EU Development Policy

In times of austerity, development assistance is often the first victim. In the context of overall spending cuts, "aid abroad" becomes subject to more popular skepticism and increased scrutiny. This tends to result not only in a reduction of aid, but also in its further politicization, making for closer alignments between aid distribution, conditionality and strategic objectives of national foreign affairs agendas. From 2010 to 2011, official development assistance (ODA) by donors from the Organization for Economic Cooperation and Development (OECD) dropped by around €1 billion - to a total of €96 billion. In the European Union (EU), the collective share of aid as a percentage of gross national income (GNI) fell from 0.44 percent in 2010 to 0.42 percent in 2011.[1] Despite this decrease, the EU can still pride itself as the biggest global donor. Nevertheless, the EU performs poorly against the background of a much-advertized promise to spend 0.7 percent of GNI on development aid by 2015. Sensing an erosion of EU credibility, the European Commission has launched an offensive to increase aid effectiveness and to streamline communal and member states' development policies. As development aid is one of the shared competences of the member states and the Commission, the Commission is indeed in the position to promote coordination and coherence of development policies as long as it respects the sovereignty of the member states. [2] When combined adequately with trade policies, the Commission *can* play a powerful role in this policy area.

This brief explores the history and background of EU development policies in order to place current trends in context. Along the way, the brief identifies the main hurdles to having the EU live up to its potential. These include the differences in member states' strategic interests in providing development aid as well as the emergence of other state and non-state actors in the development aid market– for example China, the Gulf Countries or global charity foundations. Less bureaucracy, less conditionality and a less tainted colonial past seem to give these actors a comparative advantage over the EU.

EU development aid: the historical background

EU development aid comes in several forms, ranging from trade concessions to budget support and direct grants and loans through the European Development Fund (EDF). Given the instruments controlled by the European Commission to exert influence in other parts of the world, trade concessions have always constituted an important feature of communal development approaches.

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The parameters of EU aid and concessions have evolved over time, reflecting changes in mainstream theories of development. These changes in overall frameworks of thought can be traced in the consecutive Development Conventions the European Community has adopted. The first of these was the 1963 Yaoundé Convention, which came about in the times of decolonization and on the basis of historical connections. This first communal idea for a development model was founded on non-reciprocal trade concessions and unconditional financial assistance. Since then, mainstream thinking about development changed substantially, placing progressively greater emphasis on increased reciprocity, increased conditionality and increased monitoring and evaluation practices.

The entry of Great Britain into the Community in the mid-1970s increased the influence of neo-liberal ideas on European development thinking. According to the new mantra, trade was the engine of development. The 1975 Lomé Convention reflected this new mindset, with its cornerstone, the granting of non-reciprocal trade concessions to African, Caribbean and Pacific (ACP) countries. A majority of ACP-countries' export products was allowed into the common market duty free, at reduced rates or with other beneficial arrangements.[3] Aside from the request to be granted the status of "Most Favored Nation" (MFN), the European Community did not tie aid and concessions to political or economic conditions.

"Lomé" dominated European development policies for three decades. However, by the 1990s, criticisms had arisen over the trade- or market-centered approach with pundits pointing out that countries in Asia and Latin America greatly outperformed the ACP-countries, while European development assistance failed to enhance trade or to generate economic diversification. The adoption of the Single European Act (1987) and an international debt crisis in the 1980s made the Commission and the individual member states review their aid priorities. Conditionality of aid increasingly became the rule. For example, donors wanted to see structural reforms, cuts in government spending or privatizations as encouraged by the World Bank and the International Monetary Funds (IMF), in exchange for any development assistance. Poverty reduction remained the overarching development objective, but several other goals were added such as gender equality, respect for human rights, good governance and the rule of law.

In 2000, the EU replaced Lomé with the Cotonou Convention (that remains in force today). The Cotonou Convention emphasizes mutual obligations and encourages more differentiation in partnerships - allowing the EU to be more selective and more flexible. Reciprocal trade agreements have become the norm, replacing the unilateral concessions that defined European development policy in the past. These reciprocal agreements take the form of Economic Partnership Agreements (EPAs) for lower- and middle-income countries. The least developed countries (LDCs) are covered under the "Everything But Arms" (EBA) initiative that grants duty and quota free access to European market for everything except military equipment. Currently, the second revision of the Cotonou Agreement is up for ratification in the parliaments of the signatories. One of the main points addressed is that of ownership, with the revision aimed at giving the ACP-countries more influence in drawing up country-specific development strategies.

Policy Coherence for Development (PCD) and the EU Agenda for Change

The Commission emphasizes the need for better policy coherence, both horizontally (between member states) as well as vertically (between policy areas). Investing in PCD both raises credibility and limits the waste of resources. While prominently part of the discourse of the 1992 Maastricht Treaty, PCD only started to receive serious consideration in the 2000s.[4] In 2005, the Council agreed on an ambitious agenda on coherence and since 2007, for example, new EU initiatives and policies must be assessed for their impact on development. PCD features prominently in the Lisbon Treaty and the European External Action Service (EEAS) is tasked with providing constructive linkages not only between development and trade, but also with environment, climate change, fisheries, security and migration. Institutionally, streamlining has led to the 2012 merger of the DG Development and the DG EuropeAid in the European Commission and the European Parliament has created a standing rapporteur for policy coherence for development. As a first concrete implementation attempt, in 2012, the EEAS and the Commission will lead efforts to come to communal programming between the EU and the member states in Ethiopia, Ghana, Guatemala, Laos and Ruanda.

In May 2012, member states adopted the Commission's "Agenda for Change", which will also support funds allocations in the next financial framework (2013-2020).[5] The trend is one of further diversification, increased conditionality and greater emphasis on blending of grants and loans and guarantees in order to leverage private sector finance. The overarching goal remains the eradication of extreme poverty and hunger, but reciprocity and conditionality receive increasing attention. Already under the Cotonou Convention, elements of market opening were combined with demands to, for example, start a dialogue on security, migration, human rights, good governance or arms trade. The adoption of the Millennium Development Goals institutionalized several other objectives of EU development policies besides poverty reduction, including universal primary education, gender equality, the reduction of the mortality rate of children, maternal health, the fight against HIV/AIDS, malaria and other diseases and environmental sustainability.[6] The new "agenda", reiterating the importance of all these elements and drawn up in the context of the upheaval in the Arab world, also seeks successful development through the creation of youth opportunities and the provision of security aid. The EU will prioritize countries showing positive engagement and countries in which the EU can visibly – that is, in the eyes of the domestic electorate - make a difference by granting development aid or direct budget support. This more targeted approach means that especially Middle Income Countries (MICs) are likely to see a reduction in aid or an increase in scrutiny of commitments and performances.

EU aid: internal and external competitors

The EEAS and the Commission can constitute important sources of leadership, but they ultimately rely on the political will of the EU member states. The Commission has a development budget to spend on its own while also being positioned to play a coordinating role for the member states' individual aid programs. Of the €53.8 billion of "EU ODA" in 2010, the Commission provided €11 billion. In the past decade, member states have started co-operating more intensely in the fields of financing, strategies and policy coherence. With the Agenda for Change, the EU has once more set itself ambitious objectives. However, the Commission and the EEAS are constantly battling to prevent 27 parallel policies in addition to their own. They have a tough time influencing political choices made at the national level, with truly coordinated action only possible in those geographical places and thematic policy areas in which national strategic interests are low.

In December 2005, member states did endorse a "European Consensus on Development" and two years later a "Code of Conduct on Complementarity and Division of Labor". What they could agree on was to "reduce poverty" and to promote development "based on Europe's democratic values". They also found a common stance in the idea that "countries are mainly responsible for their own development".[7] But beyond this rather broad consensus, national preferences and views remain diverse. Some member states see development aid predominantly as a tool for national foreign policy, others think development should be left to the United Nations, some believe they might be better off by keeping this policy at the national level and still others - especially since the EU enlargement of the 2000s - do not see development policy as a priority at all. As a good illustration, the EU donor atlas outlines the country-specific trends on ODA commitments, showing us that the large differences between national aid allocations, both with regard to substance and to preferred regional destination, do not seem to diminish.[8] Also, the implementation of agreed-upon commitments by member states is uneven and the economic crisis is having an inward-looking effect on many.[9] In economically unfavorable times, national governments need to enhance their explanations to taxpaying electorates on how and why money is spent abroad. This often leads not only to louder calls for conditionality and better monitoring, but also to a closer focus on a country's perceived national interest.

At the same time, the EU needs to compete with other international donors in the field. One of the main drivers to adopt the "Agenda for Change" was found in the "rapidly changing global environment" and the "new international aid architecture".[10] New donors come in different shapes, ranging from other states (Russia, China, India, the Gulf countries) to new powerful companies and philanthropic foundations (such as the Bill and Melinda Gates Foundation) as well as increasingly active faith-based donors (such as the Islamic Development Bank).[11] Providing some 10 percent of total ODA, the aid that flows from countries other than those represented at the Development Assistance Committee (DAC) of the OECD, is still relatively small. But this "share of the market" raises the fear that Europe is losing its position. Several new donors are less constrained by public scrutiny; they offer aid with fewer conditions attached, tie aid to reforms contrary to Western ideas of development or, as China tends to do, advertise aid as being south-south cooperation instead of the outcome of a donor-recipient relationship, thereby depicting Western states as being unable to think in non-colonial terms.

Conclusion

The EU is unlikely to provide the promised collective ODA-level of 0.7 percent by 2015. Nevertheless, the EU remains the biggest provider of global development aid, even though this EU assistance does not come for free. Since the 1990s, EU development assistance has become more conditional in nature, with its donors demanding more reciprocity and using the tools of flexibility and selectiveness to channel aid to places and sectors that are of strategic interest. At the national level however, the assessments of what is strategically interesting tend to differ. More so than aid provided at the national level, common EU development assistance is used to show both to domestic and foreign audiences the EU objective of positive norm transition, by hammering on the promotion of human rights, the rule of law, gender equality and good governance. This trend is reconfirmed in the recent "Agenda for Change" initiative taken by the Commission and endorsed by the Council. The EU has cut the number of priority countries and sectors and has enhanced monitoring and evaluation capacities. While in essence a positive trend, at the moment when several other state and non-state actors discover the aid market and are able to offer "better terms", this also threatens to undermine the European position in African and other developing countries. The EU hopes to retain its position by initiatives such as PCD, but for the moment, individual member states keep showing great variation in financial provisions as well as in their willingness to align national with communal strategies.

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[1] In absolute numbers, this meant a decrease from €53.5 billion in 2010, to €53.1 billion in 2011. Europe's performance on its ODA commitments is tracked in an annual so-called Monterrey Report. See for 2011 also the Council Conclusions on Annual Report 2012 to the European Council on EU Development Aid Targets, 14 May 2012, http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/130239.pdf.

[2] Art 4.4 TFEU (Lisbon Treaty). "In the areas of development cooperation and humanitarian aid, the Union shall have competence to carry out activities and conduct a common policy; however, the exercise of that competence shall not result in member states being prevented from exercising theirs."

[3] Non-ACP countries received a range of different "preferential treatments" through the Generalized System of Tariff Preferences" (GSP) in the framework of the GATT (WTO) and through several other bilateral agreements, as was the case with countries in the Middle East, Eastern Europe and the Balkans.

[4] See for example Maurizio Carbone, "The EU and Policy Coherence for Development", *European Integration*, 30 (3), 2008, pp. 323-342.

[5] Despite efforts of several member states, the European Development Funds will remain outside of the general EU budget until at least 2020. See for the "Agenda for Change" the Council Conclusions of 14 May 2012, 'Increasing the Impact of EU Development Policy: an Agenda for Change'. http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/130243.pdf

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[6] See for example Jan Orbie en Helen Versluis, "The European Union's International Development Policy: Leading and Benevolent? In: Jan Orbie, *Europe's Global role: external policies of the European Union*, Ashgate Publishing, 2009.
[7] 2006/C46/01, 'The European Consensus on Development' http://ec.europa.eu/development/icenter/repository/european_consensus_2005_en.pdf.
[8] EU Donor Atlas 2011, http://development.donoratlas.eu/Global-Trends.aspx#AtlasTitle
[9] OECD, European Union DAC Peer Review: Main Findings and Recommendations, 2012, http://www.oecd.org/document/50/0,3746,en_2649_34603_50149170_1_1_1_1,00.html.
[10] Council Conclusions of 14 May 2012, 'Increasing the Impact of EU Development Policy: an Agenda for Change'. This new international aid architecture is explained in the Conclusions as entailing the following developments: "Differences between developing countries have increased. Emerging countries' growth has become an essential part of global growth. Several countries have become donors in their own right and key partners concerning global public goods. Further, some Least Developed Countries (LDCs) have recently seen high growth rates, while others are facing increasing fragility."
[11] See for example Sven Grimm et al. "European Development Cooperation to 2020: Challenges by new actors in international development" *EDC2020 Working Paper*, 2009, http://www.edc2020.eu/fileadmin/Textdateien/EDC2020_WP4_Webversion.pdf.

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