic programming.

Lastly, European aid encompasses several areas of excellence, such as budgetary support and support for infrastructures and governance.

However, European aid is impeded by a lack of strategy in the face of new challenges such as the emergence of global public goods, climate change and the distinction between developing countries and emerging countries. In this respect, the Treaty of Lisbon already allows for better aid programming and better synergies between development and the foreign policies of the European Union and its Member States.

- Geographical priorities

European aid needs to continue to be part of broader regional budgets, all the while adapting to the features specific to the said geographic zones, in order to achieve specific steering between traditional developing countries, middle-income countries and emerging countries.

Moreover, the country budgets and the implementation thereof should not be determined in line with performance that might be established too far along in advance. Subsidies need to be channelled toward the countries that need it most and use the option of loans for countries that have the capacity to take on debt. European aid also needs to better take into account the needs of populations.

- European aid procedures

European aid should be geared toward options combining donor activity with lending. It should include more incentives and be focused on outcomes. The political dimension of the EU brings in real added value when it comes to budgetary aid discussions, with respect to the International Monetary Fund (IMF) and World Bank (WB).

## **Presentation 2**

The AFD has questions about the strategy that Europe should adopt in the field of development aid. Development has been one of the main directions for the European Union since it began. The EU and its members are the world's leading donor, providing 55% of official development assistance (ODA) worldwide.

With the enlargement of the EU, it appears difficult to affirm that we all share a clear long-term view on topics such as the best approach to territorial integration, neighbourhood policy or solidarity policy underpinning European aid. Above and beyond globalisation, Europe's population is ageing, whereas the average age in the

South Mediterranean and in Africa is under 25, with demographers unable to foresee any slow-down in their growth rate (3% per year). Clearly, the situation calls for urgent action, yet the EU still has no clear-cut outlook as to a policy, despite having set up the structures for bringing one into being.

- Europe's outlook on the global geographic area

A – Three geographic approaches exist side-by-side:

The approach focused on integrating new States into the EU;

The regional solidarity approach, which applies to Africa, the Mediterranean and Eastern Europe, and which pits the interests of the Member States against each other;

The approach in which Europe's interests are crossed with those of the rest of the world.

B – The dimensions through which the European Union broaches Africa

Does the EU see Africa as a market, and possibly even a domestic market, like the companies that are established there?

Is Africa an employment pool? Is the Euro-African area an employment pool itself? And if so, should a vocational training plan be instituted?

Is Africa a single security area?

Is Africa a business and financial area, in which case banks should be investing there, rather than withdrawing, like the French banks are?

Is Africa a territorial area, with interconnected and consistent infrastructures, as the address on the Union of the Mediterranean states?

Is Africa a local development unit, in which decentralised cooperation is the main player, as thought and encouraged by France?

Is Africa a single area for civil society? The non-governmental organisations (NGOs) of the North and South have realised the value of working together.

C – The institution of a European partnership policy with developing countries

The concepts of deregulation, competition and preferential treatment. The EU continues on with its political discourse on preferential treatment, all the while

adopting the economic discourse of competition and deregulation, beyond what the World Trade Organisation (WTO) demands.

How can we reconcile the principle of individual freedom with the need to address the key challenges, at the level of the local authorities that must bear the consequences of broader, top-down policy? This is a topic which the EU's African partners have trouble with, unwilling to accept the answers which the EU offers.

## 2 – The content of European strategies on development assistance

Two types of questions emerge with regard to strategies:

- The local outlook raises questions as to how to consistently interconnect rural development, urban development, infrastructures and demographic data.
- The trade-focused outlook explores the consistency between the economic sectors which the EU wishes to promote and the trade negotiations it carries out. Yet contradictions do exist at this level.

The Member States wish to hold on to their prerogative and are not against seeing cooperation become a common policy. We therefore need to design a system that will enable us to pool and interconnect our resources and the discussions carried out by all stakeholders across Europe.

Following the seminar in Ermenonville, in December 2008, which was held to explore the options for a European development assistance system, the AFD reached the following conclusions:

There should be only one commissioner in charge of developing foreign development policy; as the organic tie between the development agenda and foreign policy agenda is inevitable, this single commissioner should work in conjunction with the Union's High Representative in charge of Foreign Affairs;

Europaid should be in charge of implementing the development policy as a whole, within a collaborative framework with the other agencies;

European research should be networked and a joint financing fund developed.

## **Discussion**

There is a clear need to strengthen the European system so that Europe is able to assert itself, credibly and effectively, in the international arena.

The questions we will address can be portrayed as a progression:



We are first going to consider the interconnection that needs to be created between European aid and other multilateral and bilateral aids.

Secondly, we will look into whether the European Union should take up specific objectives that could form a doctrine on Europe's role in the field of development aid and globalisation in general. We will then move on to the criteria used in allocating aid and determining geographic and strategic priorities.

Lastly, we will look into the relationship between aid allocation procedures and the effectiveness of the said aid.

## Presentation 3

“Why European aid? How can it be justified alongside other multilateral aid and the bilateral European aid that already exists? Does it have specific objectives? Do these stem from a doctrine on Europe’s role in globalisation?”

European aid needs to be developed because development cooperation is the best embodiment of the values that underlie Europe. Globalisation has made it inevitable for the developing countries and Europe to come together. Their well-being, political stability and future are more and more closely tied to ours. In this setting, the challenges are so huge that no single Member State can take them up alone. Consequently, Europe has no choice but to develop a consistent policy, one coordinated and built on shared values and a common outlook, as set out in detail, in the European consensus.

The Commission is very specific. It is not the twenty-eighth donor in Europe. It is, moreover, not a development agency. Admittedly, it is the world’s third donor, with thirteen billion dollars dedicated to development aid in 2008. Thanks to its resources, the Commission actually reflects Europe’s collective effort.

The Commission is, first and foremost, a political institution responsible for initiating European policies and ensuring that there is consistency, coordination and complementarity between different forms of European aids. Yet to play this part, it needs adequate critical mass.

At every recent international meeting, whether in Doha, Accra or New York, the European Union spoke as one, because the Commission had initiated and secured the consensus of its Member States to defend policies considerably more ambitious than all other policies.

This two-fold role for the Commission, which is both a donor and uniting force for the Member States, was recognised by the political framework at the last Community aid review. It is important that this political framework be implemented, even if some adjustments are needed.

Europe’s political strategy exists in many areas. Unfortunately, each Member State refuses to implement it at the national level.

Three major priorities stand out today, from the Commission’s perspective:

- Moving from rhetoric to action, on the concept of aid effectiveness;
- Ensuring that the financial commitments made and renewed each year by Member States are upheld;

- Continuing to promote the concept of consistency, in order to ensure that the national policies do not jeopardise European development policy, all the while using all of the positive synergies resulting from domestic policies to foster European development policy”.



## Presentation 4

### **“Europe as a Key Large Donor**

When considering Europe’s role in the area of aid, three issues emerge. Firstly, there is the question of whether bilateral aid can continue in its current form. I am quite pessimistic about donor coordination on aid, where there is an enormous gap between what is agreed and what happens in the field. Some African countries are therefore likely to follow India’s example and seek to have relations with large donors only. Should that happen, bilateral aid will no longer be sustainable and Europe might then become a key channel.

### **Europe’s Credibility**

Secondly, there is the issue of credibility. If a recipient country can count on a lot of money from aid, it will become accountable to donors rather than taxpayers, and when you are not accountable to taxpayers you do not have to deliver decent quality public services or build democratic institutions. It is essential therefore that we get back to the starting position when aid was meant to be temporary. Aid should enable Governments to build their institutions to be able to then go to the capital markets, and Governments also need to prepare for the period after aid. However, the problem of donor hopping can arise, where if a donor turns off the aid tap, the recipient country will simply turn to another donor. Credibility in the field of aid is easier to achieve for a large collection of donors, and there is a real role for the European Union there. However, the problem with the European Union is that it is not seen as being tough enough that it will turn off the tap.

### **Europe as a Provider of Knowledge**

Thirdly, there is the issue of knowledge. There used to be the notion of a knowledge bank, where aid institutions would also be repositories of knowledge. In a way, this exists through the World Bank, but is important to have more than one knowledge bank. This is therefore another area where Europe could play a role.

I take a slightly pessimistic view on whether Europe can deliver in these areas. The European Union has found it difficult to achieve the required level of coordination to date; its current reputation in Africa makes it difficult for countries to believe that it will be prepared to end its relationship with them; and a knowledge bank will be a success only if there is a commitment to the highest standards, which has not been an area of strength for the European Union to date.”

## Presentation 5

“Assuming that European countries might relinquish their bilateral aid would be utopian. European aid thus needs to be specific.

As a major power, the European Union has a part to play in the face of the many challenges in globalisation. In particular, it should focus on the following three challenges:

- the risk of tensions, pandemics and wars that might delay the development of many African countries;
- the risk of food shortage, due to demographic growth and improving food conditions in emerging countries;
- and the risk of overuse of fossil fuels.

To take up these challenges, the key will be to focus European aid on Africa, channelling it in particular toward dams. Dam assistance offers the advantage of being fundable over the very long term. As to Africa, it is the continent closest to Europe in geographical and historical terms. It is in Africa that food and energy problems will become concentrated as, first of all, Africa will not be able to import foodstuffs unendingly and, secondly, due to demographic growth and growth hoped for in GDP per capita, Africa will contribute to global warming if it increases its energy production.

Yet Africa is the only continent with farmable land, provided that it overcomes its water availability issue. Moreover, it is possible to build dams on several different rivers in order to increase the amount of irrigated land, all the while producing clean energy.

The problems that Africa faces affect several different nations. For this reason, there needs to be an organisation like the EU, accustomed to negotiations as meetings between States and ready to take part in the difficult negotiations that dam-building entails.

By focusing its aid on dams in Africa, Europe would set the example in terms fighting aid fragmentation. It would also escape the very important but recurring discussions about geographic allocation criteria, according to good governance principles or budgetary aid conditionality.

## Discussion

**1** – In order to open up discussion about why European aid is needed, we first need to recall that there can exist major economic and demographic imbalances between Europe and the ACP countries, the Mediterranean countries, and Latin America and Asia both. Also to be kept in mind is how aid has changed over the course of European construction and how it has compounded the European outlook. Lastly, we need to keep in mind the question of whether societies and political decision-makers have ownership over their aid projects.

Two main lines of reasoning are used when trying to substantiate European aid. First of all, there are economic and institutional factors, emphasising consistency, coordination and the comparative benefits of European aid. European aid also raises the question of benchmarking and the effects of bilateral policies compared to an original European policy.

Secondly, the fundamental line of reasoning is political in nature. The role of European aid as a donor and uniting force makes it possible to position Europe through economies of scale and an original joint stance, distinct from those re-establishing the global system. The shift from aid to public policy, which makes it possible to fund the production of regional or global public goods, can justify the use of European aid.

However, some uncertainties remain. Despite what the Treaty of Lisbon brings in, the institutional distinction is unclear between the role of the Commission's DG for Humanitarian Aid and Civil Protection and the DG for Development, and the role of the Union's High Representative in charge of Foreign Affairs.

European aid is able to fulfil the dual requirement of visibility and clarity. This question underlies the way Europe can position itself as a political entity in order to move beyond its role as a mere coordinator of national policies and design its own aid.

**2** - European aid is thought to be very bureaucratic and while it has been argued that the European Union (EU) should be involved in areas where it has a comparative advantage relative to bilateral aid, it seems as if it is just doing the same things. For those reasons, there would be no point in moving to providing aid at the EU level, and from the perspective of coherence the EU also has a serious problem with its agricultural policy.

However, the coordination of aid is a big challenge and, in the long term, the EU could function as a coordinator. Another argument for an EU role, particularly in Africa, is the lack of good governance and policy implementation. Attempts from the outside to influence policymaking and governance need to be coherent and the EU

could act more credibly there. However, I am sceptical that any of this will happen in the near future.

3 – First of all, environmental issues cannot be addressed bilaterally but must be taken up between the European Union and Africa. The Africans will not have the resources needed to fund the required expenditure on environmental protection in the years to come. Europe is the only party that can contribute to that expenditure.

Secondly, on the topic of demographic growth, studies show that fertility rates in women are falling from six to two, while the female education rate at the secondary level is rising, from 5 to 80%. Every country in the world, with the exception of the African nations, has solved the problem of female education and the drop in fertility. If Europe were to take action in this field, for instance by paying money to parents who send their girls to school up to age 16 or 18, it would be possible to lower the fertility rate.

Thirdly, the fifteen to twenty poorest African countries will not be able to develop the infrastructures they need and for which they cannot pay, including dams, if the EU does not give them donor financing.

4 – The functional approach, in particular the Community method, would be helpful in defining European aid. To wit, while the peer review mechanism is not a privilege or monopoly reserved for Europe. Europe has experience in this area which it must share, in particular, with Africa.

Moreover, the idea of a knowledge bank as mentioned by Jan Willem Gunning is fundamental. Finding a way to make knowledge useful to development is an extremely important challenge. In this respect, Sweden has given research toward development operational responsibility, by placing its development agency under the responsibility of its research for development agency.

At the Lisbon Academy of Sciences, we are discussing the idea of cooperation between the North and South and between South and South. Certain countries, like Brazil, India or China, have successfully made the transition into many fields. We cannot deal with them in the same way as we do with Third World countries.

5 – While Article 113 of the former Treaty establishes the EU's trade policy as unique and requires the 27 Member States to speak out as one at the WTO, on what article of the former Treaty and on which new article of the Treaty of Lisbon is the legitimacy of the EU's development assistance based on?

6 – It is striking to see the gap between the decisions, statements, texts and principles that have been signed by the 27 Member States and the Commission and the extent to which they have actually be implemented. While the signing of the

European Consensus on Development in 2005 was progress, in particular in terms of the European Union's single voice in international negotiations, the implementation of that aid continues to lag.

Two examples are particularly telling in this respect. First of all, we are preparing for Ministerial discussions on division of labour between Member States, looking at how bilateral and Community aid is apportioned by country. Yet most of the Member States would have to withdraw from many countries to uphold the principles of aid concentration, effectiveness, harmonisation and added value. I do, however, wish to express significant fears as to the political discussions that will follow this accounting study, and in particular as regards whether the status quo can actually be changed.

Secondly, two or three years ago, we attempted to launch an assessment process to track implementation of the European consensus agreement. The Member States were against an assessment of the extent to which they keep up the consensus, when they were in full agreement when it came to assessing the Commission.

The European level needs to be stepped up as far as development is concerned, not by centralising, but by harmonising and coordinating the Member States' development aid policies.

The article in the Treaty of Lisbon regarding development aid is Article 208. However, the weaknesses and failing of European development aid policy are in part due to the fact that no legally-binding instrument has ever been put in place.

7 – The development aid concentration chart drawn up by the European Commission can be criticised, methodologically speaking.

Today, aid is focused on certain countries, where the road toward setting up relations is smoother. Yet this is not the right answer, and in order to prove the added value of its aid, the European commission should channel its aid toward so-called aid "orphans".

Despite significant financing from Europe, the image of the European Union has been shaken, in particular in Africa, due to greater prominence in the political aspect of aid, at the expense of the part previously dedicated to infrastructures.

The AFD is concerned with the current extent of aid effectiveness and calls for a performance-based culture.

8 – These last contributions have showed that it is totally unrealistic to fully devolve national development policies at the European level and that Europe needs a European policy.

Based on these two observations, the main function of the European level would be to coordinate national policies. The question then becomes: is it necessary to have a specific budget and a distinct mechanism to perform a coordination role? As I see it, the comparative advantage of European aid in terms of effectiveness and efficiency has not been borne out. Is European aid so original and, if so, does it not run the risk of preventing countries from aligning, as would be necessary for there to be effectiveness? Is there legitimacy to European aid, above and beyond the legal level? Is the Commission's governance better than that of certain States? These are vital issues in any discussion about European aid.

9 – The question as to the comparative advantages of European aid needs to be raised both with respect to the Member States and with respect to multilateral organisations. This aid offers several potential benefits comparatively, which refer back to the European identity:

The European Union is an example of successful regional integration. It has the means needed to make a compelling contribution.

The EU has access to a broad range of instruments, such as political dialogue, trade and development aid.

The EU can lend consistency to European policies.

The EU contributes through donor financing. We need to think about how that financing can be best used and give priority to instruments that combine donor financing and lending.

It is important that the Member States be given incentive to come on board and implement the principles of European consensus. In this regard, one option would be to take inspiration from the mechanisms in place in other areas of European policy, such as the open coordination method, in the social arena, which make it possible to maintain a certain degree of pressure on the Member States, without being binding.

10 – It is fundamental that the EU be consistent on its development aid. Jan Willem Gunning reiterated, earlier, the need for aid to be temporary. Yet today, several questions are being raised with regard to European aid, which began some forty years ago. In addition, the arrival of other partners encourages us to set priorities within European aid. Lastly, European aid is so widely scattered that it is difficult for it to get involved.

While European aid does need to benefit the populations that need it most, it also needs to be able to assist sustainable development. Yet we do not know of any other way of creating wealth to foster sustainable development and reduce poverty.

Wealth is created by the private sector which, in order to become involved, needs to be to earn profits in a conducive environment, guaranteed by the rule of law.

It would be interesting that, alongside a European Union committed to making a concrete development aid offer, the recipient States also be bound. For instance, the African Union or other forms of regional integration should become authorities at the continental level. European aid should be channelled so that EU representatives play the part on their end.

11 – First of all, I am surprised by the considerable and positive change in France’s outlook on the European Union over the past five or six years.

Secondly, the role of the Commission is not to coordinate, but rather, to initiate policies. It is important to offer Member States policies that would bind them.

Thirdly, while the concentration chart indicators can be questioned, the actual proliferation of aid needs to be taken into account. In Tanzania, 600 projects worth under one million dollars are in the process of being executed simultaneously in the health sector alone. In Kenya, twenty donors are buying medication, working through thirteen different purchasing agencies. However, there is a huge gap between the political declarations that such practices should come to an end, and the actual reality.

Lastly, Article 208 of the Treaty of Lisbon restates that development aid is governed jointly. The Member States are not required to speak as one in this area. However, they do so thanks to European consensus. No one, however, is considering doing away with bilateral policies and pooling everything. The Commission simply needs critical mass that does not exceed 20% of what the Member States dedicate to development aid overall.

12 – As regards knowledge sharing, first of all, we are all looking for a better interlinking between universities, research institutes and operational agencies.

Secondly, concentration and division of labour go hand in hand. A European coordination exercise on large groups is needed before determining the timetable for coordinating national aid. This process is not out of reach insofar as many States are already moving toward concentration for budgetary reasons.

Thirdly, there exists a methodological problem as regards making policies consistent with one another. In the agricultural field, the European Union first negotiates internally, before embarking on negotiations with its partners from the rest of the world, yet these negotiations will be frozen, as the European common position will already have been set.

## **Workshop II**

### **Towards what countries should European aid be directed as a priority and to what geopolitical model does the European Union subscribe?**

More specifically: should Europe have geographic and sectoral priorities and on what criteria should these priorities be based? Are specific enforcement criteria planned for aid "orphan" countries and countries with no rule of law?

The institutional system and thinking at the European level was built up almost entirely during a period in history that has now come to an end. Today, Europe needs to take into account the emerging countries, new players and new modes of action. Should Europe export financial resources or a model of values and a development system?

How can it substantiate and apply the principles of selectiveness and aid concentration?

### **Presentation 1:**

We all feel discomfort between the rhetoric in the European consensus and the implementation thereof, particularly on the topic of conditionality in budget aid and aid fragmentation. What actual and political conclusions can we derive from this?

Moreover, the critical mass at the European Commission should be drawn up based on the comparative benefits or the newfound subsidiarity of European aid.

Lastly, European aid is facing a geographic and sectoral allocation problem. The optimal allocation is that which attributes aid according to selected criteria. The Commission thus needs to set its own criteria.

### **Presentation 2:**

First of all, I do not think that we should draw up a list of priorities. I would be difficult to establish, incidentally, as we would subsequently have to act upon it, and this is more a matter of foreign policy, as opposed to an exercise in aid rationalisation.



Secondly, we need to come to an agreement on the end-purpose of European aid, as priorities differ depending on whether the end-purpose is global public goods, laying the foundations for a homogenous area at Europe's doorstep or solidarity toward a country in particular. Actually, the main donor countries manage the three priorities concurrently. At the European level, a political priority-setting exercise needs to be carried out with regard to each nation's targets, so that they can align with the shared priorities.

Thirdly, the priorities are not the same when dealing with concessional loans, donor financing or market lending.

### **Presentation 3:**

The selectiveness of certain major regions needs to take into account principles, rationalisation efforts and long-term outlooks, first of all, yet not lose sight of short-term pragmatic action, which comes in response to emergency situations.

One of the criteria justifying the selectiveness of European aid with respect to its specific features is regional proximity and solidarity toward countries where malnutrition and vulnerability issues are concentrated. In this respect, the Mediterranean and Africa remain priorities for Europe.

On that basis, two major problems emerge. First of all, we need to manage both the Barcelona Process and the process of the Economic Partnership Agreements (EPA). Secondly, the priority criteria refer back to issues that are not originally economic. This means that the EU can step in with regard to the rule of law, which is one of the conditions for private investment in terms of contract guarantees and justiciability. Moreover, the positioning on human rights remains a fundamental component of EU affirmation. Secondly, security cannot be disconnected from the development process. Lastly, the environment is a major factor. Environmental issues cannot be reduced to local areas, but rather priority initiatives that need to be carried out in the Mediterranean world and in Africa. In addition, the EU needs to draw up three-way projects including complementarity issues between Europe, the emerging countries and the least-advanced countries.

It is important to distinguish between the geographic priorities of European public aid and the priorities of other countries in the field of development aid.

Moreover, should European values be seen as geographic allocation criteria or factors in aid procedures granted to a country?

I think that the European Union is better positioned than the Member States to be positioned on these issues. It is important to maintain aid conditionality, in line with EU principles and values, all the while looking for solutions to secure aid to

populations, all the while side-stepping countries that do not abide by these principles.

### **Presentation 4:**

The regions with which the EU works are regions for which political decisions have been made by the Council, not by the Commission. Secondly, the political decision-making power regarding the resources allocated to these regions lies with the Council and the Parliament, except for the ACP countries. Whatever the criteria that can be discussed, the decision remains political.

However, the agreements with the various regions always include a developmental component, where a developmental approach and criteria are needed. Within this setting, the Commission's comparative advantage is its presence across the entire territory involved, meaning that it must differentiate its approach according to the level of development and end-purposes specific to each region. To do this, it needs a number of areas of action, which can later be tailored to each region. At the level of each country, the Commission generally focuses on two specific sectors, where the Member States have little presence, not in terms of financial allocations, but in terms of aid programming.

A trend appears to be emerging within the Council, toward assigning geographic responsibility for ACP State development to the Development Commissioner, whereas that of other neighbouring countries, in America and Asia, would be assigned to the Union's High Representative for Foreign Affairs, Catherine Ashton. In taking this direction, Europe missed a major political opportunity to give structure its development action efficiently. The High Representative might well allocate resources according to political criteria, rather than developmental ones.

### **Discussion**

"France is fighting to prevent aid management from being broken down by geographic zone".

"France's suggestion, which involves assigning responsibility for resource allocation to all beneficiary countries to the High Representative of the Union is worse".

"The Member States are trying to design horizontal division of labour. They suggest that the strategic impetus be produced at the level of the European External Action

Service (EEAS) and that programming remain at the level of the Commission. Geographic allocation is a proposal from the Commission.”

“I am against this Commission proposal. However, while resource allocation as far as the total budgets go is the responsibility not of the Development Commissioner but the Union’s High Representative for Foreign Affairs, the basic components of development, such as poverty and vulnerability might be very marginally taken into consideration in favour of political criteria”.

“No one is against political steering, insofar as it entails setting out the EU’s main thrusts for action, as the said thrusts subsequently need to be expressed as actions, by the services with the authority to do so. However, it is yet uncertain as to whether political steering is understood that way.”

“The European Commission is neither multilateral nor bilateral. Yet the fact that the Ministry of Foreign Affairs of the European Union is responsible for development policy is based on a bilateral rationale. As long as this tension is not overcome, the situation will remain at a standstill”.

“If Europe weighs out its interests and financial capacity, the debate as to whether the bilateral should be preferred over the multilateral will have no reason to exist, insofar as Europe has the clout necessary to address global issues, as well as every interest in doing so. In Copenhagen, Europe was the only party suggesting a clear technical vision. Unfortunately, without any specific political representation, it was not able to step forth as a player in the negotiation process. The political aspect of the EU is fundamental, within the framework of intergovernmental negotiations such as the Copenhagen Conference”.

“Europe’s ambitious stances at the Copenhagen Conference were drawn up by the Barroso Commission. The EU’s lack of visibility is due to the fact that certain Member states thought it would be better to conclude bilateral agreements with other countries”.

“The fact that the EU is behaving like a bilateral player is not a problem. In this instance, however, it offers all the advantage of a bilateral player, as well as all of the drawbacks, the most prominent of which is the fact that a bilateral player determines subsidies in development aid, on the basis of political considerations”.

“As regards aid allocation criteria, the distinction needs to be made between the rule of law and human rights. Yes, it appears vital that aid be granted to a country that abides by the rule of law. However, should aid be granted to a State that does not respect human rights? Human rights are a Western consideration. However, not granting aid to such and such a country would put the population at a disadvantage.

“The rule of law is a vital criterion. However, human rights should not be considered a criterion conditioning aid allocation”.

“It is possible to support the population of a country that upholds neither human rights neither the rule of law, without helping their governments, by delegating aid implementation to NGOs”.

“A distinction was raised between the political criteria that guide aid allocation on the part of bilateral countries and developmental criteria that would be taken into account more by multilateral players like the EU. Yet aid allocation in line with political criteria draws on development policy which, itself, looks to promote development”.

“Perhaps we need to move away from the term ‘altruism’ alone and clearly explain that development is also in the interest of EU. If this is done, development will become a more legitimate political criterion in the view of decision-makers and public opinion”.

“Moreover, we need to make finer distinctions on the topics of Human Rights and the Rule of Law. First of all, the Commission has implemented an approach to governance that takes into account the rule of law, as well as sectoral, economic governance, etc. This incentive-based approach is aimed at giving additional subsidies to the countries that embark on the path of reform. Secondly, the EU’s punitive approach tries not to affect the populations of countries subject to these sanctions too much. In this case, the EU ceases to work with the sanctioned government, but continues with civil society, the private sector, the local authorities, etc.”

“I do not think that we can refer to any relativism in human rights. As I see it, the EU can champion universal values like human rights, which position it as a soft power with respect to emerging powers such as China.”

“Before thinking about rights, populations express vital needs, such as the need for food, housing and personal care. In this respect, the results of the elections in non-democratic African countries show that populations vote to defend their own needs. It is true that, in any feudal system, only those who are in power can satisfy the needs of their populations. Wanting to apply the human rights criterion as we see them might thrust us into a process in which the populations will suffer. We would have to side-step the States, like the NGOs do, going straight to the fundamental rights and needs of populations. However, these NGOs give priority to States, because they privatise the sovereign functions of the States.

“When a player like the AFD works in the field of development, it is hard for it to measure the extent of the influence it claims to have over the political future of the

relevant State, except when the said player has the means of influencing the situation sustainably. For instance, in Guinea, the AFD used a source of aid leverage in order to turn the situation around. However, generally speaking, development players do not have such resources and take the political path of sanctions”.

“Development and policy do not necessarily become intertwined over the long term, for anything that is built within the framework of development survives changes in political regime”.

“Europe does need to play a part in the area of human rights. However, a war was recently declared in Iraq, for reasons deemed illegitimate. Yet Europe is in part responsible for this. Moreover, the current economic crisis is the result of poor governance, when Europe promotes and requires good governance in exchange for its aid. Lastly, certain African countries have financial alternatives to European aid. On what principles can Europe take action to address these problems?”

## Workshop III

**“What modalities need to govern European aid to make sure it meets its objectives and geographical priorities, and at the same time remains effective?”**

### Presentation 1:

“Europe is not really considered a specific source, different from others in Asia, Sub-Saharan Africa and North Africa.

Moreover, Europe is not an easy partner for developing countries. Partnership implies that each partner’s positions can be changed. Yet the EU is a set system that requires its partner to accept or refuse what is asked of it. Consequently, relations with Europe are not really considered, by the countries benefiting from their aid, as a partnership relationship, but as a North-South relationship requiring predetermined, unbending rules.

Regarding the debate about the intergovernmental method versus the community method, I think that it is possible to apply the intergovernmental model more than what is done today, which would imply changing the instruments and decision-making paths between the European institutions, Member States and people carrying out projects on the ground. In this respect, joint financing is a way of having Member States work together and bring Europe’s added value to bear. This method refers back to the principle of subsidiarity and Europe’s motto, namely: “unity in diversity”. The intergovernmental method combined with intelligent use of Community rationale and Europe’s image could be considered progress in many development projects.

Furthermore, I think that aid concentration might be impeded by the difficulties inherent in bringing out a joint opinion between the 27 Member States. However, certain partners do not have significant impact globally, but do count locally and enjoy visibility through substantial infrastructure financing and very useful to the country. To wit, Japan, which is the second provider of aid in Tunisia, is building infrastructures, which makes it highly visible. Quite to the contrary, the European Commission’s contributions in Tunisia, which account for 0.03% of Tunisia’s GDP, are spread across five or six projects. The return on investment is not very high.

A stronger and more direct tie needs to be established between what Europe asks, specifically and individually, of these countries, and the resources it provides as support.

Europe is having trouble positioning itself with respect to the Bretton Woods institutions, even though it plays a leading role in them. This is because the EU adds conditionality to the development aid conditionalities already made mandatory by those institutions.

Lastly, the magnitude of the aid provided by the EU to new Member States has nothing to do with the aid it provides its other partners.

## Discussion

“Europe has a certain competitive advantage where vulnerability and response to shocks are concerned. Its tradition of protection from risk is stronger than that of other large countries like the United States. The priority countries for European aid are structurally vulnerable to shocks, which significantly impedes their development. STABEX and SYSMIN were the EU’s first response in this area, from the Lomé Conference in 1975. However, both of these instruments have developed in a twisted manner with respect to the initial objectives and did not put together compensating mechanisms. FLEX was brought in by the Cotonou Conference in 2000 and probably did not provide what one might have expected of a true compensatory mechanism. Do we need to plan on reforming the said instrument under the new European policy or is it impossible to establish other fast, non-conditional compensation mechanisms, after shocks? If the latter is true, does an advance response need to be provided with respect to the shocks, by bringing in a vulnerability criterion, in the geographic allocation of aid?

It would be interesting to look into three other major questions:

What are the appropriate tools which the European Commission could use to foster regional integration?

Should the reform of budget criteria introducing conditionality in budget results be continued?

Should the Commission develop specific instruments to adapt to climate change, or should involvement incorporate that power into its development aid?

## Presentation 2

“Non-emergency aid should not be aimed at feeding people or helping the sick, but take a long-term approach where the objective is to improve economic governance. However, there is the problem of vulnerability, which is often inherent, and aid cannot do a lot to solve that. Approaching this from the perspectives of openness and exposure on the one hand and economic structures and remoteness on the other, we reach the same conclusion that vulnerability leads to instability, which in turn hampers development. The opposite of vulnerability is resilience and aid needs to be aimed at building resilience through macroeconomic stability, market efficiency, good governance and social development. Each country has its own peculiarities and recipient countries therefore need to be enabled to draw up their own resilience policies, identifying gaps and directing long-term aid at fostering good economic governance.

## Discussion

“Many articles have shown that the African countries’ high vulnerability to external shocks has slowed down their growth. European aid can be effective in this respect. It was already effective thanks to the STABEX mechanism, to which we should return.”

“The last two years have made it necessary for us to change our metric to measure vulnerability. Before that, vulnerability was considered abnormal with respect to a macro-economic stability criterion. At a time when everything is unstable, how do we define instability? The instability is present more systematically. Resilience therefore needs to be identified with respect to another criterion than that of macroeconomic stability.”

“We cannot use the former STABEX and SYSMIN mechanisms. However, certain new mechanisms do make it possible to move away from the major international instabilities of the situation in which needy populations find themselves. We need to disconnect the instability of export products from that of imported staple products. STABEX took into account only exports. The key would thus be more to disconnect national budget from external revenue using internal stability funds. Can the EU provide support and guarantee the transparency of these funds? Regarding imported staple products, could the EU take part in managing the inventory that would burden speculation? In any event, the EU can take action on the disconnection between the price of imported food products as compared to the price of staple products.”



“While a lot of countries no longer have aid relationships with Europe, in areas such as Sub-Saharan Africa aid will be an issue for a long time. Aid delivers resources and provides incentives or affects behaviour, and that needs to be considered. With aid projects, there seems to be a kind of illusion about where the money goes and 27 European countries being involved will over-burden recipient Governments. Providing support generally could make things easier or the European Commission could collect the money and provide the aid. Other approaches of this type would include having a broad form of aid or a lead donor.

However, another way forward could be to not give money to Governments but to start an investment bank, for example, to force the establishment of fair rules and so produce an indirect behavioural effect from Governments, and this also deals with the issue of long-term commitment. It also means that there would no need for coordination and hence no European-level role.

In terms of stabilisation within the current economic crisis, some African countries have done well and Europe has not been involved. However, the EU could play a role here alongside the International Monetary Fund and the World Bank; this is not an area for bilateral action.”

“On the topic of aid modalities, the percentage formed by lending is expected to decline. Secondly, the emerging countries rely more on private capital flows than on public aid. Secondly, the fifteen to twenty poorest countries in Africa are not expected to go down the lending road either in that they would never be able to reimburse. Between these two extremes, public lending might possibly be able to play a part in the middle-income countries, provided that they are combined with loans or private capital. Regarding regional integration and the priority given to global warming, a European fund is needed. Lastly, budgetary aid should be used solely toward investments or in the event of a crisis, but not to support basic country workings.”

“The Commission uses *ex ante* vulnerability criteria to allocate its development aid resources. The FLEX instrument was supposed to respond to vulnerability *ex post*, but it has run into many problems. The criteria for triggering it were too restrictive for resources to be mobilised, its anti-seismic effect did not come into play and it lacks resources. I had suggested that the Member States contribute financially to the instrument in order to cover vulnerability *ex ante*. Unfortunately, the European FLEX was never put into place. The market-based insurance mechanisms that lie between *ex ante* vulnerability and *ex post* vulnerability are promising, however. Moreover, a discussion on FLEX is being organised as part of the negotiations on the revision of the Cotonou Agreement.

The debate between project aid and budgetary aid has been in existence for several decades. However, the situation differs fundamentally from that which gave rise to this discussion. If the Member States and other donors uphold their commitment to increase official development assistance, the related aid will double. And if, as a result of this, the number of projects doubles, the situation will become unmanageable. The Commission is expected to intensify its action in the field of budgetary aid and convince the Member States to support it.

However, budgetary aid is highly volatile, due to the conditionalities connected with it. Yet, in all of international discussion on the topic of aid effectiveness, emphasis is placed on the need for foreseeability. How can aid be foreseeable if the conditions attached to it make allocation uncertain? The Commission has suggested MDG (Millennium Development Goal) contracts that involve guaranteeing certain countries a minimum amount of budgetary aid for five or seven years, with performance indicators instead of conditionalities.

Today, there is a negative correlation between the desire to promote the recipient countries' ownership of their own development policy and the implementation of *ex ante* policy conditions that place economic decision-making conditions on these countries. This approach, based on *ex ante* conditionality, needs to be replaced with one focused on outcomes. The Commission has tried to bring about change through its budgetary approach. However, due to the reluctance on the part of the Member States, only 30 to 40% of the budgetary aid is subject to "performance conditionality", the rest remaining tied to the IMF's *ex ante* conditions.

Lastly, it is vital that specific resources be available and channelled toward managing global public goods, in particular climate change. These resources need to be added to official development assistance and come from innovative sources of financing. For instance, one option would be to use part of the revenue from the emissions allowance auction system to fund adaptation to climate change in the poorest countries. However the fact that these resources should come in addition to ODA does not mean that they can be managed differently".

"In many cases, development aid is not implemented by the party financing it, in particular due to effectiveness issues. Unfortunately, the current data shows only the aid flows in terms of which party provided them, not taking into account the joint financing or delegation to other players. The geographical aid distribution metric is, in this sense, far from perfect, and this skews effectiveness measurement. The EU could play a part in bringing these new forms of aid in balance with one another as well as the method used for analysing the said aid".

"In attempting to replace the time-worn concept of conditionality, has the EU truly managed to achieve a confident policy based on political dialogue upstream and

satisfactory outcomes downstream, which could be used to substantiate aid effectiveness?”

“The Commission has encouraged replacing the concept of conditionality with the concept of contract. Under the specific partnership mentioned by the Cotonou Agreement, the Commission wanted to institute dialogue and a contract with its partners before launching budgetary aid and support for economic reforms. However, what actually happens is that the positions which the Member States take in Brussels differ from those that the World Bank or IMF champion and which the Commission is ultimately required to follow”.

“Should the resources from a climate change adaptation fund be merged with or kept distinct from those of the Economic Development Fund?”

“In practical terms, financing adaptation to climate change is the same as incorporating the question of resilience to climate change to development policies. The appropriate response would thus be to merge the two funds. A political obstacle exists here, however. Efforts would need to be made so that the two funds are actually additional. The real answer would, thus, be to create additional resources. In this respect, the sale of emissions allowance credits on the European market or regional or international taxes would be possible responses to financing a global public good such as adaptation to climate change”.

“The answer would thus be to separate the funds in order to mobilise resources and combine them again, thereafter, in order to implement the resources”.

“As regards the new modalities for European budgetary aid, the MDG contracts are one of the concrete answers provided at the level of EU instruments. However, it is still too early to assess their effectiveness”.

## Seminar Closing

### Presentation about the Implementation of the Treaty of Lisbon

- The Treaty of Lisbon and, more importantly, the implementation thereof, open up new prospects, and this will make it necessary and possible to revise both principles and practices:

The European level is neither multilateral nor bilateral, and this is what makes the European Union's situation both unique and difficult when it comes to demonstrating its relevance. The Treaty of Lisbon attempted to provide a response to the major topic of EU relevance in globalisation.

One of the reasons for which the Treaty of Lisbon came about was the realisation that the EU's foreign affairs policies, objectives and instruments were too widely-scattered. For the last fifteen or twenty years, research has been carried out to build a new institutional organisation that would make it possible for the EU to conduct consistent foreign action and synthesise its policies into one, even though they differ fundamentally, some of them drawing on intergovernmental powers and others on Community powers. Now, this process is culminating, at a time when the EU's place in the globalised world, its influence and its ability to negotiate are being more challenged than ever.

- The Treaty of Lisbon's complex institutional scheme

Two permanent functions: the President of the European Council and the High Representative for Foreign Affairs and Security Policy

The Treaty of Lisbon, which maintained competence allocation by policy, has put together a very complex institutional scheme. Two new permanent functions have emerged. First of all, the standing President of the European Council, Herman Van Rompuy is responsible for representing the EU externally at the level of the Heads of State and Government on non-Community matters. Secondly, at the Ministerial level, the High Representative for Foreign Affairs and Security Policy, who is also Vice-President of the Commission, plays the most important role in the effort to achieve consistency in European external affairs. The current High Representative, Catherine Ashton, bears a heavy responsibility, having taken over the functions of Javier Solana, the previous High Representative for Foreign Policy and Common Security (FPCS), as well as those of the Commissioner in charge of external relations and the Ministry of Foreign Affairs of the rotating presidency.

- European External Action Service (EEAS)

The creation of the European External Action Service, under the authority of the High Representative, is the major administrative innovation in the Treaty of Lisbon. The European Council gave Catherine Ashton the tools needed to establish the said EEAS in October 2009. The decision to create it will be made by the Member States, with the agreement of the Commission and opinion of the European Parliament. This joint decision is necessary and inevitable for the new service to enjoy sound legitimacy.

### **The connection between European development policy and the creation of the European External Action Service**

- The objectives of European development policy

Article 208 of the Treaty on the functioning of the EU, as modified by the Treaty of Lisbon, sets out the objectives of development policy. Its first provision deals with the consistency between development policy with respect to the EU's external action. The article also sets out the principle of action in which the EU and the Member States complement one another. It then goes on to state the main objective of development policy, namely, the eradication of poverty in the long term. Lastly, it sets out the principle of upholding commitments made with respect to international organisations, and in particular the United Nations.

The articles thereafter regard the coordination of development policy.

The first challenge is to satisfy the Member States' unanimous desire to preserve and take to greater depth a European development policy that is strong, clearly-identified and dynamic, and which ushers in real European identity, on par with the resources provided by the EU.

How can European development policy be incorporated into the effort to create consistency between all EU external policies and action?

Development policy will remain the responsibility of the Commission and, specifically, the Development Commissioner, under the authority of the President of the Commission.

In contrast, there exists a disagreement between the European Parliament and the Member States on the role of the EEAS with respect to the Commission. The Member States feel that the EEAS, which includes intergovernmental and community powers, needs to be equidistant from the Secretary General of the Council and the Commission and that a specific institutional status should be established for it.

The EEAS will include the geographic offices in charge of relations with third-party countries. It will also be in charge of the strategic levels, the significance of which as not yet been determined, however. The challenge is now to decide how to allocate responsibilities between the Commission and the EEAS as to programming financial instruments. Yet it is impossible to decouple the financial instruments in development policy. The very rationale of the Treaty of Lisbon states that the EU needs to bring these instruments together.

The financial instruments in European development policy, first and foremost, the EDF and the development cooperation instrument, are essentially geographical. The development cooperation instrument came to some €17 billion between 2007 and 2013, whereas non-budget ad hoc financing amounted to 22.7 billion dollars between 2008 and 2013. Does it make sense to keep EDF management of ACP countries separate from development cooperation management of the Asian and Latin American countries? We should consider entrusting the Commission's DG for Development with world-wide responsibility where development aid is concerned.

The Commission has proposed that all EDF programming be maintained under the responsibility of its services and that the first three stages of the development cooperation instrument's programming be made the responsibility of EEAS. Yet almost all of the Member States find it odd that these two instruments should not be given the same treatment. They are in agreement as to leaving the Commission more power on development instruments. The EEAS would have responsibility for the first two stages of development instrument programming, namely, resource allocation by country and defining country strategy documents, while the last three stages of actual implementation would be the responsibility of the Commission's services.

The EEAS will work under the authority of the High Representative but remain at the Commission's disposal.

## **Discussion**

It is obvious that development needs to be fundamentally political.

The Commission's proposal illustrates a missed political opportunity to set out a consistent development policy. The fact that 25 Member States out of 27 wish to unify development policy in terms of strategy and resource allocation within the EEAS is a return to the intergovernmental method. The risk is that development become too politicised and that short-term political criteria end up replacing long-term developmental factors, rooted in need, performance and vulnerability.

"I do not think that the EEAS is a regression toward the intergovernmental method. The objective of the reform is to bring together the intergovernmental and Community instruments of the EU's external action.

The Development Commissioner has positioned itself as a highly-political player on crisis. Why can we not try to make a success of an EU that would become a truly global power, with consistent means of taking action externally?

As regards allocation of powers in programming instruments, the most important step in multi-year programming remains under the responsibility of the Commission. In contrast, it is only normal that the first stages of strategy remain under the responsibility of the EEAS."

"Are the European governments in agreement on the timeframe set out for the final structuring of the EEAS?"

"Catherine Ashton states that her five-year term will be dedicated to setting up the EEAS. The aim is to have Community civil servants work alongside national civil servants. This new service will understandably need a certain amount of time before it can cover all of the functions planned".

## **CLOSING ACKNOWLEDGEMENTS**

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