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The European Union's International Cooperation

Recent Developments and Future Challenges



Edited by Andrew Sherriff

European Centre for Development
Policy Management

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The European Union's International Cooperation - Recent Developments and Future Challenges

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Disclaimer

The views expressed are those of individual authors. This publication is based on work produced throughout 2013. Additional and new information on themes covered in this book can be found at ECDPM's website, <http://www.ecdpm.org>

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List of acronyms

AA	Ministry of Foreign Affairs (Germany)
ACP	African Caribbean Pacific Group of Countries
ADB	Asia Development Bank
ADE	Aide a la Decision Economique
AECID	Spanish Agency for International Cooperation and Development
AFD	Agence Française de Développement
AfDB	African Development Bank
AFISMA	African-led International Support Mission in Mali
AGA	African Governance Architecture
AGIR	Global Alliance for Resilience Initiative
AIF	Asia Investment Facility
AMIS	African Union Mission in Sudan
AMISOM	African Union Mission in Somalia
APF	African Peace Facility
APSA	African Peace and Security Architecture
AQIM	Al-Qaeda in the Islamic Maghreb
AU	African Union
AUC	African Union Commission
AusAID	Australian Agency for International Development
BIO	Belgian Investment Company for Developing Countries
BITI	ACP Bank for International Trade and Investment
BMELV	German Federal Ministry of Food, Agriculture and Consumer Protection
BMWi	German Federal Ministry for Economic Affairs and Energy
BMZ	German Federal Ministry for Economic Cooperation and Development
BRICS	Brazil, Russia, India, China, South Africa
BSSC	Budget Support Steering Committee
CAADP	The Comprehensive Africa Agriculture Development Programme
CABEI	The Central American Bank for Economic Integration
CAERT	Centre Africain d'Etudes et de Recherche sur le Terrorisme
CAF	Banco de Desarrollo de América Latina
CAP	Common Agricultural Policy
CARICOM	Caribbean Community
CARIFORUM	Forum of the Caribbean Group of ACP States
CBDR	Common But Differentiated Responsibilities and respective capabilities
CDB	Caribbean Development Bank
CDE	Centre for the Development of Enterprise
CDU	Christian Democratic Union
CEB	Council of Europe Development Bank

CEMOC	Joint Operational General Staff Committee
CFP	Common Fisheries Policy
CFS	UN Committee on World Food Security
CFSP	Common Foreign and Security Policy
CGD	Center for Global Development
CIF	Caribbean Investment Facility
CODEV	Council Working Party on Development Cooperation
COMAGRI	Agriculture Committee of the European Parliament
COMESA	Common Market for Eastern and Southern Africa
COPs	Conferences of the Parties
CPA	Cotonou Partnership Agreement
CPIA	Country Policy and Institutional Assessment
CSDP	Common Security and Defence Policy
CSO	Civil Society Organisation
CSP	Country Strategy Paper
CSU	Christian Social Union
CTA	Technical Centre for Agricultural and Rural Cooperation
DAC	Development Assistance Committee of the OECD
DAFM	Ireland's Department of Agriculture, Food and the Marine
DAS	Délégation aux Affaires Stratégiques
DBE	Service Special Evaluation
DCCD	Development Cooperation Coordination Division
DCFTA	Deep and Comprehensive Free Trade Areas
DCI	Development Cooperation Instrument
DEC	Department for Effectiveness and Coherence
DEVCO	Directorate-General for Development and Cooperation
DEVE	Development Committee of the European Parliament
DFAT	Department of Foreign Affairs and Trade
DFI	Development Finance Institution
DfID	Department for International Development, United Kingdom
DG	Directorate-General
DGE	Belgian Directorate-General for European Affairs
DIE	Deutsches Institut für Entwicklungspolitik / German Development Institute
DIIS	Danish Institute for International Studies
DPC	Development Policy Committee
DRC	Democratic Republic of Congo
DSW	Deutsche Stiftung Weltbevölkerung (German Foundation for World Population)
DWF	Distant Water Fleet
EBA	Everything But Arms
EBRD	European Bank for Reconstruction and Development
EC	European Commission

ECA	European Court of Auditors
ECDPM	European Centre for Development Policy Management
ECFIN	Directorate-General for Financial and Economic Affairs
ECHO	Directorate-General Humanitarian Aid and Civil Protection
ECOMOG	Economic Community of West African States Monitoring Group
ECOWAS	Economic Community of West African States
EDD	European Development Days
EDF	European Development Fund
EEA	European Environment Agency
EEAS	European External Action Service
EEC	European Economic Community
EEZ	Exclusive Economic Zones
EFF	European Fisheries Fund
EIB	European Investment Bank
EIDHR	European Instrument for Democracy and Human Rights
ENI	European Neighbourhood Instrument
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
EP	European Parliament
EPA	Economic Partnership Agreement
EPG	Eminent Persons Group
EPI	Environmental Protection Index
ERD	European Report on Development
ERDF	European Regional Development Fund
ESDP	European Security and Defence Policy
ESF	European Social Fund
EU	European Union
EUBEC	EU Platform for Blending in External Cooperation
EUCAP	European Union's capacity-building mission
EUD	European Union Delegation
EUDEL	European Union Delegation
EUHES	Group of Heads EU Member States' development cooperation evaluation services & EC
EUSR	European Union Special Representative
EUTM	European Union's Training Mission
FAC	Foreign Affairs Council
FAO	Food and Agriculture Organisation
FDP	Free Democratic Party
FIG	Financial Institutions Group
FINNFUND	Finnish Fund for Industrial Cooperation
FPA	Fisheries Partnership Agreement

FQD	Fuel Quality Directive
FSPF	Food Security Policy Framework
FTA	Free Trade Agreement
FTDOL	Fast Track Initiative on the Division of Labour
G-77	Group of 77
GDI	German Development Institute
GDP	Gross Domestic Product
GGDCS	Good Governance and Development Contracts
GHG	Green House Gas
GID	Global Issues Division
GKKE	Gemeinsame Konferenz Kirche und Entwicklung
GNI	Gross National Income
GPG	Global Public Goods
GSGDA	Ghana Shared Growth and Development Agenda
GSP	Generalized Scheme of Preferences
HARD	Head of Agriculture and Rural Development
HIC	High-Income Country
HLPE	High Level Panel of Experts on Food Security and Nutrition
HQ	Headquarter
HR/VP	High Representative of the Union for Foreign Affairs and Security Policy/Vice President of the European Commission
HRFASP	High Representative for Foreign Affairs and Security Policy
IA	Impact Assessment
IADB	Inter-American Development Bank
IBSA	India, Brazil, South Africa
ICEI	Complutense Institute of International Studies
ICI	Industrialised and high-income countries
ICS	EU Joint Cooperation Strategy
ICT	Information and Communication Technologies
IDA	International Development Association (World Bank)
IEPA	Interim Economic Partnership Agreement
IFC	International Finance Corporation
IFCA	Investment Facility for Central Asia
IFP	Investment Facility for the Pacific
IFPRI	International Food Policy Research Institute
IFS	Instrument for Stability
IHEDN	Institut des Hautes Études de Défense national
ILUC	Indirect Land-Use Change
IMF	International Monetary Fund
IOB	Independent Inspection Development Cooperation and Policy Evaluation
IP	Implementation Plan

IPA	Instrument for Pre-Accession Assistance
IPG	International Public Goods
ISC	Inter-Service Consultation
ISG	Inter-Service Group
ISS	Institute for Security Studies
ITF	Infrastructure Trust Fund
JAES	Joint Africa EU Strategy
JCEUS	Joint Caribbean-EU Strategy
JPA	Joint Parliamentary Assembly
LAIF	Latin America Investment Facility
LDC	Least Developed Country
LIC	Low-Income Country
LIFE	Programme for the Environment and Climate Action
LMIC	Lower Middle Income Country
LRRD	Linking Relief, Rehabilitation and Development
LuxDev	Luxembourg Agency for Development Cooperation
MCS	Monitoring Control and Surveillance System
MDG	Millennium Development Goals
MEP	Member of the European Parliament
MFA	Ministry of Foreign Affairs
MFF	Multiannual Financial Framework
MIC	Middle-Income Country
MIFF	Middle-Income but Failed or Fragile state
MIP	Multi-Annual Indicative Programme
MNLA	Mouvement National de Libération de L'Azawad
MP	Member of Parliament
MS	Member State
MSG	Melanesian Spearhead Group
MUJAO	Mouvement pour le Tawhîd et du Jihad en Afrique de l'Ouest
NAO	National Authorizing Office
NATO	North Atlantic Treaty Organization
NGO	Non Governmental Organization
NIB	Nordic Investment Bank
NIF	Neighbourhood Investment Facility
NPF	Nutrition Policy Framework
NSA	Non-State Actors
OCT	Overseas Countries and Territories
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development
OoEB	Österreichische Entwicklungsbank

PACER	Pacific Agreement on Closer Economic Relations
PAP	Pan-African Programme
PASOC	Programme d'Appui à la Structuration de la Société Civile (Strengthening of Civil Society Support Programme)
PCD	Policy Coherence for Development
PFG	Project Finance Group
PGD	Policy for Global Development
PGU	Sweden's Policy for Global Development
PI	Partnership Instrument
PICNI	Pakistan, India, China, Nigeria and Indonesia
PIDG	Private Infrastructure Development Group
PIFS	Pacific Islands Forum Secretariat
PNG	Papua New Guinea
PPP	Public Private Partnership
REC	Regional Economic Community
RED	Renewable Energy Directive
RELEX	External Relations and Foreign Affairs
RFI	Radio France Internationale
RFMO	Regional Fisheries Management Organization
SACU	Southern African Customs Union
SADC	South African Development Community
SADPA	South African Development Partnership Agency
SAIIA	South African Institute of International Affairs
SBCs	State Building Contracts
SDG	Sustainable Development Goals
SE4ALL	Sustainable Energy for All
SFA	Sustainable Fisheries Agreement
SIDS	Small Island Developing States
SIMEST	Società Italiana per le Imprese all'Estero
SME	Small and Medium Enterprises
SOFID	Sociedade para o Financiamento do Desenvolvimento
SOU	Statens Offentliga Utredningar
SRCs	Sector Reform Contracts
TAIEX	Technical Assistance and Information Exchange Instrument
TDCA	Trade, Development and Cooperation Agreement
TFEU	Treaty on the Functioning of the European Union
UD-USTYR	Unit for Development Cooperation Governance
UFL	Unité de Fusion et de Liaison
UK	United Kingdom
UMIC	Upper Middle Income Country
UN	United Nations

UNDESA	United Nations Department for Economic and Social Affairs
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNFPA	United Nations Populations Fund
UNICEF	United Nations Children's Fund
UNOPS	United Nations Office for Project Services
UNSRRF	United Nations Special Representative on the Right to Food
US	United States
USA	United States of America
WB	World Bank
WBIF	Western Balkan Investment Framework
WGI	World Governance Indicators
WHA	World Health Assembly
WMD	Weapons of mass destruction
WRR	Scientific Council for Government Policy
WTO	World Trade Organisation

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Introduction

Andrew Sherriff¹

A key concern of the European Centre for Development Policy Management (ECDPM) is to link policy and practice in a more effective way. Reconciling the European Union's values and interests is one of four key themes of ECDPM's 2012-2016 strategy. This book seeks to explore the intersection of the dilemmas facing the European Union as it both struggles to bridge policy and practice, and reconcile its values and interests in a changing world. It draws on a selection of the extensive work undertaken by ECDPM throughout 2013 that is relevant for the future of the European Union's international cooperation. The increased merging of the worlds of international relations and development policy has created a new agenda of international cooperation. Driven by a process of globalisation, the rise of middle-income countries and one of the longest recessions in history, particularly in many OECD countries, the world is changing. For the European Union and its member-states to remain relevant and influential in this new reality, they must respond to this challenge. At the same time inequality is increasing globally, and, despite some progress, the Millennium Development Goals will not be realised by 2015. State failure and violent conflict is still persistent and policies beyond development still hold the real potential to be the motors of positive change rather than aid management strategies focused on ODA. This all requires global partnerships that really are mutually beneficial.

2013 was a year in which an evolving development policy agenda was tested against reality. Realities such as the negotiations for the EU budget 2014-2020, where the new EU institutional arrangements got to grips with programming, and where policy ideas such as blending grants and loans and EU's engagement with fragile states with a new budget support modality became more of a reality. The EU had the challenge of increasingly engaging with middle income countries – a group for which it has no official policy – as well as supporting transitions in Arab spring countries and beyond. The fallout from the Mali intervention also had a wider impact on the Africa–Europe relations and international cooperation more generally. The debate on what would become of the European Union's oldest formal international cooperation agreement, that with the African, Caribbean and Pacific (ACP) group of states, beyond 2020 gathered pace. In an era of decreasing aid but still large developmental needs, policy coherence for development still offers key potential, and yet progress in this area has been soberingly slow.

This book explores these issues in three interlinked sections to give readers an overview of current developments and future challenges. ECDPM strives in its work to go beyond analysis to also provide realistic options in terms of bridging the policy to practice divide while not shying away from the political fundamentals that have to be addressed.

¹ The author is grateful for editorial feedback on this chapter from Greta Galeazzi and Rhys Williams of ECDPM.

Section I explores the issue of the EU's changing development cooperation policy and practice. More specifically it looks at how many of the commitments as laid out in the EU's new development policy the Agenda for Change have been carried through into practice. Florian Krätke's chapter from *Purse to Policy to Practice: Six Initiatives to Future-proof EU Development Cooperation for 2014-2020 and Beyond* brings together the trends with regards the overarching policy developments. Following the logic through of where the money goes, it notes an increase in the budget for external action, but also an increase in its scope and ambition. It also notes that policy developments like differentiation amongst countries in terms of aid allocation is very much on the agenda and that new funding arrangements – for instance the EU's Partnership Instrument, and Pan African Programme – have been developed. Yet the challenge will be how these are really implemented in the coming years.

Alisa Hererro, Greta Galeazzi and Florian Krätke's chapter on *Early Experience in Programming EU Aid 2014-2020: Charting the Agenda for Change* presents some key findings on one of the processes where the challenges of linking policy and practice are most tangible. The chapter looks at what are the process and drivers for allocating the EU's 'big' development money through the European Development Fund (EDF) and the Development Cooperation Instrument (DCI). It notes the challenge of pushing through a new policy agenda of sector concentration while dealing with a new institutional step up and also ensuring appropriate consultation among and beyond EU stakeholders.

Greta Galeazzi, Damien Helly and Florian Krätke's *All for One or Free-for-All? Early Experiences in EU Joint Programming* looks at the implementation of one of the enduring ideas in the EU's development cooperation to enforce greater collaboration between the EU institutions and the member-states at the level of partner countries. While "joint programming" itself may be a misnomer, the fact that it is not the actual joint programming of EU development instruments, but rather an EU joint analysis and a division of labour, there is some progress to report on a long-standing EU commitment, the question of how much EU member-states and the Commission are really willing to exit or engage in different sectors is still very much in question. Joint programming also seems to work best when there is a strong partner government to interact with, yet even then partner countries worry about whether joint programming could give the EU too much leverage over national priorities.

The development sector as a whole and the EU in particular through the Agenda for Change has increasingly committed to looking at leveraging new fund for development. In Sanoussi Bilal and Florian Krätke's chapter on *Blending Loans and Grants for Development* they address the key question of whether this mix of financing modalities is an effective approach for the EU. The chapter notes that, as an 'innovative financing' mechanism, blending can catalyse public and private investment and bring other benefits to leverage EU development cooperation efforts. Yet funding leveraged through grant aid does not guarantee increased or innovative development impact, e.g. 'additionality', and holds several further risks. The potential impact of EU blending

can be diluted by targeting too many policy objectives and adopting inadequate mechanisms – close coordination and proper monitoring and evaluation are therefore critical for this to be successful the chapter argues.

Volker Hauck, Greta Galeazzi, and Jan Vanheukelom look at a new innovation in what is, at times, a controversial development cooperation mechanism - budget support. In their chapter the *EU's State Building Contracts: Courageous assistance to fragile states*, the authors raise the question of how effective is this modality of budget support for fragile and transition countries. The contracts appear to be a smart and flexible response to past criticisms of EC budget support in fragile, transition and conflict-affected environments. Yet key problems are noted, in particular officials within EU institutions and EU member states having different expectations about the strategic and developmental role that this modality should play in partner countries. Therefore stakeholders will have to carefully avoid overloading the modality with too many objectives and demands. The chapter notes that capacity requirements for implementing budget support require greater attention in fragile contexts, therefore more flanking measures are needed to effectively accompany the implementation of State Building Contracts. Another key observation of this chapter is that State Building Contracts conceptually support the New Deal's peacebuilding and statebuilding goals, but to accomplish them, actors implementing the contracts will have to keep the New Deal's ambitions in close sight.

Section II of this book looks specifically at the EU's response to particular groups of countries or regions. Given the EU's own history of being made up of member-states who have themselves gone through quite some evolutions, the focus on transition countries is a thematic approach where the EU believes it can bring particular added value. Yet the term remains ill-defined including in the EU's own policy statements. The chapter by Jean Bossuyt on *EU support for sustainable change in transition countries* provides "food for thought" on key conditions that may help partner countries benefit from transition experiences. It focuses on two questions: (i) is there a shared understanding on what 'inclusive development' entails and on the required reforms under this umbrella? and (ii) how solid is the EU policy response towards transition countries and what are some of the main implementation challenges to be expected? Another group of ill-defined countries, which are increasingly on the agendas of both international relations and development policy, are the Middle Income Countries (MICs).

The EU has no specific policy towards MICs as a group but is increasingly challenged to respond to a changing context where they have a more prominent role. Niels Keijzer, Florian Krätke, and Jeske van Seters explore what would be the challenges and opportunities for EU cooperation with MICs in their chapter *Meeting in the Middle*. The authors note the need to further clarify the purpose, nature and scope of the EU's engagement with MICs beyond traditional development cooperation and that EU should employ such political economy analysis to better differentiate between the MICs. This is necessary to adopt more tailor-made and effective approaches for cooperation with individual MICs as well as drawing more directly on the EU's own experiences.

Moving from thematic groupings of countries to the specific geographic groupings the chapter *The Mali crisis and Africa-Europe relations* by Damien Helly and Camilla Rocca charts the potential impact of this Sahelian crisis on wider issues. The authors note that the crisis in Mali was a reality check and reset for Africa-Europe relations since it emphasised the role of influential member states over continental and regional organisations. Therefore the Africa-Europe relationship requires effective geographical differentiation and tailored approaches, and not only over continental and development aid. The EU-ACP relationship is the oldest of the European institutions' formal international cooperation agreements yet after several decades both Europe and the Africa, Caribbean and Pacific (ACP) group there is a realisation that the future will not resemble the past. With the Cotonou Partnership Agreement governing the relationship coming to an end in 2020 the pace is already gathering to explore what a future relationship may look like. Mario Negre, Niels Keijzer, Brecht Lein, and Nicola Tissi look at the question of renewal or oblivion of the Agreement in the chapter on the *Prospects for post-2020 cooperation between the European Union and the Africa, Caribbean and Pacific Group*. Noting that fundamental rethinking of the Agreement is now underway, the chapter shows that most studies on future modalities for ACP-EU cooperation post-2020, have focused on the institutional running of the Agreement. The findings, a result of a joint research project by ECDPM and the German Development Institute carried out in a selection of 10 ACP countries, display a clear gap between Brussels and the ACP constituencies in terms of understanding, interest and appreciation of ACP-EU cooperation. Becoming more specific on one ACP region Geert Laporte and Gemma Piñol Puig explore *The Future of Pacific-EU Relations: With or Without the ACP?* Noting that neither stagnation or status quo is an option for the relationship, the chapter also proposes essential steps for a qualitative reflection process that ultimately should result in the concrete implementation of "feasible" scenarios for the future.

Section III of this book focuses on Policy Coherence for Development (PCD). Policy coherence for Development as a concept and an idea is here to stay whether named as PCD or not. Despite the lack of progress and political challenges, effective policy coherence that is sensitive to development concerns offers significant opportunities for better and more equitable international cooperation. Looking at how the institutional mechanism for PCD have evolved in five EU member-states Greta Galeazzi, Anna Knoll, Florian Krätke, Brecht Lein, Anna Rosengren and Andrew Sherriff chart the limited progress to date and emerging issues. In the chapter *Insights from development in national policy coherence for development systems* they note the key dilemma for the countries covered is how to develop and sustain the level of political interest in and support for PCD. In an innovative section of the chapter, they look at the system for promoting coherence in EU policy making at the national level, showing that there seem to be almost no link between the system to promote national coherence towards EU policy making and the one for policy coherence for development. The chapter goes onto contrast and compare policy commitments, institutional mechanisms and knowledge inputs, noting the last element remains the most under-developed.

Moving from the institutional to the thematic sphere, Paul Engel, Brecht Lein, Jeske van Seters, and Bas Helden, in their chapter on *EU policy coherence for food security* look at how the food security and PCD agendas can be better aligned. In a frank assessment they note that, after over 20 years of legal and policy commitments as well as political rhetoric, it is necessary for the EU to get serious and realistic about PCD at the political level in the area of food security. While many of the considerations noted are of a technical nature, the chapter discusses four policy processes which show there is a real need for political sponsorship and leadership on PCD for food security. Without such strong political drive, there is a distinct lack of scope to promote genuine change toward a more development-friendly EU policy-making and 'success stories' will remain small and anecdotal. Boldly stated, the EU will need greater progress on PCD in order to maintain its credibility.

Conclusion

The developments and dilemmas analysed in the chapters paint a picture of considerable evolution in the EU's international cooperation agenda and policy to attempt to meet global challenges. There is adaptation and change, and it would be unfair to characterise the EU as caught in the past. Yet persistent questions are raised in the analysis of whether the EU is moving fast enough with its partners to meet changing global realities, or if recurring problems of bridging the policy to practice gap have been sufficiently overcome. A recurring theme is the need for a more realistic and political economy analysis to underpin and nourish the EU's international cooperation if it is to reach its potential in a changing world. This will be a key challenge the future leadership of the European institutions that will be confirmed in 2014, as it will be throughout the new EU budgetary period until 2020. 2014 will be yet another challenging year for the EU's international cooperation yet making progress on the issues outlined in the individual chapters in both reconciling its values and interests and reducing the gap from policy to practice would not only serve the European Union and its African partners but hopefully a wider global community. ECDPM will continue to work on this challenge in collaboration with its partner institutes throughout the coming years, not only through our analytical work in the public domain but also through our facilitation of dialogue, capacity development and direct advice to policy makers in the EU and its partners throughout the world.

PART 1

EU Development Cooperation

Linking Policy and Practice

From Purse to Policy to Practice - Six Initiatives to Future-proof EU Development Cooperation for 2014-2020 and Beyond?¹

Florian Krätke²

In the wake of the negotiations on the European Union (EU) budget for 2014-2020, much attention has gone to the proposed funding for external action. With the final agreement on the budget approaching, it is time to focus on the 'how?' question rather than dwell on 'how much?' Discussions on who to give aid to, in what form and under what conditions, how global partnerships should be shaped and how the development effectiveness agenda can be taken forward are the order of the day. What steps has the EU taken to 'future-proof' its development policy and practice by anticipating and acting on global trends and developments, both for the current budgetary period as well as for the longer term?

To answer this question, the chapter surveys six on-going initiatives and discussions in EU development policy and practice to increase the effectiveness and relevance of the EU's development aid and cooperation. They highlight changes in the EU's bi- and multi-lateral engagements with developing partner countries and new aid instruments and modalities. These initiatives offer ample scope for policy-makers and practitioners from EU member-states and also its major development partners to engage with the EU in order to enhance its future cooperation efforts.

The purse: the essentials on funding and programming of EU external action 2014-2020

Council Conclusions regarding the MFF³ confirm European leaders' intentions to cut the overall EU budget for 2014-2020, also affecting resources for EU external action. The section of the budget covering the majority of the EU's instruments and programmes for development cooperation and external action (Heading 4) has suffered the largest share of the reductions in relative terms compared to the original European Commission (EC) proposal, amounting in

¹ This chapter originally appeared as: Krätke, F. June 2013. From Purse to Policy to Practice. Six initiatives to future-proof EU development cooperation for 2014-2020 and beyond? (ECDPM Briefing Note, 51). Maastricht: ECDPM. <http://www.ecdpm.org/bn51>

² The author of this chapter is thankful for the kind input of Greta Galeazzi, Andrew Sherriff, Brecht Lein, Anna Knoll, Jeske van Seters, Bruce Byiers and Geert Laporte on this publication. The views expressed here are those of the author only and should not be attributed to any other person or institution

³ See European Council (2013).

total to € 58,7 billion⁴. The previous EU budget (for the period 2007-2013) however allocated € 56.8 billion to EU external action – the new budget therefore still represents a 3.4% increase in funding for external action though the scope and ambition are also larger.

Alongside the EU budget, an amount was agreed for the 11th European Development Fund (EDF), the EU's main instrument for development cooperation with the African, Caribbean and Pacific (ACP) group of states⁵. The fund has been increased by 0.6% from the 10th EDF, though the annual funding for the EDF will be slightly lower in real terms given that the fund now spans an additional year. See Table 1 for an overview of the annual and total commitment appropriations for the new budget.

Table 1. Annual commitment appropriations for EU external action 2014-2020⁶

Commitment appropriations	2014	2015	2016	2017	2018	2019	2020	Total
Heading 4 - Global Europe	7,854	8,083	8,281	8,375	8,553	8,764	8,794	58,704
Emergency Aid Reserve*	280	280	280	280	280	280	280	1,960
11th EDF*	2,952	3,868	3,911	3,963	4,024	4,094	4,174	26,986*
Total	11,086	12,231	12,472	12,618	12,857	13,138	13,248	87,650

* In current prices, the 11th EDF comprises € 30,506 mln.

(EUR million – 2011 prices) * outside the MFF

Whereas final agreement between the EU institutions on the budget is still to be reached⁷, the Commission has put forward a proposal on the allocations to the various instruments and programmes⁸. The proposal and relevant calculations are summarised in Table 2, and give an early indication of which areas of external action the EU wishes to prioritise in terms of financial resources for the period 2014-2020, notably:

4 All amounts, including in the tables, are given in 2011 prices.

5 See European Commission (2011).

6 See European Council (2013).

7 Trialogues between the European Parliament, Council and Commission are ongoing. Though it has always been held that 'nothing is agreed until everything is agreed', negotiations are unlikely to affect the amount(s) of the budget and negotiators are aiming for a deal on the budget before the end of June 2013, though might last to the end of the year.

8 See Council of the European Union (2013).

Table 2. Comparison of funding for EU external action programmes⁹

Heading IV instrument	2014-2020 MFF	2011 EC proposal	Change from 2011 EC proposal	16.14% cut applied evenly to EC proposal	Change from even cut	2007-2013 MFF	Change from previous EU budget
IPA	10,576.0	12,520.0	-15.5%	10,499.3	0.7%	11,468.0	-7.8%
ENI	13,682.6	16,097.0	-15.0%	13,498.9	1.4%	11,181.0	22.4%
EIDHR	1,182.5	1,400.0	-15.5%	1,174.0	0.7%	1,104.0	7.1%
IFS	2,075.1	2,510.0	-17.3%	2,104.9	-1.4%	2,062.0	0.6%
CFSP	2,075.1	2,510.0	-17.3%	2,104.9	-1.4%	1,980.0	4.8%
PI	844.3	1,000.0	-15.6%	838.6	0.7%	172.0	390.9%
DCI	17,390.4	20,597.0	-15.6%	17,272.6	0.7%	16,897.0	2.9%
Humanitarian aid	5,877.9	6,405.0	-8.2%	5,371.2	9.4%	5,614.0	4.8%
CPFI + ERC	128.4	210.0	-38.9%	176.1	-27.1%	56.0	129.3%
EVHAC	130.1	210.0	-38.0%	176.1	-26.1%	-	-
INSC	200.0	560.0	-64.3%	469.6	-57.4%	524.0	-61.8%
Macro-financial assistance	501.0	593.0	-15.5%	497.3	0.7%	753.0	-33.5%
Guarantee fund for external actions	1,063.1	1,257.0	-15.4%	1,054.1	0.9%	-	-
Agencies	136.7	137.0	-0.2%	114.9	19.0%	-	-
Other	840.8	995.0	-15.5%	834.4	0.8%	-	-
Margin	2,000.0	3,000.0	-33.3%	2,515.8	-20.5%	-	-
TOTAL	58,704.0	70,000.0	-16.14%	58,704.0		56,815.0	3.35%
11th European Development Fund	26,984.0	30,319.0	-11%	-	-	26,826.0	0.6%
Emergency Aid Reserve	1,960.0	2,450.0	-20%	-	-	1,697.0	15.5%

(EUR million, 2011 prices)

- Funding is being substantially increased for the European Neighbourhood Instrument (ENI) and the Partnership Instrument (PI, compared to the ICI - see below). The EU might therefore be said to be concentrating a larger part of its external action efforts on its immediate (South and Eastern) neighbourhood, as well adapting its instruments to new forms of partnership and cooperation with (more) advanced countries, accounting for approximately 25% of funding for EU external action.
- The Development Cooperation Instrument (DCI), the EU's principal instrument for development cooperation with non-ACP developing countries (as well as ACP countries through its thematic programmes) remains the largest of the instruments, accounting for approximately 30% of the funding for EU external action. In other words, given the DCI's focus, one third of MFF funding for EU external action directly addresses poverty reduction and eradication.
- Funding for programmes with a peace and security-focus, such as the Common Foreign and Security Policy (CFSP) and the Instrument for Security (IFS) will increase only modestly, particularly in comparison with more 'traditional' development-oriented instruments and programmes. These programmes make up 7% of the budget for EU external action.

In addition, the proposed regulations for the various instruments give some further hints as to the amounts allocated to particular priority areas:

- At least 20% of EU aid should support social inclusion and human development¹⁰. The European

⁹ Figures retrieved from see Council of the European Union (2013), see European Commission 2011a and see European Parliament (2011b).

¹⁰ See Council of the European Union (2012a).

Parliament (EP) has suggested that 20% of each instrument for development cooperation, including the 11th EDF, should support basic social services in line with MDGs 2-6¹¹.

- The DCI regulation is to contribute to the Europe 2020 target of addressing at least 20% of the overall EU budget to low carbon and climate resilient society. The DCI's new Global Public Goods programme is likely to contribute 20-25% of its funds to address development-related aspects of environment, climate change and biodiversity.

Whereas the various instruments for development cooperation have yet to acquire a formal legal basis and an agreed financial allocation, programming in partner countries is currently on-going. EU Delegations were instructed to submit their first reports on selected priority sectors by September 2012 (following local consultations) before receiving confirmation and feedback from the EC's Directorate General for Development and Cooperation (DEVCO) and the European External Action Service (EEAS). Reports from the country level on the programming process indicate that sustainable agriculture, energy and health have been noted as priority in a majority of countries in West and Central Africa and Asia, whereas for Caribbean countries macroeconomic management, reform and diversification are noted in addition. Infrastructure and transport is widely being downgraded as a priority sector.

Table 3. Estimated funding for programmes under the DCI and EDF¹²

DCI	€ 17,390.4
Geographic programmes (60,1%)	€ 10,451.6
Global public goods and challenges (25,6%)	€ 4,451.9
- Environment and climate change (25% of programme)	€ 1,112.99
- Sustainable Energy (12,7%)	€ 565.40
- Human development (25%)	€ 1,112.99
- Food security and sustainable agriculture (30,2%)	€ 1,344.49
- Migration and asylum (7,1%)	€ 316.09
Civil society organisations and Local authorities (10%)	€ 1,739.04
Pan-African Programme (4,3%)	€ 747.79
EDF	€ 26,984.0
ACP Group of States (95,4%)	€ 25,742.74
- National and regional indicative programmes (83,8%)	€ 21,572.41
- Intra-ACP and intra-regional cooperation (12,3%)	€ 3,166.36
- ACP Investment Facility (managed by EIB) (3,9%)	€ 1003.97
Overseas Countries and Territories (1,2%)	€ 323.80
Administrative and support expenditure (for EC) (3,4%)	€ 930.95

(in EUR millions, 2011 prices)

¹¹ See European Parliament (2013c).

¹² Own calculations, based on percentage estimates taken from see European Parliament (2012b) and see Council of the European Union (2013a). Final figures may differ.

The programming process remains fraught with uncertainty due to the aforementioned lack of clarity on funding allocations. Most EU Delegations are thus still awaiting DEVCO and EEAS approval to begin translating the sector priorities into multi-annual indicative programmes (MIPs), and regional programming for these instruments (including intra-ACP programming for the EDF) is yet to formally start. Rough estimates can however be given as to how much funding goes to particular regions or thematic areas in the EDF and DCI, as noted in Table 3. The estimated allocations for the DCI are based on the European Parliament's consolidated negotiating position on the DCI and the draft Internal Agreement for the 11th EDF. Final agreement on the MFF (and consequently on these figures) is expected by the end of June yet could run late into 2013.

The policy: current EU discussions

The EU budget negotiations underpin a number of policy processes and discussions. Not only is the EU still settling into the new institutional architecture provided by the Lisbon Treaty, but the global aid and development architecture is evolving in an attempt to respond to economic, political and social trends. These include: the emergence of new donors; a growing 'middle class' in developing countries and; increased interest of donor and developing countries in global public goods. These affect the EU's bi- and multi-lateral relations with developing partner countries, its development policy priorities and those it promotes in multilateral fora, as detailed below.

Differentiation¹³

The EU's new development policy framework, the Agenda for Change¹⁴, makes explicit the EU's intention to differentiate between developing partner countries¹⁵. The Agenda summarises this rationale in stating "several partner countries have become donors in their own right, while others are facing increasing fragility. The EU must now explore new ways of working with them and promote a more inclusive international development agenda". For development cooperation, 'differentiation' is likely to affect partner countries':

1. **Access to aid;** bilateral grant assistance will no longer be provided to upper-middle income countries (UMICs) and high-income countries (HICs), and countries representing more than 1% of the global Gross Domestic Product (GDP). Applied to the DCI, this means that 19 countries will no longer receive bilateral grant assistance¹⁶, although they continue to receive funding through the thematic programmes and other instruments. The EU institutions have yet to agree on whether there can be exceptions to this rule, and whether

¹³ See Keijzer, Seters, Lein, Krätke (2012).

¹⁴ See European Commission (2011b).

¹⁵ Aside from development cooperation, the EU is pursuing a differentiated approach in other policy areas, such as trade and climate change.

¹⁶ Namely: Argentina, Brazil, Chile, China, Colombia, Costa Rica, Ecuador, India, Indonesia, Iran, Kazakhstan, Malaysia, Maldives, Mexico, Panama, Peru, Thailand, Uruguay and Venezuela.

aid should be cut or phased out¹⁷. Furthermore, the EC has stated that this policy will not be applied to the EDF;

2. **Levels of aid;** effectively already the norm in EU development cooperation, as country aid allocations are differentiated according to the partner countries' needs, capacity, commitments and performance, and potential impact of aid. For the current programming cycle, the EU will likely concentrate over 90% of its funding for the EDF and the DCI on Least Developed Countries (LDCs) and lower-middle income countries (LMICs). Funds for the two instruments are allocated to countries based primarily on their income per capita and population size, and to a lesser extent based on measurements for governance, human assets, economic vulnerability and state fragility. UMICs will consequently be faced with large reductions in bilateral grant aid¹⁸;
3. **Policy frameworks and instruments for cooperation;** the Agenda for Change calls for the use of an optimal mix of policies, approaches and instruments adapted to countries' development situation. This is particularly relevant for UMICs, whose partnership and cooperation with the EU is likely to undergo significant changes, both for the upcoming and future programming cycles¹⁹. For these countries, differentiation would imply furthering cooperation in areas 'beyond aid' (e.g. trade, knowledge transfers, climate change etc.) and the use of innovative sources of financing (e.g. blending grants and loans and other risk-sharing mechanisms) when appropriate.

Parallel to discussions on the EU budget, DEVCO and the EEAS headquarters have started the process of designing and programming aid allocations to individual countries and to regions. The first proposal for the allocation of funds from the EDF and DCI to countries was agreed internally in December 2012, though the EC and EEAS have not yet completed their reflection on how to implement differentiation for the 11th EDF. The ACP countries, on their side, maintain that there is no legal basis for the differentiation policy in the Cotonou Partnership Agreement (see also below) – they perceive it as a policy 'imposed' by the EU without prior consultation. Matters are further complicated by the existence of other differentiation policies.²⁰

Discussions on the EU's institutions aid differentiation policy will concern the criteria or indicators used for differentiating between countries; the way these are used and weighted against one-another; the resulting aid allocations, and; the instruments and forms of cooperation employed.

¹⁷ See Herbert (2013).

¹⁸ The EP has proposed that some UMICs remain eligible for bilateral grant aid under the DCI based on their scores on the Human Development Index, poverty headcount ratio, Poverty Gap Index and Gini coefficient. The EC is however likely to base their allocation decisions primarily on broadly-supported, widely available, consistent and reliable data.

¹⁹ See also Keijzer, Krätke, Seters (2013).

²⁰ The EU also differentiates between countries in its trade, environment and neighbourhood policies, as noted in Keijzer et al 2013a. See also <http://acp.int/content/meeting-acp-ministers-european-development-fund-deep-concern-about-amount-edf-and-ownership->.

Negotiations on the country allocations are yet to be entirely concluded, though discussions on specific indicators and methodologies for allocating funds are likely to be strained due to the divergent interests even among the ACP states. For instance, Sub-Saharan African states strongly support the inclusion of and emphasis on poverty and human development indicators, while Caribbean states emphasise measures of economic vulnerability.

Critically, discussions on the 'destination' of differentiation are still to be had, regarding the forms of cooperation beyond aid employed to give further effect to the partnership between the EU and UMICs affected. Options range from preferential access to some development budget lines and modalities, such as regional or thematic budgets as well as blending instruments and joint programming, to closer strategic and political dialogue with the EU. A number of relevant changes in EU development cooperation for countries affected by differentiation are discussed throughout this chapter.

The EU's selection and 'differentiation' of countries is also relevant to EU Member States. Some perceive the EU as being the 'donor of last resort' that maintains a presence in a very wide range of developing countries (including UMICs) when many European Member States are narrowing their focus to fewer countries (e.g. Denmark, Germany, the Netherlands), effectively justifying cuts to bilateral aid of EU Member States. However, these same countries maintain aid relations with strategically selected middle-income countries²¹. In other cases, Member States see the EU institutions as a more efficient and effective development actor, particularly in 'traditional' sectors of operation of the EU institutions, namely education, health and infrastructure. These arguments could provide justification for Member States to end their bilateral programmes with particular developing countries, though there is little evidence to be derived from the opaque prioritisation criteria noted in their development strategies to support that this is in fact the case.

ACP-EU relations post-Cotonou

While differentiation will affect the EU's cooperation with individual (groups of) ACP countries, the wider relationship between the EU and ACP is also changing at multilateral level. An increasingly pressing issue on the agenda is whether and how the agreement between the EU and ACP states, the Cotonou Partnership Agreement²², will continue to exist beyond its expiration in 2020. The agreement currently provides the legal framework for political dialogue, economic cooperation and trade, and development cooperation between the EU, its member states and the African, Caribbean and Pacific states.

The Agreement is set for another five-yearly revision in 2015, which should give some indication as to the changing ACP-EU relations. Seeing as neither contracting party (the ACP and EU

²¹ See Thomas (2013).

²² See <http://ec.europa.eu/europeaid/where/acp/overview/cotonou-agreement/>

Member States, as well as the European Parliament) have fully ratified the Agreements 2010 revision, however, an ambitious agenda is unlikely to materialise. In the meantime, certain stakeholders in the EU feel that the Cotonou Agreement should not be extended beyond 2020.²³ The relevance of the ACP Group, notwithstanding the importance of the African, Caribbean and Pacific countries themselves, is increasingly being called into question. Instead, continental and regional organisations, such as the African Union or the Regional Economic Communities, have gained prominence in the EU's political engagement with the ACP - the on-going negotiations on Economic Partnership Agreements (EPAs) underscore the EU's increasing tendency to continentalise / regionalise its partnerships.²⁴ The ACP-EU partnership furthermore too closely resembles a donor-recipient relationship that no longer reflects the manner in which the EU wishes to undertake development cooperation.

The strained EPA negotiations have cast a pall over the current agreement, which serves neither party in advancing political nor policy dialogue. Trust and the pursuit of mutual interest have been in decline in recent years, with the current budget- and development instrument negotiations adding further pressure. The principle of solidarity and shared identity among the ACP countries enshrined in the agreement is also under stress: intra-ACP cooperation has been poor, due to a rather uneasy grouping of increasingly divergent states. With the EU's differentiation policy, outlined above, the erosion of intra-ACP solidarity is underlined as countries and regions seek to secure a good deal for themselves. Conversely, the EU will have to contend with the rising political influence of emerging powers, which offer the ACP countries (if not the ACP group) an alternative political and development partner, which increasingly challenge the EU in its economic diplomacy.²⁵

These discussions take place alongside those of the value and nature of the European Development Fund. Recent assessments have found the EDF to be a generally well-performing instrument. Notably, the EDF provides a stable, predictable source of funding for development cooperation with ACP countries. The instrument's financial and project management procedures, while often criticised for being cumbersome and leading to lengthy procedures, have ensured that the EDF is a comparatively transparent aid instrument with a good degree of accountability and a high regard for 'value for money'.²⁶

As both the EC and ACP are involved in programming, implementing and reviewing the Fund, national ownership and accountability of funding decisions are to some degree better guaranteed than in other instruments. Political dialogue between the EU and (individual) ACP countries is governed by the Agreement, and although not entirely reliant on its contractual nature, stakeholders have felt that this factor provides a useful fail-safe for the accountability of the EDF. Nevertheless, at present the EDF is strongly geared towards LICs and LMICs – should

23 See Keijzer, Lein, Negre, Tissi (2013).

24 See Laporte (2012).

25 See Keijzer, Lein, Negre, Tissi (2013).

26 See Gavas (2013).

the ACP-EU partnership evolve beyond aid and trade, any financial instrument tied to the new framework would need to provide support for both aspects of the partnership while retaining the strengths of the EDF.

Meanwhile, the reflection process on possible future scenarios for ACP-EU cooperation post-2020²⁷ is in full swing on both sides of the partnership, though discussions have so far followed a parallel track, with little to no inter-organisational dialogue. On the side of the ACP group, an Eminent Persons Group has been established to work on new ideas and concepts to strengthen the Group and provide “guidance to the future”. On behalf of the EU, a joint DEVCO-EEAS informal working group was set up in 2010 to reflect on prospects for future cooperation (though it has yet to present any concrete position or proposal), while some EU Member States are also starting gear up their internal reflections on the issue.

The post-2015 development framework

Debates on the EU-ACP relations post-2020 and the allocation of EU aid cannot ignore the broader context of the discussions on the post-2015 global development framework. The EC has recently unveiled its proposal for an EU position on the principles and framework of the post-2015 development agenda, titled ‘A Decent Life for All’²⁸. It emphasises the need to integrate the three dimensions of sustainable development – economic, social and environmental – in bringing together the sustainability and poverty reduction agendas under one framework. The framework would include responsibilities for all countries, linked to a limited set of goals tailored and made operational first and foremost at the national level.²⁹

The Communication states that the main drivers for development are domestic, noting numerous principles of social, political and economic good governance. Domestic reforms to make economic growth sustainable are presented as the catalyst for poverty eradication, equality and well-being. There are clear notes of a ‘beyond aid’ agenda in the Communication – for the EU, this presents a dilemma: the Agenda for Change, though a broad development framework, essentially remains an aid management strategy, more suited to pursue the current MDGs rather than to realise a forward-looking development vision. Certain aspects noted in the Communication are, therefore, not clearly reflected in the Agenda for Change or any recent EC Communication, and have very little traction at EU level (e.g. sustainable urban environments, corporate social responsibility). Vice-versa, regional integration, which is noted as a priority area in the Agenda for Change, and is one of the key objectives of the Cotonou Agreement, is not noted in the Communication.

27 See also Laporte 2012 and Keijzer, Lein, Negre, Tissi (2013).

28 See European Commission (2013b).

29 The UN High Level Panel’s report on its views on the post-2015 global development framework reflects these principles, see United Nations (2013).

Efforts must therefore be made to ensure that the EU's development cooperation commitments and efforts remain relevant within and aligned to a new global framework for development. The EU to some degree pre-empts this by restating new modalities for development cooperation (some of which are explored below) in the Agenda for Change and in its vision for a global development framework. These will most likely be addressed and explored in more detail following negotiations at the UN General Assembly in September-October 2013, from which also more clarity will emerge on whether the MDG and SDG processes will be merged. A follow-up Communication would likely propose an EU framework for financing and other means of implementation for the various sustainable development commitments.

Whereas the push for uniting the MDG and sustainable development agendas can be considered an effort to promote policy coherence for development (PCD) in its own right, the EC's Communication makes only opaque reference to the concept itself. A year earlier, the Council acknowledged that 'PCD is essential for the credibility of the EU as a global actor, and hence, a strong EU leadership on PCD issues at high levels of all parts of the EU and in Member States is important'³⁰. Given that the EU is one of two institutions to promote PCD (alongside the OECD), its position in the negotiations for a new global development framework should reflect this if it is to be a framework that moves beyond aid and features shared international responsibilities and actions is to emerge. The urgency for promoting this agenda is heightened by the fact that EU Member States' progress on realising PCD has been piecemeal over the past decade³¹.

In order to promote its vision for a new development framework, the EU must seek allies and like-minded actors. The recent United Nations Conference on Sustainable Development (Rio+20) saw a common ACP-EU position, negotiated the week before at a joint ministerial meeting. Both ACP and EU interlocutors feel that global issues such as climate change, peace and security and migration offer scope for alliances between the two parties to be built, while both parties are also conscious that strength in numbers is an important factor in global diplomacy. There is therefore traction for an ACP-EU common position on (aspects of) the post-2015 development framework, as is being discussed in consultative meetings between the ACP and the EU, involving also other stakeholders.

The practice: innovations in EU development cooperation

In addition to the above, related initiatives on the operational side – occurring both at headquarters and field levels – are likely to reshape EU development cooperation in the years to come. Whereas the dynamics of the process of programming the EU's development have not changed fundamentally, the sequence and configuration of stakeholders and underlying funding arrangements have changed since the entry into force of the Lisbon Treaty and the Agenda for

³⁰ See Council of the European Union (2012a).

³¹ See Galeazzi, Knoll, Krätke, Lein, Rosengren, Sherriff (2013).

Change³². It is therefore important that stakeholders take the opportunities to ensure that EU development cooperation may be ‘future-proofed’ to suit an evolving development policy context – the below discussions and developments are aimed at enhancing the impact of EU development aid in line with priorities set out in the Agenda for Change.

Joint programming³³

Joint programming aims to bring together the EU Delegation and the various Member States’ embassies in third countries to jointly assess the country’s development progress and draft a single response strategy document, clearly linked to the national development strategy³⁴. This document would detail the programming and division of labour in the different sectors of both EU and Member States’ bilateral development aid. At the core of the exercise lies the effort to align the EC’s and Member States’ programming cycles with the partner country’s national development plan or poverty reduction strategy. As a result, aid fragmentation and duplication of aid efforts would reduce, as would the administrative burden for both donors and partner countries, by creating a single framework against which the latter will have to report.

The process was launched in five countries in early 2012 – Ethiopia, Ghana, Guatemala, Laos and Rwanda - for the 11th EDF and the 2014-2020 DCI³⁵. It has since been expanded to other countries, including those under the European Neighbourhood Instrument (ENI): first steps at joint programming are currently being undertaken in Bolivia, Senegal, Namibia, Cote d’Ivoire, Togo, Burundi, Chad, Bangladesh and Cambodia, among others. It can be counted among the EU’s efforts to ‘speak with one voice’ in its external action. This exercise should therefore emphasise the coordinating role of the EU Delegations, specifically the Heads of Delegations and Heads of Operations. Guidelines for the process from DEVCO and EEAS, however, are not explicit as to whether the EU Delegations are expected to proactively pursue joint programming. The momentum for joint programming therefore varies greatly between countries.

Similarly, while EU Member States are in principle committed to joint programming, they have in practice shown varying levels of support for the initiative. Despite the potential benefits, Member States have expressed concern over the loss of visibility for bilateral aid. Such concerns are misplaced as joint programming is confined to the drafting and adoption of the joint strategy document by the parties involved – the various donors are still left to implement their bilateral aid as they see fit within this framework. Such arguments highlight the need for clearer and more consistent communication of the aim, scope and potential benefits of joint programming.

³² See Görtz and Keijzer (2012).

³³ See Galeazzi, Helly, Krätke (2013).

³⁴ Joint programming does not, therefore, involve the design and funding and implementation of joint programmes or projects.

³⁵ For additional resources see the documents of the High Level Seminar on Joint Programming. Brussels: 8 November 2012. http://www.rpfrance.eu/Seminaire_programmation_conjointe/

Though the process is still in its initial stages, early experiences and indications from the first cases have been mixed. Some partner country governments have expressed concern that joint programming might lead to a reduction of funds and a loss of voice in and ownership of donors funding priorities. Others welcomed the efforts to reduce the bureaucratic burden of donor reporting. Interest for joint programming therefore depends on the partner country's existing relationship with donors – particularly, those governments already engaged in donor coordination efforts are likely to be more closely involved in the exercise (though this is the exception rather than the rule). Effective coordination managed by the EU could help dispel these doubts and promote local ownership. Furthermore, joint programming could facilitate an efficient 'aid exit' for those countries affected by the EU's differentiation policy. Indeed, the government of Namibia has expressed interest in the process for this reason.

Financial instruments beyond development: the Partnership Instrument and the Pan-African Programme

For the 2014-2020 period, the EC proposed two new budget lines for cooperation with developing and strategic partner countries. These present a departure from other aid instruments in that their principal objective, unlike the rest of the EU's array of development cooperation instruments, is not expressly poverty reduction or indeed development.

First, the **Partnership Instrument (PI)** is designed to support the external dimension of the EU's domestic policies and programmes, targeted mostly at emerging countries. It replaces the Instrument for Cooperation with Industrialised and high-income countries (ICI), incorporating some of its objectives, such as promoting opportunities for European businesses, EU public diplomacy and academic cooperation. The PI maintains the overarching goal of promoting EU and mutual interests and pursuing global public goods³⁶. MEPs furthermore propose for the instrument to observe commitments made to PCD³⁷.

Whereas all third countries are technically eligible for funding through the instrument, the proposed regulation narrows the instrument's focus to emerging economies and strategic partners. Indeed, funding going to these countries does not count as ODA. The PI therefore appears to be an instrument for promoting and developing political partnerships and dialogue with emerging players in the global scene. As such the PI could "underpin new relationship with countries graduating from bilateral assistance"³⁸. This might explain the marked increase in funding for the instrument, though it remains a small instrument given its global remit versus budget of less than € 1 bln. The legislative procedure for the adoption of the instrument's regulation is still at an early stage, pending on the outcome of the MFF negotiations between the Council and the Parliament. As such, the capacity of the PI to be used flexibly to support the evolving relationship between the EU and emerging actors is yet to be determined.

³⁶ See European Commission (2011j).

³⁷ See European Parliament (2012a).

³⁸ Ibid.

Second, a new programme has been proposed as part of the DCI, called the **Pan-African Programme (PAP)**. It was designed to match the continental ambitions of the Joint Africa-EU Strategy (JAES) with a dedicated funding envelope. Originally envisaged as a funding mechanism to 'treat Africa as one', support for the PAP encountered some difficulties following the initial Commission's proposal in 2011.³⁹

While some Member States supported the PAP, others expressed concerns on the added-value of the instrument in times of financial austerity, as the JAES is at times perceived as a strategy which failed to deliver on its promises. MEPs instead insist that at least 95% of the PAP funds must go to ODA activities. This underlines a fundamental contradiction of the PAP, being a 'beyond aid' instrument lodged under the DCI - an instrument with an unmistakable poverty focus and high percentage ODA requirement. Furthermore, the EP has asked for a stronger participation of African stakeholders in the implementation of the PAP. Whereas the recent Joint JAES Task Force Meeting in Addis Ababa and AUC Chairperson Dlamini-Zuma visit to Brussels signal the desire for greater African involvement, African stakeholders currently remain at the sidelines of the EU-led process for setting priority areas and funding for the PAP.

In all likelihood the EEAS and DEVCO will strive for closer alignment of the PAP to the JAES priorities and related Action Plans, as noted also in the recent EU-AU College-to-College meeting⁴⁰. In terms of projects and programmes, the PAP is therefore likely to support existing continental and trans-regional cooperation frameworks (e.g. the CAADP or the AGA). Beyond that, the EU-Africa Summit in April 2014 might produce reforms of the JAES that will also inevitably be reflected in the subsequent programming of the PAP.

Both instruments signal the EU's ambition to adopt a more strategic vision towards external action, whose focus lies beyond (traditional approaches to) poverty reduction alone. Notwithstanding that they receive sufficient funding and political support, they could provide a useful complement to the EU's current array of development financing instruments, and could effectively prove to be the testing ground for some of the innovations noted in the Agenda for Change and elsewhere. Their limited funding, however, raises concerns as to the potential impact of these instruments, and their introduction does not resolve wider issues regarding the coherence and effectiveness of EU external action.

Blending facilities

The Agenda for Change notes the intention to promote blending, i.e. combining EU grant aid (channelled through a development finance institution) with other public and private sector resources such as loans, risk capital and/or equity. Grant aid provided can take a number of forms,

³⁹ See Aggad-Clerx and Tissi (2012).

⁴⁰ See http://www.africa-eu-partnership.org/sites/default/files/23-04-2013-c2c_final_joint_declaration_doc_en.pdf

most commonly direct investment grants, interest rate subsidies or technical assistance. Such grant aid is intended to leverage additional non-grant financing, generally for infrastructure, energy or private sector development projects, to meet unmet investment needs.

Increased interest in blending is partly motivated by the Eurozone crisis, which has put pressure on European spending on development, but for the most part to a) close the financial gap for development projects and b) improving the development impact of investments. Blending is also presented as a means of enhancing the partner country governments' ownership of the development assistance due to the loan component (though this argument comes dangerously close to justifying tied aid). The EC considers blending as a key value added of the EU to private sector development in its developing partner countries, and hopes to build on the experience of its European Investment Facilities⁴¹.

Discussions are still on-going whether blended loans count towards ODA. In addition, a number of serious concerns on blending remain⁴²:

It remains unclear to what extent projects funded through blending have a development impact. Investors, including development finance institutions, will want to see a return despite development funds being invested. Efforts must be made to ensure and monitor that development objectives are kept on at least an equal plan with return-on-investment or return-on-equity, for instance by setting clear limits and conditions to the percentage of funding provided by the private sector for individual projects. Current methods of project selection and the monitoring, however, leave doubts as to who is leveraging whom. Critics argue that only one fourth of companies supported by blending facilities (EIB, World Bank and IFC) between 2006 and 2010 were domiciled in developing countries⁴³.

- Most private investment currently flows to middle-income countries with better-developed financial sectors and to sectors towards which private investment is already flowing. Whereas blending instruments can therefore prove useful to those UMICs affected by differentiation, it raises concerns whether the EU will be able to increase investment flows to LICs, LMICs and fragile states.

⁴¹ The EC currently manages eight blending facilities, and the DG DEVCO website states that: "€ 1.5 billion grants from the EU budget, the European Development Fund (EDF) and Member States have financed more than 320 operations of EU blending mechanisms. The EU grant contributions to individual projects have leveraged more than € 20 billion of loans by eligible finance institutions, unlocking project financing of at least € 45 billion, in line with EU policy objectives." An additional amount of € 2.5 mln outside the 11th EDF will furthermore be made available by the EIB for the ACP Investment Facility in the form of loans from own resources for the period 2014-2020.

⁴² See Griffiths (2012); see Spratt (2013).

⁴³ See Kwakkenbos (2012).

- ODA grant aid could crowd out private capital under certain circumstances where commercial loans would have been viable. Although not the best use of grant aid with negative side-effects (including a 'race to the bottom' by donors and financiers and distorted financial markets), such blended funds can still have a positive development impact.
- In addition to the transparency and accountability issues in the selection of projects and the flows of funds (sometimes through intermediaries in tax havens), it is at present not clear how blending facilities and the leverage they promise are monitored and evaluated. The principal measures used to assess whether blending facilities are successful is the ratio of investment raised against ODA invested, and the size of projects⁴⁴ – little attention is given to the impact of actual projects financed, including whether there is national or local ownership of such projects. For instance, there has been no assessment of whether projects funded through blending facilities are in line with the national development strategy of developing countries.
- Blending facilities primarily fund projects undertaken by developing country governments. Certain developing countries, particularly those in Sub-Saharan Africa and the Caribbean, have high debt ratios; introducing blending facilities could increase this further, as most projects funded through such facilities have a grant-to-loans ratio of 1:4. This may affect not only the national fiscal space but also countries' ability to attract other funding, such as IMF loans, and will force them to link more with volatile international financial markets.⁴⁵

Taken together, these issues raise doubts about the 'additionality' of projects financed through blending facilities – what added value do they have beyond projects already funded by private investment, especially what concerns development objectives? What is the opportunity cost of investing in blending facilities instead of the more straightforward public investment?

There remain also practical issues and considerations with the implementation of blending instruments. First, having to leverage loans would take longer than simply disbursing the grant aid – projects (proposed by development banks) would need to be agreed upon by all parties involved, including investors, banks, the country government and the Commission. EU instruments including the DCI and EDF have already been criticised for having low disbursement rates. Furthermore, blending facilities do not guarantee that grant funding introduced into them will be matched by loans. While funds can of course be reprogrammed, this would further harm the disbursement rate.

⁴⁴ See for instance ADE / EGEVAL (2010).

⁴⁵ However, not all projects funded through blending facilities need be undertaken by the government – public private partnerships would affect the debt ratio less.

An EU advisory platform on blending⁴⁶ was launched in December 2012, which will first review existing blending mechanisms and develop a common framework to measure their impact. Furthermore, the platform will produce recommendations and guidance on how to blend public and private resources to increase the impact of EU development cooperation using existing blending and financial instruments in time for the implementation of the EU's new budget in 2014. The platform will afterwards develop key principles for blending to ensure that blending activities are coherent, coordinated and flexible. Lastly, the platform will be tasked to develop new methods of funding. It was recommended that the platform should focus on sectors where funding can be most useful and where value added and impact of blending can be the highest given EU policy priorities (e.g. market failures, climate change and economic crises).

The platform is composed of administrative and diplomatic staff from the EU institutions (EC and EEAS), policy and technical staff from the European Investment Bank (EIB), representatives of the Member States and representatives from various development finance institutions. The European Parliament will act as an observer, and civil society organisations, beneficiary countries, representatives from the private sector and financial institutions could be consulted ad hoc (though do not currently have a seat on the platform).

Concluding Remarks

This chapter has presented six current discussions in translating EU development funding to policy and practice in an effort to respond to a changing global context. It should be stressed that poverty reduction and eradication remains the clear focus of EU's external action in terms of both political and financial commitments. The EU furthermore continues to base its development cooperation around financial instruments. In this regard the EU does not seem prepared (and to a degree not permitted) to distance itself from the traditional 'aid logic'. Nevertheless, the EU is committed to improving its aid efforts by tweaking development instruments and partnerships employed to in some ways more effectively and efficiently target poverty. This may not be enough, however, in a global context in which the relevance of aid is increasingly called into question.

Whereas these discussions and initiatives push the boundaries of EU development cooperation in some respects, they are a relatively small part of the EU's potentially comprehensive development cooperation engagement. The EU – to a certain degree driven by the need to find consensus among its disparate internal stakeholders – can be said to be testing the water rather than pushing the envelope. Hopefully evolving debates and partnerships at the global level, be it in the context of a new development framework or more specific agenda's du jour (e.g. illicit financial flows, resilience or social protection), can encourage the EU institutions to evolve their development cooperation efforts beyond the current crisis-driven initiatives, and embrace

46 The EU Platform for Blending in External Cooperation: <http://www.au.int/en/content/africa-eu-6th-college-college-meeting-addis-ababa-ethiopia-25-26-april-2013> .

a globally adaptive attitude which seeks to break through the habitual perspectives on the function of aid and the roles of the various parties and partners in development cooperation. At the same time, it is up to the EU's partners to demand and shape meaningful development partnerships extending beyond aid, and for the EU to be more open to such dialogue. The six discussions in this regard still offer opportune moments for stakeholders to shape and motivate the future-proofing of EU external action in general, and development cooperation in particular. The debate should however not be constrained to these issues alone – the contours of EU external action and its contribution to global development should not be determined by its purse-string.

Early Experiences in Programming EU Aid 2014-2020 - Charting the Agenda for Change¹

Alisa Herrero, Greta Galeazzi and Florian Krätke²

Introduction

Programming of billions of euro's worth of EU development aid for the period 2014-2020 is currently underway for the two principal geographic funding instruments (the Development Cooperation Instrument (DCI) and the 11th European Development Fund (EDF)). Programming is the essential process through which the EU's recent impact-oriented development policy – the EU Agenda for Change³ – is translated into practice at the country and regional levels. It is furthermore a critical test of the EU's new institutional framework, established by the Lisbon Treaty, to deliver a coherent, efficient, political and effective EU external action. The programming guidelines⁴ have been adapted to reflect these major changes and were sent to EU Delegations on May 2012.

This chapter looks at early experiences in implementing these new programming guidelines, as well as the process overall. It aims to give insight into what worked, is working or didn't work, and why, and to contribute to an on-going institutional learning process. Drawing from EU Delegations' (EUDs) and Brussels headquarters experiences, this chapter analyses how inter-institutional relations have affected the strategic programming process in order to answer the following questions: What have been the key drivers of the programming process so far? How do DEVCO and the EEAS operate and co-operate in the process? Does the EEAS bring added value? What aspects of the programming procedure and structures need to be considered in the next phases of programming, and what can be improved in the context of the EEAS Review?⁵ The analysis is based on the review of the programming guidelines, other documents made available to us, and a number of non-attributable interviews with relevant staff in DEVCO, the EEAS, EU Delegations, the Parliament, Council, the ACP Secretariat, and partner country government

¹ This chapter originally appeared as: Herrero, A., G. Galeazzi & F. Krätke. September 2013. Early experiences in programming EU aid 2014-2020 – Charting the Agenda for Change (ECDPM Briefing Note, 54). Maastricht: ECDPM. <http://www.ecdpm.org/bn54>

² The authors are thankful to Andrew Sherriff and Damien Helly for their comments and inputs to this publication. The views expressed here are those of the authors only and should not be attributed to any other person or institution.

³ See European Commission (2011b).

⁴ See EC/EEAS (2012).

⁵ See European External Action Service (2013).

staff involved in programming⁶. Insights from this analysis are intended to usefully inform the follow-up to the EEAS Review and contribute to an on-going institutional learning process.

The chapter is divided into four different sections:

- Section I reviews the most notable changes introduced in the new guidelines for the programming process;
- Section II analyses the interview results in the light of the recent EEAS Review to generate insights on institutional arrangements and the translation of Agenda for Change policy into practice from early experiences in the programming process;
- Section III focuses on the challenges observed to follow and implement the new programming guidelines;
- Section IV concludes by reflecting on the findings from the first phase of programming in the context of the on-going programming exercise and the concurrent EEAS Review process.

Box 1: EDF/DCI programming 2014-2020 ‘by the book’

The programming process consists of two phases. In the first phase, EU Delegations take the lead in analysing the national development plan or strategy of the partner country, assessing whether it can provide the basis for the programming of EU aid⁷. This assessment considers the plan’s description of the country’s constraints, challenges and perspectives; the definition of development priorities and objectives; their consistency with EU development policy; and its performance assessment and monitoring framework. Following consultation with relevant stakeholders, including the partner country government, civil society organisations, member state representations, and other donors, EUDs submit a proposal for ‘the overall lines of the EU response to the country context’⁸ (i.e. consisting primarily of a listing of and justification for the priority sectors selected) to the relevant desk officers in DG DEVCO and the EEAS in Brussels. Subsequently, HQ assesses

6 A total of 25 people were interviewed. These include 10 EUD staff (5 EDF and 5 DCI countries), including Heads of operations, Heads of political section, and staff from operational sections; 6 DEVCO representatives working on programming in thematic and geographic directorates; 2 EEAS representatives working on programming; 2 independent consultants, 1 EU Member State, 2 EP officials; 1 MEP assistant, 1 representative from the ACP Secretariat. Unfortunately no partner government official was available for an interview.

7 In the case of ACP countries, EUDs should further seek agreement from the partner country on whether to use the national development plan or write a separate country strategy paper (CSP). This is owing to Articles 2 and 8, Annex IV, of the Cotonou Partnership Agreement. For the DCI, EUDs need not consult the partner country on whether to write a CSP or not.

8 This may also take the form of a joint programming document. See Galeazzi et al (2013).

the proposals and engages in dialogue with the EUDs (through Country Team Meetings and video-conferences) to ensure that EUD proposals are in line with the EU's overall external relations priorities, regional and thematic priorities and EU policy orientations, and to finalise the selection of priority sectors.

In the second phase, the EUDs, on the basis of the instructions provided jointly by the EEAS and DEVCO prepares a draft multi-annual indicative programme (MIP). The MIP should set out the proposal for the overall lines of the EU response, and should include the context and sector analysis and justification to the choice of sectors in which the EU will enact its development cooperation. The MIPs are to be approved through the EU's committee procedure, known as 'comitology',⁹ and upon the adoption of the necessary legal instruments.

1. ***New markers: changes to the programming guidelines***

The current programming exercise for 11th EDF and DCI 2014-2020 follows instructions developed for the new budgetary period – these are set out in a process described briefly in Box 1. The guidelines were amended according to three markers, detailed below.

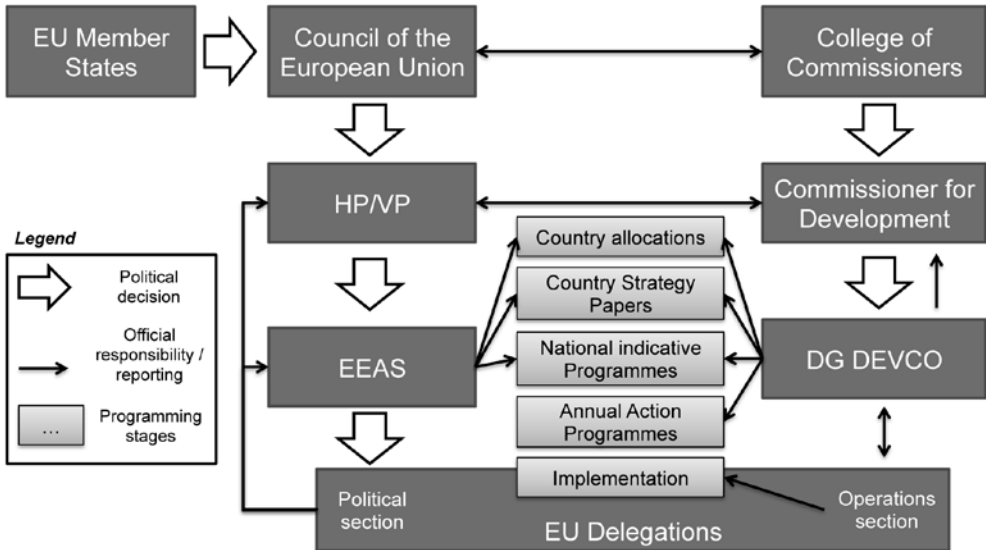
Marker 1 – They reflect the new post-Lisbon framework

Programming guidelines for the DCI and the 11th EDF have been adapted for the 2014-2020 budgetary period to reflect the post-Lisbon institutional framework for EU external action. Notably, EEAS plays a role in, and shares the competence of, strategic programming with DG DEVCO. While programming of development aid falls under the responsibility of the Commissioner for Development, the EEAS ensures co-leadership throughout the whole process. The EEAS is in charge of the inter-institutional coordination of EU external action (e.g. the coordination of joint missions, of joint positions, involving other relevant DGs when appropriate) and prepares the Commission Decisions relating to country and regional financial allocations together with DEVCO. Both the Development Commissioner and the HR/VP have to sign the strategic programming documents and submit them jointly to the College of Commissioners

⁹ The committee procedure refers to the way the Commission exercises the implementing powers conferred on it by the EU legislator, with the assistance of committees. Simply put, the Commission's committees are dialogue forums chaired by the Commission and composed of representatives from the Member States. These Committees give an opinion on draft implementing measures proposed by the Commission before they are adopted. The European Parliament and the Council have a general right of information as regards the activities of the Committees as well as a right to scrutinize the draft implementing acts based on legislation decided jointly by the Parliament and Council. However, only the Member States have a role to play in controlling how the EC exercises its implementing powers. Member States are formally engaged in the EU aid programming process through a committee. Although the formal adoption of EU aid by Member States comes at the end of the process, Member States have significant influence on the content of EU aid programmes through their participation in the Committee.

for adoption. DEVCO maintains the lead for the thematic and regional programming and is also responsible for the design of annual action programmes, their implementation and financial management.¹⁰ This set-up requires close cooperation and dialogue between the EU Delegations, the EEAS and DEVCO. The programming arrangement is graphically represented in Figure 1 below.

Figure 1. Overview of decision-making and reporting lines for programming in the post-Lisbon context¹¹



Adapted from Furness, 2010, p. 14.

Marker 2 – They intend to simplify the process

Programming guidelines for the 11th EDF and the DCI have been standardised in one single set of instructions. This rationalisation has brought together two different programming cultures: the EDF's being marked by the content and spirit of the Cotonou Partnership Agreement¹² including multi-stakeholders dialogue and shared interests between partners; and the DCI's culture wherein EU interests and priorities are defined prior to engaging in dialogue with partners in development cooperation. The process of programming bilateral development cooperation has also been simplified. Wherever possible, the existing national and regional policy documents should be the point of departure and serve as the main basis for coordination and dialogue

¹⁰ See Seters and Klavert (2011).

¹¹ Note that the process pictured here could be amended by the outcome of discussions currently on-going on 'delegated acts', giving the European Parliament a clear role in the programming of the DCI. See Section II for further details.

¹² See <http://ec.europa.eu/europeaid/where/acp/overview/cotonou-agreement/>.

with EU Member States and other donors. This means that it is no longer compulsory for EUDs to prepare Country Strategy Papers (CSPs). If a national development plan or strategy does not exist or if this document is not suitable (i.e. not technically sound or totally disconnected from EU priorities), CSPs can still be used. Another element of simplification is the aim to have succinct programming documents that no longer require additional technical annexes (on the environment, migration, governance and other areas). The programming process aims therefore to be in line with aid effectiveness principles, while at the same time, it deploys fewer EUD resources.

Marker 3 – They intend to drive forward the Agenda for Change

Agenda for Change¹³ is the EU's most recent aid and development effectiveness policy. It identifies the key principles that set the goalposts of EUD operations in development cooperation. These principles, together with those committed to in Busan¹⁴, are clearly reflected in the programming guidelines:

- **Ownership and alignment.** Development is an inclusive process that brings together the national government, the parliament and other actors such as civil society, the private sector and social partners, which all play a role in domestic accountability. EU cooperation priorities should be defined in consultation with multiple stakeholders.
- **Comprehensiveness and coherence.** The instructions introduce the parallel programming of bilateral, regional and thematic instruments in line with EU's analysis of and vision on its relationship with the partner country/region. This vision should be the basis for greater coherence and complementarity at four levels (i) between country and regional programmes, (ii) between geographic and thematic programmes and instruments, (iii) between development and other crosscutting sector policies and (iv) between the policies, instruments and actions of the EU, Member States and EU development finance institutions.
- **Synchronisation and flexibility.** In order to maximise ownership, the EU's programming cycle should be synchronised, whenever possible, with the partner country/regional planning cycles. This means that EU programming for the 2014-2020 budgetary period can be divided into several stages depending on the timespan of the strategy the EU is aligning to. Furthermore, accelerated procedures can be used to adapt and respond in a timely fashion to changing contexts. The guidelines also allow for ad hoc reviews of programming including for the allocation of any un-programmed funds or the re-programming of unused funds.

¹³ See European Commission (2011b).

¹⁴ See <http://www.oecd.org/dac/effectiveness/Busan%20partnership.pdf>.

- **Sector concentration.** EU development cooperation will seek to maximise impact and leverage by focusing on a maximum of three sectors per country with the exception of a fourth sector in fragile countries, and the possibility of including specific support for civil society in ACP countries. This sector rationalisation goes hand in hand with a clearer division of labour with member states present in the country. The choice of sectors should be based on the needs and development objectives of the partner country/region as defined by the EU Delegation, while giving priority to the sectors referred to in the Agenda for Change. In a nutshell, these sectors are: democracy, human rights and rule of law; social protect, health education and jobs; sustainable agriculture; energy; productive business environments and regional integration.
- **Differentiation.** One of the keys to achieving maximum impact and value for money is a differentiated approach to aid allocation and partnerships. Decisions will be based on country's development needs, with a focus on low-income, lower-middle income and fragile countries. A number of upper-middle-income and high-income countries previously funded by the DCI will no longer benefit from bilateral aid but will continue to be eligible for thematic and regional cooperation.¹⁵
- **Joint programming and coordination.** Joint programming of EU member states' development aid calls for a joint analysis and a joint response to the partner's development plans. This requires synchronising EU and MS planning cycles with those of the national/regional partner, which may require prolonging existing bilateral programmes until the new planning cycle of the partner country or region begins. During this period, the EUD should facilitate the preparatory process¹⁶. The joint programming document should include the identification of sectors of intervention, in-country division of labour and the indicative financial allocations per sector and donor.

¹⁵ See Keijzer, Seters, Lein, Krätke, Montoute (2012).

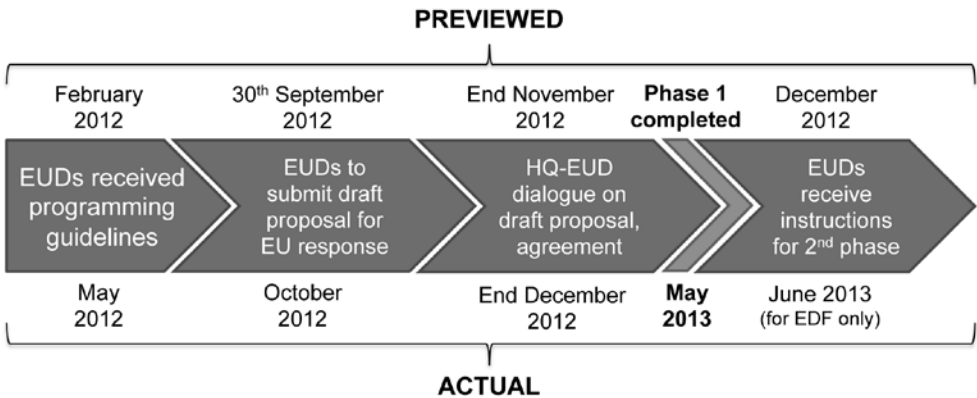
¹⁶ For a recent analysis of early experiences in joint programming, see Galeazzi, Helly, Krätke (2013).

2. *Plotting the course: progress in translating context and policy into programming*

Despite preparations for the programming process to start as early as February 2012, the first phase only formally started in May 2012 with the dissemination of the programming guidelines from HQ to the EUDs.

The first phase of programming, as described on page 2, was completed in May 2013. EUDs in ACP countries are currently drafting Multiannual Indicative Programmes (MIPs), describing and sequencing what will be done between 2014-2020 in the various sectors with the allocation received, whereas those in countries covered by the DCI are waiting for the issue of delegated acts to be resolved (see below). A detailed timeline of previewed and actual sequencing and timing of the programming process, including which stages have been completed already, is noted below in Figure 2.

Figure 2. Provisional and actual timeline of the 1st phase of the EDF/DCI programming process



Source: own design, adapted from various sources. See also https://webgate.ec.europa.eu/fpfis/mwikis/aidco/index.php/Policy_forum_on_development

EUDs are expected to submit the preliminary draft MIPs by the end of November 2013. This offers a timely opportunity to take stock of the state-of-play of programming. In the next sections, we provide insights based on semi-structured interviews of how EU inter-institutional relations have impacted the process.

The legislative impasse: is programming in danger of being hijacked?

The programming exercise has coincided with the drawn out negotiation of the EU budget - the multiannual financial framework (MFF) for 2014-2020. Although an overall agreement on the MFF was reached on February 2013, the legislative negotiations between the European Parliament (EP), the European Council and the European Commission (EC) have stalled. The EP would like to have a stronger say in programming processes and turn the choice of priority sectors and adoption of multi-annual programming documents into a competence of the co-legislators to be eventually given to the European Commission as 'delegated acts'.¹⁷ The Lisbon Treaty is clear in Article 209 that "the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall adopt the measures necessary for the implementation of development cooperation policy, which may relate to multiannual cooperation programmes with developing countries or programmes with a thematic approach". The EC and the Council maintain that a balance needs to be found between democratic oversight and operational effectiveness; as such, the Council has refused any proposal to modify the "committee procedure"¹⁸. This is perceived by the EP as an affront to its full oversight powers in EU external action domain. Both parties are at the same time concerned that a continued delay in negotiations will end up affecting their image. As a result, compromise positions are likely to be proposed and discussed in September, with negotiations on this issue hopefully concluding in October at the latest.

In response to this institutional bottleneck, DEVCO and the EEAS have developed 'mitigation measures' to counteract the risk of delaying the programming process. At the level of the EC in Brussels, priority is given to accelerating strategic dialogue with the EP and to preparing the format and the calendar for adoption of the MIPs in order to hit the ground running once agreement has been reached with the Parliament. Some respondents perceive this as an opportunity for the EC to play the 'honest broker'. In the field, EUDs have been instructed to consult partner countries and other stakeholders without delay, but on an informal basis and at the technical level. The latter is due to the fact that the programming process has no regulation, and therefore no formal legal basis to support it (there is no agreement on the budget funded legal instruments, i.e. the DCI) and there are only indicative figures and signs of the financial allocations made available to the various partner countries.

As noted by many interviewees, the real substance of the programming process will take place when the allocations are known and the MIPs are negotiated, at which point the programming will finally become official at a highest level. Interviewees expressed their concern that

¹⁷ The initial negotiating position held by the EP was to request delegated acts for each programming document under all instruments. The position has softened since, as the EP could be ready to consider a list of countries with a short description of allocations and sectors for the European Neighbourhood and Partnership Instrument (ENPI) and the DCI. Discussions have also included the proposal of whether delegated acts would only apply to the technical annexes of implementing regulations for financial instruments.

¹⁸ See footnote 7.

significant changes to the selection of sectors, which could result from official dialogue, seriously undermining EU's credibility as a dialogue partner vis-à-vis national authorities, but also Member States, especially in countries where joint programming is on-going. The delay in programming furthermore means that funds will probably be disbursed from Brussels later than foreseen (as is already likely to be the case for the 11th EDF). Several interviewees noted a risk of gaps in assistance in several countries, but the extent to which this risk is real and how many countries could be affected by it, is beyond the scope of this chapter.

EEAS-DEVCO mandates in practice: plain sailing?

Programming is a shared responsibility between the EEAS and DEVCO: whereas the EEAS is tasked to lead the majority of the process, neither can act without the consent of the other, and both have clear reporting requirements to the Commissioner for Development. The EEAS and the Commission have agreed detailed working arrangements covering co-operation on instructions and management of work in EU delegations that apply, among other matters, to the programming and implementation of the EU external assistance programmes. According to the EEAS Review¹⁹, the current arrangements between the EEAS and DEVCO in terms of lead responsibility work well, mainly because of the good and close working relationships between the HR/VP and her colleagues in the Cabinet of Commissioners. However, the Review also notes that “the division of responsibilities is potentially unclear and should be clarified”.

The analysis undertaken by ECDPM supports the Review's finding that these arrangements are working well, in the sense that EUDs regularly make use of the flexibility foreseen in the working arrangements between the EEAS and the Commission²⁰ that allow Commission staff in EUD to support the political work of the EEAS. Nevertheless, there remains a significant amount of confusion as to the EEAS' role, particularly among partner countries. EEAS representatives' presence in the programming process and meetings is seen as a multiplication of the number of interlocutors, whose interests are not immediately clear. A few EUD interviewees also referred to the DEVCO-EEAS divide as “uncomfortable”.

EUDs staff is generally conscious of the need to collaborate, though the coordination of human resources and their management is not optimal. One prominent reason for this, noted by interviewees in Delegations, (and also identified in the EEAS Review document), is the existence of separate communication structures. On the one hand, the EUDEL structure channels contacts between the EEAS and the Commission regarding the administration of the EEAS and DEVCO and the central services of the Commission; on the other hand, the COMDEL structure coordinates positions between the various Commission services with staff in delegations. As put in the EEAS Review “This dual system, leads to multiple debate on the same issues, delays in decision-making and can be an obstacle to direct contacts between the EEAS and Commission services

¹⁹ See European External Action Service (2013).

²⁰ See Julian (2012).

with a stake in Delegations”. Interviews also confirmed the excessive administrative burden of Heads of Delegations who are required to sign off minor transactions previously delegated to staff involved in the management of administrative expenditure) which was also noted in the EEAS Review.

Despite agreed working arrangements, the extent to which the EEAS has, so far, played a significant role in the programming process varies from one country to the other. Three scenarios for the EEAS-DEVCO interrelation can be distinguished from the interviews conducted:

- **The EEAS has shown leadership** and been effective at formulating priorities to shape a more politically savvy response. In such EUDs, DEVCO had to be ‘brought on board’ to move beyond a purely technical vision on aid. The EU has opted to engage in sectors with political significance for the wider EU foreign policy and that respond to global development challenges (e.g. energy security, counter-terrorism, fight against drugs, climate change, environmental protection...). However, and as pointed out in the EEAS Review: “following the allocation of responsibilities and resources at the creation of the EEAS, virtually all the expertise and capacity to manage the external aspects of these policies remained in the Commission services”. The EEAS may therefore be unlikely to continue to have a prominent role beyond the first phase of programming due to the lack of technical expertise²¹.
- **The EEAS has been unable to fulfil its role due to capacity constraints.** Political advisors have not yet been appointed in every Delegation and therefore most political (EEAS) sections remain under-resourced. In many EUD, the Operations (DEVCO) sections have had to undertake the lion’s share of the programming process, on top of their administrative tasks, consequently putting a strain on their already stretched resources. It was reported that Operations sections had in several cases done the entirety of the writing of programming documents, on which the political section commented before submitting it to HQ. In some cases, it has been reported that programming documents completely lacked EEAS inputs. Several interviewees regarded this as proof that the separation between the Operations and the Political sections was artificial and counterproductive. Delegations with an understaffed or under-resourced Political section are likely to have difficulty effectively fulfilling a political role for the EU. At the same time, in the current EUD design, the Operations sections do not have the ‘diplomatic rank’ to effectively fulfil a political role, given that their natural interlocutors are technical ministries and development agencies²².
- **The EEAS has appeared ‘detached’** from the programming process; interviewees noted that this may in part be due to the lack of experience of national diplomats with EC procedures and the programming culture on the one hand, and a limited expertise and interest in development cooperation on the other. This was noted to be particularly true

²¹ Two EUD contacted for this study fit in this scenario.

²² Four EUD contacted for this study fit in this scenario.

for Delegations where the EU does not have sufficient political and strategic interest and therefore has not appointed a Head of Delegation (i.e. regionalised EUDs), or in those countries where the Head of Delegation does not see development as a priority. In such EUDs, the Operations sections had also taken the lead in (and burden of) the programming process, but struggled with the political dimension²³.

EEAS interest and strategic involvement in programming seems to be more constant at HQ, where it has the lead in commenting on the response strategy proposals (and CSPs) sent by the Delegations before engaging negotiations with DEVCO and the EUDs on the proposed sectors. In this process, the EEAS-DEVCO division of roles is felt much more strongly in HQ level, with some interviewees commenting however that the EEAS' role is no different from that of previous Commission's Directorate-General RELEX.

3. *Choppy waters: challenges in implementing the guidelines*

Sector concentration: discarding ballast or setting too narrow a course?

Among the EU institutions, the most contested new policy orientation for the current programming process is the principle of sector concentration. There are many good reasons to enforce this choice: concentrating on a limited number of sectors helps to ensure a more strategic use of scarce resources and a 'critical mass' of funding in key sectors, therefore maximising leverage for the donor and ensuring a clear focus of expertise. It also helps to reduce the transaction costs for partner governments. The programming guidelines include a list of principles that provide a reference framework in the choice of sectors, including: an analysis of the existing national or regional development plans; the effective ownership and relevance of country sector policies and priorities; the expected results and impact; the EU priority areas of cooperation and its comparative advantage; lessons learnt, continuity and coherence with previous cycles; the capacity of the EU Delegation; coherence with other EU policies; and willingness of the government to engage in policy dialogue.

In practice, sector concentration has proven problematic in the programming process. It involves difficult choices in a context of competing interests and incentives (both between the EU institutions, between EUD and partner actors and within EUDs themselves). While the reasons for concentrating the number of sectors are recognised and the policy is generally accepted, various interviewees raised concerns that the principle of sector concentration had been enforced through a prescriptive interpretation of the Agenda for Change, particularly as regards concentrating EU aid on sectors identified as a priority by the Commissioner for Development

23 Two EUD contacted for this study fit in this scenario.

not partner governments²⁴. Indeed, the trends of priority sectors emerging from the first phase of the programming process closely reflect the Agenda for Change, as noted in Box 2.

Box 2: Emerging trends in priority sectors

Based on the interviews held and documents analysed, several sectors recur in the (sometimes provisional) sector selections. Notably, the following sectors are particularly recurrent in specific regions:

- Sustainable rural or agricultural development and food security (in West, Central and Southern Africa and in Asia);
- Energy (in the Caribbean, West Africa, Asia and the Pacific);
- Justice, human rights, governance rule of law and security sector reform (in Asia, Latin America, West and Central Africa and the Eastern and Southern Neighbourhood);
- Economic governance and reform, diversification and public financial management (in the Caribbean and Central Africa);
- Employment and private sector development (in Latin America and the Eastern and Southern Neighbourhood).

Meanwhile, the more 'traditional' sectors of EU development cooperation – transport, infrastructure, health and education – are less common choices as priority sectors across the board than in the past, though they still appear with some regularity.

In December 2012, following early reports from the first stages in the programming process, the EEAS expressed, at its highest level, significant concern that sectors identified as priorities for partner countries were being excluded a priori based on a narrow interpretation of the Agenda for Change. In the view of the EEAS, disengaging from dialogue on a particular sector right from the start could in fact be counterproductive for EU's other development and governance priorities. The EEAS also warned against concentrating in excess as this could limit EU's flexibility to respond to changing priorities on the ground.

24 This is particularly true for the transport sector. During the 10th EDF, transport was a priority sector for approximately 30 ACP countries. It appears however that the EC's approach to 11th EDF programming has been to explicitly disinvest from that sector in favour of sustainable agriculture, food security and energy. The reasons put forward by DEVCO is that transport investments have not always delivered swift results. On the other hand, transport and infrastructure projects and programmes may continue to be financed through regional funds and blending facilities. The nature and degree of complementarity between the EU's different instruments for development cooperation and their respective programming cycles, as well as the extent to which such policy shifts have affected the EU's relations with partner countries are notable considerations, though beyond the scope of this chapter.

Officials in DEVCO headquarters also recognised this tension between the top-down and bottom-up logic in the programming process, which, as pointed out by one respondent, is not inherent to the EU only. According to one interviewee this tension had increased with HQ taking an active role in implementing the Agenda for Change – this requires EUDs to undergo a transition process that needs to be managed by prompting change at different levels: “Enforcing change can only be achieved through tight control from management”. During the first phase of programming, the focus of dialogue between HQ and EUD had been on restructuring priorities submitted by EUDs to better meet the priorities set by Agenda for Change. In the view of interviewees at HQ level, compromise solutions could be found in most cases, and well-documented choices by EU Delegations had been retained. They noted that some EUDs had resisted limitations to the number of sectors and contested the narrowness of the definition of a sector. In some cases, EUDs complied with the requisite of three sectors, but had defined them broadly enough to include programmes and interventions beyond the three sectors.

In contrast, at the EUD level, several respondents described the sector selection process as “most painful” and “highly unsatisfactory”. There are multiple accounts of what was perceived as prescriptive programming instructions. According to one interviewee, “a top-down imposition of sector priorities, combined with the limitation in the number of sectors, left EUDs with little choice and scope for a strategic vision”. In these cases, **headquarters was seen to have compromised the participatory commitments and dynamics of engagement made by EUDs**, imposing the Development Commissioners’ priorities regardless of country specific conditions and arguments put forward by EUDs. As a result, Delegation staff interviewed did not feel in charge of the programming process, nor that it was the result of an effective dialogue process between development partners²⁵. As put by a EUD staff member working in an operations section “the choices were made by HQ before we even started the programming process. But we still have to pretend that there is a process”.

EUDs furthermore expressed concern about the consequences of sector concentration. Several interviewees noted that **sector rationalisation meant that EUDs would lose valuable contacts in those sectors** where the EU has been active for the past years and which are to be now dropped. Also, EUD staff were concerned that concentration would lead to a focus on sectors in which the EUD has limited expertise or no track record, or where it is known that other donors have achieved no impact, to the detriment of sectors where the EC has a recognised added value. Furthermore, despite the programming guidelines stating that instruments should not be a determining factor in sector selection, several interviewees noted that **the preference for (sector) budget support had weighted heavily in the choice of sectors**, before EUD had even defined EU (sector) objectives and thoroughly assessed what is the most appropriate aid modality (or mix of aid modalities) in that particular country context. The prevailing pressure to disburse aid rapidly and ensure value for money may explain this trend.

25 In two instances EUD staff was explicitly requested not to engage in discussions on priority sectors with the partner country government, and instead share its analysis of the national development plan only with headquarters.

Nonetheless, a few EUD staff interviewed spoke of smooth discussions on sector priorities. They attributed success to the longstanding tradition of productive dialogue between EUD with country actors, and to the quality of national development plans. It should also be noted that the Agenda for Change is quite broad in scope and allows for a large overlap of priorities of the EU and of partner countries. Representatives of partner countries have also noted that dialogue predictability has increased now that the EU has explicitly stated its policy priorities. Some however, would prefer to base the selection of sectors exclusively on the most recent (or even previous) national development strategy, as this is where both donors and the government have developed capacity: “development cooperation should not be carried out on a clean slate.”

To sum up, it seems that the choice of sectors has been contentious: first and mostly in countries where the EC has decided to withdraw from ‘traditional’ priority sectors (e.g. transport); second, when, due to the limitation of the number of sectors, a choice needed to be made between equally important public services (e.g. health or education); third, when pressure to align programming choices with the Agenda for Change superseded the priorities identified by the EUD, and finally when field staff had doubts about the political feasibility of interventions in sectors ‘enforced’ by HQ and felt their advice was not heard.

Three additional issues in the implementation of the programming guidelines

In addition to the tensions surrounding sector concentration, several more issues have affected the programming process. First, whereas the programming guidelines set out a clear process for the cycle, EUDs experienced **tight deadlines and unclear reporting requirements**. According to our respondents, communication from DEVCO and EEAS headquarters towards the EUDs has proven to be quite unpredictable in the first phase of programming. On the one hand, the preparation of joint instructions and feedback by the EEAS and DEVCO has contributed to delaying the process and has resulted in unrealistic deadlines, for instance with regards multi-stakeholder consultation. Several interviewees also noted that DEVCO sent additional instructions, for instance requesting EUDs to send a preliminary set of indicators for interventions in particular sectors before the selection of sectors and had even been made and objectives set. This not only departs from the joint programming guidelines, but also diverted EUD already very limited resources from conducting sector analysis and multi-stakeholder consultations.

Second, a few interviewees noted that EUDs were provided with **inadequate resources for a quality (political) analysis** of the country/regional context and systems as part of the programming process. Several respondents pointed that the programming guidelines do not have a clear grid on how to analyse the quality and credibility of the national and regional development plans. In fact, they don’t go far beyond asking EUDs to collate information from different existing reports and responding to descriptive questions. Several interviewees suggested that the prescriptive imposition of priority sectors furthermore reduces the incentive to produce an in-depth analysis

of the national or regional context. This is further reinforced by the established rotation system, meaning that some EUD staff in charge with programming feel less concerned with the political feasibility of sector priorities or implementation issues that will arise later on. The EC furthermore appears to be moving away from the emerging culture of increasingly investing in political economy analysis, as EUDs have been instructed not to engage any external political economy analysis for the moment²⁶. Recent policy-oriented research however suggests that in order to be effective, donor interventions need to be underpinned by solid and on-going context analysis of the political economy of partner countries²⁷. However, the logic of political economy analysis does not always marry well with the prevailing pressure to ‘manage for results’. Staff in Delegations generally does not yet have the adequate professional competencies and the right incentives to deliver quality political economy analysis. The question remains whether the EEAS and DEVCO can devise a human resources strategy that improves the matching between staff competencies and their mandate to conduct increasingly political work.

Third, EUDs have in most cases not been able to ensure the full participatory intent of the programming process. Whereas the guidelines explicitly note that “programming normally starts with the national government, national parliament, and other representative institutions taking ownership for an inclusive development process and (...) should be consulted in the process of defining the priorities to be retained in the EU programming documents”, several interviewees noted that domestic accountability actors were only marginally consulted at this stage. Several respondents had the impression that participation is somewhat part of a ‘box-ticking exercise’ in a procedure rather than a real discussion between partners on priorities and objectives.

Furthermore, the strategic involvement of civil society in programming could be undermined by the new programming guidelines. A specific allocation to support the strengthening of CSOs and local authorities is only foreseen for ACP countries, in addition to the maximum of three priority sectors. According to one interviewee, this policy sends two harmful messages: 1) engaging with non-state actors is only important for programmes and initiatives governed by the Cotonou Partnership Agreement, and 2) support to non-state actors is an afterthought to the EU’s response to a particular country context. Although it can be assumed that civil society will feature in governance-related sectors as well as in social services sectors, the extent to which their involvement will be mainstreamed should not be taken for granted. The continued marginalisation of CSO focal sectors within EUD and in politically relevant processes such as the programming process has already been identified as one of the key obstacles to a strategic involvement of non-state actors and local authorities in EU cooperation²⁸. This is of particular concern at a time when the EU is simultaneously endeavouring to strengthen the role and presence of civil society and local authorities²⁹.

26 See Bossuyt (2013).

27 See Herrero and Keijzer (2011).

28 This was one of the main conclusions of the EC Evaluation on aid channelled through CSOs, published in 2009 and accessible at http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/2008/1259_docs_en.htm

29 See European Commission (2012c and 2013d).

4. *Full speed ahead? Insights from the first phase in programming*

This chapter has set out the context of the current programming exercise, and has provided the state-of-play as well as some insights on the drivers and challenges arising in the process. Principal findings are summarised below and put in the context of the fact that the programming exercise is ongoing and offers potential follow-up to the EEAS Review.

The protracted negotiations between the European Parliament, the European Council and the European Commission on the issue of delegated acts has put the EU's external action architecture (as denoted in the Lisbon Treaty) under pressure. Whereas the full impact of the delays in programming cannot yet be assessed, many in the EEAS and DEVCO, and particularly in EU Delegations, feel uncomfortable with the informal basis of the programming process thus far (given the lack of legal basis nor clarity on the size of financial envelopes). Some are very conscious that further delays could cause gaps and shortfalls in financial assistance in some countries and further undermine EU's credibility as a reliable development partner. Nevertheless, **the programming process has thus far succeeded in enacting several key principles spelled out in the Agenda for Change**, particularly sector concentration and joint programming. Good progress has been made considering the challenges of the new policy and institutional context in which the programming exercise has taken place.

Our analysis suggests that the first phase of programming of bilateral (EDF/DCI) EU development assistance, has mainly been undertaken by the EUD Operations sections, under close direction from DG DEVCO Headquarters. It seems that the EEAS has largely remained on the sidelines of the programming process, contrary to the working arrangements defined between the European Commission and the EEAS. The young service is still defining its role in many parts of its mandate, and faces a lack of (human and financial) resources needed to effectively fulfil its political functions³⁰. At the same time, in some cases there is a perceived lack of interest by EEAS staff for engaging with development issues, or a lack of understanding in the culture and procedures of EC development programming. The working arrangements allow for EC staff in EUD's to contribute to the EEAS work; this flexibility is widely appreciated by staff, but raises questions on the pertinence, viability and efficiency of having two separate command and reporting structures. The EEAS Review document includes recommendations to act on both these shortcomings. Furthermore the fear that EEAS' involvement in programming of development assistance would orient development spending more towards short-term foreign policy interests appears unfounded at this stage.

30 In this regard, the EEAS Review document recommends to enlist additional seconded experts to "raise the EEAS role and profile" by strengthening the EEAS' division in charge of coordination development cooperation—there are currently only 1.5 full-time employees working in the programming area at HQ level.

However, there is some concern that the programming process has not been sufficiently guided or informed by an understanding of local political dynamics, or by a sound analysis of the quality and credibility of national development plans. Aside from the EEAS' capacity constraints, this could be explained by unclear guidance or limited requirements from the programming guidelines on what and how to assess political feasibility. Furthermore, DG DEVCO seems less ready to invest in political economy analysis missions. There is a risk that in so doing, a signal is sent that the EU is ready to engage in sectors without prior analysis of what is politically feasible – which in the medium term will significantly undermine the ability to achieve results.

Last but not least, EU commitments to key development effectiveness principles such as country and democratic ownership (Accra, Busan), which are explicitly reflected in the EU's updated development policy, have not yet been clearly translated into the programming process. Reported instances of DEVCO HQ 'prescribing' priority sectors in the programming process have compromised the partner country's ownership over the priority areas as well as EUD leadership in facilitating the process. With few exceptions, EUDs seem to have failed thus far to convene multi-stakeholder meetings on domestic reform policy options and EU programming choices, an essential component for a participatory programming cycle.

In sum, despite delays, there has been progress in the programming over the past months. Early experiences from the first phase of programming leave little doubt that the Agenda for Change is a key driver of the process. It has provided a clear framework for the programming guidelines, and has influenced DEVCO headquarters' interactions with EU Delegations. The drive to translate the Agenda for Change as a global policy into local practice has raised some tensions between HQ and the field, a number of which are however commonplace in aid programming cycles. A question mark remains whether EUDs will be able to translate programming priorities into effective implementation strategies that contribute to country-led change if these are not sufficiently grounded on a sound understanding of country contexts, and if domestic accountability stakeholders are not meaningfully involved in programming. Finally the EU should seize the momentum generated by the EEAS Review to ensure that EU Delegations, and in particular, the Political sections develop sufficient capacity to shape a more politically informed pro-development EU external action.

All for One or Free-for-All? Early Experiences in EU Joint Programming¹

Greta Galeazzi, Damien Helly and Florian Krätke²

Joint programming, an ambitious programming modality of the European Union's (EU) collective development aid³, is being launched in the middle of an enduring economic and financial crisis in Europe. The EU is struggling with its global image while its aid is being put under pressure with member states' governments also increasingly forced to show results of aid spending to their own national constituency. In such a context, joint programming it could be argued present some evident benefits: it is aimed at ensuring better coordination between the EU institutions' and the member states' development aid, thus reducing duplication and fragmentation of aid and increasing its effectiveness. Developing one country strategy document for the EU donors' assistance can furthermore contribute to forging a more coherent and coordinated EU external action post-Lisbon – beyond the practical benefits of such, this sends an important political signal that the EU institutions and its member states seek to draw on their shared strengths and similarities in engaging with third countries. The initiative, already trialled in Haiti and South Sudan in previous years, is being implemented in a number of other countries with Ethiopia, Ghana, Guatemala, Laos and Rwanda as notable early examples, and will be replicated in over forty other countries during the next Multiannual Financial Framework (2014-2020).

Joint programming is still in its initial stages, but is experiencing significant momentum since the last two years, which offers opportunities to assess the benefits and limitations of the initiative, test its added value and explore opportunities for stakeholders to shape the process. This Chapter looks at the rationale of joint programming, and what this means in practice at headquarters and country level, based on a limited number of interviews⁴ with key stakeholders and an analysis of key documents. It identifies incentives and obstacles encouraging or discouraging EU institutions and member states from engaging in it, with the caveat that the process is given shape by country conditions. An overview of the role and reactions of partner

¹ This chapter originally appeared as: Galeazzi, G., D. Helly & F. Krätke. May 2013. All for One or Free-for All? Early experiences in EU joint programming (ECDPM Briefing Note, 50). Maastricht: ECDPM. <http://www.ecdpm.org/bn50>

² The authors are grateful for feedback and inputs received from Andrew Sherriff, James Mackie, and Jeske van Seters yet any opinions and errors remain those of the authors.

³ For the purpose of this chapter, 'EU donors' is used to describe the EU institutions and the member states.

⁴ Interviews were carried out with fourteen stakeholders from the EU institutions, member states and civil society in field and headquarters positions during the period from March to May 2013.

countries to joint programming is also provided. The chapter ends by pointing at the main challenges ahead for joint programming.

1. *Why joint programming?*

Joint programming is a process through which the European Commission (EC), the European External Action Service (EEAS), and EU member states jointly determine a development response strategy for a particular partner country and draft a joint country strategy document, ideally to replace bilateral country strategies. The process also involves decisions on ‘who does what’ through a division of labour of sectors among donors which takes into account the EU donors’ commitments to concentrate their aid in a maximum of three sectors in each developing country they choose to support, agreed back in 2007. Joint modalities for delivering aid, including pooled funds, co-financing or delegated cooperation, are not necessarily part of the joint programming exercise.

The concept was first mentioned in the Report of the EU Ad Hoc Working Party on Harmonisation⁵ (2004), in the European Consensus on Development⁶ (2005) and in the Council Conclusions on the Operational Framework on Aid Effectiveness (2009)⁷ and was already trialled in Haiti (2010)⁸ and South Sudan (2011)⁹. Joint programming is being promoted as it is seen as a modality that can contribute to the implementation of the aid effectiveness agenda and to meeting the commitments of the 2005 Paris Declaration¹⁰. In particular, having one strategy for the EU donors in lieu of multiple strategies is expected to enhance the partner country’s ownership through better donor alignment to the country’s development objectives and plan, as well as to ensure better cost-effectiveness by reducing bureaucratic procedures for the partner government and EU donors alike. Joint programming is also envisaged to promote the division of labour among EU donors, with the aim to avoid duplication and fragmentation of aid and promote complementarity. Beyond this, the joint strategy has the potential to ensure a coherent engagement of the EU and member states’ with the partner countries according to a shared set of priorities.

Development being an area of shared parallel competence¹¹ with the member states, a notable challenge for the European Union has been to ensure the coordination of development aid

5 See Ad Hoc Working Party on Harmonisation (2004).

6 Joint statement by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the Commission on European Union. 2006.

7 See Council of the EU (2009a).

8 See République d’Haïti – Union Européenne. (2012).

9 See South Sudan (2011-2013).

10 See OECD (2005)

11 Article 4(4) of the Treaty on the functioning of the European Union (TFEU) recognises that 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”. See European Union (2007). See also http://europa.eu/lisbon_treaty/faq/

activities of the EC and the member states. This was the focus of the 2007 Code of Conduct on Complementarity and the Division of Labour and Complementarity, the Operational Framework, and the subsequent Fast Track Initiative on the Division of Labour (FTDoL) which aimed at implementing the Code. While it helped create a basis for EU aid coordination and some reprogramming of donors' assistance was noted in those countries, the latter was often driven by headquarters' decisions on aid portfolios rather than in response to the donor mapping and division of labour exercises¹².

In response to the financial and economic crisis, some EU donors have sought to reduce their aid spending while concurrently maximising its effectiveness and impact – there is thus new momentum for donor coordination and joint programming to reduce aid transaction costs and increase aid effectiveness¹³. This is reflected in the position agreed by the Council of the European Union for the 2011 Busan Forum on Aid Effectiveness, which emphasised EU joint programming as a means to contribute to the internationally-agreed aid effectiveness goals¹⁴, and the EU's new policy framework for EU development and cooperation¹⁵, the Agenda for Change, endorsed by the member states in May 2012 albeit nuancing the Commission's vision which mentioned also joint operation implementation modalities.

2. *EU joint programming: what it is and how it works*

As it is set out in the Council position for Busan, joint programming includes:

1. An analysis of and response to the partner country's development strategy and situation;
2. A division of labour of sectors between the donors;
3. Financial allocations per sector and per donor.

Joint programming was launched in early 2012 in a first generation of five countries – Ethiopia, Ghana, Guatemala, Laos and Rwanda¹⁶ – and has started more recently in other countries. These countries were selected on the basis of the reports of the EU Heads of Missions¹⁷ – a joint assessment of the feasibility of the exercise by EU delegations and member states – and building on the findings of a 2011 study on joint programming commissioned by the EC¹⁸. The study placed four of the above countries (Guatemala was not surveyed) among those displaying high or moderate potential for joint programming according to the EU donors' ability to participate in the initiative. The study looked at the EU donors' ability to synchronise their programming

¹² See Buercky and Knill (2009).

¹³ See Bigsten et al (2011).

¹⁴ See Council of the EU (2011).

¹⁵ See European Commission (2011b).

¹⁶ Mali had also been selected as a first wave country for 2012 but the initiative was delayed given developments on the ground, yet the commitment to undertake joint programming was restated in February 2013. See European Commission (2013g).

¹⁷ EU Heads of Missions are the EU Head of Delegation and the member states' Ambassadors.

¹⁸ See HTSPE (2011).

cycles and to align them with the partner country's strategy to match aid contributions to the partner's priorities – synchronisation is a guiding principle of the current programming guidelines. Feedback from the reports of the EU Heads of Missions helped identify specific 'windows of opportunity' such as the launch of a new development strategy by the partner government to align the programming to the partner's priorities.

Further assessments of the potential for joint programming might lead to the exercise being replicated in over forty countries. While launched at the same time as the programming of bilateral EU institutions' grant aid through the 11th EDF and the DCI and ENI for 2014-2020, the two processes (joint programming and 11th EDF/DCI/ENI programming) are proceeding on parallel yet separate track in some of the early cases. As per the programming guidelines for the 11th EDF and DCI for 2014-2020, EU delegations are no longer required to write Country Strategy Papers (CSPs)¹⁹. A reference document, such as a country's poverty reduction strategy or national development plan, can be used as the basis of the programming. The document is the object of an analysis on which the EU's and member states' response is built. Multiannual Indicative Programs (MIPs) are still required and should be drafted according to the prevalent division of labour among the EU donors. Concise CSPs might still be prepared for countries and regions where no reference document is available or can be used.

As joint programming is a country-level process, EU delegations and member states' embassies and country offices are the main actors. While the Ambassadors or Heads of Missions of EU member states present oversee and guide the process, the bulk of the work is done by the Heads of Operations of the EU Delegations²⁰, Heads of Cooperation of the member states' embassies and/or Country Directors²¹ of the member states' aid agencies, and their respective Cooperation Sections staff²². The involvement of the Political Sections of the EU Delegations appears to be limited so far but can happen on a case-by-case basis. Relevant units and desks at headquarters level (both in the EEAS and the EC's Directorate-General for Development and Cooperation, DEVCO-EuropeAid, as well as in member states) also have a role in the exercise.

In its ideal form, the process would have the EU delegations and member states' embassies and/or their aid agencies develop a joint analysis of the country including through the standard-practice consultations with national stakeholders (government, civil society, private sector, etc.). Like-minded donors can also take part in the initiative. Once the joint programming document is agreed on by the donors, it would then be transmitted to the headquarters and capitals for endorsement, as well as to the partner country government for information. Following the individual endorsement procedures at EU headquarters level, the document is finalised

¹⁹ For an overview of changes in the programming of EU development cooperation; see Görtz and Keijzer (2012).

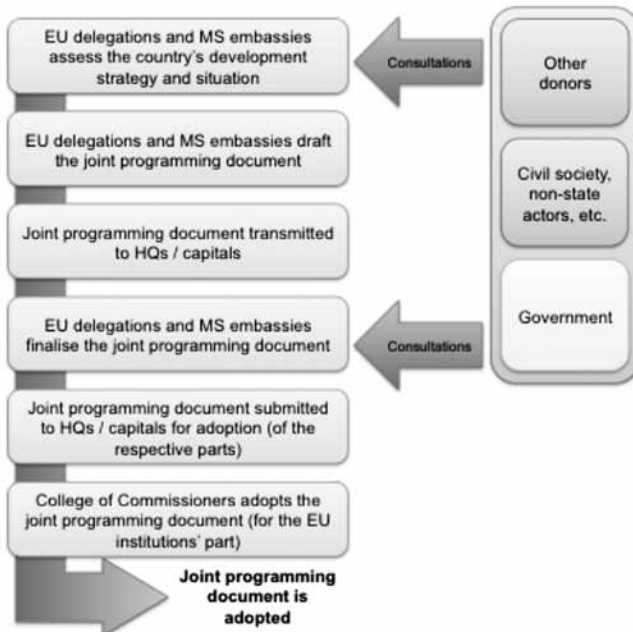
²⁰ At the EU delegations the title of 'Head of Operations' is used instead of 'Head of Cooperation', which most member states adopt.

²¹ In some member-states' aid agencies the Deputy Director is tasked with EU coordination.

²² Henceforth Heads of Cooperation will be used to refer to the Heads of Cooperation, Heads of Operations, Country Directors, and Deputy Directors.

by the EU and member states country offices. Afterwards, the final version would be sent to the headquarters and capitals for final adoption, if needed (each donor being responsible of adopting its respective parts). Lastly, the document would be translated into a MIP with allocations and detailed specifications of EU interventions in particular sectors. Figure 1 presents a graphic representation of the ideal joint programming process.

Figure 1: EU joint programming ‘by the book’



3. *Putting the process into practice*

In contrast to the ideal process described above, in practice headquarters, while providing guidance and support to the initiative, have generally adopted a ‘hands-off’ approach, meaning that guidelines for joint programming remain very general. This choice allows EU actors in the field to develop their own arrangements. It is therefore not surprising that the process and the outputs are taking different forms according to country conditions – in fact it might be difficult to accommodate the specificities of each situation using a ‘programming template’²³. Box 1 provides some examples.

²³ See HTSPE (2011).

Box 1: How joint programming works: the cases of Ghana and Ethiopia.

Ghana graduated to lower-middle income country status in 2010. EU donors signed up to the Compact “Leveraging Partnership for Shared Growth and Development”, a 10-year development strategy adopted by the government and in-country donor community in 2012 that spells out their respective priorities and objectives. Signatories commit to using the Compact – which synthesises the government’s development plans, including the evolving 2011-2013 ‘Ghana Shared Growth and Development Agenda’ (GSGDA) – as their core reference document for programming. EU joint programming builds on the Compact to develop a Joint Multiannual Indicative Programme (MIP) detailing each EU donors’ financial allocations and sectors of operation. As the process is still underway, this is only a possible indication of the initiative’s outcomes in Ghana.

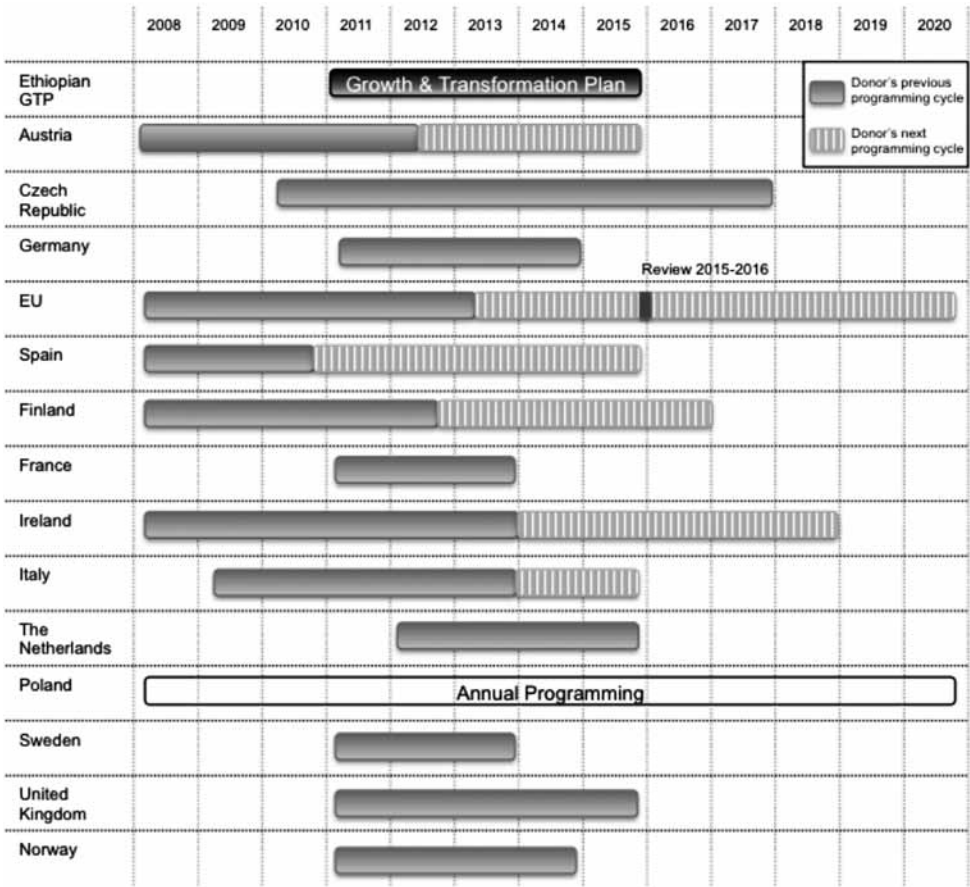
In **Ethiopia**, joint programming is built on the efforts to develop a joint EU assistance strategy that were started in 2011. The outcome is the EU Joint Cooperation Strategy (JCS) which articulates the common vision on development challenges and priorities for the EU+ group (EU institutions, member states, and Norway) in support of the Growth and Transformation Plan (GTP) of the government. The EU+ ambassadors signed the document in January 2013 in presence of the Commissioner for Development Andris Piebalgs and the Minister of Foreign Affairs and the Minister of Finance and Economic Development of Ethiopia – the participation of the Commissioner gave the process political flavour and visibility. The JCS represents a point of departure for further coordination since the division of labour is not yet included in the document. A joint programming roadmap has been annexed to the document, detailing activities to be carried out to implement the Strategy, such as the division of labour and harmonisation of reporting practices. Planning the next steps can prevent the exercise from losing momentum, given the approaching deadlines – a review of the document is expected by 2015 to ensure that the JCS reflects the priorities of the new development strategy of Ethiopia, to be launched in 2016.

These examples clearly demonstrate that joint programming requires a pragmatic approach, particularly to synchronise programming cycles of EU donors with the country’s national development strategy, as recommended also by the 2011 HTSPE study which proposed a ‘mix and match’ approach where each donor could join the exercise in a gradual way²⁴. When the synchronisation between the national development strategy and the EU and the member states’ programming cycles is not entirely possible, temporary or bridging solutions can be designed (as in Figure 2). EU donors may be required to remain flexible by shortening their programming cycles or extending the time span of existing strategies as some have done in Ethiopia. A review can be included in the strategy to further align donors’ programming cycles (such as in Ghana),

24 See HTSPE (2011).

or to ensure that the new development strategy of the partner country is properly taken into account, as expected in Ethiopia and Laos.

Figure 2: Synchronisation of EU+ programming cycles in Ethiopia



Adapted from the EU+ Joint Cooperation Strategy for Ethiopia (2013)

The next sections will describe early experiences of joint programming based on interviews and desk research focusing in particular on Ethiopia and Ghana. Our aim is to highlight the drivers and obstacles for the various stakeholders to take part in the initiative and note possible future challenges that the process might encounter.

4. *Obstacles and drivers for joint programming among EU stakeholders*

Although the joint programming initiative was launched in early 2012 following consultations with the field offices, it was at first perceived as a 'Brussels-led' initiative. As such, it was initially met with mixed reactions by both the EU Delegations and member states in the first generation of countries as well as countries in which the potential for joint programming was being assessed. The low level of buy-in arose in part due to limited awareness of the process and lack of clarity on its scope and aims according to some interviewees, notwithstanding activities such as technical seminars and training missions to capitals' staff, jointly sharing documents to the field, were undertaken by EU headquarters to address these concerns. The need to clarify what joint programming means in practice was already noted by the 2011 study on joint programming²⁵. Capacity constraints are another concern for the EU Delegations, who are generally recognised to require additional resources to adequately fulfil their roles and duties post-Lisbon²⁶. Similarly, member states with small programmes (which might not even require country strategies) can find the process burdensome and time-consuming.

Capacity constraints have been dealt with in a number of ways. For instance, the technical knowledge of external consultants can facilitate the Heads of Cooperation's work. Furthermore, setting-up a 'facilitating group' comprising a small number of member states and the EU delegation, as undertaken in Ethiopia, appears to ease the burden while driving the process forward. This group contributes to the process by brainstorming and presenting ideas, setting the agendas for the monthly or bi-monthly meetings of EU Heads of Cooperation, and preparing first drafts of the joint programming document. Sharing drafting duties with member states for chapters of the analysis and response, and allowing member states' embassies' or agencies' staff to present joint programming in consultation meetings with local stakeholders also contributes to burden-sharing.

These measures serve the purpose of making the member states perceive the process as 'their own' for some interviewees. Nonetheless, whereas all EU member states have made high-level commitments to joint programming and are committed to the process in principle, the interest shown by country offices varies greatly and often depends on factors such as the size and weight of their development assistance. Member states' representatives may fear that their national interests and priorities²⁷ become diluted in aid coordination, thus making their political influence invisible or unnoticed. EU donors (large and small alike) have expressed concerns over the visibility of their bilateral donor activities being reduced as a result of joint programming. Visibility is however not at risk in the immediate sense, given that joint programming does not consist of joint implementation of aid activities (contrarily to what the term itself may lead donors to believe²⁸).

25 See HTSPE (2011).

26 See for instance Wouters, et al (2013).

27 See Bigsten et al (2011).

28 Joint programming is quite often confused with 'joint programs' of two or more donors.

In contrast, certain donors, in particular those with small and medium-sized programs, have taken the lead on joint programming in specific first wave countries, noting the possible gains from the reduction of transaction costs of the bureaucratic procedures of drafting country strategy papers. Austria adopted the joint programming document for Ethiopia which replaced its bilateral country strategy, complementing it with additional information on bilateral projects²⁹. Other member states are still required by their own national procedures to draft bilateral strategies but they can still incorporate or reference the document in their bilateral documents – some of them are already doing so³⁰. Some member states consider joint programming as a way to increase the visibility and leverage of the EU, whose total aid amounts to a sizable proportion of the overall development assistance in many developing countries, thus compensating for potential individual losses in terms of visibility or political influence and overcoming the proliferation of donor activities over the past decades. The overall political message of joint programming, as a signal for a more coherent and concerted EU external action, has therefore so far not been clearly translated into practice.

According to some interviewees further support for the joint programming can be generated by member state capitals further informing their respective country offices of the high-level commitments made towards the process, and of its nature and goals. The capitals could also make efforts to ease the legal and procedural processes which may limit the embassies' and agencies' ability to effectively participate in joint programming. Further communications can clarify if the EU delegations are meant to coordinate even in case of low interest from the member states. This can create some momentum for joint programming without, however, issuing strict instructions since delegations and embassies need to reach consensus on the modalities of the local implementation of the initiative.

5. *The partner country's role and response*

Partner country governments are informed of the joint programming initiative when it gets underway. In Ghana joint programming was presented by the EU Head of Mission at the Ghana-EU Political Dialogue held in Accra in July 2012 in the presence of the Vice-President of the Republic and of the Minister for Foreign Affairs and Regional Integration. So far the introduction of joint programming has been met with mixed responses from the partner countries' governments in the first cases and in other countries where the potential for the initiative has been assessed, possibly because of the limited knowledge of the initiative – further enhanced by the limited knowledge understanding of the EU's internal procedures and structures by national stakeholders.

²⁹ See Austrian Development Cooperation with Ethiopia.

³⁰ Italy is currently drafting its country paper 2013-2015 and is looking into making reference to the JCS in the text and annexing the JCS to the document.

A widespread uneasiness of partner country governments is that joint programming, by enabling EU member states to 'claim' the EU institutions' activities as part and parcel of their own, would provide member states with an incentive to reduce their aid levels.³¹ This may be true in some countries, but not everywhere. So far, no evidence is found of a direct correlation between joint programming and EU or member states' aid exit strategies. In practice, while some member states have indeed developed aid exit strategies for middle-income countries (MICs), including in some countries where joint programming is happening, these appear to be decisions predating the start of the initiative. Coordinated EU aid programmes, if effectively planned, can actually limit funding gaps and ensure a smoother transition to different cooperation modalities with the partner country governments. Some MICs governments that will be expecting a phasing out of EU institutions' aid after 2020 have understood that, and have already requested the EU to carry out joint programming in their countries.

Until now, joint programming has been met in some cases with limited interest. It is perceived by some partner country governments as a cumbersome EU procedure with little added value in the short term: it would potentially duplicate existing donor coordination efforts and disperse the governments' limited capacities to follow these processes. Given that one of the goals of joint programming is precisely to reduce such bureaucratic burden, the EU would need to communicate clearly the intentions of the process and possible long-term advantages. Notably joint programming could lead to improved quality of policy dialogue between the government and the EU donor community which responds to the shared priorities set in the joint document instead of a myriad of different strategies.

The third reaction to joint programming has been pretended indifference. Governments aiming at maximising the volume and value of foreign assistance through 'donor shopping' have viewed joint programming as a process through which the EU and its member states 'gang-up' on them, thereby limiting their leverage vis-à-vis donors. True, increased division of labour between EU donors might make 'aid shopping' for sectors more difficult – governments are reluctant to tell donors 'who does what'. Joint programming, however, does not prevent bilateral implementation that continues to exist between the government and donors. Furthermore, as some early cases such as Ethiopia have shown, the process of defining division of labour can come at a later stage. The example of Rwanda demonstrates that governments already taking the lead in donor coordination are more eager to reap the potential benefits of this initiative.

Lastly, in line with the general requirements of EU programming and international aid effectiveness commitments, national and local stakeholders beyond the government should be engaged. At this stage in the exercise, civil society actors are being informed of the initiative (usually in the context of the DCI and 11th EDF programming, as was the case in Ghana) though they are not asked systematically to contribute. Programming for the 11th EDF is considered a

³¹ This concern is to some degree linked to the EU's differentiation policy, noted in the Agenda for Change. See Keijzer, Seters, Lein, Krätke, Montoute (2012).

highly formalised procedure between the Delegation and the partner country government by a part of the civil society, who feel they have limited opportunity to engage³². There are, however, some instances in which this is possible through consultations and workshops, such as when the EU Delegation in Ethiopia agreed for NGOs to form a small consultation working group of around 10 members to contribute to the 11th EDF programming³³. The extent to which civil society will be seriously listened to remains to be seen on a case-by-case basis.

6. *What results and future challenges for joint programming?*

In the coming months and years joint programming will meet a number of challenges that are going to test the EU and member states' willingness to not only carry out the initiative but more generally to demonstrate their dedication towards strengthening and making more coherent their collective external action for development purposes.

It will be of critical importance for the initiative to demonstrate tangible results to dispel the doubts of the EU stakeholders, partner country governments and local non-state actors alike (which may also push non-EU donors to join the initiative). In fact, while the changing aid landscape and the increasing importance of emerging economies in developing countries give additional relevance to the EU's efforts to deliver a more coordinated response, the engagement of important non-EU bilateral donors and multilateral agencies has been limited.

Some results have already been achieved, such as the use of the joint document by member states either replacing or as a main reference for their bilateral strategy papers in Ethiopia. However it should be recalled that the initiative is still in its early stages and that those developments are the outcome of lengthy processes (starting in early 2012) often building on previous donor coordination initiatives³⁴, which can indeed provide momentum and legitimacy to joint programming³⁵. A useful tool to sustain interest on joint programming could be a clear 'roadmap' with the steps to be taken in subsequent phases as was done in Ethiopia and is being developed in others as well.

In fact, for joint programming to go beyond being a 'paper exercise', it needs to lead to a better division of labour among EU donors and inform the choice of sectors for development assistance. EU donors have shown some reluctance to enter this phase of the process, as they are disinclined to exit sectors where they have already invested funds in and are constrained by priorities set by headquarters. The exercise risks either turning into a confirmation of the status quo if donors lack the political will to exit overcrowded sectors or to push donors with small programs to cover funding gaps by changing their priorities.

32 See also Concord (2013a).

33 See Concord (2013a).

34 A 'Joint Assistance Strategy' has been in development by EU donors in Ethiopia since 2011. See HTSPE (2011).

35 See HTSPE (2011).

A stronger ownership from the partner governments, for instance through their role as co-chair of the Sector Working Groups, could push donors to strive for tangible results. But this will probably not be enough. A number of apparently technical challenges related to the division of labour actually have serious political implications for EU member states. They have been identified in some early countries and include, among others, the need to have a commonly agreed approach to define 'sectors' of aid intervention as well as the need to use commonly accepted tools to assess the 'comparative-advantage' of individual donors. This will ultimately test the political willingness of the actors: otherwise, joint programming risks becoming another donor coordination mechanism with little influence on policy practice.

Conclusion

Joint programming, still in an initial phase, could have significant impact on the way EU's external action and development policy evolve over the next decade since it is now starting in over forty countries. While aiming for improved aid effectiveness and EU coordination, it also holds the potential for increased EU visibility and influence by providing a practical basis for realising a political commitment to a more coherent EU external action.

Significant interest has been expressed towards the initiative complemented by support, including with high-level political commitments and a number of practical measures since the past two years. Yet a number of challenges faced by joint programming processes have been highlighted. Some of the concerns expressed by interviewees arise from the lack of clarity on its scope and aims. Joint programming actually is not a zero-sum game. Clearly communicating the nature and goals of the exercise at the level of headquarters in Europe, building on the efforts already undertaken, could make all stakeholders (governments and societies in developing countries, EU donors and NGOs) understand that there are important gains for them to make. For administrations in partner countries, increased European harmonisation and alignment to their own development priorities and synchronisation with their own development plans would lead to less burdensome reporting and coordination procedures. For EU donors, it could lower transaction costs, strengthen the visibility and leverage of EU donor efforts and contribute to the achievement of aid effectiveness' commitments.

Joint programming is context-specific. While clarifications and communications from the headquarters and capitals are undoubtedly useful, the cases of Ghana and Ethiopia show that joint programming is being shaped differently in each country – this is happening in the other cases as well. Local conditions have a very significant impact on the initiative and, as such, fixed top-down guidelines risk being counterproductive. Appropriate resources to the field level and an adequate delegation of power to the country offices are a prerequisite for the EU delegations and embassies to engage and effectively implement joint programming.

In the end, only tangible outcomes and success stories will ensure the participation and interest of the stakeholders. For this reason it is also important to have monitoring tools and share lessons learned from the early cases. To succeed, joint programming needs to show at least two concrete results as early as in its inception phase, which require political willingness from all actors: the adoption of the joint document replacing the EU member states' bilateral programming documents and an actual division of labour matching those joint strategies. Ensuring the synchronisation with some countries' newly adopted development strategies or taking them into account through reviews can also demonstrate real effects. Achieving these results is imperative to ensure support but ultimately the success of EU joint programming depends on its ability to make a better EU contribution to development objectives while also strengthening EU external action.

Blending Loans and Grants for Development: An Effective Mix for the EU?¹

Sanoussi Bilal and Florian Krätke²

The development community, and the European Union (EU) in particular, has recently put greater emphasis on the opportunities offered by ‘blending’, i.e. combining grant aid (usually channelled through a development finance institution) with non-grant resources. The new EU development policy, the *Agenda for Change*³, includes a commitment to increase the share of EU aid through innovative financial instruments, including under facilities for blending grants and loans, and other risk-sharing mechanisms.

Blending loans and grants has become common practice in international development finance. It is one of the mechanisms regularly used by development finance institutions (DFIs) such as the Agence Française de Développement (AFD), the European Investment Bank (EIB) and KfW. It involves the combination of grant aid from Official Development Assistance (ODA) with other private or public sources of finance, such as loans, risk capital and/or equity. Such grant aid can leverage the additional non-grant financing, generally for infrastructure, energy or private sector development projects, to meet unmet investment needs. Grant aid (or grant equivalent) provided can take a number of forms, most commonly direct investment grants, interest rate subsidies, and technical assistance.

Whereas the EU institutions already have experience with blending instruments and facilities, the *Agenda for Change* promises to greatly increase commitments to this development finance modality. The EU has in recent months made efforts to engage with development finance institutions and other stakeholders to enhance its efforts on blending. Therefore, this chapter surveys the EU’s experience with blending and lays out the principal opportunities and risks of blending.

Recent EU blending practice and experience

The European Commission (EC) considers blending as a suitable ‘innovative financing’ modality to pursue financial, non-financial and policy leverage in its development cooperation and foreign policy efforts. As such, the EU institutions have established eight facilities for blending

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² The authors are grateful for feedback and inputs received from Andrew Sherriff and Jeske van Seters. Any opinions and errors remain those of the authors.

³ See Council of the European Union (2012a).

loans and grants since 2007 (covering all regions of EU external cooperation, as highlighted in Table 1) with a view to leveraging additional finance for development cooperation and external action. According to the European Commission, the € 1.2 billion grants from the EU budget, the European Development Fund (EDF) and Member States (MSs) have leveraged € 32 billion of loans by development finance institutions, “unlocking project financing of at least € 45 billion, in line with EU policy objectives”.⁴

Thus far, the majority of blending operations have provided subsidised loans to the public sector (in the form of public investment projects for approximately 90% of projects) in developing countries. For the 2014-2020 EU budgetary period, the intention is much more explicitly to use EU aid to subsidise or incentivise private sector loans. Grant support provided through blending mechanisms has so far largely been in the form of direct investments (41% of funds between 2007-2012) and technical assistance (32%), as well as interest rate subsidies (19%), as illustrated in Figure 1.⁵

Table 1. Key EU regional investment facilities for blending loans and grants

Loan and Grant Blending Mechanism	Date launched	Grant funding	Approx. # projects since 2007	Full participatory financiers (observers)
EU-Africa Infrastructure Trust Fund (ITF): 47 African ACP countries	2007	€ 459 million from 10th EDF + € 108 mln from MS / DFIs	57	AECID, AfDB, AFD, BIO, EIB, FINNFUND, KfW, LuxDev, OoEB, PIDG, SIMEST, SOFID
Neighbourhood Investment Facility (NIF): 16 countries eligible for the European Neighbourhood and Partnership Instrument (ENPI)	2008	€ 767 mln 2007-13 from EU budget (ENPI) + € 77 mln from MS / DFIs	79	AECID, AFD, CEB, EBRD, EIB, KfW, NIB, OeEB, SIMEST, SOFID
Western Balkan Investment Framework (WBIF): 6 countries	2009	€ 218 mln from EU budget + € 80 mln from MS / DFIs	137	CEB, EBRD, EIB, KfW, WB

4 See http://ec.europa.eu/europeaid/news/2012-12-12-platform-blending-funds_en.htm. It should, however, be noted that estimates on the amount of funding invested in and leveraged through blending facilities vary considerably. The European Investment Bank has noted leverage ratios of 8 times the EU-budget contribution, whereas the European Commission has noted leverage ratios of up to 31 times. Measures of leverage are also confused, notably confusing the grant-to-loan-component ratio on the one hand with the grant-to-total-cost ratio on the other.

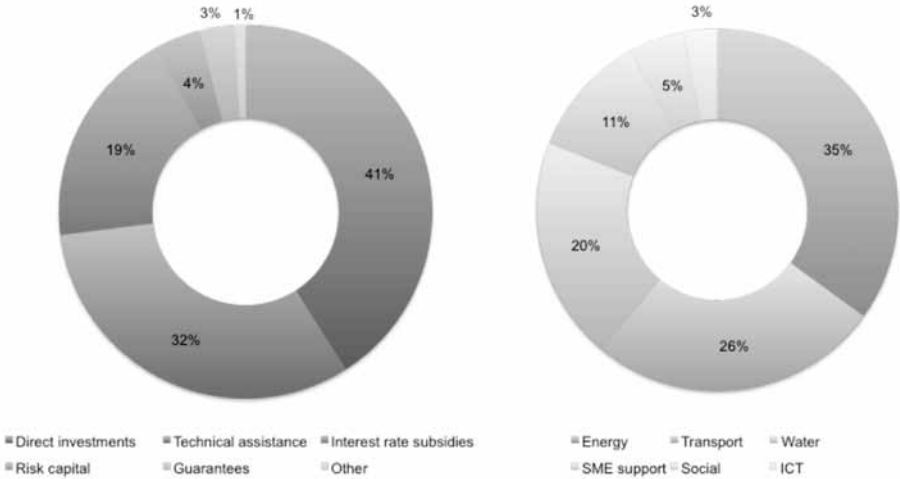
5 See European Commission (2013j).

Latin America Investment Facility (LAIF): 18 countries	2010	€ 192 mln 2009-13 from EU budget	20	AECID, AFD, EIB, KfW, NIB, OeEB, SIMEST, SOFID (CABEI, CAF, IADB)
Investment Facility for Central Asia (IFCA): 5 countries	2010	€ 65 mln 2011-13 from the EU budget	8	AECID, AFD, EBRD, EIB, KfW, NIB, OeEB, SIMEST, SOFID (ADB, WB)
Asia Investment Facility (AIF)	2012	€ 30 mln 2011-13 from EU budget	4	AECID, AFD, EBRD, EIB, KfW, NIB, OeEB, SIMEST, SOFID (ADB)
Caribbean Investment Facility (CIF): 15 Caribbean ACP countries	2012	€ 40 mln from EU budget		AECID, AFD, CDB, EIB, IADB, KfW, NIB, OeEB, SIMEST, SOFID (CABEI)
Investment Facility for the Pacific (IFP)	2012	€ 10 mln from EU budget		AECID, AFD, EIB, KfW, NIB, OeEB, SIMEST, SOFID (ADB)
Total		€ 2.046 billion	>300	

Source: adapted from Ferrer. and Behrens, 2011, supplemented with data found in European Parliament, 2013. Blank fields mean unavailable or unknown data.

Projects undertaken between 2007-2012 have principally been in the energy (35%), transport (26%) and water (20%) sectors (see Figure 2). In keeping with the Agenda for Change, the European Commission hopes to rebalance these priorities to provide more funding to support small and medium-sized enterprises (SMEs), the social sectors (e.g. education and health infrastructure) and ICTs – currently only 19% of projects take place in these sectors. Beyond the development policy area, facilities such as the Neighbourhood Investment Facility (NIF) and the Western Balkan Investment Framework (WBIF) actively provide support to EU enlargement and climate policies. Similarly, such blending mechanisms have a wide geographical coverage, including pre-accession, neighbourhood, and low- and middle-income countries.

Figure 1: Grant support provided through EU blending mechanisms 2007-2012 by type and by sector



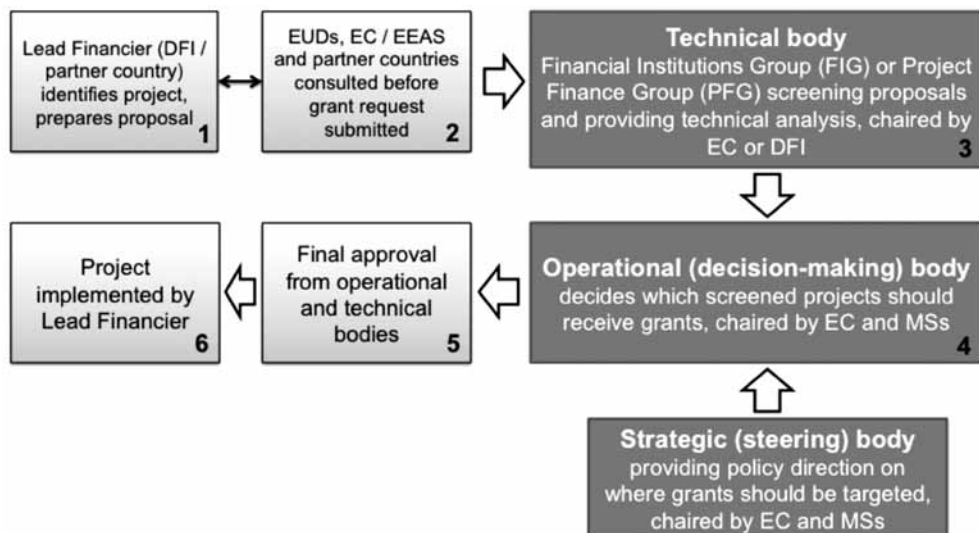
Source: EC (2013), total support provided is € 32 billion.

Whereas EU blending operations and mechanisms vary widely in their governance structure, they are generally governed and operated through a three-tiered governance structure summarised in Figure 1. Eligible finance institutions, most commonly European DFIs⁶, drive the project identification process and submit project proposals as the Lead Financier to the technical body⁷. Subsequently, projects are approved on the basis of detailed and relevant assessment criteria, while the screening of projects against the objectives of EU external policy is conducted through an internal review and consultation process with the EC and the European External Action Service (EEAS), characterised as ‘broad but shallow’⁸.

⁶ www.edfi.be

⁷ While not formalised, the EU Delegations (EUDs) are increasingly involved prior to submitting a grant request in order to ensure that project proposals are consistent with the EU’s national development strategies.

⁸ See DRN-ECDPM-ECORYS-PARTICIP (2013). There nevertheless exist considerable differences in the structure and operation of the various investment facilities. Notably, there is variation in 1) who is involved in project design, 2) who is involved in project approval, and 3) what are the steps of project approval.

Figure 2. Basic governance structure of blending mechanisms and project lifecycle

Source: own design based on DIE, ECDPM, FRIDE and ODI, 2011 and project lifecycle identified in the following presentation: <http://www.gzs.si/pripone/37263/Evropski%20mehanizmi%20za%20podporo%20gospodarstvu.pdf>

Arguments in favour of blending

The increased interest in blending by the EU can be motivated for a number of its potential benefits. In addition to increasing the potential development impact of the EU's ODA⁹, blending is expected to increase efficiency, coordination, ownership and visibility of the EU development finance¹⁰, as detailed below:

- **Mobilising additional resources for development objectives** and the provision of global public goods, complementary to other aid modalities. The economic downturn in Europe and resulting increased budget constraints on donors has put pressure on European spending on development - leveraging developing financing through blending is often perceived as a means to partly address the requirement “to do more with less”. This is on the one hand as a result of the potential to leverage large amounts of resources (see below), and on the other hand due to the potential of blending facilities to be an efficient

⁹ The ODA definitions read that if the loan and grant component are provided ‘in parallel’, e.g. provided and invested for separate purposes, then the loan component of a blended operation does not count as ODA. If the grant and loan components are invested jointly, and the grant component comprises 25% of the overall investment, then the loan and grant both count as ODA. However, the definitions for ODA are currently under review, and it is not always clear what components of blending are invested jointly or not – it is however sure that few blending operations meet the 25% conditionality criteria.

¹⁰ See European Parliament (2013a).

aid modality, requiring little (human) resources as the workload is shared among the stakeholders involved. Collaboration among the stakeholders should also harmonise processes, thus making for lower transaction costs and reducing administrative burden for partner countries, freeing up funds for additional programmes;

- **Following through on international (political and technical) standards and initiatives in development cooperation.** The EU has committed to a variety of standards for aid and development effectiveness, notably the Busan Partnership for Effective Development Cooperation¹¹. Furthermore, the EU is involved in political partnerships with a prominent development component such as the Cotonou Partnership Agreement¹² or the G8 Deauville Partnership¹³. Lastly, the EU needs to give effect to initiatives it is involved in such as the UN Secretary-General's Sustainable Energy for All (SE4ALL) initiative¹⁴. Blending is considered as a viable modality for achieving multiple policy and practice objectives simultaneously;
- **Enhancing the partner country governments' ownership of their development process.** In particular, further to the above, the loan component of the blended fund and the closer involvement and commitment of the partner country government in the project design and implementation process would enhance the ownership of the development assistance component and the project as a whole. The grant component can furthermore reduce the potential debt burden resulting from the investment (by complying with or differentiating the grant element to match International Monetary Fund (IMF) / World Bank concessionality requirements for investments in low-income countries), enhancing long term public sector borrowing capacity/sustainability (though does not come without debt risk, see below);
- **Opening up and incentivising entrance to new or otherwise risky markets for private sector actors.** Blending potentially allows for closing the financial gap to meet the investment needs of transformative projects that would otherwise not (wholly) be financed through loans only. These projects would have a high economic, social and/or development return (for instance the adoption of new technology) but insufficiently high private financial return or too high a risk (high degree of novelty or level of initial entry costs to the market). Blending can potentially overcome some market or institutional failures (such as unpriced externalities), allowing for a potentially increased value added for developing countries in terms of private sector development (notably banking and financial sectors). By demonstrating the long-term viability of markets (building on the experience of the European investment facilities), blending also aims to trigger crowding-in of private investment, enabling Public-Private Partnerships (PPPs) in particular sectors¹⁵;

¹¹ See <http://www.oecd.org/dac/effectiveness/Busan%20partnership.pdf>

¹² See <http://ec.europa.eu/europeaid/where/acp/overview/cotonou-agreement/>

¹³ See <http://www.state.gov/e/eb/ecosum/2012g8/deauville/>

¹⁴ See <http://www.sustainableenergyforall.org/>

¹⁵ See Barton (2012).

- **Greater aid and/or development effectiveness of development aid and economies of scale.** These would potentially result from increased pooling and matching of funds and better coordination among donors and financial institutions. The process of joint design and especially screening of projects would enhance the coherence and visibility of EU aid, and promote innovative approaches and the sharing of best practices. This is in part due to the fact that blending facilities can be applied to flexibly mobilise resources at different levels (continental, regional, national) and in different sectors to complement other aid modalities, provided for effective monitoring and evaluation of projects funded;
- **Introducing efficiency gains to EU development assistance.** Blending is also expected to contribute to bring efficiency gains, as it presents a flexible development finance modality that removes the need for parallel forms of financing – it is sometimes likened to a ‘one-stop shop’ for development financing, though it is at present used precisely as a parallel form of financing development projects.

Blending mechanisms are thus perceived as having the potential to not only leverage additional financing for development, but also to leverage inclusive and sustainable development and thus enhance the impact and effectiveness of EU development assistance.¹⁶ This is the basic rationale for the current approach adopted by the EU institutions.¹⁷

Concerns raised about blending

Blending mechanisms have, however, also raised some questions and concerns, as to their effectiveness, development impact, and potential distortive effects¹⁸. Commonly expressed concerns include:

- **The risk of financial incentives outweighing development principles.** It remains unclear to what extent projects funded through blending have a development impact. Investors, including development finance institutions, may prioritise considerations on return-on-investment, overriding some development priorities underlying development funds through grant aid. Coordinated efforts must be made to ensure and monitor development objectives and impact of development finance through blending mechanisms; the ratio of grant-to-loan for individual projects should also be assessed in terms of financial viability

¹⁶ Development finance institutions (DFIs) are furthermore interested in blending because they are not allowed to offer funding from their own resources below their cost of funds. They also perceive blending as a transparent means of providing grant aid.

¹⁷ See Rudischauser (2012).

¹⁸ See Griffiths (2012), Sprat (2013).

and development effectiveness. Current methods of project selection and monitoring, however, may leave doubts as to who is leveraging whom¹⁹.

- **The risk of concentrating financing towards certain sectors and countries.** Private finance can be argued to follow market trends and is therefore susceptible to concentrating on certain sectors (such as the finance and extractive sector) – in times of economic crisis, financiers are likely to be more selective and risk-averse. Most private investment currently flows to middle-income countries with better-developed financial sectors and to sectors towards which private investment is already flowing. Whereas blending instruments can therefore prove useful to those upper middle income countries (UMICs) affected by reductions in aid (notably because of the differentiation approach adopted by the EU)²⁰, it raises concerns as to whether the EU will be able to increase investment flows to low-income countries (LICs), lower middle income countries (LMICs) and fragile states. Critics have furthermore argued that only one fourth of companies supported by blending facilities (EIB, World Bank and International Finance Corporation - IFC) between 2006 and 2010 were domiciled in developing countries²¹, which risks undermining efforts to develop the private sector in developing countries.
- **The risk of crowding-out private financing and distorting markets.** ODA grant aid could crowd out private capital under some circumstances where stand-alone commercial loans would have been viable. It may also lead to a race to the bottom among development finance institutions and donors, in an attempt to capture new market for loans through implicit subsidies. This counterproductive competition among financiers to finance perceived “good” projects may ultimately lead to inefficient loans and over-subsidisation or concessionality of loans (i.e. with too high grant-to-loan ratio). Alternatively, a concessional component may extend the expectation that markets are not commercially viable, delaying replicated or new projects. This would not only lead to ineffective ODA, but would also distort the financial market, leading to inefficient financial allocation mechanisms.
- **The risk of providing insufficient attention to transparency and accountability.** Blending mechanisms may potentially further cloud the transparency and accountability issues in the selection of projects, mechanisms of funding and flows of funds (sometimes through intermediaries in tax havens). Lack of transparency on the grant component of blended funds can make it hard to assess the value of the project compared to other financial products available. The rationale for financing a project through blending should be clearly indicated to manage market expectations (see the previous point). Too often, there is little information in the public domain on the criteria and processes of project design, selection and funding.

¹⁹ Particularly, there is concern that higher leveraged ratios (considered as something positive by the European Commission and the DFIs) will lead to (private) financing institutions having a stronger influence in the selection design and implementation of projects. See DIE, ECDPM, FRIDE and ODI (2011)

²⁰ See Krätke (2013).

²¹ See Kwakkenbos (2012).

- **The risk of unclear or ill-defined monitoring and evaluation methods.** In addition to traditional monitoring and evaluation challenges inherent to all development projects, the assessment of blending mechanisms must include an evaluation of the leveraging effect. It should be assessed whether blending mechanisms are successful not only at raising the ratio of investment against ODA invested and the size of project, but also whether these investments have the requisite development impact and local ownership. Furthermore, it should be assessed to what extent the grant component has leveraged investment for projects that would otherwise not have taken place – the ‘additionality’ of blending. So far, evaluating the impact of these dimensions of blending has proved extremely difficult. Critics have also argued that there has been little assessment as to whether projects funded through blending facilities are in line with the national development strategy of developing countries or whether these projects have contributed towards achieving those objectives²².
- **The debt risks for developing countries of increasing lending.** Blending facilities primarily fund projects undertaken by developing country governments. Some developing countries, notably in Sub-Saharan Africa and the Caribbean, have high debt ratios; introducing blending facilities could potentially further increase their debt exposure, as most projects funded through such facilities have a grant-to-loans ratio of 1:4. This may affect not only the national fiscal space but also countries’ ability to attract other funding, such as IMF loans, and may lead them to link more with volatile international financial markets. The degree to which the grant element of a blending operation can be differentiated to suit a country’s debt burden has its limits.
- **Inefficient way of incentivising private investment and addressing risk.** In some cases, blending might not be an effective or efficient way to stimulate private investment in development-oriented projects. Often, the structure and characteristics of the loan has more bearing on the incentive to invest than the presence of a grant element. Similarly, some risk-mitigating instruments might prove more effective than a grant support in a blending mechanism.

Together, the above reflects the concern about whether blending provides any sort of ‘additionality’ over grant aid and loans already in use, whether this be in economic and financial terms, in project scale and timing, project quality, innovativeness or influence on national policy dialogues and reforms. Financing leveraged through grant aid does not necessarily translate into an increased development impact – concessionality does not in itself guarantee additionality.

22 Evaluations of European investment facilities consider project identification and approval as well as the leverage ratio, but draw no conclusions on the additionality or development impact of the projects implemented. See Ernst & Young (2012) and DRN-ECDP-ECORYS-PARTICIP (2013).

Towards a balanced approach: advancing the EU agenda

The European Commission Communication on Improving EU support to *developing countries in mobilising Financing for Development*²³ of July 2012 stressed that:

“The EU, Member States and public financing institutions should step up efforts for increased use of innovative financing mechanisms on a coherent, coordinated and strategic basis. The EU should leverage more private resources and capacities through blending mechanisms that can crowd-in additional private and public financing: i) create a private sector window within the regional blending mechanisms, ii) make greater use of risk-sharing mechanisms such as guarantees that can unlock investments and iii) promote investments through instruments that entail improved risk management and equity participation in structured funds.”

The EU thus intends to step up its efforts to catalyse public and private investments, as noted most recently in the EC’s Communication on the financing of poverty reduction and sustainable development beyond 2015²⁴. As interest and investment in blending mechanisms through investment facilities is set to increase during the next budgetary period, a clear rationale for blending mechanisms is yet to materialise.

To actively further the usage of blending mechanisms, the Commission set up the EU Platform for Blending in External Cooperation (EUBEC) in December 2012. This coordinating platform between the various facilities (composed of representatives of EU institutions, EU Member States, European and international DFIs) is tasked to review existing blending mechanisms and develop a common framework to measure their impact, and has delivered initial reports on this in June 2013. Furthermore, the platform will produce recommendations and guidance on how to blend public and private resources to increase the impact of EU development cooperation using existing blending and financial instruments in time for the implementation of the EU’s new budget in 2014. The platform will subsequently develop key principles for blending, ensuring that blending activities are coherent, coordinated and flexible. Lastly, the platform is tasked to develop new methods of funding.²⁵

The opportunities and challenges of blending need to be carefully assessed, and the added value of the grant component of blending mechanism for each project clearly identified and assessed. For each project (or, more specifically, for the grant component of each project) and for each blending mechanism, key guiding questions should be systematically addressed, such as:

23 See European Commission (2012f).

24 See European Commission (2013f).

25 See <http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetailgroupDetailDoc&id=6981&no=2>. The work of the technical groups of the EUBEC platform is not publicly available. However, the in-depth mid-term evaluations of the ITF and NIF feed into this work – see Ernst & Young (2012) and DRN-ECDPM-ECORYS-PARTICIP (2013).

- What added value do they have beyond projects already funded by private investment, in particular in relation to development and sustainability objectives? How can this be measured and monitored?
- What is the opportunity cost of investing in blending facilities instead of the more straightforward public or private investment or other, more familiar development cooperation instruments?
- How can the funding and governance of the project be structured to ensure the appropriate incentives, collaborative arrangements and results are brought about?

With regards to the last question, it should be considered whether the structure and procedures of existing blending mechanisms are suited to effectively and flexibly manage larger amounts of grant aid and projects. Currently, investment facilities all have project pipelines that exceed their annual financial endowment, and already spend close to the entirety of this endowment – the intentions expressed in the Agenda for Change and elsewhere indicate that these endowments might soon increase, with estimates that up to a third of EU ODA could be invested through blending mechanisms.

It should be noted that **many of the concerns raised about blending mechanisms overlap with recurrent criticisms raised about the operations of development finance institutions**, in terms of commercial interests, transparency and accountability, monitoring and evaluation of development impact, debt burden, etc. In assessing the merits and shortcomings of blending instruments, it is therefore necessary to focus on characteristics that are specific to blending, distinct from those that concern development finance in general (by DFIs and traditional ODA). Table 2 offers an overview of the benefits and disadvantages of using blending to achieve the EU's development objectives compared to using 'pure' loans or grants.

Table 2: Assessing blending vs. pure loans and pure grants to achieve EU development objectives

	BLENDING vs. PURE LOANS		BLENDING vs. PURE GRANTS	
	PROs	CONs	PROs	CONs
<i>Economic criteria</i>	Contribute to solve the issue of debt sustainability in heavily indebted countries.	Market distortions.	Can mitigate the fiscal side effects of pure grants.	Reduced debt sustainability Risk of financial principles outweighing development policy principles
<i>Strategic / Political criteria</i>	Can finance projects with significant positive externalities but not financially sustainable, as well as solve the issue of negative externalities associated to a given project. Policy leverage especially in middle-income countries and emerging markets. Can enhance EU visibilities.	Loss of visibility of individual donors, because blending occurs at EU level.	Policy leverage, especially in low-income countries at the country sector and project levels. Can enhance EU visibility.	Loss of visibility of individual donors, because blending occurs at EU level.
<i>Financial criteria</i>	Financial leverage through risk mitigation. Can offer more flexibility with regards to disbursement conditions, initial costs or project speed.	Potential transparency issues. Risk of imprudence in recipient countries. Cannot eliminate risks but just transfer them to the EU.	Financial leverage, especially in low-income countries. Can offer more flexibility in adapting the volumes of funds to specific projects needs than pure grants.	Potential transparency issues.

<i>Operational Criteria</i>	Can allow speeding up projects. Can enhance project quality. Can enhance coordination between donors and lenders. Can allow for knowledge transfer and demonstration effect.	Loss of control of individual donor. Potential slowdown of decision-making.	Can provide greater incentives than pure grants for donors to monitor funded project. Give donors access to project management expertise of lenders. Can enhance coordination between donors and lenders. Demonstration effect. Can allow risk sharing and mitigation	Loss of control of individual donor. Potential slowdown of decision-making.
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Source: own design.

Practical issues and considerations on the implementation of blending instruments must also be addressed. In particular, **opportunity costs must be carefully assessed**. Leveraging loans with grants may provide vital assistance to project preparation and implementation (a third of EU grant support to blending takes the form of technical assistance, as shown in Figure 1); but it may also entail longer and more cumbersome procedures than simply disbursing the grant aid or a loan. EU financial instruments, including the Development Cooperation Instrument (DCI) and EDF, have already been criticised for having low disbursement rates. Furthermore, blending facilities do not guarantee that grant funding introduced into them will be matched by loans. While funds can of course be reprogrammed, this would further harm the disbursement rate.

Transaction costs related to blending mechanisms (management, coordination, implementation) may prove higher due to the multi-stakeholder nature of such instruments, which increases the need for coordination. An essential consideration is therefore that, although potential synergies are obvious, the different actors do not ‘speak the same language’. Development actors must stay conscious of the fact that the devil is in the details as blended operations are often complex, whereas finance institutions and private investors should acknowledge the motivations and requirements of the EU institutions, including the pressure to disburse funds, engage in large-scale projects as well as for visibility and transparency.

It will also be important to consider to what degree blending facilities can be used to effect development and other policy objectives. **Criteria used for approving and prioritising projects are intransparent, in some cases also to the DFIs and partner countries involved, though blending projects consistently match regional and national priorities.** EC representatives have suggested that the investment and blending facilities can be used to further support those developing countries (generally upper-middle and high-income countries) that face reductions in ODA from the EU institutions as a result of differentiation and those countries which are able to sustainably borrow. Blending facilities could furthermore be used for regional projects and programmes, for instance regional integration and infrastructure programmes.

As it is, evaluations of investment facilities making use of blending instruments note some aspects of additionality (financial leverage, better coordination between institutions involved) but have not concretely demonstrated their benefits for achieving the EU’s development cooperation objectives²⁶. While the investment facilities offer the opportunity to harness blending in order to target a wide range of policy objectives (thereby offering wide-ranging impact opportunities), **care must be taken to not dilute the potential impact of funds invested by attempting to attain too numerous objectives within too wide a scope. This will require the EU institutions to undertake a challenging ‘balancing act’**, as the objective of using blending mechanisms in the Agenda for Change seems to be precisely to attain multiple policy objectives through a single modality (‘do more with less’). It will be critical for the EU institutions and the EUBEC to develop appropriate monitoring and evaluation methods to clearly distinguish the ‘additionality’ of blending operations.

26 See Ernst & Young (2012) and DRN-ECDPM-ECORYS-PARTICIP (2013).

The EU's State Building Contracts - Courageous Assistance to Fragile States, but how Effective in the End?¹

Volker Hauck, Greta Galeazzi and Jan Vanheukelom²

Introduction

This chapter takes a closer look at the purpose and key features of State Building Contracts (SBCs) and presents initial experiences and views of stakeholders working with this budget support modality. Little has been written about this particular form of budget support. The analysis aims to contribute to the growing body of knowledge on effective peacebuilding and statebuilding and illuminate what the EU as a strong supporter of the New Deal (Box 2) can do to further improve its practices towards these objectives. It addresses those who would like to know more about this budget support modality as well as officials from EU institutions and EU member states who deal with policy and the operational steps involved in assisting fragile and post-conflict countries in moving towards resilience and development.

For the executive reader, we have summarised in section 6 the principal points emerging from this chapter.

In May 2012, the Council of the European Union (EU) adopted a new policy statement entitled The Future Approach to EU Budget Support to Third Countries. These “Conclusions”, as they are called in EU parlance, followed a similarly titled Communication issued by the European Commission (EC) in October 2011 (EC 2011b; UN 2012). In that Communication the EC proposed that budget support contracts be differentiated to tailor responses to the context of the partner country concerned. Three types of general budget support contracts were distinguished: Good Governance and Development Contracts (GGDCs), Sector Reform Contracts (SRCs) and State Building Contracts (SBCs). These last were to address situations of fragility and support transition processes. This move towards differentiation in budget support was in large part a response to a critical report by the European Court of Auditors in 2010 regarding the EC's management of budget support (ECA 2013). At about the same time, EU member states were expressing

1 This chapter originally appeared as Hauck, V., G. Galeazzi & J. Vanheukelom. December 2013. The EU's State Building Contracts – Courageous assistance to fragile states, but how effective in the end? (ECDPM Briefing Note, 6o). Maastricht: ECDPM. <http://www.ecdpm.org/bn6o>

2 The authors thank Florian Krätke, Andrew Sherriff and Frauke de Weijer, all from ECDPM, Catherine Dom (expert) and several EU officials for their comments on and inputs to this chapter. The views expressed are those of the authors only and should not be attributed to any other person or institution.

concerns about the EC's budget support strategy as well (Capacity4Dev 2013 and Faust et al, 2012). Formulation of the Communication was timely, as it coincided with international discussions on aid effectiveness that stressed the need for more differentiation in support to partner countries and greater attention to fragile and conflict-affected situations. Against this backdrop, the EU foreign ministers in their Council Conclusions also noted that the SBCs should bring into practice the "New Deal" for engaging with fragile states. This New Deal was endorsed by the EU and member states at the Fourth High-Level Forum on Aid Effectiveness in Busan, South Korea (Busan 2011, paragraph 26).

Underlying this chapter is an analysis of EU policy papers and guidelines and studies on budget support in fragile and conflict-affected settings. The chapter furthermore draws extensively on interviews with officials from EU institutions and member states, subject-matter specialists and partner-government representatives.³ A range of questions is raised: What is the rationale of the SBCs? What are the fundamental differences between SBCs and other modalities of budget support? Does this modality produce more effective and strategic decision-making within EU institutions for addressing fragility and conflict-affected environments? What are the expectations of stakeholders in EU institutions and in EU member states?⁴ To what extent do SBCs promote the New Deal?

This chapter is structured in six sections. Section 1 is informative and highlights a number of generic issues related to the provision of budget support in fragile and conflict-affected environments. Section 2 provides technical information about the purpose and design of the SBCs. Section 3 presents initial experiences in working with SBCs. Section 4 summarises several political and operational questions that have emerged during interviews and should be taken into account in future work with SBCs. Section 5 reflects on the added value of SBCs for promoting the peacebuilding and statebuilding goals of the New Deal. Section 6 concludes this chapter by summarising its principal points.

³ A total of 23 were interviewed: 6 from the EU Directorate General for Development and Cooperation (DEVCO), 2 from EU delegations, 5 from the European External Action Service (EEAS), 1 from the EU Directorate General for Financial and Economic Affairs (ECFIN), 4 from EU member states, 2 partner-government representatives and 3 subject-matter specialists. SBC programme documents were unfortunately not available to the authors.

⁴ We also recorded expectations of some partner-country officials, though their expectations for SBCs are the same as for other forms of general budget support that they have received in the past. SBCs are broadly seen as a concept internal to the EU.

Box 1: Abbreviations

BSSC – Budget Support Steering Committee

DEVCO – Directorate General for Development and Aid of the European Commission

EC – European Commission

EEAS – European External Action Service

EU – European Union

GGDCs – Good Governance and Development Contracts

SBCs – State Building Contracts

Box 2: The g7+ and peacebuilding and statebuilding goals of the New Deal

The g7+ (www.g7plus.org) is a self-selected group of 19 fragile states that first came together in 2010 to seek parameters for a new approach to international engagement with fragile and conflict-affected countries. The discussions were held under the umbrella of the International Dialogue for Peacebuilding and Statebuilding (IDPS), which was established in Accra in 2008 as an international forum for political dialogue among countries affected by conflict and fragility, their international partners and civil society. In Monrovia in 2011, the group agreed on a set of five peacebuilding and statebuilding goals. Further discussions later that year culminated in the “New Deal” for engagement with fragile states (New Deal 2011). Endorsed by countries at the Fourth High-Level Forum on Aid Effectiveness in Busan, the New Deal has three main components.

1. Five peacebuilding and statebuilding goals: (i) **legitimate politics** to foster inclusive political settlements and conflict resolution, (ii) **security** to establish and strengthen people’s sense of safety, (iii) **justice** to address injustices and increase in people’s access to justice, (iv) **economic foundations** to generate employment and improve livelihoods and (v) **revenue and services** to manage revenue and build capacity for accountable and fair service delivery.
2. FOCUS elements, intended to clarify the process that a country and its development partners will undertake: a Fragility assessment; agreement on One vision, one plan; formulation of a Compact; monitoring Using peacebuilding and statebuilding goals; and Support for political dialogue and leadership.
3. Principles of mutual TRUST, with Trust being based on Risk-sharing, Use and strengthening of country systems, Strengthened capacities, and Timely and predictable aid.

Implementation of the New Deal began on a trial basis in 2012. Five countries volunteered for the pilot: South Sudan, Timor-Leste, Liberia, Sierra Leone and the Democratic Republic of Congo (DRC). These countries have now all conducted a fragility assessment consultation and are at different stages of finalising the reports and preparing a compact. Somalia recently launched its New Deal Compact with the EU as the leading international partner.

1. *Budget support in fragile and conflict-affected situations*

This section was written for readers who are not fully familiar with budget support and the particularities of working with this aid modality in situations of fragility. It reviews some key issues that are taken up throughout the rest of the paper.

A. Setting the scene

The EU has committed itself to work more effectively in fragile environments. Budget support is a tool that few donors are willing to use in such countries, though this form of aid can contribute to stabilising an already fragile environment. Bilateral donors have found it difficult to continue to provide budget support in developing countries, let alone in fragile environments. Increasingly, they find it hard to implement budget support and to justify its relevance to critical constituencies when applied in countries marked by corruption, human rights violations or political volatility and fragility.

The EU was and is an exception in that it provided and continues to provide budget support – at the country level, in particular sectors, and in countries experiencing fragility or are conflict-affected. It does this often in close collaboration with the International Monetary Fund (IMF). Yet the EU also experiences pressures. There was pressure from a number of EU member states to substantially reduce the scope for using budget support. There were questions from the EU Court of Auditors. And there have always been questions among EC and EU aid practitioners about how to best use budget support to generate real added value as part of a wider “package” that includes policy dialogue and capacity development measures. These pressures have affected the design of the three budget support contracts of the EC, and also influence their implementation in the field.

On the basis of evaluations, studies and ongoing experience, the EU has argued that budget support as an aid package remains relevant and has a lot of potential, also in fragile environments, certainly when it is part of a clever overall engagement strategy. Part of that package and the overall approach is that donors work together to lessen the burden on partners and to gradually strengthen country systems, including accountability relations and partner ownership. This has proven to be very difficult in “normal” developing countries and even more so in fragile contexts. Experience has shown how difficult it is for donors to combine aid tools, to work together, to divide labour, to play second fiddle, to share notes, to refine knowledge about successes and failures and to adapt approaches and timing accordingly (Andrews et al. 2012).

EU budget support can only be effective to the extent that the EU is enabled or empowered to combine all of its aid tools, to facilitate partnerships and to use all its policy instruments coherently (including trade, security, diplomacy, etc.). Such basics of good donor practice are even more important in fragile environments because usually, there is little domestic institutional or state capacity to make up for donor errors, or to make corrections.

B. Learning from recent work on budget support

Recent studies and literature on budget support in fragile and conflict-affected situations offer key findings and messages that enable us to better understand the intricacies involved in this approach to aid. Some of the points raised apply to the provision of budget support in general. Others address the specificities and problems posed by fragile contexts.

How to distinguish fragile situations? No firm definitions exist of “country fragility” or “state fragility” (GSDRC 2013). Nonetheless, empirical patterns of fragility are found and these can help to inform policy and operational responses to contexts described as “fragile”, “instable” or “in transition” (Grävingholt et al. 2012). The EC’s 2007 Communication “Towards an EU Response to Situations of Fragility”, refers to fragility as “weak or failing structures and ... situations where the social contract is broken due to the State’s incapacity or unwillingness to deal with its basic functions, meet its obligations and responsibilities regarding service delivery, management of resources, rule of law, equitable access to power, security and safety of the populace and protection and promotion of citizens’ rights and freedoms” (European Commission 2007b).

How to understand general budget support? As an aid modality, budget support allows for the use of country systems, therefore strengthening country institutions. Today’s understanding defines general budget support as a package of inputs combining the transfer of financial resources to central financial institutions to fill a financial gap with policy dialogue, a conditionality framework and accompanying capacity development measures, as well as a commitment on the part of donors to provide more aligned and better harmonised support. Moreover, general budget support is premised on the state having the lead role in multiple ways, and on the fact that the government and donors are willing and able to engage in a partnership form of relationship (Dom & Gordon 2011).

Rationale for using budget support in fragile countries. According to a Common Approach Paper formulated by the World Bank and African Development Bank, with active participation by the EC,⁵ the basic rationale of budget support in fragile countries is to intervene quickly in order to address basic needs and maintain state functions. Emphasis is placed on ‘seizing a “window of opportunity” for starting reforms and reviving the delivery of essential public services (and safety nets) by governments; avoiding deterioration of the economic and political environment that underpins stabilization; and supporting social stability’ (AfDB & WB 2011).

Can budget support work everywhere? A differentiation is proposed, for instance, between states with weak or strong capacity to manage budget support. In addition, states can be differentiated between those with weak or strong legitimacy of the government, which also has implications for the likelihood of budget support delivering the intended results. Where both

5 The EC did not sign the Common Approach Paper since it was still finalising its Green Paper on budget support at that time.

legitimacy and capacity are weak, the provision of budget support will be difficult but should not be excluded up front. The decision should be based on a careful assessment of opportunities and risks. Where governments are unwilling to reform, budget support should not be provided at all (De Catheu 2013).

Risks and benefits. Table 1 presents some of the supposed benefits and potential risks involved in using budget support. These are gathered from the literature and from donors' arguments for engaging in budget support operations – or refraining from doing so.

Table 1: Perceived benefits and risks of using budget support

Perceived benefits	Perceived risks
For all partner countries • Uses and strengthens country systems • Strengthens country ownership • Contributes to domestic accountability • Reduces transaction costs and offers incentives for donors to harmonise their support • Increases predictability of funding Specific to fragile contexts • Provides financing for pressing needs, filling a resources gap	For all partner countries • Elite capture, fraud and misuse of funding • Concentrates power in the government • Conditionalities often lead to lack of aid predictability • Conditionalities may challenge the sovereignty of the partner country Specific to fragile contexts • Lack of government policies to guide partners • Weak legitimacy of government and leadership • Lack of long-term predictability and link with medium-term objectives • Limited capacity within partner country systems as well as partner country civil society • Limited or lacking domestic accountability, civil society organisations often absent or very fragile

In practice, budget support has a mixed track record both in fragile and in non-fragile environments. The 2012 budget support evaluation of the Dutch Ministry of Foreign Affairs (Ministry of Foreign Affairs of the Netherlands 2012) and an earlier OECD evaluation (OECD 2011) note that budget support has had limited impact on poverty reduction and that donor expectations have often been unrealistic. The Dutch evaluation notes that where political and governance reforms were the objective, budget support has been marginally able to promote policy change. But it has been more successful in public financial management reforms. A review of external assistance to Mozambique (a formerly fragile and post-conflict country) credits budget support with strengthening policy implementation and reducing aid dependency, even

leading to a rise in domestic tax revenue.⁶ The risk of overloading the agenda of budget support has also been noted, as well as the need to clarify the objectives being pursued, particularly with regard to fragile states (Dom & Gordon 2011). Budget support operations have been found to be more effective in sectors where objectives are spelled out and supported by government policies.

Political conditionality and policy dialogue. The OECD's Development Co-operation Directorate (DCD) recommends that 'political conditionality should not be specifically linked to budget support or any individual aid instrument, but should rather be handled in the context of the overarching policy dialogue between a partner country and its donors' (OECD 2006). Yet despite this recommendation, most donors have continued to consider budget support to be a lever for technocratic reform and democratic governance reform (Molenaers 2012). At the same time, donors offer little proactive strategic thinking about how budget support could actually strengthen or support democratic reform (*idem*). Furthermore the amount of aid provided through budget support is fairly limited (Dom & Gordon 2011). Therefore, donors should be careful to avoid too high expectations of achieving leverage through this instrument.

The Common Approach Paper of the World Bank and African Development Bank notes that decisions and policy dialogue on budget support in fragile situations are insufficiently informed by analysis. The paper recommends that political economy analysis be undertaken to understand the root causes of conflicts, the drivers of elite behaviour, politics of exclusion, regional and global influences and citizen expectations (AfDB & WB 2011). This approach could help donors (possibly in collaboration with other development partners and dialogue with partner countries) to tailor the provisions of budget support to specific cases of fragility.

How to pursue domestic accountability? In fragile environments, budget support can take the form of an emergency "one-off" stabilisation initiative or a policy-oriented programme to support the development of a country over time. A commitment to development, understood as a commitment to good political governance (or "good enough" governance), is one of several qualifying conditions used for budget support. Yet the establishment of more transparent systems is enormously challenging in fragile environments, given the generally weak capacities of civil society organisations, parliaments, courts of audit/local auditors and the media and the absence, or incompleteness, of published public budgets and accounts. Moreover, donors' own lack of transparency makes an already complex relationship with the recipient country even more difficult (Dom & Gordon 2011).

Capacity challenges for donors and recipients. On the part of the partner government, fragile countries face a series of capacity problems, often translated into limited absorptive capacity at the institutional level as well as within civil society (OECD 2009b). Donors experience capacity

⁶ For instance, in the case of Mozambique budget support reportedly had positive effects in terms of improving the country's tax income and thus reducing aid dependency (Gerster 2013).

issues as well. For instance, limited knowledge about the country or sector and frequent staff rotations that limit donors' ability to engage in downstream service delivery (ODI 2011). The European Court of Auditors report notes that the EC had not made full use of budget support's potential because it lacked expertise in priority areas and was weak in managing dialogue with partner countries (ECA 2010).

2. *Policy and guidelines*

A. Innovations applicable to all budget support operations

The adoption by the EU Council of the EC's Communication on the use of budget support marked a leap forward in implementing the development policy set out in the EU's "Agenda for Change".⁷ That policy, accompanied by the budget support guidelines issued by the EC in September 2012 (EC 2012a), builds on experiences in provision of budget support in different contexts. It also responds to criticisms raised regarding the previous focus on technocratic governance reforms in recipient countries. The policy furthermore redresses the former neglect of the prevailing political situation in the recipient country. While the 2012 guidelines do not represent a radical departure from the previous ones, published in 2007 (EC 2007e), six innovations do warrant mention (Box 3).

Box 3: Innovations of the 2012 budget support guidelines

Process innovations

Fundamental values assessment. EU delegations (EU embassies in partner countries) are requested to assess adherence and commitment to human rights, democracy and the rule of law at the programming stage and throughout the provision of budget support. A positive assessment is a precondition only for the Good Governance and Development Contracts (GGDCs), though other budget support operations are encouraged to pay attention to the findings on fundamental values and try to promote them. For an SBC, the assessment should be forward-looking and take into account whether there are clear signs of commitment, for example, the signing of a peace accord, a political settlement and any confidence-building measures undertaken.

Risk assessment and management framework. The risk assessment and management framework consists of five dimensions and draws on previously used tools that have now

⁷ "Operationally, the EU and Member States should make use of aid modalities that facilitate joint action such as budget support (under a 'single EU contract'), EU trust funds and delegated cooperation" (European Commission 2011b: 11).

been formalised. A key innovation is the inclusion of (i) political risks, in addition to (ii) macroeconomic, (iii) developmental, (iv) public finance management and (v) corruption/fraud risks (see also Box 6). The aim of the framework is to provide an overview of the risks of inaction and the opportunities of intervention.

Four eligibility criteria. A new eligibility criterion, “transparency and oversight of the budget”, has been added to the three criteria set in the previous guidelines, those three being “a national policy/strategy”, “a stability-oriented macroeconomic framework”, and “a public finance management programme”. For SBCs, the specificities of countries in situations of fragility or transition are taken into account. For instance, a country might not have a reform strategy supporting the objectives of the SBC, but it might have an agreed transition compact that could serve as the basis of the eligibility assessment.

Assessment of the eligibility criteria. The 2007 guidelines required a national policy or strategy, a stability-oriented macroeconomic framework and a public finance management programme to be in place or under implementation at the time of approval of budget support operations and upon each disbursement. The 2012 guidelines require, in addition, that EU delegations check whether those strategies, policies and programmes remain credible and relevant.

Institutional innovations

Budget Support Steering Committee (BSSC). The BSSC meets approximately twice a month and is composed of senior management of the EU Directorate General for Development and Cooperation (DEVCO) and relevant representatives of the European External Action Service (EEAS) and EU Directorate General for Economic and Financial Affairs (ECFIN)⁸, chaired by the Director-General of DEVCO. The BSSC was created to ensure coherence in the provision of budget support across countries and regions and to provide a broader base from which to take decisions. Past operations were criticised for the high degree of discretion granted to geographic directors in complex country contexts. The BSSC provides strategic oversight, offering a forum for discussing key decisions such as whether to engage in budget support and disbursing tranches, in particular for operations in riskier environments. Decisions to suspend budget support are also addressed by the BSSC, with discussions based on the updated risk assessment framework matrix.

Regional budget support teams or hubs. The guidelines envisage creation of teams or hubs to advise and support EU delegations, the EU Head of Delegation (EU ambassador) and EU

8 The BSSC includes the responsible DEVCO geographic directors, representatives of the EEAS (geographic/horizontal, for programming and fundamental values and political aspects), relevant thematic/horizontal DEVCO directors, representatives of geographic and thematic services concerned, one representative from ECFIN (Globalisation, Trade, Development Unit).

Headquarters, in the design and formulation of programmes and in conduct of the dialogue with the partner countries. The teams are to fill gaps in capacity and expertise, in particular, at the EU delegation level. As of October 2013, these posts had not yet been filled.

Budget support to fragile and conflict-affected countries is not new to the EC. However, awareness of the need to work differently in these countries became fully institutionalised with the formulation of the revised guidelines in 2012.⁹

B. Key features of SBCs

The three budget support modalities all have the same overall objective, that is, to assist the government of a partner country in eradicating poverty, promoting sustainable and inclusive growth, and consolidating and improving democratic and economic governance. This is followed by specific objectives for each modality. See Table 2 for Good Governance and Development Contracts (GGDCs) and SBCs.

Table 2: Specific objectives of GGDCs and SBCs compared

	GGDC	SBC
Specific objectives	- Improve the financial capability of the government to achieve its policy objectives. - Strengthen core government systems and support broad reforms including macroeconomic management, public finance management, public-sector reform and domestic resource mobilisation. - Address constraints on sustained and inclusive growth. - Foster domestic accountability and strengthen national control mechanisms to improve governance. - Improve crosscutting service delivery aspects.	- Improve the financial capability of the government to restore peace and macroeconomic stability and to achieve short-term policy objectives. - Foster a transition process towards development and democratic governance. - Support government efforts to ensure vital state functions (especially maintenance of peace and security, payment of civil service salaries, provision of core administrative functions and minimum basic services to population).

Source: Adapted from European Commission 2012b.

9 The current guidance on “State Building Contracts for Fragile Situations” (EC 2012b: Annex 9) builds on an internal note from 2009 that became a methodological annex to the previous 2007 guidance document.

Comparing them reveals one distinct way that Sector Reform Contracts (SRCs) differ from GGDCs and SBCs. SRCs give access to policy dialogue at a sector level or for a set of interlinked sectors. The dialogue, thus, focuses on supporting sector policies and reforms, improving related governance and enhancing service delivery. GGDCs and SBCs allow for higher-level political and policy dialogue with the partner country. Box 4 summarises the distribution of budget support funding across the three contract modalities.

Box 4: Distribution of budget support funding

The EC runs some 240 budget support operations in third countries, amounting to some 20% of EC aid. Roughly 80% of the operations are Sector Reform Contracts (SRCs) (or old sector budget support operations), 5% are Good Governance and Development Contracts (GGDCs), 6% are State Building Contracts (SBCs), with the remaining 9% being old budget support operations (the so-called Millennium Development Goal Contracts).¹⁰ The small amount of EC budget support going to fragile countries should come as no surprise. A 2011 analysis of trends in aid and budget support flows from donors to a selected group of fragile countries¹¹ notes that general budget support and balance-of-payment operations make up just 4.8% of total official development assistance (ODA), therefore being of limited volume relative to the total aid received.¹²

According to the guidelines, the decision to move ahead with an SBC is based on an assessment of the opportunity of intervention through budget support, which should include five elements usually conducted by the EU delegation for the country concerned (Box 5). If this assessment is positive, then the eligibility criteria (see Box 3) will be assessed as part of the preparation of the main project documents, that is, the action fiche and supplementary documents.

¹⁰ The 2013 EuropeAid report notes that around 22% of EC aid is given in the form of budget support, food aid or other modalities (EC 2013a).

¹¹ The short list includes Afghanistan, Burundi, the Central African Republic, Chad, Congo, Côte d'Ivoire, DRC, Eritrea, Guinea, Guinea Bissau, Haiti, Liberia, Nepal, Niger, Sierra Leone, Somalia, Sudan, Timor-Leste, Yemen, and Zimbabwe.

¹² Dom & Gordon 2011. It is important to note that this study's calculations were done on the basis of the OECD's ODA database, which has several weaknesses. In particular, as stated by the authors, the data do not distinguish between balance of payments and general budget support.

Box 5: Elements used to assess the opportunity of intervention with an SBC

The decision on whether to move ahead with an SBC is taken based on the following five assessments:

1. Whether the partner country can be considered fragile, in a fragile situation or in transition
2. Risks and benefits, including the risks of not providing budget support (see Box 3)
3. A clear purpose of the SBC linked to statebuilding objectives
4. An indication of the government strategy for SBC support (this could take the form of a compact formulated as part of New Deal implementation)
5. An indication of wider international support for the provision of budget support, particularly from the World Bank (WB) and International Monetary Fund (IMF)

Source: Adapted from EC 2012a.

Technically, the GGDC and SBC are quite similar, including in the areas of implementation and disbursement. On the basis of the EC guidelines, four main characteristics set SBCs apart from GGDCs.

The first, as noted above, is the different specific objectives of the two modalities (Table 2). SBCs focus on restoration of peace and macroeconomic stability, ensuring vital state functions and supporting a transition to democratic governance. The underlying rationale is that budget support can prevent deterioration of the social and economic situation and enable basic service provision, thus countering social tension and perpetuation of instability.

A second characteristic that distinguishes SBCs from GGDCs is that SBCs carry no fundamental values precondition for budget support (EC 2012b: 28-29 & tables 58-59). In contrast, a positive assessment of the fundamental values situation in the country is a precondition for the GGDC. A fundamental values assessment does need to be carried out to provide information about the opportunity of intervention, but it has no mandatory weight in decisions on whether to grant an SBC.^{13 14}

Third, while a GGDC can be granted to any country fulfilling the precondition for fundamental values, an SBC may be granted to any country in a fragile or transition situation. Decisions on

¹³ “The risk of inaction should be balanced with the development and basic needs implications of not engaging in fragile states.” P. 28. EC 2012b.

¹⁴ This precondition regards the decision to start the process of granting budget support. During the identification and formulation phase, four eligibility criteria are nonetheless assessed for SBCs as well as other modalities (see Box 3). See also Chapter 6. EC (2012b).

whether to utilise an SBC are taken on a case-by-case basis.¹⁵ Box 6 lists countries that currently have or are supposed to soon receive an SBC.

Box 6: Countries with a current or planned SBC, by region, and the amount of funding and period provided¹⁶

West Africa

- Côte d'Ivoire: € 115.4 million agreed in 2012 for the period 2012-2015
- Liberia: no details available
- Mali: € 220 million agreed in 2013, for the period 2013-2014
- Mauritania: € 40 million agreed in 2012, for the period 2013-2015
- Sierra Leone: € 29.6 million, for the period 2013-2014
- Togo: € 22.5 million agreed in 2012, for the period 2013-2015

East Africa

- Burundi: € 42 million, for the period 2013-2015
- South Sudan: € 80 million planned, for the period 2013-2014

North Africa

- Tunisia: SBC under preparation, for the period 2013-2014*

Caribbean

- Haiti: € 112 million agreed in 2013, for the period 2013-2015

Sources: * Van der Linde & Willemsen 2013; various DEVCO sources and interview transcripts

Fourth, **SBCs last one to two years** with the possibility of an extension, typically of one additional year.¹⁷ An SBC can be renewed in due circumstances and when the transition to an SRC or GGDC is not yet feasible. The usual length of a GGDC is between three and six years. The shorter term of the SBCs is due to the specific rationale of the instrument. It is understood to be a flexible intervention measure to provide tailored assistance for a limited time and which can be adapted once the situation changes.

¹⁵ The EU delegation concerned assesses whether a country should be considered fragile or in transition according to criteria in use among international organisations and characteristics listed in the 2007 EC Communication on fragility (EC 2007b) and in the EU Council Conclusions on fragility of that same year (Foreign Affairs Council 2007). The presence of the country on lists of fragile or conflict-affected countries can be referenced in the assessment. But a country that does not appear on any of these lists may still receive an SBC if sufficient evidence of fragility or transition is presented. See Annex 9. EC 2012b.

¹⁶ Several others are under discussion but not yet approved.

¹⁷ The length of the SBC refers to the years in which disbursements are planned. This is different from the operational duration of the contract, which is the implementation time of the contract (i.e. including monitoring and evaluation), which is usually more lengthier, for instance amounting to 48 months for an SBC provided in 2013-2014.

3. *Early experiences*

Full implementation of the EC's new guidelines on budget support started relatively recently, in January 2013. Earlier, in 2012, a number of ongoing budget support operations in fragile situations were transformed into SBCs. Other new SBCs began in 2012 and 2013 or are in preparation, including those for Côte d'Ivoire, Mali, Burundi, Togo, Mauritania, Tunisia and South Sudan. It is too early to review the full effects of the SBCs and the extent to which they have helped countries achieve specific objectives like macroeconomic stability, fostering transition processes towards development and ensuring vital state functions. Nevertheless, some initial experiences and observations can be recorded to indicate the extent to which certain flaws noted in past experiences with budget support have or have not resurfaced.

A. There seems to be no widely shared vision on the purpose of the SBCs and what they can realistically achieve

By adopting the EC guidelines and recommendations on budget support, the European Council, representing the EU member states, recognised the SBC as an aid modality suitable for addressing fragility and post-conflict environments and for helping countries make a transition towards development and democratic governance. Despite this recognition, there seems to be no widely shared vision on the purpose of the SBCs and what they can realistically achieve.

EEAS officials point to the value of the SBC as an immediate intervention measure to respond to emergencies and, in their mind, to help stabilise politically fragile situations.¹⁸ According to one official, an SBC should help to operationalise political decisions in contexts requiring quick, visible and credible EU action. Developmental goals should come second and follow the political goals where needed. This position neglects lessons from the past that budget support operations should not be made conditional to political reform processes, as brought out by an OECD review of budget support programmes.¹⁹

EC representatives indicate appreciating the ability to operate “more freely” in a transition context, with fundamental values and political risk assessments not disregarded but carrying less weight because a positive assessment on human rights, democracy and the rule of law is not a precondition for funding. Moreover, they value the ability to fill fiscal gaps to guarantee basic functions of the state.

¹⁸ Looking at the countries listed in Box 6, they noted that 50% of the countries receiving an SBC do not fall in this category.

¹⁹ This was mentioned during an interview with a DEVCO official. See also OECD (2011: page 4), ‘Budget support programmes have proved once more unable to “buy” reform.’

EEAS, DEVCO and EU member-state representatives share the perception that the SBC allows for quicker intervention, even though the procedural requirements are the same as for the other modalities of budget support.²⁰ The case of Mali is likely to have influenced this perception, because roughly six months passed from the decision to engage in budget support (February 2013) to the first disbursement (June 2013).

A number of EU member-state representatives are generally supportive of the Commission's approach. This is related to the somewhat "schizophrenic" situation that some member states find themselves in. While both member states and the Commission are required to meticulously account for international cooperation expenditures, domestic constituencies hold their national governments more directly accountable for the political implications of providing budget support. Hence member states tend to be more risk-averse in their bilateral assistance, refraining from engaging in budget support in riskier countries. But these same member states are nonetheless convinced of the need for pragmatic approaches to stabilisation in certain fragile and conflict-affected environments. They therefore agree on the EC's use of budget support for such countries.

Other member states view SBCs only as a mechanism for extreme situations of political and social instability, like the current situation in Mali, to be used for comparatively short periods. For these cases, they would like to see a more risk-sensitive approach, with political conditions attached to some phases of SBC formulation and implementation, for instance, to the disbursement of budget support tranches. According to these member states, countries like Côte d'Ivoire and Tunisia should not receive SBC support, because of their lag of compliance with fundamental values. A country like South Sudan would also be excluded, according to these member states representatives, due to the nearly complete absence of functioning state structures that can meaningfully process budget support.

B. Within the EU institutions, the new policy on budget support and institutional innovations are seen as a positive development

The creation of the Budget Support Steering Committee (BSSC) (see Box 3), which meets approximately twice a month, is viewed as a particularly positive institutional innovation. The role of the BSSC is to help establish a shared institutional view and decision-making process on provision of budget support. It functions as a platform for systematic discussion of the often intricate issues involved in providing budget support in fragile and transition environments, including questions about fundamental values and the appropriateness of budget support. The establishment of the BSSC was a response to past criticisms of the inappropriately high degree of discretion granted to DEVCO geographic directors in making complex and ultimately

²⁰ According to the Annex 9 of the guidelines, the identification phase could be conducted together with the formulation phase. Some stakeholders have remarked, however, that in practice this does not happen, therefore the procedures are the same.

political decisions. Its creation also recognises that member states have very different views on budget support, which requires careful consideration of decisions. Moreover, budget support is a potentially very political and strategic instrument that merits shared decisions by senior staff across institutions. Following normal procedures, the BSSC discusses each SBC at least three times,²¹ based on the information collected by the EU delegation and the risk assessment and management framework.

Within its short lifetime, the BSSC has grown into a key decision-making body determining the strategic direction of cooperation with a range of countries. Detailed technical questions are set aside in favour of discussions about the most appropriate form of budget support, alternative aid modalities, the costs of inaction and mitigating measures to reduce risks that could be taken when working with a partner country. Questions were raised during interviews about whether the potential strategic importance of the BSSC is sufficiently felt throughout the different ranks of the EEAS and whether the matters discussed by the BSSC are seen as primarily technical or political. Interviewees from the EEAS suggest that more attention could be given to this organ within their institution.

C. More attention to political risks is valued but development and implementation of operational tools to assess these risks are lagging behind

Table 3: Risk management framework

Risk category	Dimensions
Political	- Human rights - Democracy - Rule of law - Insecurity and conflict
Macroeconomic	- Macroeconomic policy and financial sector - Debt sustainability - Vulnerability and exogenous shocks
Developmental	- Public policy - Government effectiveness
Public finance management	- Comprehensiveness of the budget - Controls in budget execution - Procurement - External audits
Corruption/Fraud	- Corruption and fraud

Source: Adapted from Annex 7 of EC 2012b.

21 The higher risk of failure in fragile and transition environments requires involvement of the BSSC at least three times in the process: when an opportunity to engage through a budget support operation is identified, in the review and approval of the action fiche and in taking the decision to disburse payments.

The decision on whether to move ahead with formulation of an SBC (or other form of budget support) is based on a number of components (see Box 5). One of them is the risk management framework (Table 3). Officials from DEVCO and the EEAS are positive about the institutionalisation of this framework, which goes beyond technocratic governance reforms to include sensitive questions about political risks and risks of inaction. Questions were raised about whether EU Headquarters and EU delegations have sufficient information, human resources and tools to appropriately assess the political economy and conflict situation of a country. Opinions were split among interviewees across and within the different institutions (EEAS, DEVCO and the EU delegations). Some feel that enough information is already available from within DEVCO and the EEAS, as well as from other development partners operating in-country and from public sources. Others, also spread across the different institutions, agree with the Common Approach paper (AfDB & WB 2011) and see benefits of more in-depth insights about the political situation of a country, the actors driving or hindering reform, the interests and incentives of key decision makers to engage in change as well as the institutional capacities.

Several EC officials remarked that the EC provides little guidance on how to conduct political economy analyses and how to incorporate them into decision processes. However, the EEAS and EC did recently launch an in-depth and systematic conflict assessment tool for fragile and conflict-affected settings and recommends using it to assess risks and opportunities (EEAS & EC 2013a; EEAS & EC 2013b). Some officials and experts from civil society commented that risk assessments, especially for SBCs, should become more conflict sensitive and include more systematic use of the EU's own in-house expertise on fragility and conflict.

D. Early SBCs have produced intense dynamics and interactions among the EU institutions and member states, though these dynamics have not always been positive

The political crisis in Mali in early 2013 created a strong sense of urgency that resulted in a decision-making process to deal with the crisis that EU and member state officials describe as positive (though noting that this assessment relates only to the moment when the decisions were made, as we do not know how the crisis will further unfold). Interviewees from all of the institutions consulted in this study emphasised that the EU was able to act quickly and jointly and, with the SBC, it had an adequate instrument with which to take a visible lead and exercise political leverage. Whether this dynamic can be repeated in less politically urgent cases remains to be seen. In Côte d'Ivoire, the EU has considerable clout for engaging the partner government in political dialogue due to the substantial funding it provides for macroeconomic stabilisation, for security and justice sector reform and for financing social services. Furthermore, its division of labour with the IMF (which focuses on macroeconomic support) and the World Bank (which focuses on private-sector development) allows the EU to act as one of the major players in the country. Member states are closely following the EU's work in this case, with some considering provision of bilateral budget support in the future. The case of South Sudan has been less smooth

so far. Most member states consider the provision of budget support there as premature, given the country's unstable political situation, its tense relationship with Sudan and the fragility of its government administration. The SBC is still under preparation due to unresolved issues related to implementation. Observers commented that the approach taken by the EU delegation was "pushy" in coordinating the SBC with other development partners. Lessons should be learnt from this case for other contexts where an SBC is proposed.

E. Staffing of EU delegations strongly impacts the implementation of budget support in fragile and conflict-affected countries

Implementing an SBC requires specialist knowledge on budget support, a savvy understanding of the political and economic context where the intervention is to take place, strong monitoring, and the ability to engage effectively in political dialogue and policy dialogue. EU delegations, in particular in fragile and post-conflict states, face a shortage of human resources. The creation of regional budgets for support teams could fill some of the capacity gaps, particularly in the technical domain. But it is doubtful whether an expert working from a distance could follow the political and institutional developments of a country closely enough to fully understand the more sensitive issues that need to be considered during policy dialogue, and even more so during political dialogue. Ability to effectively implement SBCs, and even plans to engage more through SBCs, are thus currently severely hampered by these capacity gaps. A further bottleneck reported by some EU delegations is the lack of a communication and cooperation flow between the political sections staffed by EEAS officials and the operations sections staffed by EC officials. This has led, in some cases, to a disjointed conduct of political and policy dialogue with partner countries, negatively impacting implementation of SBCs.

4. *Questions and concerns*

The interviews brought out several questions and concerns about current and future budget support provision to fragile and conflict-affected countries. They relate to emerging trends as well as to perceptions among different stakeholders. These warrant careful monitoring in relation to the EU's overall development policy and its commitment to implement the peacebuilding and statebuilding goals of the New Deal.

A. Are SBCs also provided to countries lacking a firm political will to reform?

As noted previously, SBCs can be granted to fragile and transition countries, as assessed by a set of loosely-defined criteria. This approach appears pragmatic and flexible, but nonetheless makes it difficult for outsiders to understand for which country situations an SBC can be used. Some interviewees from EU member states and the EEAS expressed the view that SBCs should be used only for countries coming out of an acute crisis and in need of immediate stabilisation. The argument for an SBC was said to be less clear for cyclically fragile countries and countries

that have been structurally fragile for years, many of them showing political unwillingness to reform. On the list of countries that currently receive SBC support (Box 6) several are perceived as having lacked the political will to reform for many years. The EC guidelines recommend that an SBC be considered when fragility is not due to 'unwillingness', thus raising the question of whether the guidelines are being followed to the letter (EC 2012b: Annex 9).

B. Is there a risk of SBCs being used too widely?

The potentially wide breadth of use of SBCs is led by the indication in the guidelines that an SBC is appropriate for both fragile and transition countries.²² The latter term was added to the budget support guidelines at a time when the Arab Spring was unfolding in Tunisia, yet the guidelines provide no further definition or clarification about what type of countries fall into this category.²³

A safeguard against the inflationary use of SBCs is the BSSC, as it is designed to provide strategic oversight and ensure consistent and coherent budget support provision. The BSSC thoroughly screens proposals made by geographical desks and EU delegations. When such support to a partner country is being considered, its discussions focus on the specific aim of the SBC. This role of the BSSC is borne out by the presently low percentage of SBCs (6%), compared to SRCs (80%) as a proportion of total budget support. Given the recent introduction of the SBC, however, this is an early figure, as requests for this modality were said to be arriving in higher numbers than originally anticipated. Moreover, some member-state interviewees foresaw the EC providing budget support in situations where their own government is more constrained due to more critical and risk-adverse national constituencies. Finally, the Commissioner publicly stated the intention to increase the use of budget support, which again raises the spectre of wider use of SBCs.²⁴

Some member-state officials expressed concern that the EC might use SBCs too widely, including in highly instable situations where concerns about fundamental values may be downplayed in favour of political considerations. No positive assessment on fundamental values is required for the decision to go ahead with an SBC. The modality could therefore be used for country contexts that do not allow for a GGDC and for which provision of one or several SRCs would be considered inadequate or too cumbersome to manage.

22 "The State Building Contracts is not limited to fragile States however and situations of fragility may arise, inter alia, in partner countries during political transition to democracy and establishment of the rule of Law" EC 2012b: Annex 9, p. 141).

23 The only reference is provided by the European Neighbourhood Policy, which refers to "democratic transition countries", meaning that partner countries like Morocco, Albania and Ukraine could all potentially be considered for an SBC.

24 At a public ODI event in 2011 Commissioner Piebalgs indicated his ambition to increase budget support, not to reduce it, from the present target of 25% to perhaps 50% (Maxwell 2011).

It is too early to tell at this stage what the answer to this question will be. Some observers point out that the weak government capacity in many fragile contexts does not allow the use of an SBC. Moreover, EU member states will remain critical about the use of budget support, which could even result in a more modest use of this aid modality. All interviewees agreed that the further use of SBCs should be monitored and embedded in a process of regular exchange and learning.

C. Can SBCs be used for long-term engagement?

Experience with budget support in fragile and low-capacity African contexts shows that it can take years for basic structures to be built and the first tangible results to become evident. Prominent examples are Sierra Leone and Liberia. Trust and patience are needed to set up meaningful policy dialogue and to accompany the partner government's own reforms in a well-informed manner. The need for long-term engagement in such contexts is also stressed by the 2011 World Development Report (WB 2011).

The guidelines for SBCs indicate a duration of two years with the possibility of extending the contract for one additional year. The guidelines note that the contract could potentially be renewed after the first SBC expires, if conditions for GGDCs and SRCs are not met. Whether a longer series of SBCs would be possible in a country is not clear, however, and interviewees from all EU institutions noted that what comes after the first or second SBC should be clarified. Interviewees noted that EU member states in the EDF committee, in particular, could question more than two subsequent SBCs for a country, since fundamental values would then be less prominently addressed over a longer period, comparable to that of a GGDC.

Interviewees from DEVCO and the EEAS presented three possible scenarios. The first is to use the timeframe of the first and second SBC to assess whether the partner country has established a good track record in terms of human rights and fundamental values. This would signal the government's commitment to values and provide a basis for granting a GGDC. The current track record of budget support in fragile situations, however, suggests that in most cases such a scenario is remote at best. A second scenario is that the EC stops providing general budget support after the first and second SBC period and scales down to SRCs, leaving the provision of general budget support to other international or bilateral agencies. This scenario is rather unlikely, given the relative loss of opportunities to engage in high-level policy and political dialogue as some interviewees mentioned. The current SBC for Côte d'Ivoire demonstrates the effectiveness of a dialogue at the highest levels combined with dialogue within particular sectors. A third scenario is a series of SBCs, assuming a clarification on the allowance of such longer series, which would be a pragmatic solution to the issue of long-term engagement.

D. Is there enough knowledge about the effects of mitigating measures?

Following past experiences with EU budget support, member states expressed concerns about risks and how to respond. They adopted the EC Communication on budget support in the expectation that more attention would be given to risk management and that measures to reduce risks would have traction.

The EC's risk management framework, outlined in Table 3, attaches high importance to risk response and mitigation for all forms of budget support. The guidelines refer to a variety of measures available to the EC when designing a budget support programme. These include a range of capacity development measures, such as technical assistance, political dialogue, policy dialogue and support to actors and processes to enhance transparency, accountability and participation in the budget process. Depending on the assessment, citizens and civil society might be involved, as well as parliaments, courts of auditors, public finance departments (e.g., for publishing budget figures) and the media.

These mitigating measures are applicable to SBCs but rather difficult to implement in fragile and conflict-affected settings, particularly where fragility is structural and rooted throughout society and in all regions of a country (Weijer & Kilnes 2012). Evidence from governance support in low-capacity fragile situations suggests that considerable resources and long-term commitment are required before functioning and effective endogenous processes are in place that can counter spillage, corruption and elite capture of public spending (OECD 2007).

So far, very little is known about the effects of risk response measures and how to deal with the residual risks of providing SBCs. DEVCO and EU delegation officials interviewed expressed concern about overly optimistic estimations of the effects of mitigating measures in the risk assessment framework. They suggested greater investment in learning about the effects of such measures so that more realistic prognoses could be given about the time likely to be needed before such measures show results and what type of support would be required.

E. How to approach capacity development for effective delivery?

Interviewees from EU delegations and DEVCO pointed out that decisions about the implementation of SBCs do not take sufficient account of the immense human capacity gaps in fragile states that make effective and timely implementation so challenging. They mention that EU decision makers appear to underestimate the level of fragility outside of the capital city and on what will be needed to implement an effective and timely delivery system. In South Sudan, as one EC official explained, the planned € 5 million capacity development support to implement the SBC, which is worth € 80 million in total, will be enough to provide assistance to the public finance management system, but more investments are needed to make the payment for health workers and teachers sustainable. In fragile states, a balance needs to be found between

the need for quick delivery, perhaps requiring a considerable amount of technical assistance, and structural investments to develop capacity in the medium term (Petersen 2013). Some interviewees recommended that during assessment and design of SBCs more attention should be paid to effective flanking measures and that the BSSC should take a broader look at capacity and institutional issues in fragile states. Suggestions were made that the BSSC adopt a portfolio approach when providing SBCs, which means deciding on a balanced portfolio for the fragile country that includes a range of interventions to address capacity needs, and risks, at different levels.

F. How to deal with civil society in the context of SBCs?

Interviewees from civil society and member states stated that more attention should be paid to the role of civil society organisations in the context of an SBC. Some suggested following DFID's example and structurally committing an amount equal to 5% of budget support operations to the promotion of domestic accountability, from which support to civil society can also be funded (DFID 2011a). But they also acknowledged that each country context is different and civil society actors will not in all cases be able to provide meaningful support to shaping domestic accountability. Practitioners, not linked to the EU, point out that an engagement with civil society and domestic accountability – while politically correct – might further complicate operations. Confrontational approaches, using civil society organisations as “watch dogs”, should be avoided in favour of accompanying measures to facilitate dialogue. However, capacities in fragile states, in both government and in the EU delegation, are generally highly stretched. Dedicated engagement with civil society might add too much complexity and divert attention from other priorities in a context of limited capacities.

The EC does have a reference document on engaging with non-state actors that includes recommendations on working with such actors when providing budget support (EC 2011f). Furthermore several funding instruments can be used to involve civil society, such as the European Instrument for Democracy and Human Rights (EIDHR) and the Instrument for Stability (IfS), as well as thematic budget lines. Two interviewees mentioned that there is limited knowledge within the EU on how this support to civil society can be effectively linked to budget support in fragile environments. At the delegation level, support to civil society and SBCs are generally dealt with by different desks (or often regionally in the case of the IfS). Moreover, funding instruments for civil society follow their own programming cycles and procedures, which might not match the timeframe of the design and implementation of the SBC. Interviewees from EU delegations as well as member states called for greater investment in civil society involvement in the context of SBCs and suggested building a knowledge base from where the most appropriate approach per country context can be formulated.

5. *SBCs and the New Deal*

So far, there is little evidence from practice to indicate how SBCs have been used in countries where the New Deal is being implemented. We limit this section to reflections based on an analysis of the EC's budget support guidelines, a reading of the New Deal and comments made about initial experiences in implementing the New Deal. We consider this issue pertinent because the EC and member states have stated their strong support of the New Deal.

The strength of the New Deal is its ownership by a group of self-declared fragile countries (the g7+, see Box 2). The process leading to the adoption of the New Deal in Busan in 2011, was a highly participatory one in which representatives from the g7+ stressed the need for a different approach when engaging with fragile countries. According to the New Deal, external support should be based on priorities formulated by the fragile countries, and it should strengthen national systems and processes in a timely and predictable manner. Furthermore, risks should be shared and five priority areas comprehensively addressed. These five areas are formulated as "legitimate politics", "security", "justice", "economic foundations" and "revenue and services".

An SBC should be understood as one of several possible aid modalities to support a fragile country. It ought to be evident that an SBC cannot be overloaded and cannot be seen as a cure-all to stabilise an environment. Yet, the modality can provide certain leverage, in particular, if the EC intervenes with a hefty financial injection in a situation of very low own revenues and scarce state capacities to use the funding effectively.

Comparing the focus of the SBC with the five peacebuilding and statebuilding goals of the New Deal, the SBC seems to target statebuilding in particular. The funding can help stabilise the fiscal situation of a country, allowing a partner government to pay salaries and purchase equipment for providing basic services, while building and strengthening country systems and providing funding in a predictable way. Government officials from partner countries interviewed for this chapter highly valued this EC support. However, questions were raised on whether SBCs are linked smartly enough to instruments that support peacebuilding, understood as processes to strengthen society from the bottom up and to help reconcile the interests of the state with those of its citizens while diffusing tensions within civil society. It is a difficult question that requires highly tailored responses, as pointed out in the earlier discussion about engagement with civil society.

The FOCUS elements of the New Deal (see Box 2), which clarify the process to be followed by a country and its development partners, are generally coherent with the steps spelled out in the SBC guidelines. The SBC requires an indication of the partner government's strategy. That could be embedded in the New Deal's "one vision, one plan", followed by a compact, dialogue and country leadership. Less clearly linked are the New Deal's fragility assessment and the SBC fragility assessments. The latter is to be 'conducted by the EU Delegations, in close coordination

with member states and other donors active in the partner country' (EC 2012b: Annex 9, p. 142). The guidelines do not spell out whether attempts should be made to include national partners in this process, or whether the New Deal's fragility assessment (or any other joint assessment between the partner country and the international community) should be done prior to the EU delegation's fragility assessment for the SBC. Key questions can also be raised about the division of labour. What effects will the SBC have where the EU is (or is not) the lead donor in the New Deal? How will harmonisation with other donors unfold when it comes to fragility and risk assessments?

These rather donor-centric elements of the SBC can also be seen in the budget support guidelines ("road map" for budget support in situations of fragility states). "The road map is the instrument used to identify whether a country is eligible or to identify the steps by which it could be eligible. ... In order to get the dialogue with the authorities under way as soon as possible and to inform them of the steps and conditions leading to eligibility, it is recommended that the road map be shared with them. It is also recommended that the road map be discussed with [international] partners" (EC 2012b: Annex 9, pp. 144-145). There is no doubt that partner governments' capacities in fragile countries are generally low. Nonetheless, given the g7+ ambition to follow a new approach and to avoid repeating the mistakes of past aid management, attempts should be made to work more inclusively and provide facilitative means to involve the partner countries up front.²⁵

Finally, the SBC can support the TRUST principles of the New Deal, provided it gets a number of things right. Provision of budget support is intended to empower country systems and build national capacities. A long-term commitment is necessary, and this calls for a clarification of what comes after the first or second SBC. Risks need to be shared and disbursements need to be timely and predictable. To share risks requires a joint understanding of what the risks are. Hence, the EC and its partners will need to conduct joint risk assessments and have joint risk mitigation strategies involving dialogue as well as mechanisms to deepen the analysis over time.

The larger overall challenge for the EC and other donors, as well as for the g7+, lies in the "how" and whether implementation of an SBC, in combination with other aid modalities, can be done with consideration of and support for ongoing endogenous processes of reconstruction, however fragile they might be. This requires a cultural change within the EU and willingness to do business differently, as stressed by two officials from the EEAS and DEVCO.

²⁵ The EC has promoted ideas for working more creatively with capacity development support and technical assistance in the context of its Backbone Strategy on Technical Cooperation and PIUs. But the budget support guidelines don't refer to it explicitly (EC 2008a).

6. *A courageous response, but the proof of the pudding is in the eating*

Provision of budget support for post-conflict, fragile and conflict-affected countries is not new for the EC. But a critical assessment by the European Court of Auditors in 2010 and tough questions raised by member states about the EC's budget support practices led to a new policy and revised guidelines to strengthen EC budget support implementation capacity. The new policy, issued in 2012, is a compromise aiming to respond to the various expectations and preferences of EU member states while accommodating the recommendations of the Court of Auditors. The policy distinguishes three types of budget support: GGDCs, SRCs and SBCs, which have been implemented since 2012-2013. This chapter looked at initial experiences with the design and implementation of SBCs and questions raised by interviewees regarding the future provision of budget support in fragile contexts. From these interviews and document analysis, we extract seven principal points.

First, officials from the EEAS and DEVCO see the split into three budget support modalities as a realistic and better response to the different contexts in which budget support is provided. EC officials value budget support as it uses and strengthens country systems and is most in line with the political principles of partnership and alignment that the EC promotes, as formulated in the Agenda for Change (EC 2011b). Officials have welcomed the SBC modality, as it allows the EU to pragmatically engage with local actors in fragile environments. The added value of the modality is the provision of assistance to stabilise a country, and in a surprisingly quick way, as noted in the case of Mali. The policy is also viewed as better grounded in reality with regard to issues of governance and human rights. Fundamental values are assessed for an SBC, but adherence to human rights, democracy and the rule of law is not a precondition for approval of this type of budget support to fragile and transition countries. What matters is the partner country's expression of willingness to adhere to these values in the course of the further development of the country.

Second, EU member states differ in their expectations about the role that SBCs should play in fragile and transition countries. Some member states view SBCs only as a mechanism for use in extraordinary situations of political and social instability on a very short term basis. Other member states, however, recognise the need for longer-term engagement to help fragile states in their transition towards resilience and development. They also recognise that it may be important to work through country systems, however fragile these may be. These member states would apply the same logic for emergency situations or for structurally fragile countries. Still other member states expect EU institutions to impose political conditions to budget support for fragile countries, even though past budget support evaluations have indicated that budget support cannot be used to leverage big political reforms. Their strength is elsewhere, such as in supporting public finance management systems or reforms, and contributing to service delivery in particular sectors. Evidence and experience with different forms of budget support call for realism rather than inflated expectations.

Third, some EU officials promote SBCs as one of several “developmental” instruments to address fragility and transition, while others see SBCs as one of several “political” instruments to address geostrategic concerns for stability. Strategic planners within the EEAS argue that the leverage of providing considerable funding through an SBC should be linked to political dialogue with the country concerned and used to promote fundamental reforms such as elections and negotiations with rebel groups. Implementation of SBCs, led by EU delegations, can also lend visibility and credibility to EU external action in unstable environments, redressing the hitherto fragmented and uncoordinated nature of the EU response in such situations. Their perceptions that more funding can lead to more political influence are countered by the more “developmental” view of SBCs. This promotes predictability, technical reforms in the area of public finance management and non-conditionality, to be pursued in collaboration with the partner government and other development actors. DEVCO officials support this latter line of thinking, giving priority to poverty reduction and provision of basic services to populations. They add caution about the potential for leveraging support for political change and fundamental institutional reforms. Meanwhile, some SBCs have become an important element in the discourse within the EU institutions on how to strategically engage within fragile and transition environments.

Fourth, outsiders find it difficult to understand the choice of SBC countries. The European Council states that the decision on whether to go ahead with an SBC should be taken on a case-by-case basis, following a thorough assessment of the partner country’s fragility or state of transition. Referring to the list of countries that currently get SBC of which several are perceived as lacking political will to reform for years (Box 6), EEAS officials questioned whether this modality should also apply to countries that are structurally weak and to those displaying political unwillingness to substantially reform for years. Due to this wide formulation, many countries could potentially be considered, creating a risk of inflationary use of SBCs. It is in the hands of the inter-institutional BSSC to assure that SBCs are employed only in circumstances where the aims are supportive to statebuilding objectives. The modality is too young to determine how extensively it will be used. But interviewees across institutions reckon that a very limited use might be difficult to maintain, given the expectations of some EU member states that budget support for stabilisation and statebuilding should be provided in situations where they cannot act bilaterally. Moreover, higher than anticipated numbers of requests for SBCs are being received from EU delegations, which might increase pressures to formulate SBCs.

Fifth, the sequencing of SBCs and when to exit is unclear for officials from DEVCO and the EU delegations. Past experience with budget support in structurally fragile countries indicates that long-term accompaniment is required on macro-reforms as well as political and policy dialogue at the highest level. SBC can be granted for two years with a potential extension of one additional year and the possibility for a renewal of the SBC if the conditions for the other budget support modalities are not met. Whether a series of SBCs could be considered is unclear to many interviewees. They emphasised that the EU and its member states will need to clarify

this matter, potentially along the lines of the three scenarios depicted earlier in this chapter (section 4, point C).

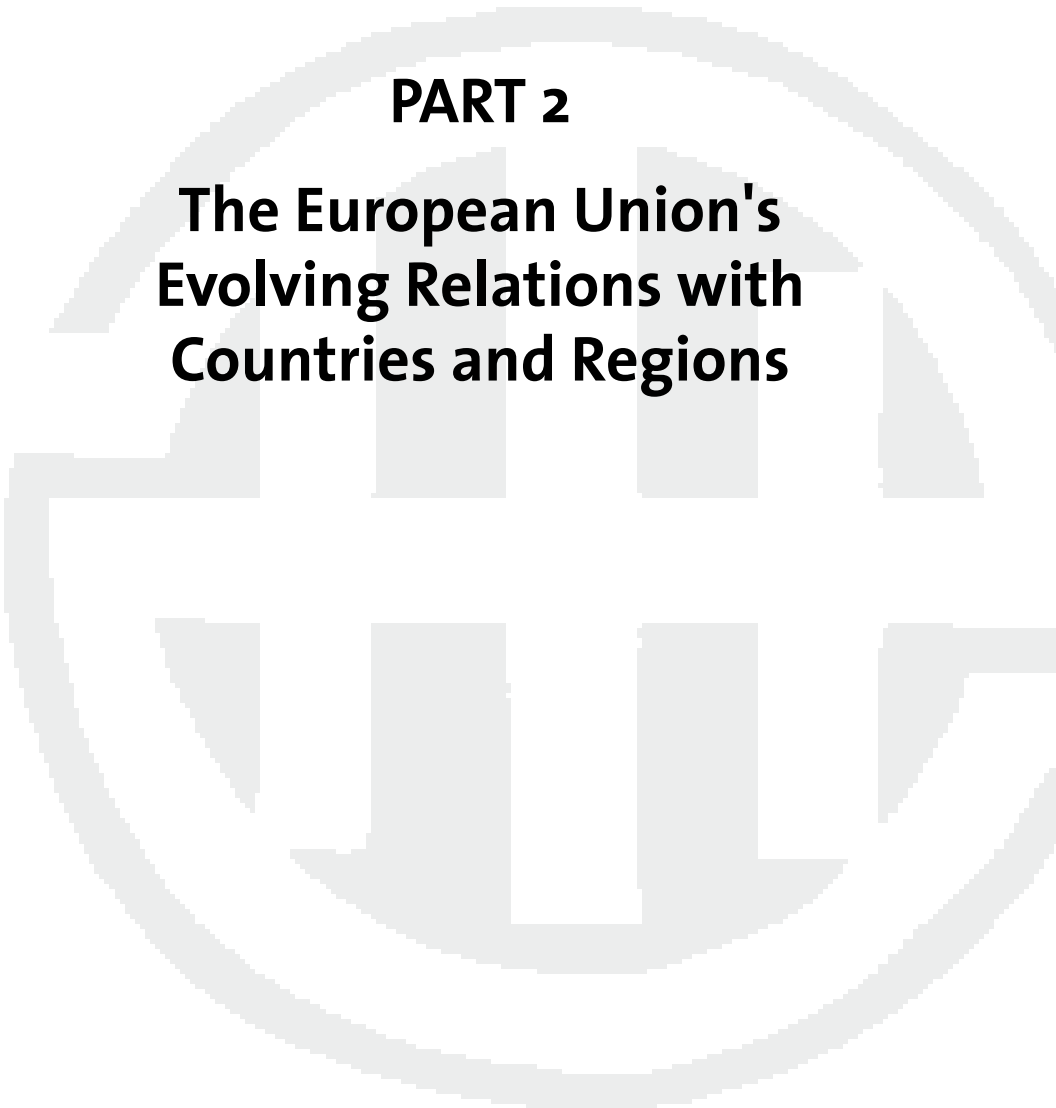
Sixth, capacity requirements for budget support in fragile contexts need considerably more attention during the preparation process, the formulation and implementation. Officials from DEVCO and the EU delegations are concerned that the vast human capacity gaps, as well as the weak partner government institutions in fragile environments, may be underestimated. More attention should be given to capacity support throughout the preparation and implementation of SBCs. These might require deployment of considerable complementary flanking measures to enable trust building and stronger ownership through dialogue and capacity building. Some suggested that the BSSC can play a conducive role in ensuring that different modalities are combined and the right partnerships with other donors are explored. Also at the level of the EU Delegations there are serious capacity constraints in terms of amount of human resources and their context-specific expertise. Several EU delegations in fragile countries currently have staff shortages that prevent an effective accompaniment of the implementation of SBCs.

Seventh, SBCs as an aid modality is in line with the statebuilding goals and principles of the New Deal. Still, questions remain on whether in the implementation of the SBC, the EU will sufficiently apply these principles in a particular context. The rationale underlying SBCs is to strengthen country systems, empower national leadership and capacities and ensure predictability for national execution. The EU, in collaboration with the other international partners that have endorsed the New Deal, will need to ensure that SBCs promote the ways of working proposed under the New Deal framework, in particular with regard to listening to the partner countries, working through national systems to the extent they exist, including civil society into dialogue to the extent possible and ensuring harmonised and joint approaches with other development partners. Experts comment that this is of paramount importance as the provision of an SBC is more than a technical issue and can influence changes beyond statebuilding. Given the relatively small funding amounts channelled through SBCs, their potential to lever change should not be overstated. But they can have an impact on the political and economic context of a partner's institutional landscape and on its further development path. Where applicable, active buy-in from national leaders and key stakeholders from civil society should therefore be solicited as early as possible and remain part of the ongoing implementation process for the duration of the SBC.

In conclusion, it is still too early to tell whether this form of budget support and the way it is implemented can add value for countries trying to leave behind a period of structural fragility, political instability or conflict. **The creation of SBCs as one of several budget support modalities appears to be a smart response by the EC to criticisms of the EU's budget support in fragile contexts.** The Commission has saved the instrument as integral part of its toolbox in fragile countries. The new instrument is more flexible than its predecessor. It allows for provision of budget support in a wide variety of contexts, ranging from countries emerging from conflict

to those that are in transition or are structurally fragile. SBCs also seem to be developing into a modality that enables different EU institutions to exchange information and dialogue internally, to anchor a decision more firmly through a newly created institutional mechanism, the BSSC, and to extend the dialogue and communication to those member states and other donors who seek to respond in adapted ways to quite distinct and increasingly difficult country situations.

But the modality should not be overloaded with too many expectations and demands. SBCs cannot be seen as the principal modality to bring about stability and support transition. SBCs will need to be embedded in a wider portfolio of aid modalities and combined with a broader set of interventions (including in other policy domains) that complement one another strategically. Future evaluations of SBCs should take this into account, as emphasised by several of our interviewees.



PART 2

The European Union's Evolving Relations with Countries and Regions

EU Support for Sustainable Change in Transition Countries¹

Jean Bossuyt

Introduction

The 2012 Joint Communication on EU support for sustainable change in transition societies is a timely policy document. It seeks to clarify “what the EU has to offer to help countries in transition achieve successful and sustainable transformations, building on its own experiences”. This is not only relevant in the context of the Arab Spring events, but for a much wider group of countries that embark on “structural transformation” processes to ensure sustainable and inclusive development. It also fits well the emerging post-2015 global development agenda that moves “beyond aid” and stresses the importance of country-led reforms mobilising domestic resources. In this context, the exchange of knowledge –rather than the transfer of resources– could become a central component of international cooperation partnerships. A case in point is sharing the experiences of EU Member States in transition management. This brief seeks to provide some “food for thought” on key conditions that may help partner countries to take benefit from of transition experiences. It focuses on two questions: (i) is there a shared understanding on what ‘inclusive development’ entails and on the required reforms under this umbrella? and (ii) how solid is the EU policy response towards transition countries and what are some of the main implementation challenges to be expected?

1. *Structural transformation for sustainable and inclusive development is the new mantra... But do we agree on the scope and content of the reform agenda?*

Sharing transition experiences will not be done in a vacuum. It is to be articulated around the emerging post-2015 agenda with its focus on country-led structural transformation aimed at inclusive and sustainable growth. It is therefore important to **look more closely at the nature and type of comprehensive reforms** that may be required if progress is to be achieved towards ‘inclusive development’.

A review of the literature indicates that the concept of ‘inclusive development’ is gradually finding its way in the development discourse. It increasingly props up as a key theme in major development reports, international conferences, national vision documents produced by African

¹ The chapter was originally prepared as a background brief on behalf of the Lithuanian EU Presidency for the European Development Days (EDD) 2013 session on: “Support for sustainable change post 2015: How partner countries can capitalise on European experiences in transition management”.

countries (often with a strong social connotation)², regional policy documents or international research programmes. In many ways, inclusive development is the new jewel in the crown of an already richly endowed development jargon.

Yet this ascendancy has so far ***not been accompanied with greater conceptual and operational clarity***. It is striking to note how the term is still used in a fairly imprecise manner. For instance, in 2008 the 'Commission on Growth and Development' issued "*the Growth Report: Strategies for Sustained Growth and Inclusive Development*" without clearly defining the precise meaning of inclusive development. To compound the confusion, the term inclusive development is often interchangeably used with 'inclusive growth' or poorly differentiated from concepts that have been in circulation for a longer period of time (e.g. participatory development, sustainable development, human development, pro-poor growth) or that have recently emerged (e.g. structural 'economic and social transformation' or 'inclusive sustainable development'³).

In short, inclusive development is still pretty much a ***"concept under construction"***. This should be seen as an opportunity rather than as a constraint. It provides space to further explore and define the core ingredients of inclusive development in dialogue with the key actors involved –first and foremost between domestic stakeholders in country (i.e. what should be the concrete structural transformation agenda of a given country?) and then with international partners (including EU Member States willing to share transition experiences).

This search for an ***agreement on the essential ingredients of inclusive development*** may turn out to be ***challenging, if not a contested process***. Three examples may illustrate this.

- (i) The debate in Africa on structural transformation tends to focus strongly on ***required economic reforms***. This is reflected, for instance, in the background paper prepared for the 6th Conference of African Ministers of Finance, Planning and Development (Abidjan, March 2013)⁴ : "*African leaders are determined to seize emerging opportunities to foster industrial development as an effective, socially responsible and sustainable means to economic transformation*"⁵. This is undoubtedly a legitimate analysis, but ***what place will be given to governance in these economy-driven transformation processes?*** From an African research perspective it has been argued that: "*Africa will not achieve sustainable growth without effective governance. The global evidence is clear that we can empower our people, address*

² See for instance the South Africa National Development Plan 2030, Rwanda's vision 2020, Ethiopia's National Growth and Transformation Plan, Mozambique's agenda 2025 or Uganda's National Development Plan 2010-2014. Yet generally the term is loosely defined, thus casting doubts about the degree of internalization of the policy.

³ This concept stands central in the European Development Report 2013 focused on the Agenda 'post-2015'.

⁴ United Nations and African Union (2012)

⁵ United Nations and African Union Commission (2013)

inequality, and achieve fairness and opportunity in our societies without compromising our openness and our long-term economic competitiveness”⁶.

- (ii) **How much space** will be provided in structural transformation processes to **tackle upfront the burning issue of growing inequalities**? This should be a priority if development is to be more ‘inclusive’ in the future. Yet the sobering reality that in spite of high and sustained economic growth in many African countries over the past decade, large groups of poor and vulnerable people have remained excluded from increased welfare. Social indicators have picked up only modestly, with unemployment remaining high while income inequalities have widened. The failure to structurally tackle inequalities and to include the poor and vulnerable in economic growth poses a risk for its long-term sustainability and undermines social cohesion. This is supported by a growing number of voices across the globe as well as by a large stream of reports, also from within Africa. Thus, Christine Lagarde, the Executive Director of the IMF, declared at the 2013 World Economic Forum in Davos that *“Now all of us –including the IMF- have a better understanding that a more equal distribution of income allows for more economic stability, more sustained economic growth, and healthier societies with stronger bonds of cohesion and trust”*. In a similar vein, the World Economic Forum’s survey placed *“severe economic disparity”* at the top of a list of global risks for the decade ahead. The signs on the wall are there, yet addressing in a structured manner the growing inequalities is a highly political matter. It brings along the notion that ‘inclusive development’ is about the expansion of the freedom that people enjoy and the real choices they are able to make as they acquire human capabilities⁷. It is about addressing the “structural factors that cause and sustain exclusion and marginalization be they related to gender, political processes, property rights for the poor, and so on”⁸.
- (iii) And what about **democratisation** as part of the structural transformation agenda? This is yet another potentially contested area. For the EU it is a core value to be promoted through its external action. In partner countries, it is possible to see a growing ‘demand’ for democratic forms of governance. Yet at the same time evidence suggests that democratic transition often do not lead to democratic consolidation. Many countries have entered what Thomas Carothers calls *“a political grey zone.”* They present *“some attributes of democratic political life, including at least limited political space for opposition parties and independent civil society, as well as regular elections and democratic constitutions. Yet they suffer from serious democratic deficits, often including poor representation of citizens’ interests, low levels of political participation beyond voting, frequent abuse of the law by government officials, elections of uncertain legitimacy, very low levels of public confidence in state institutions, and persistently poor institutional performance by the state”⁹*. In addition to this, the

6 Lyakurwa (2009).

7 Sen (2001).

8 Kjørven (2011).

9 Carothers (2002), p. 9-10.

phenomenon of the **'developmental state'** is increasingly visible in Africa, as exemplified by Rwanda and Ethiopia. These countries have emerged as the "showcases for the perceived superiority of authoritarian systems and hegemonic party systems in generating economic growth"¹⁰. How will these dynamics be integrated in future collaborative arrangements around transition experiences?

These few examples all indicate that ***sharing transition experiences should not be seen as a technocratic exercise***. While there is a wealth of transition experiences from EU Member States that could be usefully exchanged with partner countries, much will depend on the existence of ***some form of agreement with regard to the type of reforms required for truly 'inclusive' development***. In the absence of such a basic convergence it is may prove difficult to capitalize effectively on EU Member States transition experiences with comprehensive political, economic and social transformation.

2. ***How solid is the EU policy response towards transition countries and what are some of the main implementation challenges in sharing transition experiences?***

The October 2012 Communication related to EU support for sustainable change in transition countries is a timely document. It provides a broad overview of how the EU sees its role in supporting complex transitions –understood in the broad sense to include stabilisation, societal transformation, institution building and consolidation of reforms. Fragile states and situations of conflicts are not targeted here as different response strategies are deemed necessary for such countries.

The ambitions of the Communication are well captured in the title of the first section, i.e. "*how can the EU help create conditions for successful transitions?*". This suggests that the EU is keen to respect the cardinal principle that the transformation must be ***country-led***. Furthermore, the Communication adopts a ***broad perspective on what could be the main content areas of its support*** (respectively for inclusive political process and governance; institution building and the rule of the law; economic and social development; conflict prevention, peace-building and security).

The second section (i.e. "how can the EU improve its tools and approach?") ***defines a set of valuable principles and operational priorities***, including (i) responding to partner societies' needs (by carrying out "a proper needs assessment"); (ii) anchoring the process with early achievements; (iii) applying incentives, constraints and conditionalities; (iv) involving all relevant stakeholders; (v) enhance knowledge-sharing and development capacities and (vi) cooperating with member states, other donors and organisations.

¹⁰ See Rocha Menocal (2013), including a reference in the brief to Kelsall (2013).

All this provides useful building blocks to engage more strategically and effectively in support to transition societies. Yet there will be no shortage of *implementation challenges along the road*. In this brief, we pick out three such challenges:

1. *Starting from specific country realities and domestic demands*

This Communication, like many other EU policy documents, converges on the need to embed support strategies in local realities. Transition is seen as a gradual and above all domestic process involving the transformation of society. This implies that external actors need to start from the local context and determine, on this basis, what is desirable and feasible in a given country. Yet evidence suggests that despite this discourse, many donor response strategies remain too much embedded in ***normative approaches***. These tend to look at local situations through the lens of a future ideal situation in terms of inclusive development and measure the gap (from that perspective). It may lead donors to look primarily at “what is *not* there” rather than understanding the reality, seeing where the country stands, what is moving and where the dynamics of change actually lay. This danger of “supply-driven” approaches may also occur while providing transition support, including in sharing knowledge from EU Member States. The risk is particularly real in partner countries with a rather unclear transformation agenda (beyond nice plans and declarations) and a limited leadership behind the reforms. The case of Mali should be kept in mind. For years the country was a “donor darling”, partly because it agreed to embark on all kind of reforms. Yet the coup and resulting collapse of the country suggest that all this was built on rather shaky foundations. The reform agenda had very limited country ownership and the basic capacity to implement such an agenda was not there. Yet for years the donor community kept the process going... This brings along the challenge to identify the real demand for this type of transition experiences. Who stands behind it, why and what form should it take to be relevant?

2. *Look for smart incentives and be realistic about what they can achieve.*

The Communication on EU support for sustainable change in transition societies states that “*while incentives, constraints and conditionalities cannot be the main driver of reform, they can support the process*”. It then goes on to highlight how effective incentives were in the EU Enlargement policy to promote accession-driven democratic and economic reforms. It also sheds a light on how the EU intends to use incentive-based approaches in other regions, including the “more for more principle” now applied in the ENP.

All this looks fine on paper, but it seems wise to ***discuss the feasibility*** of such a strategy. Many evaluations have shown that it is not possible for external agencies “to buy reforms”. There are sobering experiences with EU schemes that sought to promote reform through incentive-based facilities (e.g. the now defunct and less than effective ‘Governance Initiative’ under the 10th EDF).

There is no shortage of interesting research on the matter as well¹¹. All this invites all stakeholders interested in providing effective transition support to be realistic about what incentives can achieve in a given context. This holds particularly true for mere financial incentives –considering the impressive growth figures in many partner countries and related need to focus primarily on domestic resource mobilisation. It also suggests that a mere “needs assessment” in terms of transition support is not sufficient. In order to support sustainable change, it will be imperative to systematically assess the **political economy of the reform processes** (or the interests, power relations and incentives to change of the various domestic actors).

3. *Innovate in the way to exchange knowledge.*

Few doubt that the EU and its Member States can share a wealth of valuable experiences with partner countries in relation to transition management. This type of cooperation could become a cornerstone of future EU cooperation and provide a real added value to partner countries, many of whom increasingly tell EU policy-makers: *“we are not really interested in your money, but we are looking for relevant knowledge that can inspire us while designing and implementing complex reforms”*.

Yet a core implementation **challenge will consist in a proper organization of this sharing of transition experiences**. Also here there is sobering evidence to remind us that this is not an evident thing to achieve. There are often inherent contradictions and limitations in the transfer of transition experience through development cooperation, including the possible *“contrast between strong political discourse, limited institutional settings and weak implementation practices”*¹². The 2010 EU ‘Transition Compendium’ provides a list of interesting reform experiences by EU Member States, but how will these be translated into actual knowledge exchange processes on the ground? The recent stream of transition support to Tunisia through international expert assistance also provides a learning opportunity. While positive results for the transition have been achieved, *“disenchantment in the national-international relationship is emerging, as disagreements surface about basic questions of responsibility, coordination, priorities and needs”*¹³.

In the next years it will therefore be important to identify and test out alternative ways to organizing an effective transfer of knowledge in relation to transition, that effectively incorporate the demand-side and sort out basic institutional questions related to agenda-setting, the optimal task division between various stakeholders, suitable delivery mechanisms and funding modalities.

¹¹ For a recent example see: Di Renzio (2011).

¹² Horky (2012).

¹³ IFIT (2013).

Meeting in the Middle?

Challenges and Opportunities for EU Cooperation with Middle-Income Countries¹

Niels Keijzer, Florian Krätke and Jeske van Seters²

1. Introduction

This chapter presents a contribution to the on-going policy debate on how the European Union (EU) can best engage in promoting poverty reduction in Middle Income Countries (MICs). As part of his agenda for reforming European development cooperation, Development Commissioner Andris Piebalgs described the essence of this policy challenge as follows on his blog: *"I am aware that poverty pockets exist in middle-income countries and will continue to cooperate with these countries on many urgent issues such as fight against HIV/AIDS. But in reality, EU aid levels are not high in comparison with the budget of these countries and can have higher impact in least developed countries"* (Piebalgs 2011).

Although few would consider European development cooperation well-spent in fast-growing economies like China and Brazil, the EU Treaty does not ' earmark' its development budget to the poorest countries but only states that it should be used with a primary objective of reducing poverty. Implicitly Commissioner Piebalgs also refers to a general challenge as to how EU development cooperation should be reshaped in view of the reducing absolute and relative influence of European Official Development Assistance (ODA) in developing countries (Vanheukelom et al 2012). The Commissioner sought to draw a line by arguing that *"(...) some countries can now afford to fight poverty themselves"*, but the question of whether or not EU development funding should go to MICs is part of a broader challenge of how to adapt the policy and practice of European development cooperation in a changing world (Piebalgs 2011).

1 This chapter originally appeared as: Keijzer, N., F. Krätke & J. van Seters. February 2013. Meeting in the Middle? Challenges and opportunities for EU cooperation with Middle-Income Countries (ECDPM Discussion Paper, 140). Maastricht: ECDPM. <http://www.ecdpm.org/dp140>

2 The authors would like to thank their colleagues Andrew Sherriff, Geert Laporte and Jean Bossuyt (ECDPM) for their valuable comments on this chapter, as well as Christel Rasmussen and Adam Moe Fejerskov (DIIS) for their feedback. Information has been gathered through a desk review and informal conversations and interactions with government and EU officials. The authors are grateful to all for their most useful inputs. The views expressed and any errors in this chapter are those of the authors and should not be attributed to any other person or institution.

This challenge requires that the EU as well as its Member States look beyond traditional perceptions in the development discourse, notably the dichotomy between 'developed' and 'developing' countries. Whereas the EU is very aware of the fact that the MICs represent a significant strategic interest for the European Member States (in terms of trade, addressing security threats, natural resources and political influence as well as in providing a range of global public goods³) the partnerships with and tools applied to these countries are still being adapted to this thinking.

A wider array of foreign policy issues and instruments is required, beyond development cooperation as we know it today, and which hold the promise of establishing new forms of partnership with the MICs. In response, the EU's cooperation with several MICs already extends beyond the objective of poverty reduction, for instance the EU's engagement with China, India, Thailand, the Philippines and South Africa. This is also clearly evident in the EU's cooperation with the MICs in its own neighbourhood, and useful lessons can be drawn for MICs with which the EU seeks to move away from a donor-recipient relation. A critical question in this regard is not only what the EU's interest in the MICs is, but what the MICs expect from the EU.

This chapter will first explore how the practice of dividing nation states into groupings as a tool for targeting policies originated and evolved (Section 2), including the category of Middle Income Countries. The section concludes with a short analysis of how recent global developments, particularly involving the MICs, have made the present policy discussion all the more urgent. Section 3 provides an overview of the distinctive characteristics and issues facing the MICs and what they imply for the relevance of Official Development Assistance (ODA) in cooperation with these countries. Section 4 examines the existing commitments and objectives for cooperation with the MICs as expressed in EU development policy documents, pointing out the opportunities and challenges in the context of its evolving external action policies.

Subsequently, Section 5 analyses several of the EU's instruments, modalities and budget lines for engaging with the MICs beyond development cooperation. Section 6 provides deeper insight into new forms of cooperation by exploring the EU's engagement with South Africa. Finally, Section 7 concludes by deriving conclusions from how the EU has adapted these instruments to the specificities of the countries targeted by its external action policies and instruments. Key recommendations are presented to inform the Danish and other EU Member States' positions towards the EU's policy and practice for cooperation with the MICs.

3 A global public good is a good that has the three following properties: (1) it is non-rivalrous, i.e. use of this good by anyone does not reduce the quantity available to other agents; (2) it is non-excludable, i.e. it is impossible to prevent anyone from consuming that good and (3) it is available worldwide. See Koch 2012 for a more detailed discussion on definitions used.

2. *The origin and evolution of the Middle Income Countries category*

2.1. The practice of classifying countries

The practice of classifying countries into different groupings as a means to guide decision-making is commonly held to originate from the 1950s. The best known of these classifications is that of 'developed' and 'developing' countries, originally the distinction between First, Second and Third 'worlds', and the policy jargon distinguishing aid 'donors' and 'recipients' (Harris, Moore and Schmitz 2009). For a considerable period of time, such classifications have proved convenient for political and diplomatic engagements by reinforcing the political, developmental and security perspectives and concerns of the dominant narrative at the time.

While these dichotomies seem strong, they are not well defined: there is no established convention for the designation of 'developed' or 'developing' countries. Through the process of classifying countries along this dichotomy, national income, growth and production levels have been established as central to the definition and differentiation of levels of 'development'⁴ (King et al 2012). Income and growth levels nowadays still frequently motivate policy decisions, both for development cooperation and other areas of external action.

Many caveats exist to such classifications, owing in part to the arbitrary nature of classification itself. As a result, there is today an increasing appreciation of the fact that the binary developed-developing distinction and classifications have been losing relevance since the mid-1970s particularly as a broader conception of 'development' has emerged and the global balance of economic and political power has shifted.

The adoption of the Millennium Development Goals (MDGs)-framework in 2000 marks a broad consensus on a definition of 'development' beyond national income. Large numbers of new indices, rankings and classifications have since been put forward as rival benchmarks to influence public policy and development practice (Harris, Moore and Schmitz 2009). Income-based classifications remain in use, leading to anomalies such as the fact that some developing country governments nowadays get commercial loans at better rates than some developed ones. The changing global economic landscape furthermore means that certain countries are simultaneously classified as 'emerging economic superpowers' and 'developing countries'.

4 As per this understanding, social conditions and political systems in countries were taken to be symptoms of economic underdevelopment. Notably, the UN Secretariat convened an expert group which prepared a 'Report on International Definition and Measurement of Standards of Living', distinguishing between 'standards', 'norms' and 'levels' of living, covering a broad range of indicators on all aspects of daily life. See: United Nations (1961)

2.2. The Middle-Income Countries category

Discussion on how to best differentiate between (groups of) countries has gained prominence in the discourse on development cooperation and other foreign policy instruments among international actors.⁵ A particularly contentious issue of the income-based classifications concerns the category of Middle-Income Countries (or MICs). Situated between the Low-Income Countries (LICs) and High-Income Countries (HICs), the MICs are credited with achieving high levels of economic growth and gains in poverty reduction.

The MICs are grouped according to the criteria of annual gross national income (GNI) per capita, as part of a global classification. Two dominant classification systems are maintained by the OECD and the World Bank (WB)⁶, and both split the MICs group into two sub-groups: lower-middle income countries (LMICs) and upper-middle income countries (UMICs). According to the OECD DAC List of ODA recipients, there are 40 LMICs (at a GNI between US\$ 1,006 and 3,975 per capita per year at 2010 prices) who are not LDCs and 54 UMICs (at US\$ 3,976 to 12,275 per capita), whereas the World Bank Country and Lending Groups lists 54 countries as LMICs (at a GNI of US\$ 1,026 to 4,035 per capita at 2011 prices) and also 54 countries as UMICs (US\$ 4,036 to 12,475 per capita). See Annex I for a full overview of the countries covered by both classification methods as well as a more detailed explanation of the difference between the two, and Figures 1 for a snapshot of the MICs worldwide.⁷

Since the World Bank instituted the LMIC and UMIC categories in 1987, the number of MICs has increased from 77 to 108 – a significant increase even if one takes into account the 34 new countries that have come into existence since the 1990s.⁸ This is principally due to the fact that various LICs have ‘graduated’ into the MICs category. The number of LICs has decreased from 48 to 36 since 1987, accompanied by a decrease of the number of poor worldwide by over 450 million people.⁹ It is widely recognised that this rise in income levels has brought with it, on average, a rise in living standards for large numbers of people in the MICs and former LICs. This is not to say, however, that the MICs category determines countries ‘in transition’ towards HICs¹⁰, and that therefore issues affecting them are transitory. Indeed, while part of countries entering the MICs category are newly-formed states as a result of the collapse of the Soviet Union, there have also been countries falling back from the HICs to the MICs category – including recently some European Member States.¹¹

5 For an analysis of recent policy discussions on differentiation in the EU, please refer to Keijzer, Seters, Lein, Krätke, Montoute (2012).

6 See <http://www.oecd.org/dac/aidstatistics/daclistofodarecipients.htm> and <http://data.worldbank.org/about/country-classifications/country-and-lending-groups>.

7 For the purpose of this study, the World Bank list is used. This is motivated by the fact that the World Bank classification is applied to wide variety of data on countries worldwide (rather than only ODA).

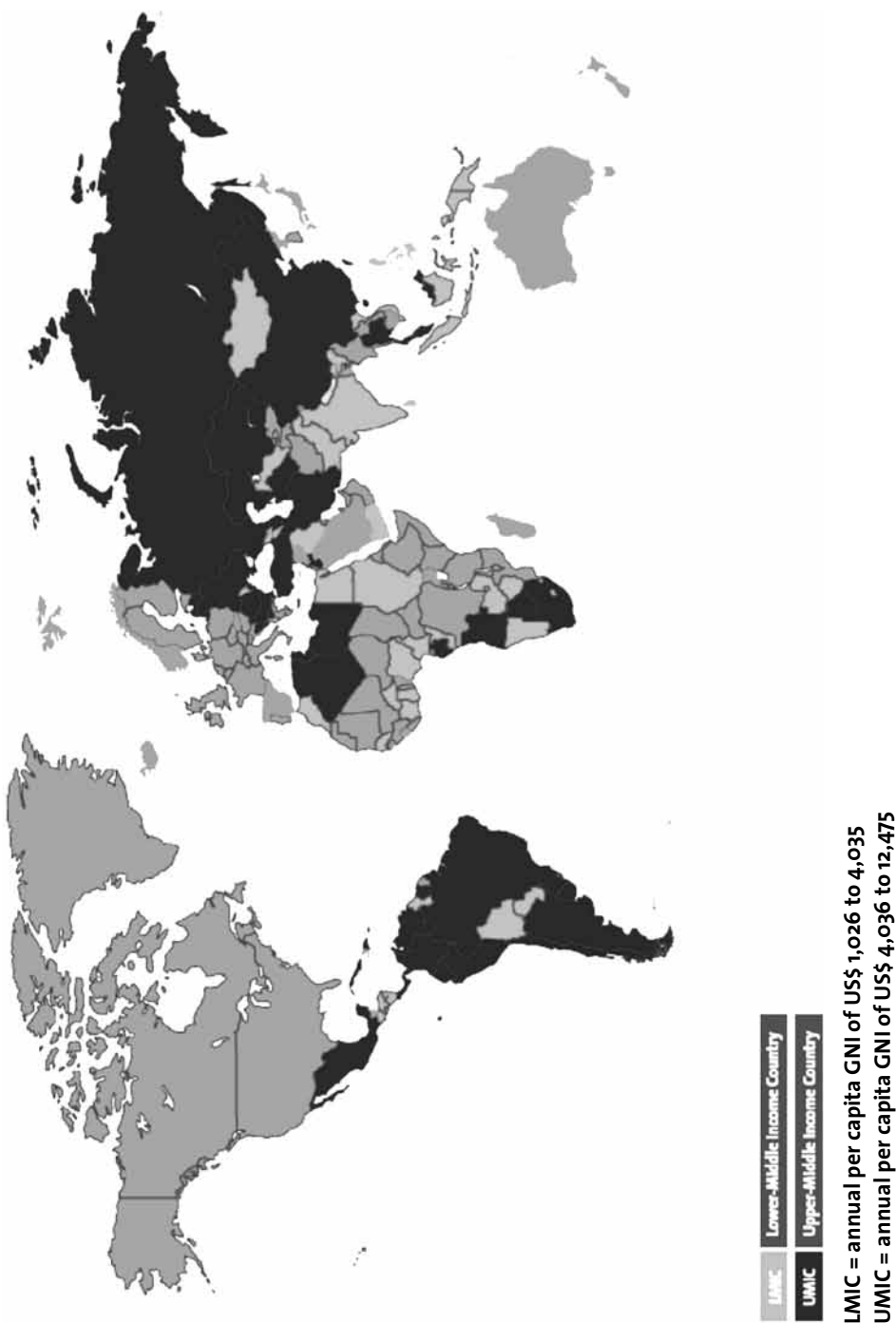
8 Rosenberg (2012)

9 Measured in the number of persons living below \$1.25 a day poverty line at 2005 PPP. See World Bank PovcalNet - <http://iresearch.worldbank.org/PovcalNet/index.htm>

10 See footnote 2.

11 See also Koch (2012)

Figure 1. Map and listing of MIC's worldwide according to the World Bank Country and Lending Groups classification



Country		Region	LDCs	Fragile
Albania		ECA		
Algeria		MENA		
American Samoa		EAP		
Angola		SSA	✓	✓
Antigua and Barbuda		LAC		
Argentina		LAC		
Armenia		ECA		
Azerbaijan		ECA		
Belarus		ECA		
Belize		LAC		
Bhutan		SA	✓	
Bolivia		LAC		
Bosnia and Herzegovina		ECA		✓
Botswana		SSA		
Brazil		LAC		
Bulgaria		ECA		
Cameroon		SSA		
Cape Verde		SSA		
Chile		LAC		
China		EAP		
Colombia		LAC		
Congo Rep.		SSA		✓
Costa Rica		LAC		
Côte d'Ivoire		SSA		✓
Cuba		LAC		
Djibouti		MENA	✓	
Dominica		LAC		
Dominican Republic		LAC		
Ecuador		LAC		
Egypt, Arab Rep.		MENA		
El Salvador		LAC		
Fiji		EAP		
Gabon		SSA		
Georgia		ECA		
Ghana		SSA		
Grenada		LAC		

Country		Region	LDCs	Fragile
Guatemala		LAC		
Guyana		LAC		
Honduras		LAC		
India		SA		
Indonesia		EAP		
Iran, Islamic Rep.		MENA		
Iraq		MENA		✓
Jamaica		LAC		
Jordan		MENA		
Kazakhstan		ECA		
Kiribati		EAP	✓	
Kosovo		ECA		✓
Lao PDR		EAP	✓	
Latvia		ECA		
Lebanon		MENA		
Lesotho		SSA	✓	
Libya		MENA		✓
Lithuania		ECA		
Macedonia, FYR		ECA		
Malaysia		EAP		
Maldives		SA		
Marshall Islands		EAP		✓
Mauritius		SSA		
Mexico		LAC		
Micronesia, Fed. Sts.		EAP		✓
Moldova		ECA		
Mongolia		EAP		
Montenegro		ECA		
Morocco		MENA		
Namibia		SSA		
Nicaragua		LAC		
Nigeria		SSA		
Pakistan		SA		
Palau		EAP		
Panama		LAC		
Papua New Guinea		EAP		
Paraguay		LAC		

Country		Region	LDCs	Fragile
Peru		LAC		
Philippines		EAP		
Romania		ECA		
Russian Federation		ECA		
Samoa		EAP	✓	
São Tomé and Príncipe		SSA	✓	
Senegal		SSA	✓	
Serbia		ECA		
Seychelles		SSA		
Solomon Islands		EAP	✓	✓
South Africa		SSA		
South Sudan		SSA		✓
Sri Lanka		SA		
St. Lucia		LAC		
St. Vincent and the Grenadines		LAC		
Sudan		SSA	✓	✓
Suriname		LAC		
Swaziland		SSA		
Syrian Arab Republic		MENA		
Thailand		EAP		
Timor-Leste		EAP	✓	✓
Tonga		EAP		
Tunisia		MENA		
Turkey		ECA		
Turkmenistan		ECA		
Tuvalu		EAP	✓	✓
Ukraine		ECA		
Uruguay		LAC		
Uzbekistan		ECA		
Vanuatu		EAP	✓	
Venezuela, RB		LAC		
Vietnam		EAP		
West Bank and Gaza		MENA		
Yemen, Rep.		MENA	✓	✓
Zambia		SSA	✓	

Acronym	Full legend name
LMIC	Lower-Middle Income Country
UMIC	Upper-Middle Income Country
ECA	Eastern Europe and Central Asia
MENA	Middle East and North Africa
EAP	East Asia and the Pacific
SSA	Sub-Saharan Africa
LAC	Latin America and the Caribbean
SA	South Asia
LDC	Least Developed Country
Fragile States	Fragile or Conflict Affected Situations

Countries are classified into lower- and upper-middle income countries according to the World Bank Country and Lending Groups list of July 2012. Countries with a 2011 GNI per capita of \$1,026 - \$4,035 are defined as LMICs, those of \$4,036 - \$12,475 as UMICs. The same list is used to group countries into regions.

Least Developed Countries (LDCs) are classified according to the UN-OHRLS list. Fragile or Conflict-Affected Situations are classified according to the World Bank's Harmonised List of Fragile Situations for the financial year 2013.

Meanwhile, the EU has evolved its own approach to classification – usually grouping countries according specific policy frameworks (some with a legal basis, some as looser commitments) with associated goals. The MICs category cuts across various regional and global groupings which the EU uses, as demonstrated in Table 1. However, only in the EU’s development and trade policies is the MICs category explicitly used and referred to (as will be explored in section 4) – in other policy areas partnerships are formed on the basis of more explicit political, geo-strategic analysis.¹²

Table 1: Overview of EU policy frameworks, instruments and MIC’s included

EU Policy Framework	Goals	Instrument(s)	MIC included
Cotonou Partnership Agreement (CPA)	– Poverty reduction and eradication; – Promote sustainable development; – Integrate African, Caribbean and Pacific countries into the world economy.	European Development Fund (EDF), political dialogue	All MICs in Sub-Saharan Africa, Caribbean and Pacific
European Neighbourhood Policy (ENP) (including EuroMed)	– Support progress towards ‘deep democracy’; – Support sustainable economic and social development; – Build effective regional partnerships.	European Neighbourhood and (Partnership) Instrument (ENI, ENPI), political dialogue	Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, the Republic of Moldova, Morocco, the Occupied Palestinian Territories, Syria, Tunisia and Ukraine
Enlargement and Cohesion policy	Unite and strengthen the European continent socially, economically and politically.	Instrument for Pre-Accession Assistance (IPA), TAIEX, Twinning, political dialogue	Albania, Bosnia and Herzegovina, Bulgaria, Macedonia, Kosovo, Latvia, Lithuania, Montenegro, Serbia, Romania, Turkey

¹² Interestingly, different EU Member States and services within the EU institutions do not adhere to the same country classifications. For example, the Directorate-General for Development and Cooperation – Europeaid (DG DEVCO) uses the OECD DAC list in determining aid allocations, whereas the Directorate-General for Trade (DG TRADE) adheres to the World Bank list to determine eligibility for trade preference schemes. This suggests that such classifications are predominantly a matter of practical convenience rather than precision.

Joint Africa-EU Strategy	– Improve Africa-EU political relations – Promote effective multilateralism – Promote peace, security, democratic governance, human rights, basic freedoms, gender equality, sustainable economic development, regional and continental integration – Promote the attainment of the MDGs.	Political and policy dialogue & a future proposed Pan African Envelope in the DCI	All MICs in Africa
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2.3. Notable trends affecting the MICs category¹³

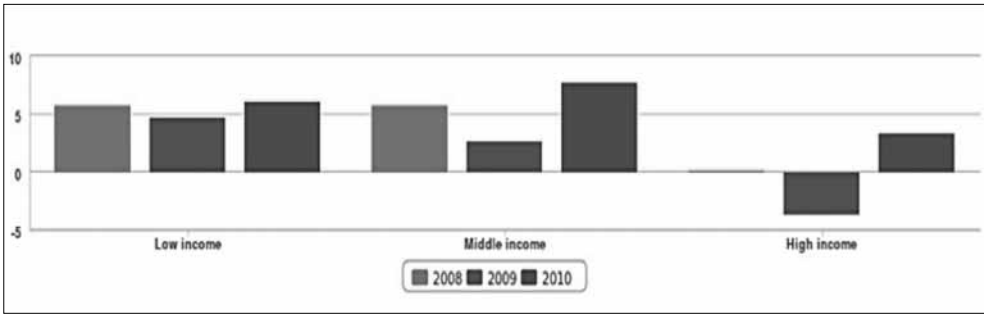
Given that MICs comprise approximately half the countries of the world, and can be found on each continent, it can be presumed that the MICs category comprises a grouping of countries which is far more diverse than aggregate figures will reveal. Sixteen of the MICs are also Least Developed Countries (LDC)¹⁴, and the incidence of poverty in the MICs ranges from 2% of the population to over 60% (UNDP, UNFPA and UNOPS 2011). Notably for the EU, all of the EU neighbourhood countries are MICs.

Aside from the obvious shared feature of higher levels of income, both in absolute and per capita terms, the MICs share a few more common characteristics (each with a few notable exceptions) that are said to set them apart as a group. First, MICs have had consistently higher levels of GDP growth compared to the group of Higher Income Countries, as shown in Figure 2.

¹³ Data noted in sections 2 and 3 are the most recent figures derived from the World Bank, retrieved from <http://data.worldbank.org/> in November 2012.

¹⁴ Namely: Angola, Bhutan, Djibouti, Kiribati, Laos, Lesotho, Samoa, Sao Tome and Principe, Senegal, the Solomon Islands, Sudan, Timor-Leste, Tuvalu, Vanuatu, Yemen and Zambia.

Figure 2: Recent levels of GDP Growth compared (figure generated from World Bank website)¹⁵



In general, MICs have advanced along the ‘demographic transition curve’¹⁶, thereby currently displaying lower fertility and population growth rates than the world median. Noteworthy exceptions to this are low or even negative population growth in Eastern European and Central Asian MICs and above-average growth rates in MICs found in the Eastern Pacific, the Middle East and Eastern Africa.

The MICs furthermore follow the worldwide urbanisation trend: 65% of the population in UMICs on average live in urban areas, whereas this amounts to 45% for the LMICs. Small island states in the Pacific and the Caribbean, along with certain large countries in South and South-East Asia (Laos, India, Pakistan, Thailand and Vietnam) have significantly below-average rates of urbanisation, though the MICs all display population growth rates in urban areas above the national average (over 2% versus between 1 – 1.5% respectively, for LMICs and UMICs).

The MICs are also home to a burgeoning ‘middle class’. While definitions of the middle class can vary greatly, the commonly used OECD and African Development Bank definition denotes the population earning between US\$ 2 and 20 per day, which make up roughly 45% of the population for MICs (Carbonnier and Sumner, 2012). The middle classes are expected to grow rapidly, particularly in the Asian and Pacific countries (notably India and China), and contribute considerably to the further economic growth of these countries through consumption expenditure and tax revenues. This is significant, as domestic tax returns are said to provide for a more sustainable form of long-run growth than that driven by exports alone (Kharas 2010).

Recent policy debates on development cooperation and foreign policy towards MICs have taken place against the backdrop of the widely acknowledged fact that the majority of the world’s poor people live in middle-income countries. Among the MICs, and indeed worldwide, poverty is concentrated in five populous countries known as the PICNI countries (Pakistan, India, China, Nigeria and Indonesia), in which approximately 75% of the world’s poor (earning less than \$ 1.25

¹⁵ See <http://databank.worldbank.org/Data/Views/Reports/Chart.aspx>

¹⁶ The term ‘demographic transition’ refers to the transition from high birth and death rates to low birth and death rates as a country develops from a pre-industrial to an industrialized economic system.

a day per capita) reside (Sumner 2012a). The graduation of these five countries into the category of MICs (between 1999 and 2008) has largely driven the reconfiguration of the global geography of poverty (Carbonnier and Sumner, 2012). The eight largest countries in the MIC's category – i.e. the five PICNI countries together with Brazil, Mexico and Russia – together account for nearly 80% of the world's poor. Table 2 provides an overview of key figures for these 'big 8' countries.

Table 2: Key figures for the 'big 8' middle-income countries, 2011

Source: World Bank data retrieved from <http://data.worldbank.org/> in January 2013 and own analysis.

* measured against the national poverty line of approx. \$ 2.5 per day.

Country	Type	GDP (current US\$)	GNI per capita (Atlas method, current US\$)	Populations (persons)	Percentage of population living below \$ 1.25 a day	EU Policy Framework
China	UMIC	\$ 7,318 trillion	\$ 4,940	1,344 billion	13.1 % (2008)	Strategic Partner
India	LMIC	\$ 1.848 trillion	\$ 1,410	1.241 billion	32.7% (2010)	Strategic Partner
Russia	UMIC	\$ 1.858 trillion	\$ 10,730	141.9 million	12.8 % (2011)*	Strategic Partner - ENP
Nigeria	LMIC	\$ 244 billion	\$ 1,280	162.6 million	68 % (2010)	ACP-EU Cotonou
Indonesia	LMIC	\$ 846.8 billion	\$ 2,940	242.3 million	18.1 % (2010)	EU-Indonesia Partnership and Cooperation Agreement
Pakistan	LMIC	\$ 210.2 billion	\$ 1,120	176.7 million	21 % (2008)	EU-Pakistan 5-year Engagement Plan
Mexico	UMIC	\$ 1.153 trillion	\$ 9,420	114.8 million	1.2 % (2008)	Strategic Partner
Brazil	UMIC	\$ 2.477 trillion	\$ 10,720	196.7 million	6.1 % (2009)	Strategic Partner
Total		\$ 15.95 trillion		3.620 billion		

These countries are most commonly typified by two characteristics. First, the 'big 8' have all experienced sustained periods of above-average economic growth, with their economies growing more than 5% annually over a period of ten years. Second, these countries have large numbers of inhabitants – estimated data shows that over half the world's population is a citizen of one of the 'big 8' countries. Therefore, they represent large markets, and together generate over 20% of global GDP. Whereas these countries have significant natural resource endowments, the strength of their emergence is mostly associated to the development of significant productive capabilities (in certain cases also a services sector) allowing these countries to compete with developing markets in high-value markets (e.g. consumer goods).

The 'big 8' have begun to assert themselves in regional and international politics, establishing a presence in the UN General Assembly, the G20 and various regional organisations. This

combination of scale effects, material interdependencies and political clout is summarised in the term 'anchor countries' (Tilman and Leiniger, 2008).

Much has been written about 'emerging economies', which have become increasingly important actors on the regional and the world stage despite experiencing slower economic growth compared to a few years ago. The 'big 8' can certainly be counted among them - indeed, these countries and particularly those that increasingly engage in South-South cooperation (Brazil and China, primarily) are to a certain degree the reason for the present EU policy discussions on country classifications and the engagement with the MICs. The common line of reasoning is that ODA has become less relevant to the MICs as they could generate and manage the necessary resources and capabilities to reduce poverty on their own.¹⁷

However, poverty is certainly not the only issue affecting the MICs, and ODA is not the only tool at the EU and its Member States' disposal. As poverty reduction often comes a distant second to economic or security interests, and ODA is losing some of its relevance for the MICs (see Section 3.6 below), this objective and tool should not be singled out as the sole determinant of the type and level of support these countries receive. Other potential tools and actions that the EU has at its disposal for cooperating with the MICs are discussed in later sections of this study. Before that, the following section explores several key issues other than poverty which affect the MICs.

3. *Framing cooperation with Middle-Income Countries*

While the above are widely recognised trends, traditional classification criteria (particularly income measures such as GDP or GNI) are unsuited to capture the full diversity of the middle-income countries. That is not to say that income classifications are factually irrelevant, as policy-makers will still need to differentiate between countries in accessible and justifiable ways. However, closer analysis and 'unpacking' of country groupings can help to improve the design and targeting of foreign policy instruments. A review of the existing literature on (cooperation with) the MICs reveals factors beyond income and income growth which do and should play a significant role in the continued engagement with these countries. While the individual issues may not be unique to MICs, their configuration poses unique challenges for external actors, and should therefore be considered when determining the nature and degree of engagement with the MICs.

It should be noted that it is not the objective of this study to develop and propose an alternative classification or taxonomy of middle-income countries.¹⁸ While the various issues and indicators

¹⁷ In effect, this argument implicitly adheres to a particular world-view, which conceives of 'development' as being a (generally linear) maturing process towards an end-state of development, in which MICs are at the stage of adolescence. Eyben and Lister (2004).

¹⁸ Harris et al (2009) provides a good overview of existing classifications, whereas Fallon et al (2001) and Tezanos Vázquez and Sumner (2012) propose new classifications specifically for middle-income countries.

noted can serve to group or classify the MICs, the below analysis instead seeks to provide an accurate description of those factors relevant for shaping further engagement with the MICs.

3.1. Key issues for cooperation with Middle-Income Countries

An early conclusion from the literature on the MICs is that higher average income levels will not necessarily improve country-level conditions – therefore, crossing what some would view as an arbitrary data threshold¹⁹ from LICs to MICs cannot be considered ‘development’ in and of itself. Studies and reports have linked persistent patterns of poverty in MICs to a range of issues, out of which several issues emerge as being key to their further development:

- **State fragility** is a serious concern for a distinct group of MICs, comprising mostly LMICs. Not only do these countries have more people living below the poverty line of \$1.25 per day, but concerns of fragility such as political instability, government capacity, corruption, rule of law and security in general increase the risk of large numbers of people rapidly sliding below this poverty threshold when fragile situations deteriorate. The restoration of security, state sovereignty and legitimacy should be a priority for engagement with these countries – a body of literature indicates that traditional development cooperation approaches may not be the most suited instrument to support such endogenous processes²⁰;
- Low-income countries achieving higher levels of economic growth and graduating to the MICs category are susceptible to falling into the ‘**middle-income trap**’, primarily caused by **slow or unsuccessful economic transformation**, further fuelled by trade dependence, slow export expansion and commodity-driven growth. The MICs furthermore continue to face high (economic, skill and budget) drains and low capacities for productive development;
- While the cost for reducing poverty is potentially much lower than in LICs (particularly for the UMICs), this advantage has so far not materialised. The literature indicates that poverty in MICs is increasingly an issue of **income inequality** rather than absolute poverty – the decreasing relevance of ODA for many of these countries increases the necessity for effective domestic resource mobilisation (tax revenues and gross capital formation), which are often precarious by being bound to key sectors and exposed to perverse incentives or elite capture;
- Higher growth rates driven by industrialisation have had an impact on the **environmental protection and ecosystem vitality** in the MICs, particularly the ‘big 8’. This can negatively affect agricultural production, directly putting at risk already poor communities.

¹⁹ See Jerven (2012) and Kenny and Sumner (2011)

²⁰ See Macrae et al (2004) and Takeuchi et al (2011), World Bank (2011).

While these issues are 'common' in that they equally affect other countries, in particular the LICs, they have come into starker contrast due to the gains made in reducing poverty and/or increasing income in the MICs. Increasingly, these issues have come to represent the essential development challenge towards which development and other forms of cooperation must be sensitive. Both the configuration and cross-border nature of these problems, which affect countries gaining influence in a world of shifting power dynamics, gives cause for external actors to reevaluate their engagement with the MICs. The following sections provide additional background to the four key issues noted above before concluding by considering the relevance of ODA for cooperating with the MICs.

3.2. Fragility and fragile states

The World Bank maintains a harmonised list of fragile situations which notes 16 MICs (15 LMICs and 1 UMIC, 15% of all MICs) as being **fragile states** or otherwise in a fragile situation, defined as *"Countries facing particularly severe development challenges: weak institutional capacity, poor governance, and political instability."*²¹ Such countries are identified as such by means of the Country Policy and Institutional Assessment (CPIA) that assesses the quality of country policies, which can manifest symptoms of fragility in certain sectors or areas of the country.²² See Table 3 for an overview of these fragile states, noting also which of them are host to on-going political and/or peace-building missions or peacekeeping missions and specific forms of EU support.

²¹ See <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/STRATEGIES/EXTLICUS/o,,contentMDK:22230573~pagePK:64171531~menuPK:4448982~piPK:64171507~theSitePK:511778,00.html>. There are a number of other listings of fragile, failed and conflict countries maintained by other organisations. The EC has its own list but this is not a public document.

²² See IEG (2009) for a description and evaluation of the CPIA.

Table 3: Countries noted as fragile state or fragile situations and EU political/security engagements

Country	Political and/or peace-building mission	Peacekeeping mission	Current or past EU CSDP / ESDP Mission	Current or past EU Special Representative
Angola				
Bosnia and Herzegovina	X		X	X
Republic of Congo				
Côte d'Ivoire		X		
Iraq	X			
Kiribati				
Kosovo		X	X	X
Libya	X			
Marshall Island				
Micronesia (Fed. States)				
Solomon Islands				
South Sudan		X	X	X
Sudan		X		X
Timor-Leste		X		
Tuvalu				
Yemen				

Source: World Bank Harmonized List of Fragile Situations for the financial year 2013, accessed at <http://siteresources.worldbank.org/EXTLICUS/Resources/511777-1269623894864/FCSHarmonizedListFY13.pdf>, and official map of CSDP missions accessed at http://www.consilium.europa.eu/media/1822904/map_en_decemberwl.pdf in December 2012.

In several cases, countries have emerged from conflict(s) or crises as highly fragile middle-income countries (such as Iraq, Sudan, Timor-Leste, but also Pakistan, Nigeria and Yemen). Large numbers of people in these countries live close to the international poverty thresholds of \$1.25 and \$2 per day per capita. Together these so-called 'middle-income but failed or fragile states' (MIFFs)²³ account for roughly 180 million (or 17%) of the global population living on less than \$1.25 a day, which is more than the same amount for people living in more stable poor countries (10%) (Gertz and Chandy 2011, Kharas and Rogerson, 2012).²⁴ These countries have displayed the most movement between income classifications over the past 25 years, and have furthermore experienced a rapid growth of the number of poor people since 2005 (from 15 million to 180

²³ See The Economist (2011)

²⁴ It should be noted that this figure is highly influenced by Pakistan, which with an estimated population of 187 million inhabitants in 2011 is much bigger than the other countries of this group.

million). State fragility therefore risks rapidly sliding these countries and/or significant numbers of people below poverty thresholds (World Bank 2011).

Importantly, countries such as Angola, Pakistan, Cote d'Ivoire, Nigeria, Yemen and Sudan are regional poles of power, owing in part to their size and/or resource wealth. Although none of the 'big 8' countries are classified as fragile states according to the World Bank's definition, several of them (particularly Nigeria, Pakistan and Indonesia) score low on international rankings on state capacity and accountability (such as the World Bank's World Governance Indicators or WGI²⁵), revealing important aspects of fragility. Their fragility and instability have a direct impact on their respective regions, triggering wider political crises in surrounding countries and affiliated regional organisations and institutions, as well as causing economic shocks to the regional economy.

Furthermore, the significance of these countries also affects the politics and economics of developed countries, whose commercial and investment interests are closely tied to large markets and natural resource endowments. These aspects are recognised as having an impact on the EU, as is the fact that there are wider strategic as well as poverty consequences (notably threats to security and other global public goods and loss of influence) that occur from fragile states and situations.

3.3. The middle-income trap

Middle-income countries are said to be at risk of falling into the so-called '**middle income trap**'. This trap is defined as a situation where countries are not able to sustain high (enough) growth rates in order to develop into high-income countries, principally due to rising domestic wages leading to increased competitive pressures in key export markets and the erosion of comparative advantage. The phenomenon is linked to (the speed of the) changing structure of the economy, types of goods exported, low investment ratios and limited economic (or industrial) diversification. Specifically, the country's productive sector ends up being 'trapped' producing and exporting manufactured goods that are both unsophisticated (i.e. with little opportunities for innovation or improvements in the production process, and thus few wage advantages and little profitability) and not particularly well-connected to other goods (i.e. those with few opportunities for economies of scope).

Though the phenomenon is widely ascribed as applying to the 'emerging' Asian economies, a total of 14 LMICs and 20 UMICs are estimated to be trapped in addition to the Asian economies, as listed in Table 4. (Felipe 2012)

²⁵ See <http://info.worldbank.org/governance/wgi/index.asp>. For other measures of state fragility, conflict and security, see <http://www.fundforpeace.org/global/?q=fsi-about> and see Scheye (2009).

Table 4: Countries estimated to be in the middle-income trap in 2010

Albania	Guatemala	Philippines
Algeria	Iran	Romania
Bolivia	Jamaica	South Africa
Botswana	Jordan	Sri Lanka
Brazil	Lebanon	Swaziland
Colombia	Libya	Syria
Congo, Rep.	Malaysia	Tunisia
Dominican Republic	Morocco	Uruguay
Ecuador	Namibia	Venezuela
Egypt	Panama	Yemen
El Salvador	Paraguay	
Gabon	Peru	

Source: Felipe 2012

Though the MICs do command considerable trade and foreign direct investment flows, trade dependence is prevalent among the MICs – 29 MICs have a trade volume which exceeds the value of their GDP.²⁶ The trap reflects the fact that growth which is based entirely on expanding exports of consumer goods (the so-called ‘flying geese’ model of development) is dependent upon the presence of opportunities to create export markets by other countries diverting production (either by producing more sophisticated good or by transforming their economic structure, e.g. the rise of a services sector). It remains an obstacle for many MICs that the emerging economies predominantly import consumer goods from high-income countries rather than from other MICs (Paus 2012).

Other countries, notably Angola, the Republic of Congo and Turkmenistan, have economies that are largely driven by the exploitation of natural resources – the percentage of GDP generated from natural resources rents in these countries can be over 60%. Countries whose economy leans on the exports of raw commodities are likely to be more economically vulnerable due to their susceptibility to short-run commodity price fluctuations. Certain commodities may furthermore be non-renewable, which raises the question of how the economy can adapt once these run out (e.g. some diamond or copper oriented economies in Sub-Saharan Africa).

²⁶ Several European countries, such as Luxembourg, the Netherlands, Estonia, Slovakia, Lithuania and Belgium, are also confronted with this issue.

3.4. Income inequality

Declining income growth or growth not accompanied by proportionate rises in employment and wages (jobless growth) brings existing societal problems into perspective. Specific contentious issues include the divide between those benefiting from the recent growth and the persistently poor, pervasive corruption, the pressures of urbanisation, shortages in public services, unemployment, social unrest, lack of trust, and a weakened financial system.

Particularly prominent is the commonly noted high level of income inequality in the MICs. Aggregated data (see Table 5) shows that over a third of GNI is accrued by the richest 10% (decile) of the population – significantly more than the poorest 40% (the only clear exception being Pakistan) (Sumner 2012b, Palma 2011). Income inequality appears to be more pronounced in UMICs than in LMICs, and occurs most acutely in Latin America and individual countries in Sub-Saharan Africa (e.g. Angola and Nigeria).

While there are various definitions of inequality²⁷, domestic and international policy-makers are predominantly concerned with income inequality as being both a cause and an outcome of persistent poverty. Of recent, income inequality has been more explicitly linked to political unrest and social instability (or lack of social cohesion) as a result of the Arab Spring. Recent studies by the IMF and UNICEF moreover find that longer growth spells are strongly associated with higher levels of equality in income distribution (Furness and Negre, 2012).

Table 5: Inequality estimates from income distributions (from Sumner, 2012b - nearest available data, population weighted)

	LICs	LMICs minus India	UMICs minus China	All LMICs	All UMICs
GNI to poorest 20% (%)	7.9	7.3	4.9	8.0	4.9
Poorest 4 deciles (D1–D4)	19.5	18.4	13.9	19.6	14.5
Middle 5 deciles (D9–D5)	51.1	51.2	49.8	51.1	51.8
Richest decile (D10)	29.4	30.4	36.3	29.3	33.7

Source: Data processed from PovcalNet (World Bank 2012)

While the emergence of a middle class and private sector offers the potential for the MICs to generate much higher tax revenues than the LICs or LDCs, several considerable obstacles keep taxation from being the conduit for income redistribution. Notwithstanding the capacity gaps of tax administrations in many MICs, as well as the possible lack of political will for implementing progressive tax systems, LMICs have been found to require unrealistically high marginal tax rates (of over 50%) in order to effect redistribution to reduce the number of poor people in-

27 These are most often linked to (perceptions of) social and economic exclusion. See Humphrey (2001) and Eyben and Lister (2004).

country by half (Ravallion 2009 and 2012). Simultaneously, human and asset capital flight are significant drains on the tax base for MICs.

3.5. Environmental and economic vulnerability

As many MICs are in the process of industrialising and are furthermore to a degree dependent on gains from extractive industries, it is unsurprising that the MICs category contains some of the worst performers in terms of environmental conservation and preservation.²⁸ Although the MICs vary greatly in their environment and ecosystems, most perform somewhat better than, for instance, OECD member countries. Notable exceptions are the MICs in the Middle East and Central Asia, which experience high levels of air and water pollution as well as environmental burden of disease and low levels of ecosystem vitality.

The 'big 8', meanwhile, display strong ecosystem effects of water pollution from their rapid industrialisation and export-driven expansion. Negative incentives in agricultural subsidies and pesticide regulation furthermore have a strong impact on the agricultural prospects of the weakest performers in the group (South Africa and India), while high rates of CO₂ emission in the rapidly industrialising countries (mostly the 'big 8' but also other UMICs) is also having negative externalities for the environment. In these countries the aforementioned rise of a strong middle class is expected to further increase consumption patterns and thus put a strain on environmental quality, which would challenge such countries to gradually set binding targets on the use and efficiency of land, water and energy. One telling example is that out of the 23 water-scarce countries 12 are MICs and only three are LICs (European Report on Development 2011).

Unsurprisingly, the MICs vary greatly in their size and geography. Notably, 15 countries in the MICs category are landlocked, out of a total of 48 landlocked countries worldwide. A notable cluster of landlocked MICs can be found in Central Asia (Kazakhstan, Mongolia, Uzbekistan and Turkmenistan), while the other landlocked MICs generally form part of larger clusters of landlocked countries (e.g. in the Sahel countries, Southern Africa and some of the Western Balkans). Moreover, a total of 29 MICs are classified as Small Island Developing States (SIDS).²⁹

Both landlocked states and the SIDS are more economically vulnerable than the average MICs, and also more so than some LICs (e.g. Kiribati and Suriname). These categories of countries are associated with a particular set of vulnerabilities and challenges for sustainable development, including: remoteness, vulnerability to external shocks, trade dependence, high costs of communication, energy and transportation, and few opportunities for economies of

²⁸ Measured according to the Environmental Performance Index (EPI), retrieved from <http://epi.yale.edu/dataexplorer/tableofmainresults> in December 2012.

²⁹ See <http://www.unohrrls.org/en/lldc/31/> and <http://www.unohrrls.org/en/sids/43/>

scale (compounded for several small landlocked countries and the SIDS in general, who have little natural resources to draw on). SIDS are furthermore susceptible to natural disasters and environmental fragility, both constraining their fiscal and policy space.³⁰

3.6. The relevance of ODA for cooperation with the MICs

While it is beyond the scope of the present study to go any deeper into the above issues, further efforts to engage with the MICs for poverty reduction should acknowledge that these issues are strongly linked to persistent poverty in MICs. Annex II provides an overview of the issues along with indicators for measuring and monitoring them.

MIC governments and societal actors are best placed to respond to these, yet policies and operations of the MICs to address these challenges can still benefit from external support. However, it should be kept in mind that ODA may not be the best choice as a basis for cooperation on these issues, particularly as the absolute and relative influence of ODA on global development has declined during the past and current decade due to four trends:

1. Developing countries' own growing domestic resources;
2. The faster growth of other international financial flows and contributions compared to ODA (remittances, Foreign Direct Investments);
3. Increasing development assistance from other governmental, non-governmental and private actors that do not report their support as ODA;
4. And the process of globalisation that increasingly intertwines the policies and actions of states and regions with one another.³¹

Notably, ODA makes up less than 1% of GNI on average for the PICNI countries, which indicates that most poor people currently live in countries that are not dependent on ODA (Glennie 2012). Development cooperation funding is furthermore rapidly declining in a relative sense in a number of other MICs such as Angola, Côte d'Ivoire, Egypt, Sri Lanka and Yemen. Contrarily, for the small island developing states ODA continues to make up a considerable percentage of annual GNI, notably being over 30% in Micronesia, the Solomon Islands, the Marshall Islands and Tuvalu. There are furthermore larger economies such as Kosovo and Nicaragua, where ODA flows make up over 10% of GNI. ODA also represents 1.5% of gross capital formation for MICs. While this factor is higher in LMICs than in UMICs, it is still a good indication that there are significant sources of external flows other than aid.

Tax revenues are often hailed as an essential component for inclusive and sustainable development. The potential for generating domestic resources renders the cost to donors for

³⁰ For some Caribbean MICs the impact of natural disasters has been estimated as being over 100% of their GDP levels: http://www.itu.int/ITU-D/emergencytelecoms/events/CaribbeanForum/documents/Day1/MS_Sandra_E_John.pdf

³¹ See Keijzer (2012b).

reducing poverty in the MICs much lower (Sumner 2012), and offers a compelling reason for exploring partnership objectives beyond poverty reduction while remaining informed of the shortcomings noted in the previous sections.

Actors wishing to cooperate with the MICs should further recognize the contribution that the MICs (can) make to global public goods, including those closely linked to EU values and interests (inter alia poverty reduction, financial stability, public health, environmental protection, capital and labour mobility, and trans-border crime and conflict). Furthermore, the emergence of many MICs (not only the 'big 8') as credible political and strategic partners in areas such as trade, security and energy must be explicitly acknowledged in (re)forming partnerships. The EU's wider interests, notably the provision of global public goods and security and access to trade opportunities and natural resources, warrant further engagement of the EU with the MICs.

However, this engagement would need to be managed and shaped differently from the typical development cooperation-driven contexts, reassessing also the tools used. Realising this diversification of cooperation will require, in the first instance, clarifying how areas of engagement beyond traditional development cooperation link to poverty reduction in MICs, as well as what other shared objectives and priorities can form the basis of any potential partnership.

Although there are important variations among MICs, they are to a certain degree typified as having more capacities or better opportunities for reducing poverty when compared to the LICs. The actual capacities and opportunities need to be taken note of for each country and linked to decisions on how to apply specific instruments that can be employed to optimally utilise them. A 2007 UNDESA report notes that development strategies and instruments used to support the MICs should concentrate on: 1) consolidating efficient and credible institutions; 2) reducing the MICs' vulnerabilities associated with their integration into international financial markets, and; 3) improving the MICs' competitive capacity through productive transformation and technological progress. (UNDESA 2007) As the largest trading block in the world that thrives on stability and growing distant markets it goes without saying that the effective pursuit of these three areas in MICs would also serve the EU's own interests.

For the EU, this would require an engagement beyond the current development cooperation frameworks used for the majority of MICs, in addition drawing on the full range of tools at the EU's disposal (as will be discussed in Section 5). In many MICs, however, the EU struggles to broaden cooperation beyond ODA. The next sections will analyse to what extent the EU has committed to and avails of sufficient technical expertise and political capacity to effectively cooperate with MICs.

4. *Commitments, opportunities and challenges for EU cooperation with MICs*

The EU's engagement with the MICs is driven by multiple interests beyond poverty reduction, and is shaped by a number of different policy frameworks with associated objectives. This section gives an overview of the EU policy commitments affecting the MICs, and analyses the opportunities and challenges that these afford cooperation with the MICs going forward.

4.1. EU Treaties: objectives, values and principles of development cooperation

The EU's engagement with the MICs outside of its immediate neighbourhood has traditionally been framed by its principles and objectives of development cooperation and humanitarian assistance. Both forms of cooperation fall within the framework of the principles and objectives of the Union's external action and are thus part of the EU's endeavour to reconcile the Union's values³² and interests abroad and contribute to inclusive and sustainable development outside the EU's borders that in turn serves such development in the EU. The EU Treaty further states that EU development cooperation is to serve one primary objective regardless of the country and regional context in which it is applied, namely "the reduction and, in the long term, the eradication of poverty" (Art. 208, Council of the European Union 2010).

Essentially, the EU's stated primary interest for development cooperation with the majority of MICs is poverty reduction and eradication. The Treaty however does not define the concept of poverty. The most authoritative policy document in this regard is the European Consensus on Development that was adopted in December 2005 by the EU Member States, the European Commission and the European Parliament. It includes a multi-dimensional definition of poverty³³, but this broad understanding is not restrictive in the sense that the EU can set priorities on which aspects of poverty it wants to concentrate. Accordingly, stated commitments vary from individual MDG indicators (for specific development cooperation instruments) to the equally broad concept of 'inclusive and sustainable growth'.

32 The EU Treaty sets out the Union's values as "peace, security, the sustainable development of the Earth, solidarity and mutual respect among peoples, free and fair trade, eradication of poverty and the protection of human rights" (Council of the European Union 2010). These values have to be reconciled with the EU's own economic, governance and security interests in developing countries as well as on the global stage.

33 Paragraph 11 defines poverty as follows: "Poverty includes all the areas in which people of either gender are deprived and perceived as incapacitated in different societies and local contexts. The core dimensions of poverty include economic, human, political, socio-cultural and protective capabilities. Poverty relates to human capabilities such as consumption and food security, health, education, rights, the ability to be heard, human security especially for the poor, dignity and decent work. Therefore combating poverty will only be successful if equal importance is given to investing in people (first and foremost in health and education and HIV/AIDS, the protection of natural resources (like forests, water, marine resources and soil) to secure rural livelihoods, and investing in wealth creation (with emphasis on issues such as entrepreneurship, job creation, access to credits, property rights and infrastructure). The empowerment of women is the key to all development and gender equality should be a core part of all policy strategies."

The EU thus has more flexibility in practice in giving shape to its development cooperation than the Treaty would at first look seem to suggest. The European Consensus on Development further notes that despite the priority given to Least Developed Countries and other LICs, “[t]he EU also remains committed to supporting the pro-poor development of middle-income countries (MICs), especially the lower MICs.” Paragraph 61 of the European Consensus further clarifies the EU’s motivations behind this commitment:

“Many lower MICs are facing the same kind of difficulties as LICs. A large number of the world’s poor live in these countries and many are confronted with striking inequalities and weak governance, which threaten the sustainability of their own development process. (...) Many MICs have an important role in political, security and trade issues, producing and protecting global public goods and acting as regional anchors. But they are also vulnerable to internal and external shocks, or are recovering, or suffering, from conflicts.”

The paragraph above clearly reflects the key issues faced by the MICs identified in previous sections. The reference to the idea of MICs as ‘regional anchors’ is also particularly compelling in the sense that this could justify using European ODA in specific countries (for instance the ‘big 8’) to ‘catalyse’ or ensure the sustainability of the results achieved in neighbouring LICs and MICs.³⁴ It also serves to acknowledge the political weight of some of the EU’s partners.

4.2. Recent EU policy commitments for development

The EU’s recently adopted new development cooperation framework, the ‘Agenda for Change’ notes that the EU will continue to cooperate with “more advanced countries”, which are key partners to address global challenges and where poverty and inequality remain widespread, through “new forms of strategic cooperation” rather than bilateral grant aid (European Commission 2011b). Indeed, the Council Conclusions describe how the EU wants to allocate its budget and shape its partnerships (Council of the European Union 2012a):

“In [the] future, the scope of the partnership and the corresponding resource allocation will be determined on the basis of: i) country needs (including economic and social trends, as well as vulnerability and fragility), ii) capacity, iii) country commitments and performance and iv) potential impact. This will allow the EU to adapt its support (the mix and level of aid) to the country’s situation and progress in its commitment to and record on human rights, democracy and the rule of law, ability to conduct reforms and to meet the demands and needs of its people. This differentiation should lead to a more effective policy mix, appropriate aid levels, as well as efficient aid arrangements and the use of new and existing financial tools.”

³⁴ A detailed research project on anchor countries was carried out by the German Development Institute (DIE), key outputs can be accessed here: [http://www.die-gdi.de/CMS-Homepage/openwebcms3_e.nsf/\(ynDK_content-ByKey\)/MSIN-7PKFAV?Open&nav=expand%3AResearch%20and%20Consulting%5CZusatzdokumente%3Bactiv e%3AResearch%20and%20Consulting%5CZusatzdokumente%5CMSIN-7PKFAV](http://www.die-gdi.de/CMS-Homepage/openwebcms3_e.nsf/(ynDK_content-ByKey)/MSIN-7PKFAV?Open&nav=expand%3AResearch%20and%20Consulting%5CZusatzdokumente%3Bactiv e%3AResearch%20and%20Consulting%5CZusatzdokumente%5CMSIN-7PKFAV)

The Agenda for Change thus formulates a clear position on how the EU should engage with the MICs. Whereas it proposes to target the EU's development cooperation efforts and resources towards countries 'most in need', including fragile states, where it can have the largest impact, concentrating on Europe's neighbourhood, Sub-Saharan Africa and Least-Developed Countries (LDCs) elsewhere, the MICs are not overlooked.

Comparing the above text to the paragraph cited from the European Consensus on Development in the previous section, it seems that EU development policy has evolved from a focus on justifying the use of its ODA to specific groups of countries to a more 'country-specific' approach whereby EU development cooperation is tailored to the specificities of individual countries in order to maximize impact. In particular, new ways of working together beyond the traditional donor-recipient relationship will be explored with partner countries already on sustained growth paths and/or able to generate sufficient resources on their own.

Even though no explicit references to (specific MICs as) regional anchors can be found in the texts, the need to differentiate between countries is a clear thread running through the more recent policy documents. Three different types of differentiation are applied in formulating the EU's development cooperation with specific partner countries (Keijzer et al 2012):

- **Differentiated mix of policies and instruments**, promoting the use of an optimal mix of policies, approaches and instruments adapted to countries' development situation. This implies furthering cooperation in other areas 'beyond aid' and the use of innovative sources of financing when appropriate.
- **Differentiated levels of development assistance**, whereby country aid allocations are differentiated on the basis of specific criteria. The citation above implies that bilateral grant aid to more advanced countries will be reduced, with priority given to LDCs, LICs and fragile situations. In addition levels of ODA can be differentiated according to capacity as well as commitment and performance.³⁵
- **Differentiated eligibility to development assistance**, proposing to phase out bilateral development grant assistance to countries in upper-middle- or higher-income categories.

The practice of differentiated allocation levels and mixes of policies and instruments features prominently in the proposal for an Instrument for Development Cooperation (DCI) for 2014-2020, which notes that the EU wishes to "(...) *engage in new partnerships with countries that graduate from bilateral aid programmes, notably on the basis of regional and thematic programmes under the new DCI, thematic financial instruments for EU external action and the new Partnership Instrument*"³⁶

³⁵ This can be most clearly seen in the European Neighbourhood and Partnership Instrument (ENPI) under the label 'more for more'. The same principle can also be found in the practice of using 'performance tranches' as part of EU General and Sectoral Budget Support operations.

³⁶ See European Commission (2011k), page 7.

Moreover, the EU's Development Cooperation Instrument (DCI) comprises a large thematic programme to support the provision of global public goods in the areas of environment and climate change, sustainable energy, human development, food security and sustainable agriculture and migration and asylum. Clear commitments are made in the proposal to allocate minimum percentages of the overall funding to each of these goods (e.g. 25% of its funds should cover climate change and environment-related support).

A new EU financial instrument for external action proposed for the period 2014-2020 that could conceivably address the Union's cooperation with MICs on challenges of global concern is the Partnership Instrument. The instrument aims to advance and promote EU and mutual interests, particularly with strategic partners and emerging economies. The instrument can but does not necessarily have to include expenditures that can be classified as ODA. Though limited in size³⁷, the instrument is expected to play an important catalyzing role, for example by funding activities that promote policy dialogue and contribute to developing collective approaches and responses to global challenges such as energy security, climate change and environment. It remains to be seen how the instrument will perform and what balance will be struck between the promotion of EU economic self-interests versus mutual interests in addressing challenges of global concern.

In summary, the EU's current development cooperation framework acknowledges the special nature of the MICs, and proposes to actively seek new instruments and partnerships for cooperation going forward. The EU further recognizes the MICs' crucial contribution to the provision of global public goods. The proposed instruments for development cooperation for the period 2014-2020 are applicable to the majority of MICs, and target several of the key issues they are faced with directly, and most of them indirectly.³⁸ Box 1 provides a summary overview of the areas targeted.

³⁷ The Commission has proposed an amount €1.131 billion for the Partnership Instruments covering the period 2014-2020. The final amount will be determined by the outcome of the negotiations with the EU Member States in the Council and the European Parliament.

³⁸ While it is as of yet unclear how much ODA will be allocated to the MICs by the EU over the period 2014-2020, over € 3.7 billion were allocated to MICs (excluding LDCs) for the period 2007-2013, constituting roughly half of all EC ODA allocated for that period. Of this allocation, roughly 1.5 billion was allocated to the PINCI countries (Herbert 2012).

Box 1: Summary overview of areas of cooperation targetting MICs in the EU's proposed instruments for development cooperation 2014-2020

- Although targeted towards those countries most in need, LMICs are eligible for funding and targeted development actions through all the EU's instruments for development cooperation, whereas UMICs are likely to receive less aid or be ineligible for aid from certain instruments;
- Fragile states and situations are noted amongst those countries most in need, and are thus eligible for funding through most EU instruments rather than only the Instrument for Stability (see Görtz and Sherriff 2012). However, some development funds (particularly those managed by partner government authorities) can be frozen in certain cases, such as outbreak of conflict or evidence of mismanagement, both of which are more likely to occur in fragile states;
- Economic vulnerability is one of several factors weighed in deciding on allocations of ODA through the geographic programmes. Furthermore, the Aid for Trade agenda has been gaining some traction in EU development cooperation (Lui et al 2012) – the Agenda for Change acknowledges a stronger business environment and regional integration as enabling to inclusive and sustainable growth. However, these commitments are less clearly expressed in the instruments, and no mention is made to export diversification or other means of overcoming the middle-income trap;
- Income inequality is not explicitly referred to in the policy documents. Instead, the Agenda for Change notes inequalities of opportunity and advocates measures to support and develop social protection schemes and systems in partner countries, which may include income guarantees. Furthermore, cooperation in the areas of tax governance and administrations are also noted in the DCI's geographic programmes.
- Several areas of environmental conservation and protection are covered by the DCI's thematic programme for global public goods, referring to assisting partner countries to achieve the MDGs and other international targets related to the sustainable use of natural resources and environmental sustainability. Whereas most landlocked and small-island developing states have access to bilateral aid programmes, no specific (thematic) funding programme exists for these countries.

With the overarching objective of poverty reduction providing an open framework for what can be done in terms of development cooperation, the EU has been relatively explicit on the areas of development it wishes to engage in. The policy principles and objectives put forward go some way towards explaining how the EU will concretely manage the reinvention of its poverty-focus in EU development cooperation towards a focus on promoting 'inclusive and sustainable growth', which implies taking specific actions in the MICs that include the most unequal societies in the world, including notably fragile states.

4.3. Other EU external action policy commitments affecting the MICs

The EU's engagement with MICs does not begin or end at development cooperation. Indeed, the EU engages with MICs and other countries in a wide number of policy areas, pursuing multiple objectives. Table 1 in Section 2.2 already presented a quick overview of the relevant policy frameworks. This section assesses how the EU distinguishes between countries in specific policy areas, and how these distinctions affect MICs.

Aside from EU development policy, **trade policy** is the only other area of cooperation where the EU explicitly distinguishes the MICs based on one of the international classifications. The 2012 EC Communication on Trade, Growth and Development proposes a reform to the EU's Generalised Scheme of Preferences (GSP) in light of *"the growing differences between developing countries and their disparate needs [...] suggests reviewing eligibility criteria and graduation mechanisms to ensure that only LDCs, low- and lower-middle income countries actually benefit from the system in sectors where help is needed."* (EC 2012k).

A total of 12 UMICs³⁹ will hence no longer benefit from the scheme. Imports from UMICs which do not have a separate Free Trade Agreement (FTA) with the EU will face higher tariffs - for these countries, the loss of duty restrictions on trade in goods may worsen their chances of escaping the middle-income trap (e.g. for Brazil and Malaysia). Furthermore, eight countries face product graduation: China, India, Indonesia, Iraq, Nigeria, Thailand, Ukraine and Vietnam will no longer enjoy duty restrictions on key goods. Though the EC notes that the *"Negative impacts on these countries' exports are typically marginal (total exports fall by less than 1%)"* (EC 2012k) as UMICs are taken to be more competitive economies than LMIC, LICs or LDCs (hence less in need of trade protection and promotion), this point has been contested (ODI 2012).

The Union's commitment to **cohesion** presents an alternative perspective on cooperation with MICs. Through its Cohesion Policy, the EU aims to reduce disparities within the Union by targeting disadvantages regions, including in those MS that fall in the group of UMICs (Bulgaria, Latvia, Lithuania and Romania). Article 174 of the Treaty sets out the following overall commitment of the Union in this respect:

"In order to promote its overall harmonious development, the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion. In particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions. Among the regions concerned, particular attention shall be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic

39 Namely: Argentina, Brazil, Cuba, Uruguay, Venezuela, Belarus, Russia, Kazakhstan, Gabon, Libya, Malaysia and Palau.

handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions.”

Given the policy's concentration on the EU, countries are differentiated in more detail than for development cooperation or trade policy. For the upcoming period of cohesion funding (2014-2020), countries will be assessed against a series of indicators matched to three targets of the 'Europe 2020 Strategy': Smart, Sustainable and Inclusive Growth'. EU countries and regions within them will be compared to the EU average performance, and ranked against the best and worst performers. Notably, key issues and trends affecting the wider group of MICs noted in Section 2 and 3 – such as demographic pressures, urbanization, competitiveness, quality of governance, remoteness, environmental sustainability and income inequality – feature heavily in the instruments and programmes proposed in the Cohesion Policy.

The EU therefore differentiates its own countries based on sophisticated statistical profiles. In part, this is difficult to scale up to policy areas affecting countries globally (e.g. development cooperation and trade) due to the capacities needed to generate, disseminate and interpret such large quantities of data. However, these profiles form part of a structured political dialogue process with the Member States and disadvantaged regions on their development and relation to other parts of the Union.

Another process that runs concurrent to the cohesion process is the **enlargement** process. The policy for enlargement is driven by the criteria for accession. Whereas the presence of stable governance structures and a competitive market economy are important factors for the EU in determining which countries can become accession candidates (aside from the obvious criteria of geographical proximity), the impetus for the enlargement discussions occurs through political will and ensuing statements of intent.

Income category does not seem to play a role in this, as more and more UMICs have joined in recent rounds of accession. Aside from Croatia (which is a HIC), all other current candidate countries (i.e. Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro, Serbia and Turkey) are MICs. Indeed, this is the first time that LMICs are considered for accession – Albania and Kosovo.

Beyond that, it is telling that there is no single enlargement policy document in recognition of the fact that it is an evolving process of political bargaining. Indeed, the enlargement process includes the harmonization of national laws of candidate countries to the EU's laws (also referred to as European integration) with the help of EU-funded technical assistance (channeled through the Instrument for Pre-Accession Assistance or IPA). More tellingly, the enlargement process is managed according to bi-annual strategies concentrating on specific regional issues and tensions such as the cooperation and reconciliation in the Western Balkans.

With its **Neighbourhood Policy**, the EU specifically targets non-candidate countries located on or near the EU's geographic outer borders. The EU is committed to support the progress towards democracy and sustainable economic and social development in its nearest sphere of political influence, and promotes regional integration and partnerships such as EuroMed and its successor the Union of the Mediterranean. Association Agreements are concluded with countries in the neighbourhood, noting commitments to political, macroeconomic, trade or legal reform in the neighbourhood country in exchange for financial and technical assistance for these reforms and tariff-free access to specific EU markets.

The European Neighbourhood Policy (2011) stresses a normative form of differentiation, termed the 'more for more' principle and described as *"(...) only those partners willing to embark on political reforms and to respect the shared universal values of human rights, democracy and the rule of law have been offered the most rewarding aspects of the EU policy, notably economic integration (based on the establishment of Deep and Comprehensive Free Trade Areas - DCFTAs), mobility of people (mobility partnerships), as well as greater EU financial assistance. Equally, the EU has reacted to violations of human rights and democracy standards by curtailing its engagement."*⁴⁰

Popescu (2011) suggests that the principle points to a 'meritocratic' Neighbourhood Policy and concludes that although the concept is laudable and clear, it is also to a large extent slippery. He argues that *"(...) the real geographic division inside the neighbourhood policy is not only between states that are south or east, but also between states that are closer or further away from the EU"* – a normative approach to differentiation would therefore favour a strong focus on specific countries in the neighbourhood. However, the inverse of the principle (i.e. 'less for less') appears not to be part of the ENP – a letter by High Representative/Vice-President Ashton and Commissioner Füle to EU Foreign Ministers notes that *"partners that have not embarked upon or undertaken significant reforms designed to build and/or consolidate democracy since the review of the ENP should not benefit from an increased offer but should also not be negatively affected in their relations with the EU"*.⁴¹

Popescu furthermore notes that the 'more for more' principle goes beyond the use of ODA and suggests a broader and stronger political engagement in its Neighbourhood. This presents an important lesson for the EU's engagement in MICs but also one that raises challenges for the EU's coordination capacity and leadership: *"(...) even if the EU starts spending more in the neighbourhood countries that deserve it, the even more difficult question is whether the EU has the will and the unity to become more of a political and security actor in this region as well."*

In addition, the EU has policy commitments towards resolving two of the key issues affecting the MICs – fragility and environmental vulnerability. First, conflict prevention and fostering peace internationally are clearly stated objectives of the EU's **Common Foreign and Security Policy**

⁴⁰ See European Commission (2012i)

⁴¹ See Youngs and Michou (2012)

(CFSP) and subsidiary Common Security and Defence Policy (CSDP) in the Lisbon Treaty. The EU has accordingly made numerous commitments in this area to use its civilian and military assets for peacekeeping, conflict prevention, crisis management and strengthening international security, and implemented a variety of missions around the world.

The need for and nature of conflict prevention, peace-building or crisis management missions is not linked to the income category of the country or countries in which they take place. Rather, the decision to design and implement a CSDP mission is based on joint analysis and agreement of the EU Member States, always involving consultation, agreement and invitation by the host government. CSDP missions undertake a wider variety of tasks such as building the capacity of the police, judiciary and customs reforms and monitoring ceasefires. More robust peacekeeping missions have also been mounted, while political engagement is sought to facilitate and live up to agreements to end hostilities.

Furthermore, although CFSP and CSDP respond principally to fragile or crisis situations rather than countries (and can hence span more than one country), the 2003 European Security Strategy notes that the best protection for the EU security is a world of well-governed democratic states. There is hence scope for the EU to cooperate with MICs that are fragile states or experience fragile situations as well as partner with them in supporting the addressing of fragility elsewhere (such as with South Africa – see Section 6).

Second, the EU is prominently involved in international negotiations on **climate change mitigation and sustainable development**. In the context of the Kyoto Protocol, there has always been a certain degree of differentiation between countries (primarily based on the extent to which these countries have industrialised) applying the UNFCCC principle of ‘common but differentiated responsibilities and respective capabilities’ or CBDR.

This principle notes that, while the protection of the environment at the national, regional and global levels is the responsibility of all states, the level of responsibility borne by individual states must be differentiated. As such, different (lower) emissions reporting and environmental protection standards apply to developing countries. Most MICs are part of the so-called ‘Non Annex-I’ list of developing countries, and are as such recognized as being vulnerable to the adverse effects of climate change, noting particularly small-island developing states, those heavily reliant on income from fossil-fuel production and trade.

In recent negotiations, the EU has taken the explicit position that the CBDR principle must be adapted to reflect present realities – particularly, all countries must sign up to binding emissions targets and emerging economies (specifically Brazil, Russia, India, China and South Africa – the so-called BRICS countries) should make significant commitments to reduce their emissions. The EU thus clearly differentiates on a country-by-country basis in formulating a position for climate negotiations.

In conclusion, the multiplicity of policy commitments towards or affecting the MICs is both a benefit and a concern for further cooperation with the MICs. On the one hand, the EU can employ a diverse array of instruments at different times and for different purposes. There are thus a large number of imaginable configurations of instruments with which to engage with MICs, which ensures that the EU will most likely be able to identify and form partnerships with MICs on the basis of diverse sets of mutual interests.

On the other hand, the various commitments and the instruments attached to them operate at different 'speeds': they are driven by different interests and events, and cannot be adapted to suit unilateral interests with great ease. The policy frameworks furthermore do not affect all MICs equally, so some picking and choosing is required. For those concerned with poverty, there is also the added concern that these instruments may not always have a positive developmental impact.

The EU will therefore have to invest in exploring its wealth of policy frameworks and instruments in order to identify lessons and best practices to inform the negotiation and design of partnerships and instruments for cooperation with the MICs. The next section will therefore take a closer look at what (ODA and non-ODA) instruments, modalities and budgets the EU has available and to what extent it can sufficiently and effectively make use of its full palette of external actions when seeking to engage with the MICs.

5. *EU instruments and modalities for engaging with MICs beyond development cooperation*

In the context of discussions on how to cooperate with MICs to address key issues affecting them and further the EU's strategic interests, the EU is challenged with providing the tailor-made policy frameworks, instruments and modalities to ensure a menu of options with which to effectively differentiate (between) MICs. While it is not practically feasible to transpose each EU instrument or policy framework to the MICs, the lessons drawn from them can serve to inform the conception and design of new policy frameworks and instruments for the EU's engagement with the MICs.

Specific instruments that have new or notably different implications for the EU's partnership with the MICs include:

- **Innovative forms of development financing**, including 'blended' loans and grants;
- **Cohesion funds** and instruments;
- Funds and instruments targeting the EU's immediate **neighbourhood**;
- Support to international or regional **peace and security interventions**;
- **Strategic partnerships**.

This selection of instruments is not limited to any single policy area – indeed, several commentators have noted that the strength of the EU lies in the diversity and applicability of its toolbox.⁴² The following subsections will analyse the above instruments in turn to highlight their relevance for cooperation with MICs, as well as outstanding issues and drawbacks of these instruments. New developments and lessons learned will also be noted for each of them.

5.1. Innovative forms of development financing

Whereas in the first decade of the new millennium the European Commission explicitly and proactively profiled itself as a leader in the aid effectiveness agenda⁴³ there has been increasing criticism of the ‘government-to-government’ focus implied in most of the EU’s instruments and modalities for development cooperation. More recently, there have been strong calls for engaging more directly with the private sector in developing countries – including by the Development Commissioner himself. During the past few years, and parallel to the preparation of the EU’s Agenda for Change, the EU has considerably invested in new forms of and partners for cooperation beyond government and found a willing associate in the European Investment Bank (EIB).

5.1.1. *Blending instruments*

Whereas EU development cooperation in the past decade was often presented as having a high critical mass (see paragraph 52 of the European Consensus on Development), the 2012 Communication on Financing for Development showed a rather different understanding of the role of EU development cooperation: *“By far the biggest source of financing for development available to governments is the domestic revenue (...). Aid from development partners complements this, and can catalyse other flows, but is in itself not the major element for many developing countries.”*⁴⁴

The 2012 Communication moreover included a separate section on ‘innovative financing sources’. While there is a broad commitment to the potential added value of innovative sources of finance, there is no consensus on the precise scope and nature of innovative financing – the

42 The authors are conscious of the fact that trade agreements also has a significant impact on cooperation with and the development of the MICs, and indeed that MICs face special considerations in negotiating such trade agreements due to the GSP’s differentiation of LMICs and UMICs. However, as there are largely technical issues that fall outside the scope and tone of the present policy discussion, trade agreements will not be treated in this study. For some analysis on this issue, see ODI (2012).

43 Notably, Paragraph 32 of the European Consensus on Development set additional objectives to the EU that were more ambitious than the 2005 Paris Declaration on Aid Effectiveness, and later in the decade the Commission managed to delegate one of its Director Generals to co-chair the OECD/DAC Working Party on Aid Effectiveness leading on the preparation of the 2011 Busan High-Level Forum. Among other outcomes the EU’s engagement culminated in strong leadership at the 2008 Accra High Level Forum as well as in the elaboration of the EU Operational Framework on Aid Effectiveness. (Keijzer, 2011b)

44 See European Commission (2012f)

only prerequisite for 'innovativeness' appears to be that such development financing cannot be fully or partly be reported to the OECD/DAC as Official Development Assistance. One typology that is used distinguishes three types of innovative finance in terms of their public or private sources and their public or private uses (Vanheukelom et al 2012):

1. **Public Private Partnership (PPP) mechanisms** use public funds to leverage or mobilise private finance to support public functions like infrastructure provision or service delivery (such as the complementary use of grants and loans, frontloading of ODA, raising funds on international capital markets by issuing bonds that are backed by long-term (legally binding) ODA commitments, and *Official Support for Private Flows* used to raise new revenues or to scale up or develop activities for development purposes).
2. **Solidarity mechanisms** that support public-to-public or sovereign-to-sovereign transfers of funds. This category includes global solidarity levies (i.e. taxes), but also covers debt conversions (or swaps). Under such debt-swap agreements, creditors agree to cancel a part of their claims on a debtor country in exchange for guarantees that a certain amount is spent on approved social or environmental programmes.
3. Finally the **catalytic mechanisms** use public finance for market creation and promoting private sector development by reducing risks of private entry. These mechanisms could assist private investment in production of traded goods and services by offering domestic currency loans, quasi-equity investment capital and guarantees. These include financial *guarantees, equity investments and callable capital*.

Out of these three types of approaches, the EU currently places particular emphasis on the first type, and the complementary use of grants and loans that is popularly referred to as 'blending'.⁴⁵ By doing so, blending allows sub-investment grade projects to become bankable and can therefore attract financiers to projects that would otherwise not have been realised (i.e. it creates leverage) (Núñez and Behrens 2011).

There is some evidence that ODA can particularly play a catalyzing role in MICs with more stable and favourable economic climates in terms of 'crowding in' private investment (Glennie 2011). The leveraging potential of blending facilities is substantial, and a recent presentation of the European Commission during an informal session of the Council Working Party on Development Cooperation (CODEV) noted that since 2007 the investment of € 910 million of EU ODA grants had managed to unlock over € 30 billion of additional finances (grants, loans and investments) in developing countries (EC 2012g). Despite these significant leverage effects, such development financing currently goes unrecorded as they are not considered as ODA (Vanheukelom 2012).

⁴⁵ Blending instruments or investment facilities can be used for investments with a public character as well as for purely private investments, but tend to specialise in large-scale infrastructure investments, and most projects are of a public sector nature (European Think Tanks Groups 2011), and therefore they can be deemed a PPP mechanism.

In its 2012 peer review report of the European Union, the DAC concludes that blending instruments and private finance could help MICs to bridge funding gaps caused by the phasing out of ODA. Blending and private finance was also seen as adding to the EU's potential to engage strategically with MICs on global challenges. A recent study conducted for the European Parliament also detected a trend for EU bilateral donors whereby blending evolves into an instrument for investments in UMICs mainly, while grants in principle are provided for LICs and for interventions with a direct poverty reduction focus in MICs (Núñez et al 2012).

Many such claims have been put forward in recent presentations by the Commission, which together with the EIB is making strong efforts at communicating the overall policy intentions and overall financial volume generated by the seven EU blending facilities in which both institutions cooperate and which cover different regions in the world. These blending facilities currently mainly support public investment projects (92%) but also provide means to catalyse private investments. The EC has also recently sent a report to the Council and EP that describes details for setting up a EU Blending Platform to optimise the functioning of the blending facilities (EC 2012c). The report as submitted describes the objectives of this platform as *“to improve the quality and efficiency of EU development and external cooperation blending mechanisms, taking due account of the policy frameworks that govern the EU relations with the different partner countries, notably EU Development, Neighbourhood and Enlargement policies. This includes promoting cooperation and coordination between the EU, EIB and other relevant financial institutions (FIs) and other stakeholders”* (EC 2012e).

However, the proposed EU platform would not get evaluation responsibility, while the European Investment Bank (EIB) has an independent evaluation function but arguably performs poorly in this area compared to other International Financial Institutions with so far only 3 evaluations from 2011 and one from 2012 available on the Bank's website.⁴⁶ This points to a strong lack of evaluation efforts and empirical research more generally which is needed to find out more on how particularly the non-ODA components of blending operations would contribute to development in MICs (Vanheukelom et al 2012).

5.1.2. Non-ODA financial instruments

There are also non-ODA financial instruments of the EU's budget focused on external action that can support collaboration with MICs on global public goods, including:

- Funding mechanisms in the area of **research and innovation**. The EU recognizes that global challenges are important drivers for research and innovation and that the Union needs to strengthen its collaboration with international partners to join forces in this area (EC 2012). To step up efforts, the Commission has announced that the EU's new programme for research and innovation for the period 2014-2020 called 'Horizon 2020' with a proposed

⁴⁶ See <http://www.eib.org/projects/evaluation/reports/operations/index.htm>

budget of € 80 billion will have international cooperation as an important cross-cutting priority, which implies that it will cover targeted actions with key partner countries and regions.

- **Migration** represents another area of cooperation, with the Asylum and Migration Fund proposed for 2014 - 2020 as an important instrument, which includes, amongst other things, support measures for returnees in the country of return in order to enhance their durable reintegration into their community. The proposal for the fund does indicate that *'Actions that are directly development oriented shall not be supported through this Fund'*.
- The field of **climate action and environment** is also increasingly key. The Commission has proposed to increase the proportion of the Union's budget related to climate action to at least 20% for the period 2014 – 2020, of which part can be dedicated to collaboration in this area with partners countries, regions and international institutions (EC 2011). This could include the Programme for the Environment and Climate Action (LIFE) and funds made available in the context of Fisheries Partnership Agreements.

In addition to these funding instruments, **political and policy dialogue** have proved vital to inform MICs – EU contributions to global public goods at national, regional and international level. The EU seeks to increasingly build strong alliances with individual and groups of MICs on issues of global concern, sometimes resulting in joint statements like the EU – India Joint Declaration on International Terrorism, with varying degrees of success.

5.2. Cohesion and integration

5.2.1. EU Cohesion Instruments

The EU's cohesion policy sought to achieve three overall objectives in the period 2007-2013⁴⁷:

1. **Convergence – solidarity among regions:** Reducing regional disparities in Europe by helping those regions whose per capita gross domestic product (GDP) is less than 90% of the EU average.⁴⁸ Interventions are typically managed through projects on a range of areas such as improving basic infrastructure, helping businesses, water and waste treatment, high-speed internet connection, training, and job creation.

⁴⁷ See http://ec.europa.eu/regional_policy/how/index_en.cfm. Note that some changes to categorising countries have been proposed for the period 2014-2020, which would divide regions in one of three groups: (1) less developed, (2) transition or (3) more developed. What would remain is the GDP level as the key determining factor, but the thresholds and groupings are obviously subject to heated debate between Member States as part of the negotiations for the next EU budget. For more information refer to: <http://ec.europa.eu/esf/main.jsp?catId=62&langId=en>

⁴⁸ See http://ec.europa.eu/regional_policy/thefunds/cohesion/index_en.cfm

2. **Regional Competitiveness and Employment:** creating jobs by promoting competitiveness and making the regions concerned more attractive to businesses and investors. The type of projects funded include development of clean transport, support for research centres, universities, small businesses and start-ups, training, job creation, etc.
3. **European territorial cooperation:** encouraging cooperation across borders that would not happen without help from the cohesion policy. Interventions funded from a modest budget compared to the other two objectives include shared management of natural resources, risk protection, improving transport links, as well as creating networks of universities and research institutes.

The EU uses three structural and cohesion funds to achieve its Cohesion policy objectives: the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund. For the entire set of funds for the period 2014-2020, the Commission has proposed that the less developed regions receive 68,7% of the total funding, transition regions receive 11,6% and more developed receive 15,8%.

Whereas the ERDF concentrates funding on the less developed regions, the ESF provides relatively more funding for the transition and developed regions. The Commission also hopes to promote multi-fund programmes.⁴⁹ As the cohesion policy is implemented through 3 funds which each comprise several components, operating in over 1200 regions over a multi-annual period, during which time these regions move between the categories above, the management of the funds is a recurring challenge. The individual funds are described below.

The European Regional Development Fund (ERDF)

The ERDF is a financial instrument designed to correct imbalances in the level of development between the different regions of the EU in order to strengthen economic and social cohesion and contribute to the objectives of regional policy noted above. As such, the ERDF contributes to the financing of:

- investments contributing to the creation of sustainable jobs;
- investments in infrastructure;
- measures supporting regional and local development, including support and services for businesses (particularly small and medium-sized enterprises (SMEs));
- technical assistance measures.

Actions under this instrument are designed to reduce economic, environmental and social problems in urban and rural areas, with special treatment given to naturally disadvantaged areas (e.g. remote, mountainous or sparsely populated areas). Importantly, the EU's outermost areas benefit from specific assistance. The various regions are categorized according to an evolving system of classification based on the three objectives noted above.

49 See <http://ec.europa.eu/esf/BlobServlet?docId=232&langId=en>

Over the period 2000-2006, the ERDF is reported⁵⁰ as having contributed significantly to the development of the EU's transport infrastructure (e.g. motorways and railways) and to the creation of new jobs, thereby supporting the economic development of regions most in need. A large part of the funds are absorbed by cohesion projects, which were found to strengthen the conditions for longer-term sustainable development by enhancing environmental protection and reducing social disparities and territorial imbalances.

In terms of its support to disadvantages areas, a recent evaluation⁵¹ notes that the instrument concentrates largely on 'hard' infrastructure (e.g. roads, ICT) and sectors drawing on natural assets of these areas (e.g. tourism, culture and natural resources), including the promotion of renewable energies. However, support to innovation and R&D projects remains low. It concludes that the ERDF is an appropriate instrument for the development of regions with specific features and characteristics, and can provide added value for regions affected by specific features, including through providing stable, long-term funding for projects which would otherwise not have been implemented, and in doing so attracting further funding for such projects.

The European Social Fund (ESF)

The ESF aims to improve employment opportunities, promote education and life-long learning, enhance social inclusion, contribute to combating poverty and develop institutional capacity of public administration in these areas with the objective of overcoming structural issues of EU labour markets.

Its funds are budgeted and disbursed to Member States, who manage and spend the funds themselves through their labour administration. As the amounts of funding are limited, actions funded by the ESF have been found to be most effective at the micro and meso levels, e.g. the modernization of systems such as national employment services, education and training systems. However, the ESF has also been found to add value to labour market coordination mechanisms and processes through the capacity development of labour administrations, indicating that it also has an impact on the policy (macro) level.⁵²

Furthermore, the ESF has served to support active labour market policies in response to the Eurozone crisis at both national and regional level in the Member States. The principal interventions supported by the ESF were in the area of skills training and workplace activation, a traditional focus for the instrument. Member States were further able to tailor ESF spending to specific contexts, responding to the impact of the financial and economic crisis on specific sectors and adjusting to needs arising.⁵³

⁵⁰ Applica et al (2010)

⁵¹ ADE (2012)

⁵² See LSE Enterprise et al (2010)

⁵³ See Metis (2012)

The Cohesion Fund

The Cohesion Fund aims to contribute to the first objective and covers more than half of the EU Member States.⁵⁴ The Fund finances activities that fall in any of the following two categories:

- **Trans-European transport networks**, notably priority projects of European interest as identified by the Union;
- **Environment**; any energy or transport project as long as these present a benefit to the environment: energy efficiency, use of renewable energy, developing rail transport, strengthening public transport, etc.

The importance of successfully implementing such cohesion interventions should not be underestimated, since they are closely related to the core of the European project which is about providing for the long-term peace, prosperity and well-being of the citizens of its member states (Furness and Negre 2012). Some efforts have been made in the past few years to analyse to what extent the structural and cohesion funds and the wider cohesion policy have made a difference in this respect.

A recent analysis concludes that structural and cohesion funds have reduced within-country regional disparities over the period 1995-2006, and that beyond some level of transfer intensity (approximately 1.5% of country GDP), the positive impact is potentially reversed. Reasons for this may range from moral hazard and substitution effects to diminishing returns (Kyriacou and Roca-Sagalés 2012). Although it may have had such effects on in-country inequality, another analysis of structural and cohesion funds as received by Spain, Portugal, Greece and Ireland concludes that there is a lack of evidence to conclude to what extent structural and cohesion funds as 'countervailing policies' have improved regional cohesion (Bouvet 2010).

Another analysis by the European Central Bank concludes that EU structural and cohesion funds spent during 1994-1999 had a positive, but slight, impact on future economic growth, mainly through the human development component (Checherita-Westphal et al 2009). This seems to be supported by the case of Ireland, which prioritized investment in human resources, education and training by allocating up to 35% of its Structural Funds to human resource investments (against an average of around 25% for other cohesion countries) which is believed to have strongly contributed to the country's strong period of economic growth after having joined the Union⁵⁵.

Despite these important achievements made, a recent synthesis study published by DG Research concludes that socio-economic inequalities have increased in the EU and are higher today than they were in 1980. The study further notes pattern of modernisation at the expense of socio-economic cohesion is contrary to the values and objectives of EU policies and thus

⁵⁴ Bulgaria, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia. Spain is eligible to a phase-out fund only as its GNI per inhabitant is less than the average of the EU-15.

⁵⁵ See <http://www.iro.ie/EU-structural-funds.html>

strongly argues for the implementation of the Europe 2020 Strategy that seeks to transform the EU's economy to one that promotes inclusive and sustainable development (Perrons 2011). The findings of this report suggest that countervailing policies cannot redirect patterns of growth and development if the overall policy direction does not promote inclusive and sustainable development, a finding not unlike the emerging lessons on how EU development cooperation can engage in MICs.

5.2.2. *EU Neighbourhood Policy*

The Council Regulation 1638/2006 from 24 October 2006 lays down the provisions for the establishment of the European Neighborhood and Partnership Instrument (ENPI), which serves to implement the European Neighborhood Policy (ENP). The EU Member States explicitly motivate the ENPI as a means to further the relations with the European neighbours based on shared political and economic values and contribute to avoid new dividing lines in Europe and promote stability and prosperity within and beyond the new EU borders (Mackie et al 2011). In 2004, the Council reiterated the importance of cooperation with neighbours on the basis of partnership, joint ownership and respect of shared values (democracy, human rights).⁵⁶

A review of 15 evaluations that could be related to the ENPI Regulation concluded that EC interventions had made positive contributions to the development of trade relationships between the EU and the ENPI partner countries, and in supporting the development of the private sector – both important foci of EU development cooperation under the present EU Agenda for Change. Some positive results related to civil society were also identified as well as in the water and social sectors. It was found that on balance the interventions particularly contributed to one overall objective of the Instrument, namely the promotion of commitments to EU values (Mackie et al 2011).

Whereas low levels of ownership have been found to have hampered the effects and effectiveness of past interventions (Mackie et al 2011), it is widely believed that the ENPI's relatively normative approach as well as the assumed joint interest between the EU and the Neighbourhood countries (i.e. improving cooperation and for a few of them possible prospects of future EU membership) are key to the instrument's success.

The ENPI furthermore includes facilities for 'twinning' and targeted technical assistance (although these instruments are also accessible to (pre-)accession countries). The former is a tool for cooperation which links public administrations from EU Member States with those of

⁵⁶ The ENPI Council Regulation replaces the Regulation E1762/92 (Mediterranean non-EU members, June 1992), the Regulation 1734/94 (Gaza and West Bank, July 1994), the Regulation 1488/96 (so called MEDA, July 1996). It also replaces the Regulation 99/2000 (so-called TACIS, eastern Europe and Central Asia, December 1999) that expired in December (Mackie et al 2011).

partner countries (e.g. potential accession candidate countries and those covered by the ENPI) in order to resolve structural governance problems. Projects under the **Institutional Twinning Instrument** set out to deliver highly specific results based on detailed work programmes. While at times narrow, this rigorous approach to cooperation has led the instrument to be considered a modern, highly effective instrument which contributed to institutional capacity building, civil service modernization and legal approximation and harmonization of accession candidates. A recent evaluation notes that this is to some degree dependent on the feasibility of the objectives and the partner country's institutional capacity and legal framework.⁵⁷

The Technical Assistance and Information-Exchange instrument (**TAIEX**) is a demand-driven tool that provides rapid tailor-made technical assistance from a pool of experts to support Neighbourhood countries and (pre-)accession candidate countries in the approximation, application and enforcement of EU legislation. Being demand-driven, no clear vision or strategy underpins the tool – its usage and ownership stretches only as far as the EU enlargement policy. Activity reports show that countries eligible for accession are the most frequent users of the tool.⁵⁸ That is not to say the 'clearing house' format of the tool cannot be replicated to other policy areas with great effect.⁵⁹ Users of TAIEX have found it to be a useful complement to longer-term instruments such as twinning, and appreciated the rapid response to small obstacles provided by the tool. TAIEX was furthermore found to contribute to the efficiency of the accession process, specifically the implementation and enforcement of EU legislation.⁶⁰

Despite the fact that the structural and cohesion funds do not get good press alone, and Europe has created its own share of 'white elephants' in the process, the policy is recognized as important for strengthening socio-economic cohesion in the Union, and for instance has helped Member States such as Ireland and Spain avoid the aforementioned middle-income-trap.

5.3. Peace and security operations

Peace and security are essential conditions for individual dignity and the development of prosperity and wellbeing in and between societies – there is also a clear EU interest in and commitment to promoting peace and security. The lack of stability in conflict areas, of which many are found in MICs as observed in section 3.2, affects security in the Europe in many ways. International criminal organisations often operate from unstable countries and regions, and conflicts often generate large migration flows. The Arab Spring was furthermore a wake up call to the supposed stability of MICs in the EU's own Neighbourhood. Global peace, security and

⁵⁷ See HTSPE (2012)

⁵⁸ See European Commission (2012j)

⁵⁹ Indeed, the basic format for TAIEX is currently serving as the basis for the development of an Expert Facility for Social Protection, which aims to improve the capacity of government agencies of partner governments of the EU to design effective social protection systems, improve existing policies and programmes and extend their coverage. See European Commission (2012a)

⁶⁰ See MWH Consortium (2007)

the legal order are of great importance to security and prosperity in the EU, the protection of human rights and achievement of the MDGs.

Safeguarding peace and security and creating the conditions for effective and sustainable poverty reduction calls for a coherent approach to the underlying causes of violence and insecurity. This requires effective international cooperation and in many parts of the world the EU seeks to give shape to this through a so-called 3D approach (defence, diplomacy and development) (Ministerie van Buitenlandse Zaken 2011). As noted in section 4.3, the development and application of a comprehensive or integrated approach is a priority and the added value of the EU's engagement in conflict prevention and peace-building.

One of the successful deployments of this integrated approach in a MIC was in Indonesia (Aceh) where the EU brought together multi-level diplomatic mediation, a civilian European Security Defence Policy peace and security mission as well as development and humanitarian action. The diversity of interventions was appreciated and acknowledged by Indonesian stakeholders involved. The EU has also been a welcome if more discrete player in the peace process in the Philippines (Mindanao) where it again brought together humanitarian and development instruments with direct support to the peace process through the Instrument for Stability.

The EU institutions have seen a steady increase in financial commitments towards conflict prevention and peace-building for the period 2001-2010. For that period, commitments totaled at €7.7 billion, which makes up almost 10% of total ODA spending. The majority of these commitments went towards MICs such as West Bank/Gaza, Iraq, Sudan, Angola, Colombia, Sri Lanka, Lebanon, Georgia and Indonesia. (ADE, 2011b). Many targeted diplomatic or civil society actions on conflict prevention and mediation are furthermore not expensive when compared to traditional development interventions. The EU has also invested in increasing its capacities to engage in mediation and peace-building in partner countries.

In recognition of the fact that the EU's external action policies and instruments could not adequately respond to crises rapidly (despite having rapid response mechanisms in place), the Instrument for Stability (IfS) was created in 2006. The instrument has been found to enable EU Delegations to more readily support conflict prevention and peace-building processes, and has moreover stimulated reflection on programming priorities with a view on how conflicts can be prevented. Notably, the IfS contributed to an improved exchange of information on conflict prevention and peace-building between Brussels and EU Delegations as well as among different Directorate Generals of the European Commission (ADE 2011a).

Despite these strong achievements, independent analysis notes that the EU has been too focused on rapid response and short-term actions through the IfS, whereas it could better contribute to its objectives if efforts were made to better promote and mainstream conflict prevention and peace-building in other EU instruments and actions. (Görtz and Sherriff 2012).

The EU has furthermore launched a number of ESDP / CSDP missions since 2003 at the invitation of the host government. Table 6 shows the MICs in which missions have taken place, demonstrating that there has been and still is a demand for EU security interventions. However, there has been some criticism of the strategic relevance and impact of these missions – several of them do not have the necessary scale to lead to sustainable security, and can be interpreted as political statements rather than full-scale interventions. Lastly, the EU has appointed Special Representatives in countries and regions it deems of particular strategic interest, where there is a need for a coherent EU approach.

Table 6: EU ESDP/CSDP Missions and EU Special Representatives (EUSRs) in Middle Income Countries

MIC country/region	Current Mission	Past Mission	Current EUSR	Past EUSR
Bosnia and Herzegovina		X	X	X
Central Asia			X	
Georgia	X	X	X	X
Indonesia-Aceh		X		
Iraq	X			
Kosovo	X			X
Macedonia		X		
Moldova	X			X
Pakistan (with Afghanistan)				X
Palestinian Territories	X	X	X	X
South Caucasus			X*	X
South East Europe				X
Sudan**		X		
Ukraine	X			

* Combined with Georgia in 2011

** support mission to African Union mission

Current multilateral cooperation in the field of peace and security can be further improved. There are no clear goals for international action and in many situations there is insufficient leadership, coordination and capacity. There is a strong need to pursue closer alignment between the actions of EU institutions and member states in the areas of security and development (Ministerie van Buitenlandse Zaken 2011). In this regard, the clarification and realization of the EU's 'comprehensive approach' should be a priority – the approach purports to integrate and jointly operationalize the EU's various foreign policy instruments in specific situations. Many questions on what the concept entails are however still left unanswered, and there is a risk that the comprehensive approach will be too wide to be meaningful, or so narrow (such as structured only around CSDP missions) that it fails to fully exploit the EU's potential added value (Sherriff 2013).

5.4. Strategic Partnerships

Along with the Member State governments, the EU is also sensitive to the fact that MICs are developing into credible strategic partners in areas such as trade, security and energy. The concept of strategic partnerships first emerged in the 1990s and was described in the 2003 European Security Strategy as partnerships concluded with countries which share norms and values with the EU with the aim of strengthening 'effective multilateralism'. This approach has been confirmed in the Lisbon Treaty, which indicates that the EU will seek to build partnerships with third countries which share the EU's principles of democracy, rule of law, human rights and fundamental freedoms, human dignity, equality and solidarity. Not long after the entry into force of the Lisbon Treaty, the new High Representative Ashton announced a number of priorities for her term in office, which included the EU's relations with strategic partners (Van Seters and Klavert, 2011).

The EU has thus far concluded so-called 'strategic partnerships' with a group of countries that include a number of MICs including Brazil, China, India, Mexico, Russia and South Africa. Furthermore, the EU is considering establishing such partnerships with other MICs, notably Egypt, Indonesia and Pakistan. Regional strategic partnerships have been concluded with Africa and Latin America and the Caribbean, covering additional MICs.

The partnerships are comprehensive agreements covering a broad range of areas of cooperation. To illustrate, the EU – China Strategic Partnership includes development cooperation, trade, security matters and international challenges such as climate change and global economic governance. The EU and its strategic partnerships hold annual summits, regular high level dialogues and sectoral dialogues at expert level.

However, since the very beginning, the approach has suffered from a lack of clarity about the definition of the concept and its objectives, and an ad hoc selection of partners. While EU leaders promote such partnerships as being based on shared values and principles, strategic partnerships such as the ones with China and Russia cast doubt on this. Furthermore, shared values do not necessarily mean that partners' policy priorities will overlap (Grevi & Khandekar 2011). For instance, the aforementioned MICs with whom the EU has signed strategic partnerships do not have the MDGs clearly embedded in their vision of development (Fenton 2008), and even open and structured dialogue will not lead to a shared position on certain issues (e.g. South Africa's position on the Syrian crisis and Iranian oil imports) (Helly, 2012).

Analysts have highlighted specific weaknesses of the partnerships, including: (1) the fact that not all partner countries are equally strategic; (2) lack of effective cooperation on strategic issues; (3) impact of the strategic partnership on the relations between the two parties is limited; (4) some partner countries don't consider the EU to be a strategic partner (Renard 2011). The common format for strategic partnerships, which revolve around annual summits and very

select programmes, can also be said to not fully reflect the spirit and day-to-day realities of such partnerships. Overall, the deepest and most consistent cooperation within the strategic partnerships is taking place in the area of trade and economic matters – political and security considerations are at present mainly expressed in rhetoric rather than acted upon (Grevi and Khandekar 2011).

Strategic partnerships effectively form the infrastructure for political dialogue and subsequent joint action. For the MICs, development cooperation need not be the basis for this political dialogue – while development cooperation will in many cases feature in the partnership, it is most likely not the EU's primary strategic interest, nor that of the partners themselves. Strategic partnerships are built not only on choice but often also on necessity in the recognition that the EU cannot face certain global issues, provide certain global public goods or provide certain benefits for its citizens in isolation.

The strategic partnerships currently in place cover a range of broad issues of cooperation – they are flexible and multi-purpose tools that hold the potential to contribute to a more comprehensive and coherent approach towards MICs. In moving forward, the EU and its Member States, need to ensure that it delivers on this potential. This requires that the partnerships be used to proactively enhance the quality of political dialogue in order for the parties involved to effectively identify, negotiate and manage their interests and identify common ground. Political dialogue with the MICs can challenge the EU to demonstrate its added value beyond development cooperation, and bring new knowledge, policy frameworks and instruments to bear. A brief analysis of the EU's strategic partnership with South Africa below provides further insight into the value of such partnerships.

Annex III provides a summary overview of the instruments analysed and lessons learnt in this section.

6. *Evolving relations with MICs in practice: the case of EU's partnership with South Africa*

Following South Africa's democratic transition from apartheid, the new government was keen to profile itself as both an extraordinary nation which could function as an example for other African countries, and a 'normal' part of the international political and economic system. Eager to retain the positive momentum of this transition and capitalize on South Africa's potential leadership role in the region and on the continent, the EU quickly engaged in renewed negotiations on its aid and trade relations with South Africa, culminating in the 2000 Trade, Development and Cooperation Agreement (TDCA). (Olivier, 2006)

Negotiating the TDCA proved lengthy, principally because differing perspectives and perceptions of both parties were brought into contrast. Whereas South Africa preferred to accede to the Lomé

Convention and its trade provisions, the EU perceived South Africa as being atypical from the other ACP countries⁶¹. In addition, South African agriculture and textile exports were thought to impact EU trade, and the EU was anxious for its engagement with South Africa to provide the model for post-Lomé developmental strategies with ACP countries⁶². The EU therefore instead negotiated a special form of free trade agreement as a result of which South Africa was excluded from 1) non-reciprocal trade preferences and 2) access to EDF resources (though South Africa did retain access to DCI funds). (Olivier 2006)

Among its broad objectives are the strengthening of dialogue between the two parties, supporting South Africa's social and economic transition, its economic integration in Southern Africa as well as the global economy, and expanding trade between the two parties. The agreement called for the liberalization of trade, leading South Africa to sacrifice approximately 36% of its import duties, in exchange for a gain of 7% in duty-free access to EU markets, with complete liberalization to be attained by 2012. South Africa stood more to lose given that the EU is its largest trading partner – equally, South Africa has long been the EU's largest trading partner in Africa, garnering just below 1.5% of the EU's trade volume (Grevi and Khandekar, 2011).

Whilst the TDCA was mainly based on the EU's terms, both parties nonetheless perceive the agreement to be beneficial - South Africa notably believed it acknowledged its special and privileged position compared to other African countries, and cooperation in trade and development was broadly successful in the last decade of the relationship. Yet the TDCA states the ambition to enhance regular political dialogue on issues of common interest at both bilateral and regional level within the framework of the Southern African Customs Union (SACU) and the Southern African Development Community (SADC). While political dialogue was consistent throughout, it remained on the fringe. Though dialogue was instrumental in altering South Africa's policy on HIV/AIDS and peacekeeping efforts in the Great Lakes region, it has had very little influence on the situation in Zimbabwe, with both parties not effectively using their 'soft power'.

Subsequently, the 2007 Strategic Partnership⁶³ and accompanying Joint Action Plan⁶⁴ (complementing the TDCA, yet without having a legal basis) have reaffirmed these areas of cooperation, broadened the partnership to new areas of cooperation and endeavor to lift the partnership beyond the previous donor-recipient relations to a more interest-driven political and value-based partnership, reflecting South Africa's place among the BRICS countries. Some

61 South Africa's relative economic progress would mean its trade flows would have far outstripped those of other ACP countries.

62 Other reasons offered for this choice include: the fact that the Lomé Convention was set to expire shortly; worsening tensions over the WTO compatibility of the Lomé Convention; and full membership of the Lomé Convention might have slowed down the dismantling of South Africa's protectionist measures, providing disincentives to (EU) FDI

63 See European Commission (2006a)

64 See Government of the Republic of South Africa (2007)

have noted that the EU engaged in the process so shortly after ratifying the TDCA as it needed to include an African country on its shortlist of potential candidates of strategic partners (Helly, 2012). Nonetheless, the partnership builds on the political dialogue commitment noted in the TDCA.

As noted in the partnership agreement, South Africa's priorities for (and thus perceived added value of) cooperation with the EU are trade, development finance, knowledge and technology exchange, diplomatic support and coordination in international fora and support to regional integration. The EU has prioritized trade and investments, cooperation on energy policy and regional public goods such as climate change, peace and security, good governance and international justice. In addition, science and technology is an important area of cooperation for both parties.

These priorities overlap in key areas of interest, notably the promotion of sustainable agriculture and space cooperation – these and several other areas of cooperation between the EU and South Africa predate the Strategic Partnership – the document therefore seeks to give structure to areas of mutual strategic interest where cooperation otherwise remained informal. Yet whereas the TDCA had a contractual legal basis, the implementation of the strategic partnership relies on the shared interest and goodwill of the two parties. The partnership therefore provides a clear illustration of the pursuit of interests beyond the rhetoric of shared values and principles.

The partnership is strongly shaped by the EU's perspective of South Africa's role on the African continent – it has long encouraged South Africa to take a leading role in the regional integration of southern Africa, and more recently has come to expect South Africa to lead the African Union and promote and drive the implementation of the Joint Africa-EU Strategy (JAES).⁶⁵ In contrast, South Africa is reluctant to ally its diplomatic weight to one partnership, and seeks to establish its presence through a multitude of alliances and partnerships including in regional (economic) communities (SADC), continental fora (the African Union) and South-South forms of cooperation such as the IBSA Dialogue. South Africa's post-apartheid foreign policy projects the image of a concerting actor, a bridge-builder with considerable 'soft power' derived from its position as moral example for peaceful and democratic reform on the continent (Sidiropoulos, 2012).

While partnership is one of the broadest and most intensive of the EU's Strategic Partnerships, the EU is arguably not one of South Africa's closest friends and allies in multilateral negotiations. Differences of opinion between South Africa and the EU have manifested themselves on critical issues such as the human rights dialogues on Zimbabwe, climate change negotiations in Copenhagen and Durban and the international response to the crisis in Libya.

65 See http://eeas.europa.eu/africa/continental/index_en.htm

Nonetheless, there is a mutual respect of the differences of opinion, which appear to have only a limited spillover effect on other areas of dialogue and cooperation. There remain political issues of mutual interest and reciprocal benefit – e.g. the EU wishes to exert influence in the AU whilst South Africa wishes EU support in attaining a permanent UNSC seat. (Grevi and Khandekar, 2011) However, South Africa must balance the strain of being, on the one hand, an African state, whilst also being an example for and representative of the continent in global fora and on the other hand furthering its own goals and interests. At times these interests are much close to those of other BRICS countries.

The dialogue and cooperation with the EU institutions is nonetheless frequent and effective, particularly in those areas which already saw comprehensive cooperation under the TDCA, including trade and development cooperation, but also those that have a longer track-record such as in peace and security, science and technology⁶⁶ and higher education. This is aided by the dedicated capacity in such areas at the EU Delegation in Pretoria and the Representation of South Africa in Brussels. Interest of both parties in these areas have a clear overlap – even if there is not always agreement, there is an appreciation of the parties' resources, value added, competences and roles both bilaterally and on the African continent. Furthermore, disagreements generally occur over implementation issues. Thematic dialogues noted in the Strategic Partnership have also shown results in areas which are less politically sensitive and comparatively well-resourced (such as Information and Communication Technology (ICT) or space collaboration), whereas other areas such as health, migration and energy have in the past shown less tangible progress.

Development cooperation remains a prominent part of the partnership, though the EU has been conscious of the limits of its added value since before the TDCA. The EC has pioneered its concept of the 'value added' approach to ODA in South Africa since 2007, acknowledging that the real value of development cooperation in this context does not arise from the amount of funding but rather targeted, jointly-identified initiatives with a high added value due to their emphasis on innovation, piloting and risk-taking, capacity development and different forms of skill- and knowledge-transfer.⁶⁷

In parallel, the EU will engage in development cooperation with local NGOs and other CSOs to further democracy, governance, security and the rule of law, while also supporting South Africa's regional cooperation and integration. The government of South Africa should be able to replicate successful activities itself, and the approach therefore sees a shift from project-based aid to sector budget support.⁶⁸ The partnership also makes reference to South Africa's potential

66 Cooperation in this area has been particularly strong in the context of the Square Kilometre Array project – EU research institutes played an integral part in the projects' conception, and the majority of EU Member States supported South Africa's tendering to host the array.

67 See http://ec.europa.eu/europeaid/where/acp/country-cooperation/south-africa/south-africa_en.htm

68 Early indications are that aid allocations to South Africa will diminish considerably for the 2014-2020 EU budget period.

(growing) role as a bilateral aid donor and notes that the EU and South Africa will seek to engage in South-South forms of cooperation.⁶⁹

The partnership is furthermore typified by close relationships between EU and South African technical or specialized agencies and organisations, notably the European Investment Bank (EIB), the Development Bank of South Africa and the Industrial Development Cooperation of South Africa. Indeed, it is at the technical level, involving technical specialists but also mid-level officials in policy areas such as social affairs and higher education, that value is added to the political dialogue by providing EU resources, expertise and knowledge lacking in South African line ministries.

What both limits the achievement of the full potential of the partnership, while at the same time ensuring its peer-to-peer character in some instances, is the fact that there is not always a shared assessment on sensitive political issues. Furthermore, the Action Plan contains no concrete deliverables to drive cooperation further – this has left scope for long-term political strategy and vision to affect the direction of cooperation under the partnership (e.g. the EU pushing for South Africa to take up a leading role in the region). Slow progress in some areas of dialogue can lastly also affect other areas. Regardless of these flaws, the partnership is nevertheless considered a successful bilateral cooperation model.

The sound working arrangements have in part been ascribed to the establishment of a legal, institutionalized framework of cooperation and the normalization of diplomatic relations under the TDCA, combined with South Africa's special membership of the Cotonou Partnership Agreement. Well-functioning cooperation furthermore developed around subsequent, specialized agreements such as the Scientific Cooperation Agreement. (Olivier 2006)

Lastly, the Strategic Partnership has been supported by a Dialogue Facility⁷⁰, designed to support the partnership's political dialogue by providing technical assistance (expertise, research and other resources). While it is still too early to tell whether the Facility has succeeded in enhancing political dialogue between the two parties, it represents an operational 'middle-man' between them which could potentially support the clarification of mutual interests and opportunities and obstacles for engagement, as well as involve a broader set of stakeholders in the dialogue. Whereas it cannot substitute solid institutional arrangements or replace the institutional memory of the actors involved, it can serve as a useful complement.

69 This will become more pressing following the recent establishment of the South African Development Partnership Agency (SADPA).

70 See <http://www.dialoguefacility.org/>

7. *Conclusions and recommendations for further (policy) discussion*

The analysis of this chapter has shown that the MICs share as least as many differences as they share similarities, and together represent both the largest part of the challenge and of the solution of global development. Furthermore, the changing geography of poverty and shifting balance of political and economic power mean that the EU and its Member States can no longer engage with MICs solely through traditional development cooperation.

The intention for new forms of cooperation with MICs is clearly reflected in the EU's current development cooperation policy. The EU is now faced with the challenge of determining tailor-made approaches towards engaging with MICs. This goes beyond a debate on whether countries should be entitled to a particular share of the presently debated EU ODA. More fundamentally, the EU is yet to seriously deal with the question of how to formulate and realise a holistic external action policy towards MICs, taking their diversity into account. This may be easier for the EU's Member States who, as bilateral donors and actors, can to a degree tailor their response on a country-by-country basis. Nonetheless it is in the interest of development effectiveness for Member States to seek complementarities and synergies between their policy and practice for cooperation with the MICs and that of the EU.

Several conclusions are drawn below, presented in the form of 'main messages' and practical recommendations to inform the EU Member States' policy discussions on the EU's future engagements with MICs.

1. *Clarify the purpose, nature and scope of the EU's engagement with MICs beyond traditional development cooperation.*

The diversity of the MICs has three important implications for the discussion on how to engage with MICs. Firstly, the EU is often pursuing multiple interests (trade, security, energy) in these countries simultaneously, of which development may only be a minor consideration. Secondly the MICs themselves may look towards the EU for quite different things – ranging from market access, science and technology collaboration to security engagements in addition to support for addressing poverty. Third, appreciating both of these and the “political economy” underpinning them is a crucial starting point to ensuring the effective design and differentiated application of (tailor-made) foreign policy instruments. It would also ensure that the development dimension is not lost, even if the EU policy instruments used are different from conventional ODA and development policy dialogue. Political economy analysis can also provide a useful ‘reality check’ for what is within the realm of possibilities for achieving policy objectives.

Given the strategic interest involved in cooperating with the MICs, more politically infused analysis would benefit the clarity and specificity of policy frameworks and instruments. Clarity needs to prevail to ensure successful partnership, including agreement on shared interests

and priorities that form the basis of the partnership. This has been well illustrated by the European Neighbourhood Partnership Instrument (ENPI), where the joint political analysis and identification of mutual interests between the EU and its neighbouring countries have proven key to the instrument's success. Conversely, well-designed frameworks supported by laudable principles on paper with little chance of delivering on their objectives in practice have in the past demonstrated the cost of EU external partnerships and dialogue not supported by political economy analysis (see Bossuyt and Sherriff, 2010). Mutually shared strategic interests should form the basis of further cooperation with the MICs.

Recommendation for EU Member States:

- EU Member States can contribute to forging mutually beneficial partnerships with the MICs by promoting and supporting the conduct and popularization of shared, political economy analysis to shape the EU's partnership with MICs beyond development cooperation. Such analysis should put the shared interests, priorities and added value of the two parties central, and help to define concrete and realistic deliverables for priority areas of cooperation.
2. *Differentiate between and adopt tailor-made approaches for cooperation with MICs.*

The analysis in this chapter highlights that it is important to not only take income, but also other characteristics of MICs into account. The MICs are a heterogeneous group covering over half of the world's countries. The on-going discussions on how to differentiate between partner countries for EU development assistance should be conscious of this - there is a need to 'unpack' this group to ensure a tailor-made approach for the EUs cooperation with these countries, see Box 2.

Box 2: Examples of important sub-sets of countries with shared characteristics within the group of MIC's

The eight largest countries in the MIC category:

Nearly 80% of the world's poor live in the eight largest countries in the MICs category and they generally perform low in terms of environment health and ecosystem vitality, while due to their size they potentially have an important role to play in the provision of global public goods. Given the relative low tax revenues of the 'big 8', ODA can potentially play a valuable albeit minor, indirect role in strengthening domestic resources mobilization, policies and programmes for income redistribution.

Fragile states and countries in a fragile situation:

The group of MICs, particularly LMICs, contains many countries in fragile situations where large numbers of people live close to the poverty threshold. Several of these countries are of particular strategic interest to the EU - a comprehensive approach to conflict prevention and support to the restoration of security, state sovereignty and legitimacy as well as poverty reduction could be a priority for the EU's engagement with these countries. This should be realised through a context specific and adaptive approach reflecting on past lessons and experience.

Vulnerable economies:

Among the MICs are some of the world's most economically vulnerable countries. Small-Island Developing States and land-locked countries are particularly vulnerable, but a wider group suffers from the middle-income trap caused by slow or unsuccessful economic transformation, regardless of high levels of growth. The EU could support these countries in ensuring sustainable and inclusive development by reducing their vulnerabilities to the extent possible and ensuring that economic growth also benefits the poor in the short and long run.

Furthermore, the diminishing relevance of ODA (globally and specifically in the MICs) means that development cooperation cannot provide a solid foundation for cooperation with the MICs. ODA can however continue to play a relevant supporting role. In most MIC (apart from the 'big 8' where ODA amounts are negligible) ODA should particularly be used to incentivize and catalyse change in clearly identified issues. Thematic instruments (such as the EIDHR, IfS, DCI programmes) concentrating on global public goods and challenges will continue to add value for the MICs in this regard. ODA can furthermore usefully play a role of mobilizing additional sources of development finance, including domestic resource mobilization and leveraging private sector finance through blending mechanisms with a clear poverty reduction objective.

Recommendations for EU Member States:

- EU Member States will benefit from an active dialogue on how to reshape existing modalities for ODA in order to address key issues facing the MICs. For example, research efforts are required to evaluate the risk and impact of the non-ODA component of blending instruments, and (continued) research needs to assess different aid modalities in promoting effective domestic resource mobilization. In finding a new role for ODA, EU Member States should endeavor to agree on country-specific configurations of aid modalities.
 - EU Member States should continue to financially and politically support those EU instruments which target specific issues and vulnerabilities relevant to MICs. This particularly applies to comparatively 'smaller' aid instruments, such as the African Peace Facility and the Instrument for Stability, that support the creation of the conditions for poverty reduction in MICs.
3. *Draw on the EU's track record more systematically to integrate lessons learnt from cooperation with MICs in different regions and using different (non-ODA) instruments.*

The EU's cooperation with the MICs should be informed by its comparative advantages, e.g. its broad and deep toolbox of instruments and the potential for learning and increasing impact that this affords to new partnerships. While the EU's Agenda for Change is ambitious, but also largely 'terra incognita' when it comes to the ambition of promoting inclusive and sustainable growth and development - the need to look for and develop new instrument and partnerships is accordingly recognized.

The analysis in this chapter points at interesting innovations in different areas, notably in the EU's neighbourhood as well as inside the EU's own disadvantaged regions, which can provide useful direction to the EU's engagement in MICs. Notably, the EU's experience in promoting equitable regional integration with support of structural and cohesion funds offers a notable source for new ideas and significant amounts of learning for cooperation with MICs.

Many financial instruments proposed for the period 2014 – 2020 can potentially play a role, such as the Partnership Instrument for collaboration on global public goods, Horizon 2020 in the area of research and innovation, the Migration Fund and climate financing. Furthermore, in adapting and applying ODA instruments to catalyse change in key areas, there is a stronger need for evaluation and knowledge sharing, also drawing from EU Member States' experiences, on how non-ODA policies and instruments operate and affect developing countries, particularly when public funds linked to the Union's development objectives are used to facilitate private EU investment in developing countries. An informal taskforce of EU officials from different DGs could engage in such a 'systemization' exercise and put forward key recommendations for the EU's engagement in MICs to the European Council and Parliament.

However, successful cooperation with MICs should not be structured (only) around funding. Robust political and policy dialogues in a variety of areas are at the heart of successful partnerships between the EU and MICs. Specific cooperation agreements with individual countries (such as the strategic partnership agreements) have great potential to frame such cooperation, and can be developed to proactively enhance the depth and quality of political dialogue between the EU and the MICs.

Recommendations for EU Member States:

- To inform the development of new modalities as well as the improvement of existing mechanisms at the EU level, Member States can capture and share their experiences of bilateral cooperation with MICs.
- Conversely, EU Member States can learn valuable lessons from assessing the full package of the EU's external action and internal instruments in ongoing discussions to reform their bilateral or joint cooperation efforts with MICs. Specific instruments can be used to target particular issues in MICs – for instance, lessons can be learnt from the use of the EU's cohesion instruments in reducing inter-regional (income) disparities (thus promoting equitable regional integration) within MICs. Annex III can serve as a useful reference in this regard. EU Member States can achieve 'quick wins' by actively making use of or replicating existing EU tools for cooperating with MICs that have proven their effectiveness. Notably, the Institutional Twinning and TAIEX instruments fulfill practical needs that can enhance the day-to-day cooperation with MICs.
- EU Member States would benefit from aligning their bilateral political dialogue with those MICs with which there is a Strategic Partnership in place at the EU level to its stated priorities and objectives. For 'smaller' Member States, such partnerships are an effective vehicle for political dialogue to influence MICs' policies – this is particularly relevant given that several EU Member States have put human rights at the center of their development policy, yet have limited capacity to effectively promote human rights in MICs. While it is not desirable for either party to discontinue bilateral engagements between Member States and MICs, efforts should be made to ensure that such bilateral engagements do not precede or undermine the Strategic Partnerships.

Annex I: Comparison of OECD and World Bank Middle-Income Country classifications

OECD DAC List of ODA Recipients (January 2012)		World Bank Country and Lending Groups (July 2012)	
Lower-middle-income countries and territories (\$ 1,006 - 3,975 in 2010 per capita GNI USD)	Upper-middle-income countries and territories (\$ 3,976 - 12,275 in 2010 per capita GNI USD)	Lower-middle-income economies (\$ 1,026 - 4,035 in 2011 GNI USD)	Upper-middle-income economies (\$ 4,036 to 12,475 in 2011 GNI USD)
Armenia	Albania	Albania	Angola
Belize	Algeria	Armenia	Algeria
Bolivia	* Anguilla	Belize	American Samoa
Cameroon	Antigua & Barbuda	Bhutan	Antigua and Barbuda
Cape Verde	Argentina	Bolivia	Argentina
Republic of Congo	Azerbaijan	Cameroon	Azerbaijan
Côte d'Ivoire	Belarus	Cape Verde	Belarus
Egypt	Bosnia & Herzegovina	Congo, Rep.	Bosnia and Herzegovina
El Salvador	Botswana	Côte d'Ivoire	Botswana
Fiji	Brazil	Djibouti	Brazil
Georgia	Chile	Egypt, Arab Rep.	Bulgaria
Ghana	China	El Salvador	Chile
Guatemala	Colombia	Fiji	China
Guyana	Cook Islands	Georgia	Colombia
Honduras	Costa Rica	Ghana	Costa Rica
India	Cuba	Guatemala	Cuba
Indonesia	Dominica	Guyana	Dominica
Iraq	Dominican Republic	Honduras	Dominican Republic
Kosovo	Ecuador	Indonesia	Ecuador
Marshall Islands	FYR Macedonia	India	Gabon
Micronesia	Gabon	Iraq	Grenada
Moldova	Grenada	Kiribati	Iran, Islamic Rep.
Mongolia	Iran	Kosovo	Jamaica
Morocco	Jamaica	Lao PDR	Jordan
Nicaragua	Jordan	Lesotho	Kazakhstan
Nigeria	Kazakhstan	Marshall Islands	Latvia
Pakistan	Lebanon	Micronesia, Fed. Sts.	Lebanon
Papua New Guinea	Libya	Moldova	Libya
Paraguay	Malaysia	Mongolia	Lithuania
Philippines	Maldives	Morocco	Macedonia, FYR
Sri Lanka	Mauritius	Nicaragua	Malaysia
Swaziland	Mexico	Nigeria	Maldives
Syria	Montenegro	Pakistan	Mauritius

* Tokelau	* Montserrat	Papua New Guinea	Mexico
Tonga	Namibia	Paraguay	Montenegro
Turkmenistan	Nauru	Philippines	Namibia
Ukraine	Niue	Samoa	Palau
Uzbekistan	Palau	São Tomé and Príncipe	Panama
Vietnam	Panama	Senegal	Peru
West Bank & Gaza Strip	Peru	Solomon Islands	Romania
	Serbia	South Sudan	Russian Federation
	Seychelles	Sri Lanka	Serbia
	South Africa	Sudan	Seychelles
	* St. Helena	Swaziland	South Africa
	St. Kitts-Nevis	Syrian Arab Republic	St. Lucia
	St. Lucia	Timor-Leste	St. Vincent and the Grenadines
	St. Vincent & the Grenadines	Tonga	Suriname
	Suriname	Ukraine	Thailand
	Thailand	Uzbekistan	Tunisia
	Tunisia	Vanuatu	Turkey
	Turkey	Vietnam	Turkmenistan
	Uruguay	West Bank and Gaza	Tuvalu
	Venezuela	Yemen, Rep.	Uruguay
	* Wallis & Futuna	Zambia	Venezuela, RB
40	54	54	54
94	108		

* Territory

While not very different, the two methodologies vary in three key aspects. First, the OECD classification is not related to membership or other entry criteria, while the World Bank classification only includes WB member countries and economies with more than 30,000 inhabitants. The two lists are therefore composed for different purposes - the OECD list is the reference list for statistical reporting eligibility on official development assistance (ODA), while the World Bank list determines eligibility for International Development Association (IDA) loans and grants⁷¹ in general as well as for specific forms of loans.⁷² Second, the OECD classification also incorporates the United Nations list of Least Developed Countries (LDCs) that, together with the donor-driven function of the list, lends the OECD classification a rather ODA-centric character. 16 MICs are also LDCs. Third, the OECD list is revised once every three years, whereas the World Bank list is updated every year in July and is therefore more up-to-date.

⁷¹ IDA is the World Bank's branch providing loans and grants on concessional terms, primarily to low-income countries.

⁷² The World Bank list's basis as an aid allocation criterion is not without criticism, see notably: Ravallion (2012).

Annex II: Summary overview of key issues facing Middle-Income Countries

Issue / Constraint	Possible indicator(s)	Particularity for MICs	Examples
Fragile states and situations			
Recent or on-going conflicts or other security concerns	Fragile state classification; World Governance Indicators (WGI) – political stability, absence of violence, terrorism; Post-conflict classification; Presence of peace-building or peace-keeping missions.	Several countries have emerged from conflict into the MICs category. MIC-status dependent on achieving stability.	Sudan, Iraq, Timor-Leste, Egypt, Colombia, Bosnia, Guatemala, Tajikistan.
Low capacity for basic service delivery and good governance	Debt service as % of GDP; WGI – government effectiveness, control of corruption.	Donor engagement touches upon sovereign policy areas in which certain MICs could in theory effectively deliver.	Sudan, Iraq, Cote d'Ivoire, Laos.
Low state legitimacy, restricted political freedoms	Perception of corruption; WGI – regulatory quality, rule of law, voice and accountability.	Lack of legitimacy often coupled to low political will, which make traditional forms of development cooperation weak instruments for engaging with such countries.	Turkmenistan, Belarus, Cameroon, Ecuador.
Income inequality			
Unequally distributed income gains (high income inequality)	Gini coefficient; Share of GNI earned by top decile as percentage of share of GNI earned by bottom four deciles.	Higher risk of social and political instability. Donor engagement touches upon sovereign policy areas. Estimated cost of ending poverty is lower than for LICs, though necessary marginal tax rate can be unrealistic (>50%).	Brazil, El Salvador, Angola, Nigeria.

Middle income trap			
Traditional economic structure, lack of economic dynamism and diversification	GDP generated by non-agricultural sectors (% of GDP); Investment as % of GDP; Investment in consumer goods or other capital-intensive sectors as % of total investment; R&D spending and other spending on innovative technologies as % of total investment; GDP per person employed (PPP).	Lays conditions for the 'middle income trap'.	Bolivia, Cameroon, Senegal, Turkmenistan, Zambia.
Trade dependence, including on the export of natural resources	Trade volume as % of GDP; Natural resource rents as % of GDP.	Lays conditions for the 'middle-income trap', as well as the Dutch Disease.	Angola, Republic of Congo, Turkmenistan.
Dependency on natural resources (export concentration)	Natural resource rents as % of GDP; Exports of primary commodities as % of GDP.	Lays conditions for the 'middle income trap', as capacity to transform economy is limited.	Angola, Azerbaijan, Republic of Congo, Ghana, Turkmenistan, Zambia.
Restricted access to investment capital	Institutional Investor Rating; Gross fixed capital formation as % of GDP; External debt as % of GDP.	Lays conditions for the 'middle income trap', as capacity to transform economy is limited.	Swaziland, Yemen.
Environmental and economic vulnerability			
Environmental conservation and preservation	Environmental Performance Index	Direct effects on global public goods.	India, Kazakhstan, Yemen, South Africa, Turkmenistan, Iraq.
Geographic constraints	Landlocked country status Small Island Development States	Specific sets of fragilities and economic vulnerabilities facing regionalised clusters of countries point towards the necessity for a regional approach.	Kazakhstan, Mongolia, Uzbekistan, Turkmenistan, SIDS.

Source: own analysis.

Annex III: Summary overview of (non-)ODA instruments and modalities for engaging with MICs

Instrument	MICs targeted	Objectives	Lessons Learnt
Innovative forms of development finance	Potentially all.	Provide alternative sources of revenues and financing for development to ODA, in part supported by ODA.	Blending facilities hold significant potential for leveraging private sector funding and bridging funding gaps from decreasing ODA; ODA can play a catalyzing role in MICs with more stable and favourable economic climates by 'crowding in' private investment; Commonly used in UMICs.
Cohesion instruments	UMIC Member States: Bulgaria, Latvia, Lithuania, Romania and disadvantaged regions (rural areas, areas affected by industrial transition and regions which suffer from natural or demographic handicaps).	Reducing regional disparities in Europe; Creating jobs by promoting competitiveness and the business / investment climate; Encouraging cooperation across borders.	ERDF: Significant contribution to infrastructure, ICT, tourism, culture and natural resources and renewable energies, leveraging further projects. Cohesion Funds: Effective at reducing intra-national regional disparities if transfers kept at < 1.5% of national GDP; ESF: Micro- and meso-level projects found to be most effective (e.g. modernisation of national employment services). Adds value to labour market coordination mechanisms. MS management means the instrument is adaptable to specific contexts.
Neighbourhood funding	EU Neighbourhood countries: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, the Republic of Moldova, Morocco, the Occupied Palestinian Territories, Syria, Tunisia and Ukraine	Support the progress towards democracy and sustainable economic and social development based on EU principles; Promotes regional integration and partnerships such as EuroMed and the Union of the Mediterranean.	ENPI: Interventions contribute to the promotion of EU values and principles in the Neighbourhood. Low ownership is a risk – improved cooperation based on joint interests, including the possibility of EU accession, can increase ownership. Twinning: highly specific results and work planning strongly increase impact of interventions. Results to a degree depend on partners' capacity and legal framework, feasibility of objectives. TAIEX: effective and efficient rapid response 'clearing house' tool to support longer-term instruments and processes.

Peace and security interventions	Fragile states, Conflict-affected countries, strategic countries with fragile situations.	Promote peace and structural stability, prevent conflict and manage crises.	Diverse interventions, bringing together multi-level diplomatic mediation, civilian peace and security operations, development and humanitarian interventions valued by partner countries; All instrument relevant but also IfS enables reflection, dialogue and more ready short-term support to conflict prevention and peace-building, yet little long-term vision and mainstreaming of conflict prevention and peace-building in other EU instruments CSDP missions need critical mass to lead to sustainable security; EU coordination and capacity for joint international action needs to be improved, with clearer goals and leadership.
Strategic Partnerships	Brazil, China, India, Mexico, Russia, South Africa.	Commit to and implement joint action in areas of mutual interest; Strengthen effective multilateralism; Promote principles of democracy, rule of law, human rights and fundamental freedoms, human dignity, equality and solidarity.	Flexible, multi-purpose tool that can be used to strengthen the quality of political dialogue; Lack of clarity on the definition and concepts of partnership objectives and ad-hoc selection of partners on does not lend partnerships credibility. Partnerships should be based on stated interest, as values and principles are too mutable. Annual Summit-format of partnerships does not reflect day-to-day nature and necessities of strategic partnership.

Source: own analysis.

The Mali Crisis and Africa-Europe Relations¹

Damien Helly with Camilla Rocca²

Introduction

On 15 May 2013 in Brussels, a donors' conference "for a new Mali" was organised by the European Union (EU) and France, in close collaboration with the Malian government. The current crisis in Mali and Sahel has peaked in 2013, following several years of deterioration unnoticed outside the region. Given the complexity of the crisis and the strong involvement of African states and regional organisations (the Regional Economic Communities – RECs), what has been happening in this part of Africa is likely to impact on Europe-Africa relations for some time. Indeed, it puts a number of international arrangements to a new test: the comprehensiveness and coherence of EU's external action, the African Peace and Security Architecture (APSA), and subsequently, the nature, ambition and depth of Africa-Europe and African RECs-Europe relations.

This chapter looks at the implications of the Malian crises for the relations between Africa and Europe, one year ahead of the next Africa-Europe summit in Brussels in 2014. Its starting point is the challenge posed by multiple and intertwined crises in Mali and the combination of factors which led to a coup in Mali in 2012: old development inequalities between the North and the South, absence of key infrastructure, the failure of aid through budget support, widespread corruption, a doomed governance system in Bamako, long lasting grievances from Northern Malian populations, foreign interventions responding and/or fuelling insecurity, organised crime and terrorism. It builds on existing detailed and field-based analysis of the crisis itself (with three focal areas around Gao, Timbuktu, Kidal) and of the role of armed groups and forces (marked by volatile alliances between the Mouvement National de Libération de l'Azawad (MNLA), Mouvement pour le Tawhîd et du Jihad en Afrique de l'Ouest (MUJAO), Ansar Eddine, Al-Qaeda in the Islamic Maghreb (AQIM) and other non-state groups, conflicting with French, Malian, Chadian, Nigerian and other African government troops, not to mention militia).

Four main questions, focusing on listening to a selection of African views³, have driven the preparation of this chapter: 1) Has there been some debate on Mali in your country? 2) What do the Mali/Sahel crises tell us about African regional and continental systems? 3) What do

1 This chapter originally appeared as: Helly, D. with C. Rocca. June 2013. *The Mali crisis and Africa-Europe relations* (ECDPM Briefing Note, 52). Maastricht: ECDPM. <http://www.ecdpm.org/bn52>

2 The authors of this chapter are thankful for the kind input of Volker Hauck, Isabelle Ramdoo and Andrew Sherriff on this publication. The views expressed herein are those of the authors only and should not be attributed to any other person or institution.

3 We have focused this chapter on acquiring views from across Africa on these topics to add to the considerable amount of analysis in the public domain on Mali from Europeans or individual African analysts.

they show of the EU's long awaited comprehensive approach? 4) What impact will they have on Africa-Europe relations? The objective is ultimately to somewhat gauge whether the crises in Mali may have improved or worsened the relationship between Europeans and Africans, and what should be done to transform this experience into an opportunity.

1. *African regional and continental systems confronted by the crises in Mali*

Because of the transnational nature of terrorism and the strong economic and human interdependence between Mali and its neighbours, the crises have a strong regional and African dimension. How have they been perceived in Africa, and what do they tell us about the state of African regional and continental structures?

1.1. Continental, regional or global issue?

The Malian crises have mainly been a matter of concern for neighbouring countries and francophone Africa. Perhaps even more acutely, the Malian situation was initially seen as a francophone affair. It is of concern directly to French speaking Africa, including central African and Gulf of Guinea countries, where citizens and elites have kept a close eye on international dynamics and on the role of France. For them, what happens in Mali is potentially replicable in their own country. The topic is also easier to report about for French speaking journalists than for English speaking ones. Over time though, it increasingly became an item on the African continental agenda.

For neighbouring countries, insecurity in Mali has direct economic and human implications. Niger, which shares not only borders, history and trade but also a Northern Tuareg population with Mali, is directly and immediately affected by Malian dynamics. Malian issues are a matter of internal security for Niger.⁴ The port of Nouakchott in the last few years had become an important hub on the trade route to Mali. In Mauritania, cross border cattle breeders benefiting from Northern Mali's lands strongly felt the impact of the conflict and expressed some concerns about its economic damage on their business. Pressure on pastoralists and overcrowding of lands for cattle in Burkina Faso and Niger has also been flagged as a potentially dangerous trend for regional security.⁵ Debates in Mauritania also touched upon violence against Arabs, questioning the relevance of the participation of the country's army to the African intervention in Mali. In Senegal, the impact of drug trafficking and organised crime has been a source of attention, because of the risk for the country to be surrounded by crime-dominated neighbours (Guinea-Bissau and Mali). Economic interdependence with Mali, in particular in the field of water management, is also a source of concern in Dakar and the debates in this country have been lively.⁶ Debates in Algeria on Mali have been more divided (mixing skepticism and candid

4 Interview with Mr Souleymane Issakou, Chargé d'affaires of Niger, Brussels, 28 May 2013.

5 See http://www.inter-reseaux.org/IMG/pdf/Plaidoyer_pour_le_pastoralisme.pdf

6 Phone interview with a regional expert, 8 May 2013.

criticism of any form of military intervention from Algeria or foreign forces in its backyard⁷⁾ looking at issues through the prism of the relationship with France.⁸

Linkages between jihadist groups in Mali and individuals close to Boko Haram movements in Northern Nigeria have been mentioned in a number of sources but there is no public evidence on the nature and depth of their cooperation.⁹ Soon after the French intervened in Mali, Nigeria engaged in a campaign and internal war against Boko Haram, with President Goodluck Jonathan declaring a state of emergency in three states. In Ghana, some debate took place but still, because of the language barrier and the absence of regular communication with Northern Mali, the crisis was perceived as a rather foreign issue in Accra.¹⁰

In South Africa, “there was no serious debate” on the Malian crises probably because South Africa was not directly involved in the crisis resolution.¹¹ At the end of the day, events in Mali are dealt with primarily as a regional issue for Western Africa and the Sahel-Sahara area. African powers’ involvement from other regions was not necessarily welcome.¹² In the governments of Eastern Africa, the events in Mali are seen mostly through a counter-terrorism lens, with for instance the memory of past terror attacks in Tanzania¹³ and current violence in Somalia.

Some left-wing pan-Africanist American analysts have very clearly criticised France and the US for carrying out a neo-imperialist and neo-colonial campaign in Northern Mali.¹⁴ In Africa though, unlike in the case of post-electoral crisis in Ivory Coast in 2010-2011, very little ideological debate took place in the public opinion about Mali until the topic was addressed within the forum of the AU summit.¹⁵ Some African Marxist authors like Samir Amin have actually supported the French intervention. For him, it avoided the risk of comparing the Malian case to a new Afghanistan (a “Sahelistan”): by making the repetition of the Afghanistan scenario in Mali impossible, it prevented an increased Western US-led capitalist military presence in Africa.¹⁶ Other analysts have investigated, in cooperation with Northern and Western African colleagues, the root causes of insecurity in the Sahel. They described it as made-up threats

7 Interview with the ambassador of Algeria to the EU, H.E. Amar Bendjama, Brussels, 30 May 2013.

8 See Couteau (2013). See also the debates between two experts from the US and France on Algerian views about Mali in 2012, illustrating well their complexity: see Kal (2012).

9 Crisis Group, *Sécuriser, dialoguer et réformer en profondeur*, 11 avril 2013, note 142 p. 29. Observatoire de l'Afrique, Nigeria and constitutional reform TBK.

10 Interview with a West African diplomat, 26 April 2013.

11 Interview with Hengari Tijurimo, 21 May 2013.

12 Interview with Hengari Tijurimo, 21 May 2013.

13 Interview with a Tanzanian diplomat, 26 April 2013.

14 Omoyele Sowore of Sahara TV interviews Prof. Horace Campbell on the crisis in Mali, Pambazuka, 6 February 2013.

15 Phone interview with an African diplomat recalling the creation of academic clubs in African universities to discuss the Ivorian situation, 17 May 2013. Guinea's president Alpha Condé stated in Addis during the AU summit that “it was a shame to have to clap hands for France after 50 years of independence” and that Africans were “all a bit humiliated that Africa could not solve this problem”, RFI, 27 Mai 2013.

16 Znet, Mali: Analysis by Samir Amin, 4 February 2013. See Boisbouvier (2013).

created by Algerian and US intelligence services in the early 2000s, which turned into a self-fulfilling prophecy.¹⁷ All these interpretations – even those close to conspiracy theories – are worth considering seriously, because they contribute to maintain some level of mistrust and to shape African and European actors' reciprocal perceptions. This may then turn into real policy and implementation challenges when it is required for European and African to work collectively in regional or continental frameworks.

1.2. The AU and the institutional spaghetti bowl

On behalf of the African Union Commission (AUC), Mrs. Dlamini Zuma has expressed her gratitude “to the Economic Community Of West African States (ECOWAS), member states and commission, the core countries and other African countries” for their efforts to set up the African-led International Support Mission in Mali (AFISMA), to which the African Union (AU) has allocated 50 million dollars. She also thanked France for its military intervention in Mali.¹⁸ This attitude marked a change in African continental and regional politics, after serious divisions about 2010 French intervention in Ivory Coast (which displeased Angola and South Africa but was supported by Nigeria) and the 2011 NATO intervention in Libya (also fiercely criticised then by South Africa).

On Mali, a new consensus has emerged between South Africa and Nigeria about the French intervention. However, tensions between ECOWAS and the AU have persisted up until the French intervention, as some mistrust remained within ECOWAS about Mrs. Zuma's South African agenda within the AU.¹⁹ Paul Buyoya explained why “the AU has not been moving the process forward quickly” by “in-fighting amongst Malian politicians who do not share a common vision for the country has been holding back progress.”²⁰ However, as one expert from the region puts it, on the Mali dossier “everyone agrees with the failure of the AU after all other crises”.²¹ Not only did the AU struggle to find some legitimacy in addressing the crisis, but it seems to have lost a credibility battle with the United Nations (UN) which will be the leading organisation in the future Mali.²²

17 Keenan (2009). Keenan (2013).

18 Introductory remarks of the chairperson of the Commission, Donor's conference on Mali, 29 January 2013.

19 Comfort Ero, interviewed on by the Africa report, 21 January 2013 “What we have noticed in the past six months has been a degree of reluctance by ECOWAS to give way to the AU. What Dlamini-Zuma needs to do is to reassure ECOWAS that it is very much the AU supporting ECOWAS. We should remember that Mali is not just a regional problem but a continental one that gets to the heart of the AU's security architecture.”

20 African Union Perspective on Mali and the Sahel, Pierre Buyoya, AU representative Mali and Sahel and head of AFISMA, Chatham House, 26 March 2013.

21 Phone interview with a regional expert, 8 May 2013.

22 See Boutellis (2013).

1.3. The ECOWAS

Existing reports note a large consensus about the fact that the French operation Serval has opened an insecurity Pandora box²³ resulting in the spreading of terrorist groups across the region. Yet, a number of other nuanced perceptions have been expressed. According to some opinion polls and press reviews, the intervention of France with European back-up has been positively perceived in Mali itself and in most of Francophone Western and Central Africa.²⁴ Early on in the crisis, the same consensus emerged when president Amadou Toumani Touré (ATT) was overthrown: many leaders in Western and Central Africa considered that the Malian president had played with fire.²⁵ However, in spite of notable progress (pretty quick deployment of African forces in the immediate aftermath of Operation Serval, disbursement of African funds for AFISMA²⁶), many still deem that, “although the response at the beginning was good” it has been far too slow.²⁷ As some diplomats from the region underlined, this poses the question of the role of armies in the region, of their core purpose and function, and of their relation with political elites in each country.²⁸

On the political side, the leadership of Burkina Faso has played a mediation role on behalf of ECOWAS but with ambiguous methods and mixed results. The vigorous military action by Chadian forces has led to mixed comments in the region: on the one hand it was seen as a salutary move from Africa itself, some even say the *sine qua non* condition for the French operation, with strong international and continental support.²⁹ On the other hand, it is perceived as the repetition of a *françafrique* neo-colonial war by proxy.³⁰ In the case of Senegal, similar divergences have been noted within the country's public opinion. If Senegal's participation to the conflict is generally seen as a positive sign of African solidarity, a recent survey on religious radicalism in the country shows that up to 40% of Dakar people are opposed to the French intervention in Mali, and blame their country for being “a defender of French interests in the sub-region”.³¹

23 Crisis Group Report, Mali: Security, dialogue and meaningful reform, 11 April 2013, note 188. “la perception que l'intervention a ouvert une boîte de Pandore qu'il sera difficile de refermer est irrémédiablement ancrée dans les esprits.”

24 An opinion poll was conducted end of 2012 in Mali by Orb, a UK and US-based company. <http://orb-international.com/perch/resources/mali-public-opinion-poll-2013-01-24.pdf>. Radio France International reviewed francophone press right after Operation Serval in Mali, Burkina Faso, Republic of Guinea, Benin. See Couteau 2013.

25 Phone interview with an African diplomat, 17 May 2013.

26 Ambassador Natama, Chief of staff of the AU Commission chairperson. “ECOWAS gave 10 million USD, AU gave 50 million USD to contribute to the AFISMA, and some Member States gave bilateral support. It is much more than contributions given in the past to AMIS in Darfur.” Colonel Dieng, Head of the ECOWAS Security Department, made at the IHEDN-DAS seminar on the securitisation of flows in Africa, 3 April (2013).

27 Interviews with SAILA researcher Alfredo Tijurimo Hengari, 21 May 2013, the deputy head of the South African mission to the EU, the ambassador of Republic of Guinea, Dr Ousman Sylla, 3 and 4 June 2013.

28 Phone interview with an African diplomat, 17 May 2013.

29 President Deby initially was not keen to intervene and sought for UN and AU mandates to do so. Interview with an African diplomat, 17 May 2013.

30 Phone interview with an African expert working in Northern, Central and Western Africa, April 2013.

31 ISS Africa (2013).

The French and European pro-activeness may have had a counter-effect on self-esteem of ECOWAS and West Africa in general on being able to provide solutions themselves³², while until recently the sub-regional organisation was depicted as the most advanced experience in the African Peace and Security Architecture. Scholar Achille Mbembé, while being theoretically opposed to the very idea of foreign interventions in Africa, states that “Africans cannot commend French troops in Mali without recognising at the same time that this intervention reminds their powerlessness and their inability to self-determination”.³³ For Marxist economist Samir Amin, “not much is to be expected from the countries of the ECOWAS”, with unpredictable Nigerian forces and small capacities in Senegal.³⁴

These doubts however are not shared by everyone in Africa. High-level political figures like the Africa Caribbean and Pacific (ACP) Group Secretary General Mumuni actually state the opposite. For him, the way ECOWAS performed (with the deployment of troops from a number of countries like Benin, Burkina Faso, Ivory Coast, Ghana, Guinea, Niger, Senegal, Sierra Leone and Togo) is the indicator of a new era in which Africans and Europeans are able to act jointly in partnership against transnational threats. Other African voices reinforce this line. For them, the French intervention “accelerated the deployment of ECOWAS which was delayed because this time there was no strong leadership from Nigeria – busy with internal issues in its North – or Ivory Coast – still in difficulty”. The slow reaction of ECOWAS, which “perhaps was hoping for funding from Europe or elsewhere” in taking action would thus just be “temporary”.³⁵

1.4. Northern African dynamics and Mali

While ECOWAS's crisis response mechanisms were activated and some troops mobilised, none of that was done by Northern African security cooperation structures. The Joint Operational General Staff Committee (CEMOC, gathering Algeria, Mali, Mauritania and Niger) “does not work”.³⁶ Other structures like the Unité de Fusion et de Liaison (UFL) in Algiers, as well as the AU Centre on Counter Terrorism³⁷, have not been at the forefront of crisis prevention and management in the Sahel. Yet, as put by the International Crisis Group, “the clear failure of these arrangements does not mean the idea of creating regional security mechanisms should be forgotten.”³⁸ Recent terrorist attacks in Libya, violence in Tunisia, political uncertainty in Algeria and military moves to secure the country's border recall the volatile situation in the region. Because of the cross-border nature of threats, the challenge is to use appropriate and

32 Conversations with agricultural experts in Burkina Faso, April 2013, and with SAIIA researcher Alfredo Tijurimo Hengari, 21 May 2013.

33 Mbembé: *le temps de l'Afrique viendra*, Le Point, 12 February 2013, translated by the authors of this chapter.

34 Znet, Mali: Analysis by Samir Amin, 4 February 2013.

35 Interview with an African diplomat from the Sahel region, Brussels, 28 May 2013.

36 Colonel Ndiawar N'Diaye, presentation made at the IHEDN-DAS seminar on the securisation of flows in Africa, Paris, 3 April 2013.

37 www.caert.org.dz

38 Crisis Group, *Sécuriser, dialoguer et réformer en profondeur*, 11 avril 2013, note 142 p. 42. Observatoire de l'Afrique, Nigeria and constitutional reform TBK. See International Crisis Group (2013).

effective regional cooperation formats. This is precisely the focus of AU efforts to make stronger connections between Northern and Western African cooperation frameworks.³⁹

The crisis in Mali has confirmed the need for strong regional cooperation frameworks, seriously and genuinely backed up by their Member States, able to find common solutions to transnational and cross border challenges. At the same time, it has also deepened a crack existing in the APSA, by separating Western and Northern African dynamics from Eastern and Southern ones. Secondly, it has re-affirmed an old policy template according to which France is playing an essential military and political role in this part of Africa. Finally, it has confirmed the acute need for de-radicalisation and the need for dialogue and research on the role of transnational radical Islam in Mali⁴⁰, Western and Northern African societies, in relation with pro-development public policies, beyond security interventions.⁴¹ This issue is addressed in the EU Sahel strategy⁴² with a strong focus on the necessary comprehensiveness of the EU's external action.

2. *Mali and EU comprehensive approach*

Despite the announced plans, the EU's strategic paper on the "comprehensive approach" in its external action is still, in May 2013, at the drafting stage. It is therefore hard to use a commonly adopted definition of the concept. One may see it as an updated wording of previous attempts to improve the coherence of EU's external action through successive conceptual/strategic documents: some articles of the Lisbon Treaty, the European Consensus on Development, the Linking Relief, Rehabilitation and Development (LRRD) concept, the Action Plan on Fragility, Council Conclusions on Policy Coherence for Development (PCD), and more recently the EU strategic framework for the Horn of Africa and the strategy for Sahel. All these documents share a common objective of using the whole range of EU instruments in a coherent way to ensure the effectiveness of EU's external policies.

Coherence and comprehensiveness may sometimes lead to negative impact: several years before the crisis erupted in Mali, the EU and its Member States collectively turned a blind eye on the fact that Mali was definitely not a development success story.⁴³ This experience means that a "comprehensive approach", even when applied to the letter, can mask fundamental political distortions (usually because of the positions of certain Member States

39 Nouakchott declaration, March 2013. See African Union (2013). See Assemblée Nationale (2013).

40 Crisis Group, *Sécuriser, dialoguer et réformer en profondeur*, 11 avril 2013, note 142 op. cit. p. 28-29.

See International Crisis Group (2013).

41 The existence of dormant terrorist cells in Bamako and in other countries of Western Africa, Islamist terrorist attacks in Algeria, Niger attacks are reported in the draft report on the implementation of the EU Sahel strategy, as well as in the media.

42 http://www.eeas.europa.eu/africa/docs/sahel_strategy_en.pdf

43 French diplomat Laurent Bigot made it very clear in a broadcasted speech initially given under the Chatham House rule but leaked on YouTube. It is also reported that the Head of the EU delegation in Mali repeatedly unsuccessfully warned the HQ and Member States about serious governance issues in the country. Phone interview with a European researcher studying EU's comprehensive approach, 22 May 2013.

that have specific national interests) and incoherencies in supposedly development-friendly European policies.

There is little doubt that France has been the leading European actor attempting to manage the crisis in Mali. EU positions and policies have been agreed according to a political line that has more often than not been defined in, or strongly inspired by, Paris or inside the French decision-making system. This is true for the EU Sahel strategy, but also for the response to the coup in Bamako and to the territorial conquer of jihadist groups as well as for the decisive French military intervention Serval. It is now still true for the conduct of donor's conferences, the political accompaniment of political processes as much as for security sector reform. In other words, when one reads EU's comprehensive approach in Mali, one should understand 'comprehensiveness between France's line and other EU member states in the use of EU instruments'. In the case of Mali, there is no comprehensiveness without the recognition that France has been the most relevant level of EU action to re-establish physical security. What the crisis tells us about the EU's comprehensive approach in external action is that it has to include the Member States in its scope.

Despite encouragement from the European Parliament⁴⁴ to go alongside Paris, EU Member States seem to have let France go mostly alone in handling the situation in Mali in terms of an offensive security response⁴⁵. With other EU member-states providing support 'from behind'⁴⁶ to Serval. Germany and the UK both excluded a priori any boots-on-the-ground option, and limited their contributions respectively to refuelling components⁴⁷, and to airlift and transport⁴⁸. Belgium and Denmark volunteered needed support.⁴⁹ Southern European countries such as Italy and Spain, directly concerned by the consequences of instability in the Sahel, did not opt for any major involvement, apart from some logistics.⁵⁰

As to the support from EU member states to European Union's Training Mission (EUTM) Mali, the picture is more positive despite sarcastic comments on the actual size and cost of the mission's protection force in Bamako.⁵¹ France is in the lead concerning the number of men deployed, and in total 22⁵² out of 27 EU member states currently contribute to the training mission. For the first time, Mali saw Irish and UK units been deployed under the same battalion⁵³. Moreover, it was the

44 See European Parliament (2013b).

45 See Le Monde (2013).

46 Policy Insight: see Friends of Europe and SDA (2013).

47 See German Federal Government (2013).

48 See UK Ministry of defence (2013a).

49 See Amoda (2013).

50 See Tisdall (2013).

51 Interview an African ambassador from the region and with EU Institutions staff, Brussels, 31 May 2013.

52 France 207, Germany 71, Spain 54, UK 40, Czech Republic 34, Belgium 25, Poland 20, Italy 19, Sweden 14, Finland 12, Hungary 10, Ireland 8, Austria 7, Greece 4, Bulgaria 4, Latvia 2, Slovenia 4, Estonia 2, Lithuania 2, Portugal 1, Romania 1 et Luxemburg 1. <http://www.eutmmali.eu/?p=211>, <http://www.eutmmali.eu/?p=951>.

53 <http://www.maliweb.net/news/armee/2013/05/28/article,148943.html>

first time in Africa for a North-Baltic contingent⁵⁴. In the past months high-level representatives of member states and EU institutions paid visits to EUTM in Koulikoro and Bamako, such as Ministries of Defence from Germany,⁵⁵ Sweden,⁵⁶ Spain⁵⁷, the UK Defence Secretary⁵⁸ as well as civil and military authorities of the EU.⁵⁹

In terms of division of labour between the various components of EU's external action, France and the EU institutions (the European Commission, the Council and the European External Action Service – EEAS) found a compromise on a division of labour which suited them all. Because they have more or less been stuck with this division of labour up until now, there is some sense of coherence in this geometry of the EU's external action. At the administrative level, the bureaucratic nature of the EU system is such that inter-departments tensions within the EEAS or between the EEAS and the Directorate General for Development Cooperation (DEVCO)⁶⁰ are almost unavoidable, and policies towards Mali are not an exception. This being said, some coordination has been made at various levels and in several circumstances, to feed into the work of the Council, which discusses Mali on a monthly basis: an inter-service mission was sent to Mali as early as February 2013 in the view to planning post-crisis interventions, and a another one in May on reconciliation issues, to mention but a few. The deep involvement and strong leadership of France (with an efficient network of seconded national experts or French civil servants in EU structures), supported in the Council, has perhaps also boosted the efficiency of action. Planning wise, the EU has made efforts to communicate that things look good (sometimes overshadowing the work of some African states also supporting Mali⁶¹) and are done in consultation with the African side: the EU have so far mixed short⁶² (peace enforcement through combat operations by one Member State, actions and packages funded by the Instrument for Stability - IFS), medium (Common Security and Defence Policy – CSDP operations like EUTM, EUCAP Sahel and possibly another Rule of Law mission in Mali, IFS counter terrorism projects in the Sahel) and long (resumption of European Development Fund (EDF) funding with the state building contract based on a supposedly more sophisticated approach to budget support, along the lines of the EU Sahel strategy) term actions. Yet the idea that there is a coherent and comprehensive and harmonious EU approach rather than a collection of different EU efforts is still fanciful. The EU's comprehensive approach, to be real, has to be more than a repackaging of existing and new initiatives under one rhetorical umbrella and in Mali the evidence is not yet convincing.

54 <http://www.maliweb.net/news/armee/2013/05/28/article,148943.html>

55 <http://www.eutmmali.eu/?p=282>

56 <http://www.eutmmali.eu/?p=821>

57 <http://www.eutmmali.eu/?p=837>

58 See UK Ministry of Defence (2013b).

59 <http://www.eutmmali.eu/?p=906>

60 Although the EEAS is supposedly in charge of strategic planning, the Commission's desks of DEVCO still hold significant power in the subsequent planning phases.

61 For instance one African ambassador stresses the fact that his country has fully (including with light weapons) equipped several battalions of the Malian army, in contrast with EUTM which only delivers training.

62 The EU, via its humanitarian office (ECHO), has also responded to emergencies, but humanitarian action as such is not part of the EU's external action, given the autonomy of the humanitarian space.

As far as the implementation is concerned, the question remains: how effective and coherent (both internally and vis-à-vis African regional and continental priorities) the European and African post-conflict engagement in Mali and Sahel will be, once (if ever) the region disappears from the Elysée's and the French Ministry of Defence's (and therefore the Council of the EU) political radars?

3. *The impact on Africa-Europe relations*

The crisis in Mali and the Sahel is not over. For instance, tensions remain high in Kidal. The main challenge for Africa-Europe relations in the months to come will be to ensure that all stakeholders from both continents support jointly an enduring resolution of conflicts and tensions in the country and the region.⁶³

The strong implication of EU and French planning structures (including French staff members of the EEAS who frequently visit the region) has opened the doors to new forms of cooperation between EU's external action representatives and the ECOWAS.⁶⁴ Instead of relying on a direct channel of cooperation and communication between the ECOWAS and the EU, the response to the crisis was largely orchestrated from Paris. The French diplomatic and security apparatus used the EU (and the UN) as a platform to push political, diplomatic and security options and actions.

Some may think though this approach is not entirely new. In the past, France has acted by initiating multilateral organisations to pursue its interests and honour its responsibilities as UN Security Council permanent member. What is noticeable this year is that France, contrary to what it did in Chad in 2007, has decided to engage militarily independently from a EU security and defence framework. Neither has it acted in a NATO framework (used in Libya in 2011) but has chosen to act in a UN framework whereby it obtained a strong individual mandate. This format of action, from a French military perspective, is quite similar to the one used in Ivory Coast in 2010.

The last years' military interventions in Ivory Coast, Libya and Chad show that neither the EU nor the AU or the African RECs have individually emerged as the main security actors in this part of Africa. What is at play instead are the conditions under which African organisations and states are ready to tolerate interventions and initiatives from former colonial powers like France but also the UK and Italy (in the Libyan case), somehow implying several new realities: first, the insecurity in these regions, at least in the particular case of Mali, was not only an African problem requiring an exclusively African solution, but rather a transnational threat and a joint

⁶³ Interview with an African diplomat from the region, Brussels, 28 May 2013.

⁶⁴ The modalities of this cooperation would require more detailed research. One African ambassador admitted that France "twisted the arm" of ECOWAS states to accelerate their military involvement. Interview with an African ambassador of the region, Brussels, 30 May 2013.

challenge for some Europeans and Northern and/or Western Africans.⁶⁵ Since the Arab spring, Europe is indeed (re)discovering a 'stretching Southern neighbourhood'. The second new reality is that there can still be effective partnership on peace and security between Europeans and Africans outside of the African Peace and Security Architecture – at least in the short-term, according to a pragmatic and ad hoc division of labour. As ACP Secretary General Mumuni states, "We see France as representing the EU" and the "French intervention was post facto welcome by ECOWAS and the AU". This gave a new face to Africa-Europe relations.

As far as the AU is concerned, it got much less involved than in other conflicts on the continent. Unlike in Ivory Coast in 2010 when there were several attempts on behalf of the AU to mediate between Laurent Gbagbo and Alassane Ouattara, the AU seemed to have stood on the backstage. While some comparisons have been made early in the crisis with the Somali conflict, they have not lasted as long as the model of the African Union Mission in Somalia (AMISOM) – an AU-led operation funded mainly with EU money through the African Peace Facility (APF) – is not replicated per se in Mali. However, the APF is going to provide funds for the subsistence of Malian troops of up to 50 million euros.⁶⁶

In the absence of credible African-led or African-owned responses to a security threat partly originating in Europe (because of the indirect financing of terrorist networks by ransoms payments and the consequences of the 2011 NATO Libyan campaign), the remaining solutions led in a hybrid initiative pushed by France partly outside the templates of existing institutional frameworks of APSA (African Panel of the Wise, African Standby Force, ECOMOG) or the Africa-EU Partnership on Peace and Security (Africa Peace Facility). Yet, if the African security architecture was found wanting in Mali, so was the EU's CSDP and Common Foreign and Security Policy (CFSP), as demonstrated by the missed deployment of EU Battlegroups.

At the end of the day, the case of Mali indicates that what seems to matter in the future is the existence of strong leadership on both European and African sides, lively diplomatic and security communication channels, and well prepared capabilities to react to unforeseen multidimensional, cross-border and cross-regional challenges. The fact that France's intervention was conceived as a temporary endeavour in coordination with Western African states indicates that Africa-Europe relations on peace and security in the Sahel have changed gear: it is not either/or (either European or African intervention, either a French, European or an African problem); it has become a joint challenge to be tackled together with available capabilities and resources reflecting the financial, military and technical asymmetry between both sides, in a "multilateral and inclusive" fashion.⁶⁷

65 This point was made clear most of the time during the dozen of interviews conducted for this chapter, emphasising in particular a) terrorism and organised crime as global threats, beyond Africa and Europe b) the triggering effect of the NATO-led campaign in Libya, implying therefore European responsibilities.

66 Phone interview with a staff member of the French Ministry of Defence, 4 June 2013.

67 These two words were used by Secretary General Mumuni on 28 May 2013.

Last but not least, it is likely that the experience of the Mali crises will lead to a strong emphasis in the future by the European side on peace and security issues in Western Africa and the Sahel-Saharan region. On the African side, the last AU summit conclusions, by deciding on the creation of an interim AU rapid intervention force, indicated that Mali's experience had a triggering effect. African experts go even further, suggesting that the question of African security capabilities (including not only expeditionary forces but also force enablers, strategic transportation and surveillance), enabled by European financial support, should be part of future Africa-EU discussions.⁶⁸ Focusing on peace and security priorities makes sense. However, the risk is that such a focus would hide other structural and fundamental development-related dimensions of the relationship between Africans and Europeans (like the questions of mutual economic return and joint influence in global governance⁶⁹), jeopardising the opportunity of the 2014 EU-Africa Summit to look for creative ways of rejuvenating other common agendas.

Looking forward

At first glance and in the short term, crises in Mali and the intervention of France and the EU may have paradoxically harmed the self-confidence of West African regional organisations and the African continent, renewing mistrust vis-à-vis France and Europeans, bringing back bad memories in Africa of the 2011 Libya campaign. This could be felt in the atmosphere of the summit celebrating the AU's 50th anniversary: France's president addressed an almost empty room mostly filled by journalists. His invitation to African leaders to a summit on security in France next December was received with contradictory reactions mixing irritation and satisfaction⁷⁰. Some gaps have temporarily reappeared between many Western African states and other regions of the continent, within the AU and between the AU and some RECs⁷¹. Yet, at political level, the discourse is much more positive: the "multilateral and inclusive" way Africans (mainly via ECOWAS) and Europeans (mainly via France and EU institutions) have tackled threats in Mali indicate a reset of Africa-Europe relations on peace and security. It is "in contrast with Libya"; it allowed a timely intervention to avoid the repetition of "international neglect of Somalia" for decades⁷². The Mali crisis has also "reinforced quite vigorously the debate within Africa on how Africa can deal with these issues by itself", raising once more the question of a "meaningful application of the principle of ownership"⁷³.

68 Phone interview with Africa Governance Institute Programme coordinator Maurice Enguéléguélé, based in Dakar, 29 May 2013.

69 These themes are being considered as priorities for the EU by some officials in EU institutions.

70 See Rumeurs d'Abidjan (2013). See Maliweb <http://www.maliweb.net/news/la-situation-politique-et-securitaire-au-nord/2013/05/29/article,149098.html>

71 Phone interview with Addis-based ISS Africa researcher, Abdelkader Abderrahmane, 10 May 2013.

72 Interview with ACP Secretary General Mumuni, Brussels, 28 May 2013.

73 Phone interview with ISS Senior researcher, Solomon Ayeledersso, based in Addis, 31 May 2013.

The Malian experience has brought to the fore the fact that the Africa-Europe relationship requires effective geographical differentiation and tailored approaches, and not only in development aid, to be activated thanks to a common vision of perceived threats and interests. It represents the real world of EU-Africa relations and a reality check and challenge to processes such as the Joint Africa-EU Strategy (JAES). Stakeholders involved in the JAES will have to show a clearer link between their work and the real world of EU-Africa relations in Mali if the JAES is to remain relevant. Yet this will not serve a purpose if it is relentlessly short-term and crisis and security focussed.

In other words, within the APSA, each African region, depending on the positions and interests of its Member States, will invent the modalities of cooperation with the EU depending on its specific needs and European specific interests. Due to their geographical proximity, the Sahel and the Horn of Africa stand out in terms of the human security-development-migration nexus. This focus will probably not be relevant for other parts of the continent where stability seems more enduring and growth prospects look brighter, posing a myriad of other questions related to inclusive growth and sustainable development.

Beyond the terrorist threat and short-termism, it is hoped that the donors' conference on 15th May in Mali will lead to long term and inclusive development-focused joint engagement from African regional powers together with international contributors (including Europe), to support Malian authorities in addressing structural development challenges: North-South imbalance in education, infrastructure, water, along the lines of the country's national development strategy.

The Mali crisis could indeed inspire Africans and Europeans to reflect on a geographically focused, evidence-based and differentiated way of identifying common interests, aspirations and objectives, in the framework of an overarching, permanently held continent-to-continent dialogue like the Joint Africa Europe Strategy (JAES). In particular, the role of influential states beyond the continental institutions must be singled out in the future of relations between Africans and Europeans, for they are the regional engines of African political integration as well as of EU's external action. In that respect, and in the case of the crises in Mali, the role of and the relationship with Algeria would require particular attention at EU level, beyond bilateral relations often tainted by ambiguous post-colonial ties. This is also true for Nigeria, Angola, Kenya, and Ethiopia, where enhanced and upgraded political dialogue will probably be the only way to lead to a web of revitalised relationships openly focused on long-term and inclusive development challenges, mutual economic interests, and regional integration. The organisation of specific regionally-focused sessions and bilateral meetings during or in the margins of the Africa-EU summit could be an option to be envisaged by both parties.

On the EU side, the main lesson of the Mali crises for the comprehensiveness of external action is that it is still work in progress and cannot be effective without the contribution of influential Member States. That was the case of France on Mali, but it can be other former colonial

powers or other pro-active states in other parts of the continent. This is true if their role brings irreplaceable added value, to be assessed either on an ad hoc basis, or through the revisiting of the subsidiarity principle⁷⁴ applied to the EU's external action.

The other lesson is that the soon-to-be 28 Member States cannot rely anymore on the foreign policy line of a single former colonial power (France in that particular case) to conduct development-friendly European external action in Africa. In former European (and in that case francophone) colonies, more collective political engagement is necessary to not only act preventively ahead of crises but also to ensure that development policies themselves are coherent with a long term vision of EU's external action.

⁷⁴ The principle of subsidiarity is the logic by which policies are conducted at the most appropriate governance level, depending on legal competences but also political sovereignty and effectiveness. While applicable within multi-level governance systems like a federation or a regional organisation, it can also be used, by extension, in international relations.

Towards Renewal or Oblivion?

Prospects for Post-2020 Cooperation between the European Union and the Africa, Caribbean and Pacific Group¹

Mario Negre, Niels Keijzer, Brecht Lein & Nicola Tissi²

1. *Introduction*

One of the stellar events in the history of Europe's external action is a comprehensive and legally binding international cooperation agreement that unites over half the world's nation states. Signed in Benin in 2000, the Cotonou Partnership Agreement (CPA) was intended to ramp up the long-standing cooperation in politics, trade, and development between the European Union (EU) and the countries of Africa, the Caribbean and the Pacific (ACP). This cooperation has led to the creation of unique joint institutions that facilitate ACP–EU cooperation at the level of public officials, members of Parliament (MPs) and many other partnership actors.

The changing global context, as well as institutional, political and socioeconomic developments in both the EU and the ACP, raises the question as to whether this approach to cooperation has sufficiently delivered on its objectives, and what evolutions – or revolutions – may be necessary. In recent years various studies have reviewed this topic, focusing on the Brussels-based ACP and EU representatives that directly manage and shape the cooperation. This chapter presents the findings of a study that contrasts a detailed review of the literature with perceptions about the

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² This chapter is part of a joint research project conducted by the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) and the European Centre for Development Policy Management (ECDPM) about the future of the partnership of the European Union (EU) and the African, Caribbean and Pacific (ACP) Group.

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past, present and future of ACP–EU cooperation from a wide range of stakeholders in ten ACP countries. The Cotonou Agreement's cooperation framework runs until 2020: recording such perceptions now for discussions about the future is both warranted and opportune.

In signing the 1957 Treaty of Rome, six European countries confirmed their determination to promote the closer union of the peoples of Europe through the European Economic Community (EEC). The Rome Treaty expressed their intention to “*confirm the solidarity which binds Europe and the overseas countries and desiring to ensure the development of their prosperity, in accordance with the principles of the Charter of the United Nations*”.³ The Treaty was adopted seven years after the French Foreign Minister Robert Schuman suggested that pooling coal and steel production in the EEC would generate new resources: “[W]ith increased resources Europe will be able to pursue the achievement of one of its essential tasks, namely, the development of the African continent.” The Treaty thus also represented the birth of a European development cooperation policy, albeit one linked to the European countries' Overseas Countries and Territories (OCT) that only later would become independent (Frisch, 2008).

Following adoption of the Treaty of Rome, the EEC developed a formal and privileged cooperation framework for its relationship with countries in Africa, the Caribbean and the Pacific. The ‘African, Caribbean and Pacific Group of States’, created by its member states in 1975, includes 79 countries. Although it has been criticised as a post-colonial construct, the ACP states viewed the Group as an effective means of promoting their interests and shaping cooperation with the EU.

Following a number of cooperation conventions and the expansion of both the EEC (after 1993 transformed into EU) and the ACP Group, the CPA has systematised key elements of the cooperation and radically changed and added others (Van Reisen 2012). Cotonou aims at “*reducing and eventually eradicating poverty, consistent with the objectives of sustainable development and the gradual integration of the ACP countries into the world economy*” (Art. 1), and focuses on three complementary dimensions: political dialogue, economic and trade cooperation, and development cooperation. This unique configuration makes it today's most comprehensive North–South partnership, especially as it involves both state and non-state actors (NSAs) (Laporte 2012).

Two years ahead of the CPA's third review and seven years before its expiry, the relationship between the ACP and the EU should be reviewed. Although there are no official positions on the future of ACP–EU relations and the CPA beyond 2020, stakeholders are entering a crucial stage of internal debate and negotiating possible scenarios (Keijzer, Lein et al. 2013). During the ACP Summit for Heads of States in Equatorial Guinea in December 2012, the European Commissioner for Development addressed the need for debate: “...[P]erhaps [the] most basic question we must

3 The Rome Treaty is available in Portable Document Format: http://ec.europa.eu/economy_finance/emu_history/documents/treaties/rometreaty2.pdf

ask ourselves, therefore, is: are we all ready to see our relationship flourish after 2020, serving as a basis for ambitious joint political cooperation and action on the world stage?”⁴

Although the ACP must decide its own future, it may largely depend on the future of the Cotonou Agreement. The post-Lisbon EU seems to prefer continental types of cooperation with relatively homogeneous geographic blocs (Nickel 2012; Laporte 2012). The 79-member ACP Group seems to be increasingly fragmented. Yet despite some ACP officials' desire to move beyond cooperating with Europe, the Group has made only tentative progress in formalising relations with other global players.

ACP stakeholders consider that Africa holds the keys to the ACP Group's future (Laporte 2012). ACP reflections started back in 2010: ACP partners want to define their own vision of a future partnership with the EU. At the ACP summit on 13 and 14 December 2012, members expressed their determination to “*stay united as a Group*” and to “*enhancing the ACP–EU relationship as a unique North–South development cooperation model, while developing South–South and other partnerships.*”⁵

Most ACP Group reflections are held at the ACP Secretariat in Brussels and within its Committee of Ambassadors. Little is known about local, national and regional African governmental and non-governmental views about the Group's future.

This chapter is structured as follows: Section 2 presents a detailed overview of the research questions and methodology. Section 3 presents key findings from a review of literature about the historical context, past cooperation results and the current debate. Section 4 presents the findings from the interviews with ACP officials in Brussels, ten country visits and additional interviews by phone or email. Section 5 makes conclusions and recommendations.

2. Research questions and methodology

This project attempts to contribute ideas, perceptions and views from ACP countries to the Brussels-based debate about the future of the ACP and ACP–EU cooperation. Assessments of how well the ACP Group functions, its current cooperation with the EU and scenarios for post-2020 cooperation were examined, and research questions were formulated:

1. What evidence exists of solid, binding links between Africa, the Caribbean and the Pacific that necessitate a common framework for relations with the EU?
2. How do key stakeholders assess the ACP Group's functioning in terms of: (i) intra-ACP cooperation and enhanced integration, (ii) joint action in international fora, and (iii) the ACP Secretariat's role in promoting intra-ACP cooperation and action?

⁴ The speech is available at: http://europa.eu/rapid/press-release_SPEECH-12-957_en.htm (accessed 30-04-2013)

⁵ For more information and to access the Sipopo Declaration adopted at the summit: <http://www.acp.int/content/acp-leaders-send-out-strong-message-partners-key-summit> (accessed 30-4-2013)

3. What are the main results of nearly 40 years of privileged relations between the EU and the ACP Group in terms of: (i) development cooperation under the European Development Fund (EDF), (ii) a reinforced political partnership, and (iii) economic and trade cooperation?
4. How do stakeholders view the modalities for coexistence between the ACP–EU cooperation framework and alternative formats for cooperation such as joint strategies or direct relations with continental and/or regional groupings like the AU and the RECs? How do stakeholders assess the levels of participation of both ACP and EU actors in key ACP–EU cooperation meetings?
5. Which features of the *acquis* in the ACP–EU cooperation do stakeholders want to see preserved at all costs after 2020? Could these features be incorporated into alternative frameworks for regional cooperation?
6. Which post–2020 scenarios do stakeholders find feasible and desirable for the ACP Group and future ACP–EU relations? To what extent is the feasibility of these scenarios seen as dependent on funding decisions as well as on emerging donors' strategies for Africa?

We chose two methods for collecting the evidence base needed to answer our key research questions:

- A structured review of the literature identified secondary data related to the third question, as well as complementary information regarding the other questions.
- The research questions were used to guide semi-structured interviews with ACP officials in Brussels and in ten ACP countries.

The project team found it difficult to decide how to shape the method for collecting data in the country visits. To begin with, the ACP's increasing fragmentation in terms of interests and orientation made it hard to identify a small number of countries that could provide a representative body of evidence. Then it was challenging to strike the right balance of interviewees to reflect on ACP–EU cooperation: they could not be fully aligned with the Brussels-based debates. A third – unanticipated – challenge was the limited knowledge and/or interest among most of the stakeholders interviewed in ACP countries regarding future long-term ACP–EU cooperation.

The first challenge was addressed in early scoping interviews in Brussels. Although the Caribbean and the Pacific were important for the ACP Group's creation, the African countries are now leading the discussions about what should happen after 2020. Therefore, in terms of the time and financing allotted for this study, it seemed appropriate to focus on Africa and to attempt to cover all its regions. Particular efforts were made to visit countries that headquarter the offices of Regional Economic Communities (RECs) and Pan-African institutions, since the literature reveals that such organisations play vital roles in the ACP and its EU cooperation. Ten low- to upper-middle-income countries were selected and visited by one or two researchers for an average of five working days between July and November 2012 (table 1).

Preliminary findings of the country visits were presented during the November 2012 session of the Joint Parliamentary Assembly (JPA) in Suriname in order to get feedback from MPs and other stakeholders from countries not covered by the research project. During an informal workshop organised by the Cyprus Presidency in December 2012, provisional findings from the country visits were presented to EU officials and the Member States’ Permanent Representatives to the EU.

Table 1: Case-study countries

African countries	Classification + other info	Caribbean countries	Classification + other info	Pacific countries
Botswana	UMIC SADC HQ	Guyana	LMIC CARICOM HQ	Region covered by long-distance consultations, interviews with Brussels-based representatives and Pacific Members of Parliament during the November 2012 Joint Parliamentary Assembly
Cameroon	LIC	Suriname	LMIC	
Ethiopia	LIC AU HQ	Trinidad and Tobago	UMIC	
Ghana	LMIC			
Tanzania	LIC			
Zambia	LMIC COMESA HQ			
Nigeria	ECOWAS HQ (ECOWAS interviews only)			

To select government interviewees, we sought advice from the Brussels-based diplomatic representatives; non-governmental and regional stakeholders were identified using the networks of European NGOs and think tanks in the ten countries. This resulted in a total of 125 relevant and complementary interviewees who can be clustered in the following categories⁶:

6 This table seeks to provide a general impression of the kinds of stakeholders that were consulted, but cannot give a precise overview because several interviewees either fit in more than one category or reflected on their experience of ACP–EU cooperation in a different capacity than their current one.

Table 2: Range of stakeholders consulted⁷

Government officials	28	Civil society	11
Research/academia	22	Parliament	3
Private sector	7	Trade unions / commerce federations	2
External stakeholders (donors, diplomats)	16	Regional Economic Communities	15
EU and EU-MS officials	18	Other	3
Total:	125		

Despite our efforts to compensate for the methodological challenges as well as constraints regarding time and resources, this chapter does not fully represent the perceptions, ideas and views of the ACP about the Group’s future and its cooperation with Europe. Instead it presents a rich and diverse spectrum from selected countries and regional organisations that are expected to wield considerable influence on future discussions. These findings are a ‘snapshot’ of a particular moment in the partnership, eight years before the Cotonou Agreement expires; in years to come, stakeholders’ views might well evolve.

3. *Setting the scene*

3.1. Historical overview⁸

The Treaty of Rome, which was to serve as the legal framework for the regional integration process from 1958 to 1975, was negotiated at the time cooperation between the EEC and its Overseas Countries and Territories (OCTs) was beginning. In 1950, French Prime Minister Robert Schuman – then the Foreign Minister – had proposed development cooperation with Africa as a cornerstone for European external relations policy:

“With increased resources Europe will be able to pursue the achievement of one of its essential tasks, namely, the development of the African continent. In this way, there will be realised simply and speedily that fusion of interest which is indispensable to the establishment of a common economic system; it may be the leaven from which may grow a wider and deeper community between countries long opposed to one another by sanguinary divisions.”⁹

7 The overview shows only the number of stakeholders interviewed in the ACP countries we visited. Interviews conducted with ACP officials based in Brussels are analysed and summarised in section 4.1.
8 This section is an abridged version of a more detailed review of literature conducted for this research project: Negre (2012).
9 The Schuman Declaration is available online: <http://www.eppgroup.eu/Activities/docs/divers/schuman-en.pdf> (accessed 30-04-2013)

France later supported the OCTs being included in the Treaty of Rome and – despite initial resistance from Germany and the Netherlands – got its way. In the Treaty, “[M]ember countries expressed their commitment to the prosperity of their colonies and territories” (Evrensel 2007, 3).

The signatory states also agreed to share commercial access to overseas territories that previously had been the domain of the respective colonial powers. Article 131 of the Treaty reads: *“The purpose of this association shall be to promote the economic and social development of the countries and territories and to establish close economic relations between them and the Community as a whole.”* This included Luxemburg and Germany’s assumption of the development needs of these territories as part of their common responsibility, and led to creating the first European Development Fund (EDF) (Frisch 2008, 2).

Still a key feature of EU development cooperation, the EDF has grown exponentially while retaining its inter-governmental character and governance structure, which has allowed it to become the largest element in EU development cooperation aside from the Multiannual Financial Framework (MFF). The EDF is funded by EU Member States (MS), based on a specific contribution key different to that used for the MFF. It has its own financial rules and own management committee. Because of the EDF’s history and unique legal status, the European Parliament (EP) has no co-decision power over it. But although it does not have a formal co-legislating role in what is essentially an inter-governmental instrument, the EP Development Committee engages in general policy discussions and is an important CPA stakeholder. In 2011, a comparative review of multilateral aid instruments by the UK Department for International Development (DfID) concluded that the EDF performs better than other development cooperation instruments that are part of the MFF (DfID, 2011b; Gavass, 2013).

As called for in the Treaty of Rome, EDF funding was eligible for EU OCTs from the start. The EDF consists of: (i) grants managed by the Commission, (ii) risk capital and loans to the private sector managed by the Investment Facility of the European Investment Bank and (iii) the ‘FLEX mechanism’, which seeks to remedy the adverse effects of export-earnings instability. The table below presents an overview of the various EDF rounds, as well as the evolution of the ACP and EU memberships and their cooperation agreements.

Table 3: Evolution of the ACP–EU Relationship Regulatory Framework*(Source: David (2000) and the European Commission)*

Year	Event	No. of countries		EDF funds (including OCTs) in € millions ¹⁰
		ACP	Europe	
1957	Association Regime			EDF 1: 569
1963	Yaoundé I Convention	18	6	EDF 2: 730
1969	Yaoundé II Convention	18	6	EDF 3: 887
1975	Lomé I Convention	46	9	EDF 4: 3,053
1980	Lomé II Convention	58	9	EDF 5: 4,207
1985	Lomé III Convention	65	10	EDF 6: 7,883
1990	Lomé IV Convention	68	12	EDF 7: 11,583
1995	Lomé IV bis Convention	70	15	EDF 8: 13,151
2000	Cotonou Agreement	77	15	EDF 9: 13,500
2005	Cotonou Agreement Revision I	78	25	EDF 10: 22,685
2010	Cotonou Agreement Revision II	78	27	EDF 11 is being negotiated

The political landscape of the early 1960s – when Sub-Saharan African states were independent – set the stage for the two Yaoundé Conventions through which the countries sought to consolidate their position and cooperation with the European Community (Frisch 2008, 4). European countries (Germany and the Netherlands) that had originally been reluctant to enter into special associations with these countries – as opposed to treating the whole developing world equally – also resisted signing the second Yaoundé Convention (Ibid.).

The United Kingdom's 1973 accession to the European Community paved the way for incorporating newly independent Commonwealth members that saw themselves as developing countries – into one group including countries in Africa and, for the first time, the Caribbean and the Pacific. Instead of accessing cooperation under the existing Yaoundé conventions, the Commonwealth states chose to negotiate substantive changes in the cooperation. In 1975 the Georgetown Agreement¹¹ created the Africa, Caribbean and Pacific Group of States (ACP), which became these countries' main vehicle for shaping relations with Europe. Rather than joining the existing agreement, through a common negotiation process a new Convention was adopted in Lomé in which the new ACP states enjoyed the same status (Frisch 2008, 12–13). In serial conventions held every five years, the number of ACP signatory states grew steadily. Another twelve ACP countries

¹⁰ The amounts stated here for the Association Regime up till and including EDF 8 are in Euro equivalents (the Euro was introduced in 1999 and replaced the European Currency Account, which in turn replaced the European Unit of Account in 1979).

¹¹ http://www.caricom.org/jsp/secretariat/legal_instruments/georgetownagreementonacp.jsp?menu=secretariat (accessed 30-4-2013)

signed Lomé II (1980), while 65 ACP countries and ten European Member States adopted Lomé III (1985).

The Caribbean served as a catalyst for the creation of the ACP Group. Many Caribbean leaders were charismatic, and had strong ties to the United States and the United Kingdom. The loss of Commonwealth trade preferences as a result of the UK's accession to the European Community also brought African and Caribbean Anglophone countries closer together. But despite sharing strong – predominantly trade-focused – interests, the ACP Group was undermined by mistrust and discord, especially between Francophone and Anglophone African countries. The Group was weakened by the lack of consensus regarding the first elected Secretary General, and at times the Secretariat was paralysed.

Lomé III incorporated a crucial element for future ACP–EU relations – the increased significance of political dialogue. Five years later, this would lead to respect for human rights being anchored in the Lomé IV Convention, which was supposed to last ten years, although it was revised halfway through the period. David (2000, 13) points out that Lomé IV expressed the main elements of the ACP–EU collaboration, including *“diversification of the ACP economies, promotion of [the] private sector and the increasing importance of regional cooperation as a precursor to regional integration”* – in addition to continued funding for infrastructure.

Far from the usual rubberstamping of minimal changes, the 1995 mid-term review of Lomé IV (referred to as Lomé IV bis) introduced the first legally binding human rights clause, thus substantially upgrading the ACP–EU political dialogue. The rapidly transforming international landscape following the Cold War, major advances in world trade regulations and the growing relevance of conflict and humanitarian crises made it necessary to revitalise the agreement. As a result, the Cotonou Partnership Agreement was signed, and took effect in 2000. Valid for 20 years, the CPA incorporates two assumptions – that development is profoundly shaped by the concrete political context and that globalisation must not exacerbate exclusion, poverty and inequality (David 2000, 14). The good governance clause introduced in Lomé IV bis was crucial to the CPA. According to Frisch (2008), the legal significance of this clause cannot be understated as it allows any party to take appropriate measures if it considers that another has failed to comply with its obligations.

The CPA's core objective of *“reducing and eventually eradicating poverty and the gradual integration of the ACP Group into the world economy”* is presented in three complementary pillars:

1. **Political cooperation:** The requirement to improve good governance was expanded beyond aid management into all spheres of government action. The scope of the dialogue was broadened to include issues of peace, security and terrorism and also strengthened those parts concerned with democracy, the rule of law and human rights. Cotonou also required the increased participation of civil society and the private sector (Frisch 2008, 28).

2. **Trade cooperation:** The CPA was an important compromise between maintaining the ACP countries' privileged access to the EU market and slowly bringing these dispositions in line with World Trade Organisation (WTO) rules. In 2001 the EU and the ACP sought a waiver that granted both parties time to negotiate reciprocal and asymmetrical trade agreements, the Economic Partnership Agreements (EPAs).
3. **Development cooperation:** The 9th EDF set out by the CPA covered the eight years between 2000 and 2007 and for the first time incorporated previously unspent funds, thus doubling the sum that had been available in the 8th EDF. In 2005 the EDF's duration was adapted to the EU's six-year budgets: the current 10th EDF covers the period from 2008 to 2013. Greater focus was also placed on performance when determining the modalities – as well as the quantity – of aid.

The Cotonou Agreement remains unique as a legally binding international agreement between two groups of countries that represent more than half of the world's nation states. It is also unique in its great ambition and scope – from identifying the partnership's various actors to instituting broad policy dialogue and political intervention – by introducing elements of a Paris Declaration on Aid Effectiveness *avant la lettre* and creating its own unique institutions to facilitate cooperation (Grimm and Makhan, 2010; Laporte, 2007; Keijzer, Lein et al. 2013).

The Cotonou Agreement provides for a range of joint institutions:

- The Council of Ministers conducts political dialogue and takes decisions to implement the Agreement.
- The Committee of Ambassadors assists the Council of Ministers and monitors implementation of the Agreement.
- The Joint Parliamentary Assembly (JPA), composed of parliamentary representatives from each of the ACP signatories to the CPA and Members of the European Parliament (MEPs), makes recommendations to the Council of Ministers.¹²
- The Joint Ministerial Trade Committee discusses related issues.
- The Development Finance Cooperation Committee examines issues regarding strategy and implementation.¹³

During the discussions leading to the Lomé II Convention in 1980, the Technical Centre for Agricultural and Rural Cooperation (CTA) was created to promote knowledge sharing and cooperation in the area of food security. At the same time, the Centre for Development of Industry was created (renamed the Centre for the Development of the Enterprise (CDE) in the Cotonou Agreement of 2000) that promotes cooperation with the private sector.

¹² A common parliamentary assembly has been an integral part of ACP–EU cooperation for more than three decades. Between 1976 and 2000, it met 49 times as the 'Consultative Assembly' before adopting its current name, the 'Joint Parliamentary Assembly', under which it has met 22 times, most recently in 2012 in Paramaribo, Suriname.

¹³ Source: http://ec.europa.eu/europeaid/where/acp/overview/cotonou-agreement/index_en.htm (accessed 30-04-2013)

3.2. Research evidence on the Cotonou Agreement

This section synthesises results from independent evaluations and research on the formal ACP–EU relationship.

3.2.1 Political dialogue

To some degree, the Cotonou Agreement is unique because of the special ACP Group–EU relationship it created that is based on comprehensive political dialogue as foreseen in Article 8¹⁴, which requires important bilateral commitments:

“The dialogue shall focus, inter alia, on specific political issues of mutual concern or of general significance for the attainment of the objectives of this Agreement, such as the arms trade, excessive military expenditure, drugs and organised crime, or ethnic, religious or racial discrimination. The dialogue shall also encompass a regular assessment of the developments concerning the respect for human rights, democratic principles, the rule of law and good governance.”

The possibility of halting application of the Agreement is an innovative form of mutual value-based conditionality that is set out in Article 96 (relating to a violation of the ‘essential elements’ – respect for human rights, democratic principles and the rule of law) and Article 97 (a violation of the ‘fundamental element’ of good governance).¹⁵ While Article 96 is reciprocal, meaning that the ACP could use it against the EU, Cotonou’s asymmetrical nature does not permit the ACP to institute sanctions (e.g. suspend EDF funding), so it is unlikely that the ACP would invoke Article 96 if the EU were to violate the Agreement’s fundamental and essential elements.

Should violations occur, however, the claimant may invite the defendant to consultations, and should these fail, ‘appropriate measures’ can be considered. These *“can involve ‘smart sanctions’, but also the suspension of aid, its redirection or the imposition of further conditions”*. In practice, the broad definition of ‘political dialogue’ makes the criteria for invoking Article 96 unclear (Laakso et al., 2007: 14).

Procedures applying these two articles (and their Lomé Article 366a precursor) have resulted in lawsuits with over a dozen ACP countries. In recent years Article 96 has been less invoked by the EU¹⁶ realisation that it is a ‘nuclear option’ (according to Development Commissioner Piebalgs)

¹⁴ See Articles 8, 9, 96 and 97 in Annex (6.1).

¹⁵ For an overview of past cases, see: <http://www.consilium.europa.eu/policies/eu-development-policy-%28ec-wb-site%29/main-themes/cotonou-partnership-agreement/consultations-under-articles-96-and-97-of-cotonou-agreement/policy-archive?lang=en> (accessed 30-4-2013)

¹⁶ An overview of cases is available on the EU Council’s website: <http://www.consilium.europa.eu/policies/eu-development-policy-%28ec-wb-site%29/main-themes/cotonou-partnership-agreement/consultations-under-articles-96-and-97-of-cotonou-agreement?lang=el> (accessed 30-4-2013)

that must be applied sparingly.¹⁷ In some ACP countries, such as the Democratic Republic of Congo, the EU is applying sanctions outside the Article 96 context in response to the Common Foreign and Security Policy.¹⁸

Comparing ACP countries that have been sanctioned under Article 96, Laakso et al. (2007, 15) find that on average, countries invited to consultations by the EU had poor records regarding democracy, human rights and the rule of law. Laakso et al. reveal that former colonial powers did not block the procedure in cases concerning their former colonies, as they might have, while coups d'état always led to the EU initiating procedures. Article 96 was mostly applied in cases of deteriorating democracy, human rights and/or the rule of law.

Laakso et al. view the European Union as patient and unwilling to decrease or suspend cooperation unless such aggressive approaches are deemed more successful than tailoring development assistance. The EU approach can lead to double standards in selecting 'appropriate measures', as shown in Zimbabwe's case. Incoherencies seem to come, *inter alia*, because human rights and democracy are dealt with using a crosscutting perspective in EU foreign policy while country-specific problems are handled by the relevant Working Group of the Council (Laakso et al., 2007: 15).

Until at least 2007, an important aspect regarding invocation of Article 96 seems to have been its reactive character: It was not used until the situation had deteriorated considerably, often first after a coup d'état. This is explained by the fact that application of Article 96 *"is considered as an instrument of last resort instead of an instrument to prevent constitutional crises"* (Laakso et al., 2007: 16). Broberg (2010) found just one case where the Article was invoked in relation to corruption – in Liberia in 2002.

Application of Articles 96 and 97 mainly leads to the suspension of EU aid to the country, which has various impacts. Zimerlis (2011, 402) concludes that *"[S]uspension of aid is not an effective tool for promoting or restoring breaches of the 'essential' or 'fundamental' elements in ACP states,"* precisely because of the inflexibility of this approach. He argues that aid suspension is inefficient because some elements of the EU agenda's 'core values' have not been precisely defined: *"[T]he inherent ambiguity in defining 'democratic principles' can contribute to the confusion and inconsistent application of the conditionality clause"* (Ibid.). The lack of clear measures regarding a democratic process renders judgement arbitrary and subject to selective application.

Contradicting Laakso et al. (2007), Crawford (2001), Youngs (2010) and Zimerlis (2011) maintain that it is quite reasonable to believe that EU countries with long colonial histories play decisive roles in determining the severity of sanctions. Zimerlis (Ibid.) also questions 'good governance':

17 <http://www.afronline.org/?p=23480> (accessed 30-4-2013)

18 An EEAS overview is available at: http://eeas.europa.eu/cfsp/sanctions/docs/measures_en.pdf (accessed 30-4-2013)

it is difficult to objectively establish what is 'good' enough. Finally, attention is drawn to the fact that aid suspension is not always accompanied by other important measures: in some cases, trade agreements or fisheries partnership agreement funds¹⁹ are maintained – or concluded – during the suspension.

Laporte (2012, 3) observes that the EU–ACP partnership seems to be losing political relevance. To begin with, the discussions about peace, security, and the fight against terrorism and organised crime are largely being conducted outside the CPA framework. Also, in recent years a number of major controversies have erupted between the partners, such as *“the slow and difficult negotiating process around the economic partnership agreements (EPAs), the International Criminal Court warrant of arrest for the Sudanese President Al-Bashir and the opposition of some ACP regions to the EU’s wish to enhance observer status at the UN General Assembly”*.

3.2.2. The Trade Pillar

For over 40 years, ACP–EU trade cooperation has been governed by non-reciprocal preferences that were unilaterally granted by the EU. With the Cotonou Agreement, the ACP Group and the EU entered a new phase in their trade relations that were marked by the start of negotiations on reciprocal free trade agreements between some of the world’s most developed and some of its poorest countries (Makhan, 2009, 20). The intent of the negotiations is to conclude Economic Partnership Agreements (EPAs) with regional groupings of the ACP countries to promote trade between the ACP Group and the European Union in order to foster development, sustainable growth and poverty reduction.

The European Commission, which negotiates on behalf of the EU, regards EPAs as a way to overcome the shortcomings of pre-existing preferential agreements, which have clearly failed to deliver on expectations of boosting the growth of ACP countries as well as their local economies.²⁰ EPAs embody the notion that trade promotes development by creating employment, making more and better products accessible, reducing average prices and generating income. EPAs are thus expected to provide frameworks for trade and development backed by development aid targeted to address supply-side constraints and adjustment costs. Expected benefits for ACP countries include market expansion; infrastructure, administration and public-services improvements; and greater transparency. In turn, EU consumers are expected to benefit from greater choice, lower prices and more employment opportunities – as a result of their increased exports to the ACP.²¹ For the ACP countries, EPA benefits depend on how much key ACP stakeholders can participate and use them (Makhan 2009, 4).

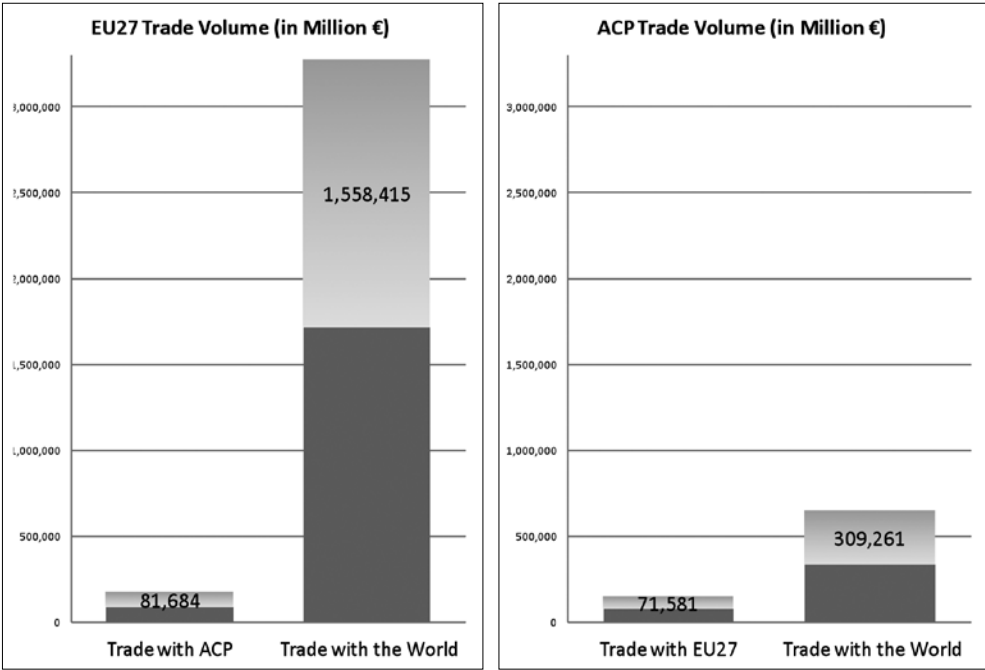
¹⁹ For an analysis of the case of Mauritania, which continued to receive funds for fisheries while being sanctioned under Article 96, please refer to Keijzer (2011a).

²⁰ According to statistics published by the Directorate-General of Trade of the European Commission, in the last three decades the share of trade from ACP partners to the EU has steeply declined – from 7 to 3% of EU imports. See: <http://ec.europa.eu/trade/wider-agenda/development/economic-partnerships/>

²¹ Adapted from: <http://ec.europa.eu/trade/wider-agenda/development/economic-partnerships/>

Anticipated to conclude in December 2007, the negotiations have dragged on and encountered great obstacles. It is now obvious that major disagreements in substance and form have hindered the negotiations, with the main disagreements concerning the likely impacts of trade liberalisation, as well as the ACP Group's perception that the EU is uninterested in the negotiations. The year 2012 marked the 10th anniversary of the EPA negotiations – with the EU Member States and the European Parliament recently having set 1 October 2014 as the new deadline for completing the EPAs or ratifying those that already exist.

Holland (2003, 162) considers that decades of development cooperation and mutual trade arrangements under the Lomé Conventions did little to foster development within ACP countries. Disparities in trade between the EU and ACP countries could hardly be greater: For the EU, ACP countries represent about 5 percent of imports and exports whereas the European share of the ACP Group's trade averages around 20 percent – with big variations between countries. Trade exchanges are greatest with ECOWAS (the Economic Community of West African States), while EU trade with the Pacific and the Caribbean and much less significant.²² Nevertheless, ACP–EU trade is substantial and significant for both partners (see graph 1).



Graph 1: Overall ACP–EU trade flows in 2011 (including South Africa). Light blue indicates exports and dark blue imports. Source: DG Trade – EC.

22 European Commission. Trade Statistics. In: <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/statistics/>

Because the EPAs were intended to foster regional integration and included ACP Regional Economic Communities (RECs) as interlocutors, a process was created that was far too complex. The negotiations were further constrained by the fact that the WTO's waiver – maintaining preferential treatment for developing countries in the ACP Group vis-à-vis developing countries that were not – was due to expire at the end of 2007. This left relatively little time for economic regions that were not fully integrated – and often didn't really aspire to integration – to coordinate and collectively negotiate with the EU.

In addition to this time pressure, EU insistence on including issues the ACP countries regard as harmful to their economies and just promoting EU interests alienated many ACP stakeholders. One of the most polemic issues with the broadest implications was the requirement that ACP states open their economies to the EU. The principle of reciprocity is heavily contested because it makes it difficult for ACP countries to protect their local industries – just as European countries did at the beginning of their own process of industrialisation. Even when the principle of reciprocity is accepted, its interpretation in concrete percentage terms of market opening is controversial.

ACP countries have expressed concern that allowing the EU too much access to their markets could be detrimental to their own producers, who could easily be outcompeted by EU's larger and more effective producers that sometimes enjoy substantial subsidies from the European Common Agricultural Policy (CAP). Open markets risk lowering the living standards in ACP countries (Busse 2010, 250; Laporte 2007, 23).

Furthermore, the negotiation process itself calls for expertise and means that risks overburdening countries that often cannot understand all the implications of the issues being negotiated because of the unreliability of impact assessments that are based on general equilibrium models. The EU's continued push on controversial issues that some ACP countries had not welcomed at the WTO – such as access to services, intellectual property rights and public procurement – has also created great resentment.

Perhaps one of the most immediate negative consequences of reciprocal trade liberalisation is that it would cause ACP governments to lose a significant amount of their budgets, which tend to be fed by customs revenues. Were the latter to gradually disappear, aid compensation might not be able to fill the gap.

The threat that the ACP countries who did not sign an interim EPA would revert to the Generalised System of Preferences (GSP)²³ pushed CARIFORUM (the forum of Caribbean ACP states) to accept the agreement just before the WTO's waiver expired. The failure to close regional deals led to the Europeans establishing interim EPAs with individual countries who were keen to maintain some preferential status. But 43 countries prefer to hold out for better conditions before entering into an EPA (Busse, 2010, 249; Rudloff / Weinhardt, 2011, 3).

²³ The GSP is a tariff system that grants market-access preferences to developing countries.

Signing EPAs with the EU was not necessary for least-developed countries (LDCs) who have access to the European markets through the Everything But Arms (EBA) tariff regime, which allows them unilateral duty-free export to the EU. These fundamental differences in ACP countries' needs, combined with the fact that many individual countries concluded interim EPAs while others were able to make do with the existing EBA scheme, may have negatively impacted on regional cooperation and integration processes in the ACP.

3.2.3. *The Development Pillar*

The European Commission's Joint Evaluation Unit has been assessing the EU's development cooperation thematically and geographically, and checking for coherence and complementarity between its engagement in developing countries and with its individual Member States. Beyond the geographic evaluations, it is difficult to identify the ACP's concrete results because the Group encompasses multiple regions and countries that are subjected to different evaluations and thematic results.

This section reviews the geographic evaluations, starting with the key findings of a recent meta-evaluation of country evaluations and followed by an overview of EDF support to the ACP regions: the Caribbean, Central Africa, Eastern and Southern Africa and the Indian Ocean, the Pacific, the Southern African Development Community (SADC) and West Africa. The evaluations were conducted between 2005 and 2008.

*A Synthesis of Geographic Evaluations*²⁴

Although different teams conducted the evaluations, their methodological homogeneity creates some convergence in conclusions and recommendations. However, variations in quality lead to uneven conclusions and recommendations. In 2008 the EC commissioned a synthesis study of country and region evaluations between 1998 and 2006. Since some African regional evaluations were conducted later, only the Pacific, Caribbean and Central African regions were included. Nevertheless, the main findings help identify specificities that appear in evaluations of ACP regions that are discussed in annex 1 to this chapter.

Mixed results were obtained in terms of quality and how the EC country and regional strategies were adapted to contexts that were undergoing major changes. Some evaluations detected *"insufficient links between the proposed strategies and in-depth analyses of the specific characteristics of the country or region, and also weak policy dialogue at the regional level"* (EC 2008c). In many cases, the projects' contribution to achieving goals was poorly linked to the country strategies, which resulted in weak dialogue about improving adaptation, ownership and leadership. Dialogue with other donors was often shallow and poorly coordinated, too.

²⁴ This section is based on: European Commission (2008e). Annex 1 includes more details on key findings from the various geographic evaluations.

Coherence with other EU policies and their likely impacts – on regional integration processes and trade developments in particular – were not fully taken into account. Finally, regional strategies were often found to have not acknowledged the socioeconomic disparities between the countries in a regional organisation – thus weakening any potential synergy of regional and national strategies.

Crosscutting issues were generally not part of the EC's strategies: Aspects of gender and equality were poorly targeted in the country strategies, and the Commission's promotion of sound environmental strategies was not embraced by governments and regional institutions.

Issues about implementation surfaced in all the evaluations, with the cumbersome procedures and long delays between the design and implementation phases seen as having hindered impact and effectiveness. Aid delivery mechanisms that focused on budgetary and sector support contributed to a government's ownership and accountability, while supporting projects tended to be de-linked from strategic priorities. Policy dialogue was also found to have scarcely impacted on ownership or capacity-building. When the instruments were flexibly implemented, the results were generally positive.

There was intra-sectoral complementarity despite poor coordination between donors and government failure to assume their roles as coordinators. The evaluations show that sustainability was not adequately considered – whether in the early stages, during design or implementation. The lack of a monitoring and evaluation system based on performance also hindered the analysis of impacts, and contributed to poor institutional memory.

3.3. Revisions to the Agreement and the next steps

The Cotonou Agreement included provisions for review and revision every five years. So far, two revisions have been conducted:

- The first revision, in 2005, introduced amendments that, in the words of former Development Commissioner Louis Michel, *“place greater emphasis on an effective and results-orientated dialogue rendering the provisions on good governance, human rights, democratic principles and the rule of law more constructive and operational.”* The review resulted in changes in the text of the CPA regarding the proliferation of weapons of mass destruction (WMD) by adding the Statute of Rome – that established the International Criminal Court – as well as the imperative to fight terrorism (European Commission, 2010c).
- Prompted by the need to respond to changes in the international context and the ACP–EU partnership, the 2010 revision incorporated no substantial innovations. However, it did address pressing issues, such as climate change, food security, regional integration, state fragility, and aid effectiveness (Ibid.). The second revision also accorded greater significance to the regional integration process – including at the continental level – and focused on

more political aspects. But the EU and ACP 'agreed to disagree' about revising the article on migration²⁵

The EU took a proactive role in the first two revision processes. But with Europe indicating less interest in cooperation these days (Keijzer, Lein et al., 2013), there is less enthusiasm from the EU about a third revision, although preparations are scheduled to start this year. If the ACP countries do not propose their own suggestions, the third round of revisions may be even slighter than the previous two.

As for trade issues, ongoing negotiations about Economic Partnership Agreements (EPAs) have spawned a variety of de facto regimes: EPAs, interim EPAs, the Generalised System of Preferences (GSP/GSP+) and the EBA arrangement. Negotiating difficulties resulted in concrete references to trade being replaced with the parties' simple pledge "to take all the necessary measures to ensure the conclusion of new WTO compatible EPAs" (Laporte 2007, 9).

In April 2013 Muhammad Mumumi, Ghana's former Minister of Foreign Affairs, was designated to replace Dr Mohamed Ibn Chambas for the rest of his mandate – until 2015. The ACP Council of Ministers also charged an Eminent Persons Group with presenting proposals to 'rebuild' the ACP Group by December 2014.²⁶

4. Findings from the ACP world: Brussels and beyond

4.1. Introduction

Brussels has traditionally been the hub of ACP–EU relations: it is where their policies and budgets are negotiated, formulated and shaped. Home to the ACP Secretariat and the EU institutions, Brussels also hosts most of the officials working on ACP–EU matters. Keijzer, Lein et al. (2013) analyse how EU officials perceive the special ACP–EU relationship; their key findings about EU officials' ideas for the future are summarised in box 1.

²⁵ The joint declaration on migration can be consulted at: <http://www.europarl.europa.eu/sides/getAllAnswers.do?reference=E-2010-2960&language=EN> (accessed 26 March 2013).

²⁶ The group's chairperson is former Nigerian President, Chief Olusegun OBASANJO. Other members include: Dr Leonel A. FERNANDEZ REYNA, former president of the Dominican Republic; Hon. Mr Bharrat JAGDEO, former President of Guyana; Mrs Valentine RUGWABIZA, Deputy Director General, World Trade Organisation; Mr Kaliopate TAVOLA, former Minister of Foreign Affairs, Fiji; Dr Libertine AMATHILA, former Deputy Prime Minister, Namibia; Pr. Sebastiao ISATA, Special Representative and Head of African Union Liaison office in Guinea Bissau; Pr Ibrahim FALL, former United Nations Assistant Secretary-General; Mrs Patricia FRANCIS, Executive Director, International Trade Centre; Amb. Nuredin SATTI, former Acting Special Representative for the UN Secretary General in Burundi; Mr Sylvain MALIKO, former Minister of Economy, Planning and International Cooperation, Central African Republic; Dr Daoussa BICHARA CHERIF, former Minister of Public Works, Transport, Housing and Urbanisation, Chad; Mr Peter GAKUNU, former Executive Director, International Monetary Fund (IMF); and Mr Kolone VAAI, former Financial Secretary for the Government of Samoa. See: <http://acp.int/content/acp-council-ministers-brussels-march-25-26-2013> (accessed 30-04-2013)

Section 4.2 presents Brussels-based ACP officials' perceptions of the ACP–EU cooperation – the technical experts at the ACP Secretariat and the ACP Member States' ambassadors on the ACP Committee of Ambassadors. Section 4.3 presents the findings from the ten country consultations. Both sections present reflections on the partnership's evolution, key elements and institutions, followed by more detailed assessments of the current cooperation along the three pillars of political dialogue, trade and development cooperation, and finally, suggestions for the future.

Box 1: EU officials' views of post–2020 ACP–EU Cooperation (Keijzer et al. 2013)

Although the CPA's three pillars – on political dialogue, development cooperation and trade – are generally considered to have served their purpose well, significant changes within the ACP Group, the EU and the world call for a new articulation of the relationship. Europeans see the ball in the ACP's court: it is up to the ACP to define and shape its future – as a group and in relation to the EU. Momentum also needs to be built for a 2015 revision of the Cotonou Agreement with a plausible post–2020 scenario, with the EU expressing its own aspirations and priorities for the cooperation.

Regarding any framework for cooperation after 2020, the EU seems to favour preserving key elements of the CPA in a 'light' version by transferring them to EU regional strategies for Africa, the Caribbean and the Pacific. European policy discussions on this subject are long overdue. Although ACP–EU cooperation does not have priority, it remains the key cooperation framework, and the EU's failure to be proactive could harm its own position and trade with Africa in the medium and long term.

4.2. Brussels-based ACP stakeholders' views on the future of the partnership

4.2.1. *Reflections on the evolution of the partnership and its institutions*

The EU's altered approach to shaping relations with third countries, along with its formulation of separate regional strategies with Africa, the Caribbean and the Pacific since 2005 have attracted the ACP stakeholders' attention. Respondents acknowledge that the shifts have created a new sense of urgency and stimulated debates about the future. Although all respondents welcome on-going reflections about the Group's performance and relevance, their concern and sense of urgency vary. Some see the current situation as an opportunity to call 'all hands on deck', stating that the ACP should have begun this reflection process in the early days of the EU Lisbon Treaty negotiations. One official said, "ACP–EU relations are like a marriage after 20 years. The ACP has not been looking after herself and now the EU wants to spice things up". But others do not anticipate any significant changes after 2020.

Regardless of the changing global context, ACP officials stress that ACP–EU cooperation will remain crucial for both partners because of the strong political and strategic incentives.

While no one questions the Group's role in defending its members' interests, many ACP officials struggle to make sense of its current rationale: What binds these countries together – apart from their collective relation to, and cooperation with, the EU? Although all the interviewees favour holding a reflection process on the Group's future, they emphasise that in the end, “[M]uch, if not all, will depend on future political leadership”. But they agree that ACP states may use other groupings (such as Regional Economic Communities) or act on their own or in like-minded groups if these seem more effective. One pragmatic reason to not work through the ACP is that coordinating and developing joint positions for 79 members takes time – and that can be scarce.

Many respondents state that the ACP Group, which includes 39 of the world's 48 Least-Developed Countries (LDCs), is a representative and necessary vehicle for defending the interests and concerns of a large number of developing countries with shared histories – especially since most of its members do not have the political or economic leverage to impact international policy-making on their own.

There is broad recognition that intra-ACP cooperation has produced few tangible results, although its potential is acknowledged. Some officials think that for the Group to remain internationally relevant, it must produce concrete results through multilateral cooperation on issues of common concern (e.g. migration, security and global public goods). Others regard intra-ACP cooperation as non-linear and rarely encompassing the whole Group. Internal cooperation tends to be ad hoc, with members who share interests uniting to coordinate appropriate responses. So far, the Group has almost exclusively focused outward on EU policies and global issues, instead of inward to enhance intra-ACP cooperation: *“Over the past forty years there has been no deepening of ACP cooperation, only widening”*.

The lack of significant intra-ACP cooperation is related to the Group's heterogeneity. All interviewees acknowledge that the ACP brings together countries whose interests and needs, location, size and level of development are very different. Most ACP officials consider it normal for members of such a large, heterogeneous group to assume different positions in joint bodies, such as the G77. Yet many believe that the Group should identify issues of common concern where enhanced cooperation, both internally and towards the EU, is politically and technically feasible. However, all respondents spoke in generalities, thus confirming the difficulty of identifying the issues – and signifying that the cooperation is mostly about aid.

Opinions about the rationale for the ACP differ substantially. Most officials say its members' common heritage of the African Diaspora and a post-colonial mind-set define the ACP identity. Yet most Pacific members do not share these elements. One official argues, *“[I]f the ACP did not*

exist, it would have to be invented, even if outside a cooperation framework with the EU." Others downplay the validity of the historical argument, or qualify it by adding, *"[I]f not for the EU, there would be no ACP Group"*. Citing the Group's uneasy relation with the EU, some interviewees express hope that the current period of reflection will allow the ACP Group to be more proactive in setting its own agenda. One route would be for the Group to pursue its financial independence – in order to be less dependent on, and act more credibly towards, the EU.

Most officials would welcome a reform of both the mandate and functioning of the Group's executive body, the ACP Secretariat: its dynamics, capacities and performance all need improving. The Secretariat is tasked with supporting the Group's political bodies and mostly provides logistical and technical support for ambassadorial meetings. Interviewees' vastly different proposals for reforming the Secretariat's mandate reveal a broad range of understanding about the ACP Group's purpose and aims. Some would like to see the Secretariat become a knowledge centre on trade and sustainable development, while others claim it should have more political power and let separate, lower administrative units handle less political matters. Yet ACP states have never taken any steps to empower the Secretariat.

ACP officials are sceptical about the Group's relations with other representative bodies such as the RECs (because of overlapping memberships, since RECs are based on regions) or the AU (due to the multiplicity of internal interests), and point to the JAES' poor track record; none are seen as alternatives to Cotonou.²⁷ No Brussels-based interlocutors see the ACP as competing with these bodies or overlapping their mandates, although such views were expressed in earlier political debates and studies (e.g. Laporte, 2007). A few interviewees did acknowledge that RECs might be more appropriate for representing ACP members' interests at the regional level. But the ACP is still perceived as the most effective body for raising certain issues at the global level. Compared with the JAES, ACP–EU cooperation is seen as permitting greater focus on development and being more practical, as well as having the advantage of being legally binding.

ACP officials indicate fairly little interest, and sometimes scant knowledge, of two other joint ACP–EU institutions, the Centre for the Development of Enterprise (CDE) and the Technical Centre for Agricultural Development and Cooperation (CTA). Whereas perceptions of the CTA range from neutral to positive, the CDE is criticised for its unclear mandate and engagement.

4.2.2. *Cooperation in relation to Cotonou's three partnership pillars*

Brussels-based ACP officials regard the Group's relations with the EU as imperfect – but still valuable and even essential for both parties. The Cotonou Agreement is seen as a useful framework but not a partnership of equals because of the EU's unilateral agenda-setting and the asymmetries in terms of negotiating capacities: *"We have been totally outsmarted in negotiating*

²⁷ For more information on the Joint EU–Africa Strategy, see: Bossuyt and Sherriff (2010). Also: Aggad-Clerx and Tissi (2012).

Cotonou". Interviewees believe the special relationship should be prolonged because of its political and strategic incentives for both parties. While the ACP Group's preferential access to the EU market is given as its main incentive to maintain the CPA, the EU clearly has trade and political interests, as well as its historical commitment to promote development in the ACP, as noted in EU Treaties.

Regarding the CPA's development cooperation pillar, there is broad consensus that the EU's development assistance has positively impacted on the ACP countries. All respondents believe that the EDF has been put to good use, although some also term the results 'mixed'. Most ACP officials are unhappy with the EU's bureaucratic rules and procedures, which are viewed as hampering the effectiveness and relevance of EDF programming. It should be noted, however, that critical views were aired without much awareness of the practicalities of managing other sources of development cooperation, including those offered by emerging economies such as China.

Although most respondents appreciate EU work on human rights and governance issues, some ACP officials question the EU's promotion of 'western' values that are perceived as transgressing certain boundaries (e.g. on gay rights). The asymmetric power relations between the contracting parties, along with the EU's insistence on 'soft issues' that rarely figure in the partner countries' priorities, is a highly sensitive issue for the interviewees.

All respondents view the EDF as one of the most critical elements in ACP–EU cooperation because the fund's predictability allows for the long-term planning that makes development programmes effective and sustainable. Regarding the EU's intention to increase differentiation in EDF allocations (see 4.3.2 for details), frequent reference is made to the overarching principle of solidarity in the 1975 Georgetown Agreement (the basis of the ACP) that formally identified *"consolidating and strengthening the existing solidarity of the ACP Group"* as one of its key objectives. Many respondents view differentiation as the wrong signal to send to ACP countries that have been performing well and a policy that could undermine ACP cohesion.

Reactions about the political dialogue component focused on the functioning and relevance of the joint bodies within the ACP–EU cooperation framework: ACP officials attach strong importance to the Joint Parliamentary Assembly (JPA), praising its strong parliamentary movement and valuable contributions to parliamentary scrutiny and support for human rights and governance issues within ACP countries. However, both the JPA and the Joint Council of Ministers are poorly attended, especially by EU officials. The interviewees concur, but point out that attendance levels are connected with scheduling, location and the topic to be discussed, while some acknowledge a problematic lack of high-level interest in ACP–EU matters in ACP states. A false sense of security is said to reign among government officials, who take for granted that the special relationship will be continued after 2020; some Heads of State may not even be aware that the CPA expires in 2020. Mobilising political awareness about the ACP Group and the Cotonou Agreement 'back home' is seen as important for the coming years.

Concerning the trade pillar, ACP officials consider that Cotonou-based preferential trade regimes have benefited most ACP countries. Some ACP countries, though, were perceived as having become complacent through the Cotonou preferences because the lack of incentives to compete hampered investments and economic diversification. The on-going EPA negotiations are regarded as harmful for regional integration and ACP cohesion. Interviewees anticipate that opening up uncompetitive markets will damage some ACP economies, and call on the European Commission to be more flexible: “[C]herry-picking on the EU side is unfair and reciprocal trade agreements are simply not feasible for some ACP countries”. Many respondents describe the EC’s aggressive negotiating stand on EPAs upsets as a ‘betrayal’ of the spirit of Cotonou.

Officials are generally positive about the ACP’s WTO office in Geneva, but to different degrees. Most feel that it allows a certain division of labour among ACP countries that lack the resources and capacity needed to accumulate expertise for specific trade issues on their own. But some ACP states rarely use the Geneva office because trade matters are technical and case-specific. Still other respondents argue that the staff in Geneva could be put to better use in Brussels.

4.2.3. Views of the future

Brussels-based ACP officials are well aware of the need to fundamentally rethink the nature and functioning of both the ACP Group and the Cotonou Agreement. Interviewees acknowledge that the EU–ACP special relationship is at a crossroads and point to recent efforts to review the Group’s international role. In November 2010, the ACP Council of Ministers, its main decision-making body, charged the ‘Ambassadorial Working Group on the Future Perspectives of the ACP Group’ (whose mandate expires in 2014) with organising a systematic reflection process on Cotonou by 2015, when a third and final revision of the CPA could craft the outlines of post–2020 cooperation modalities. Slow ratification of the second revision concluded in 2010 however makes it difficult to set an ambitious agenda for 2015. A similar exercise – albeit with a more inward focus – was conducted in 2012 by the ad hoc Working Group on the Structure and Functioning of the Organs of the ACP, which also reviewed operational issues, including the possibility of moving the ACP Secretariat to a new building. In his opening speech at the 7th Summit of ACP Head of States and Government in Equatorial Guinea in December 2012, then-ACP Secretary General Dr Mohamed Ibn Chambas²⁸ announced the establishment of an ACP Eminent Persons Group (EPG). The EPG will elaborate new means of strengthening the Group and provide “guidance to the future” in 2013–2014. Dr Chambas also announced that the ACP Group is considering making a feasibility study of an ‘ACP Free Trade Area’ and that a concept note has been written for an ACP Bank for International Trade and Investment (BITI). A technical market study funded by the EU Commission had already resulted in an interim report on the BITI; a final version was due in spring 2013 (Chambas, 2012).

²⁸ In December 2012 Dr Chambas was appointed Joint Envoy to Darfur, and in March 2013 Ghana’s former Foreign Minister and current MP Alhaji Mohammed Mumuni was endorsed by ECOWAS to replace Dr Chambas as the ACP SG.

Although thinking about the ACP's international role is quite developed, ideas about the Group's future are still preliminary and mixed. With regard to possible outcomes of the ongoing reflection process, most officials refer to the scenarios in a recent study commissioned by the United Nations Development Programme (UNDP): (i) keeping the status quo, (ii) closing down, (iii) regionalising, (iv) reducing ACP membership to those countries that are LDCs, or (v) creating an independent ACP with multiple sets of relations (Van Reisen 2012). While recognising the value of discussing scenarios, officials stress that much discussion and research is still needed about what is desirable and also technically and politically feasible.

One of the main scenarios for the ACP as a global actor is to diversify relations with the BRICS or other emerging economies such as Turkey – while maintaining strong links with the EU. Whereas South–South cooperation is viewed as deserving further exploration, some interviewees express reservations about admitting the BRICS, arguing that more discussion and research is needed about cooperation modalities. Interviewees tend to agree that it is possible to identify mutual interests and areas with scope for solid cooperation – both within the ACP Group and on the multilateral level, with the EU as a logical partner.

Brussels-based ACP officials would welcome a reform of both the Group's mandate and functioning, as well as a thorough review of its international role. But beyond this, there is so little consensus on the specificities of such a 'reinvention' that it could be understood as an argument for keeping the status quo. All interviewees consider that more high-level political engagement from the ACP countries is indispensable for sketching contours for the Group and its future relations with the EU. This could be the wellspring of a reinvention.

4.3. ACP Perspectives beyond Brussels

4.3.1. *Reflections on the evolution of the partnership and its institutions*

While conducting country consultations, the research team discovered many different levels of knowledge about the ACP Group and its activities. Some stakeholders were deeply involved in relevant matters, and were very familiar with the twists and turns of Cotonou and ACP–EU relations. But others were poorly acquainted with the Group's basic structures and functioning, which says a good deal about the Group's role in ACP countries, particularly given some interviewees' positions in international relations. The level of acquaintance with ACP–EU relations and structures varies within and between countries. The country visits revealed scant interest in the future of the ACP Group after 2020.

Most stakeholders have become aware of the ACP Group through specific policy processes and instruments. While EDF projects once played a key role, more recently stakeholders have mainly learned about the ACP through the EPA negotiations. However, low awareness of the overall

ACP–EU cooperation framework frequently results in key stakeholders being aware of the EDF and EPAs – but not the CPA and its main features.

Several interviewees who were involved in ACP–EU cooperation from the start recall the atmosphere of Lomé I in 1975 as almost euphoric. Most ACP countries had just gained independence and European countries were genuinely interested in maintaining strong links with them. At that time, Africa, the Caribbean and the Pacific seemed to be logical partners: they had gone through similar historical processes, faced similar levels of development and also had some common commercial interests, such as the sugar trade. These common, tangible, predominantly trade-related interests first motivated the ACP to cooperate as a group with Europe; later, cooperation with the EU was eclipsed by the European Development Fund.²⁹

During our country visits, it became obvious that the ACP Group is often perceived as a closed and opaque community of ambassadors and heads of state that is inconsequential. Many stakeholders describe a large ‘social disconnect’ between the ACP Group and national realities that renders the Cotonou Agreement and the Group alien to most citizens. Most interviewees say that the Group has never been able to set and pursue its own priorities, and at most reacts to the EU. One respondent stated that there are *“huge capacity imbalances between the two partners of the Cotonou Agreement, which results in most agreements being almost 100% EU input.”*

However, many country interviews also revealed that the ACP Group’s size is seen as one of its main strengths. With 79 countries, the Group has the potential to play a significant role in international fora. However, most stakeholders consider that its potential is largely untapped, while other actors such as the G-77 speak on behalf of the world’s developing countries and the ACP Group remains an EU-dependent entity that is scarcely heard outside of Brussels. The Group is said to be practically invisible at the national level, while the CPA is unknown beyond the few (mostly governmental) individuals who deal with it directly.

Group size, however, inevitably presents trade-offs for Group cohesion. Most interviewees point to the Group’s cultural, political and economic heterogeneity as a weakening factor, calling the Group *“too heterogeneous”* and *“too diverse”*. Many wonder what African, Caribbean and Pacific countries share today in terms of heritage and strategic interests. For most interviewees, only their common Agreement with the EU binds Africa, the Caribbean *and* the Pacific. The three regions are perceived as having very few commonalities, and to be mostly concerned about uniting to confront the EU, especially on development-funding issues.

Since the ACP Group separates Sub-Saharan Africa from North Africa, African stakeholders see the Group as a threat to the continent’s growing pan-African ambitions and discourse. These days, many Africans consider that it is far more attractive and logical to cooperate on the CPA’s

29 For a detailed comparative analysis of past EDF rounds, please refer to Kilnes et al (2012).

main issues with Egypt or Tunisia than with Vanuatu or Saint Kitts and Nevis. They also claim that it is difficult enough to agree on important matters within the African Union because of big divides over language, culture and historical colonial influences (e.g. Anglophone/Francophone/Lusophone/Arab) – and nearly double that number of countries in the ACP Group are that much more diverse.

There is general consensus that the current configuration makes little sense given the changing global context. Throughout our country visits, stakeholders from diverse backgrounds and institutional positions used adjectives like *'outdated'*, *'post-colonial'*, *'loose'*, *'virtual'* and *'artificial'* to define the Group and its relations with the EU.

While many interviewees cast serious doubts on the Group's relevance, many also acknowledge its original rationale: the geopolitical context of the times and the interest in improving linkages between the ACP and the EU and *within* the ACP countries, were legitimate reasons to set up the Group. However, positive views about the ACP Group's founding were diminished by the widespread view that its original spirit has waned.

The rise of new supranational actors – particularly in Africa – poses an existential threat to the ACP Group. Our project team tested the general mood in the field regarding the ACP Group's compatibility with ACP RECs and the African Union (AU). With the RECs now tackling trade issues in Africa, and the AU slowly establishing itself as a key interlocutor in peace and security and continent-to-continent (EU–Africa) relations of a more political nature, the ACP Group is confronted with new actors on its turf. Stakeholders acknowledge that the AU and the ACP have overlapping mandates, and that this is why the AU does not view the ACP as its partner. African interviewees want a redefinition and improved articulation of Africa's 'shared values' and interests. In this respect, the discourse on African integration – particularly about strengthening the AU – is often ambiguous, especially since North Africans are perceived as turning their backs to the continent and focusing on the Mediterranean Rim.

At the level of RECs, regional economic integration with single markets or currencies is also being questioned, not only because of overlapping agendas (e.g. multiple RECs that are trying to introduce common currencies) but also because of problems in the European integration process.

Some REC representatives are fairly upbeat about working with the ACP Group, which they consider relevant. One of them called for creating a more formal relationship between RECs and the ACP Group, in light of the importance of trade in the Cotonou Agreement: RECs should even be represented in the ACP Group's governance structures. Other REC representatives were more critical, noting the steady decline in the level of participation of REC staff at ACP meetings in Brussels. The Brussels-based liaison officer of the Common Market for Eastern and Southern Africa (COMESA) attends many ACP meetings, while his subject-matter specialists from COMESA's secretariat in Lusaka attend less often than in the past. The ACP Secretariat could

serve as a strong and useful liaison for the REC headquarters, but such a division of labour is not being practiced. The role and scope of the ACP Regional Organisation Committee (ACP-iROCC), established in 2011, is not yet clear.

Views from the Caribbean and Pacific regions clash on this issue. CARIFORUM members feel more comfortable within the ACP (*"If we lose the ACP we are alone and insignificant!"*) than within Latin America, where they fear being crushed by economic powerhouses like Brazil and Chile. This anxiety explains why many Caribbean states disapproved of the EU's push in 2009 – under the Spanish Presidency – to explore possibilities for an EU–Latin America strategy that would include the Caribbean states. Many Caribbeans feel that their voices would be louder internationally if they were not bundled with Latin America because despite their small populations they account for a large number of votes in UN fora.

But the EU has grouped the Caribbean with Latin America because of the ACP's inability to coordinate at the international level. In terms of levels of development and cultural heritage, however, the Caribbean region feels closer to other ACP members than to its Latin American neighbours. Many Caribbeans cite common cause regarding the EU in the ACP, while others find no allies in Latin America. At the WTO, for example, more support for small and vulnerable countries came from ACP members than from Latin America.

While many Caribbean interlocutors acknowledge that the long-term future of their region is linked to Latin America, most continue to value the ACP Group, which helps them to join forces with other – mainly Pacific – states that have similar challenges such as climate change, drug trafficking and criminality, overfishing by 'factory ships' and international tourism.³⁰ The ACP Group provides them the global partners needed to address such issues. Moreover, with Africa's economic rise, the Caribbean needs the special relationship the ACP provides – aside from the Cotonou Agreement. Furthermore, the Caribbean is seen as a potential intermediary between Africa and powerhouses in the Americas, both South and North.

Pacific stakeholders also tend to feel that the ACP format allows their voices to be heard, and prevents them being 'swallowed' by regional powers such as China, South Korea and Japan. The ACP Group is deemed critical for the Pacific region because it constitutes an international ally that amplifies its voice in global forums and vis-à-vis the EU, and offsets regional powerhouses such as New Zealand and Australia. Lately the region has become more divided because of its members' diametrically opposed positions on the political situation in Fiji following the 2006 coup d'état.

30 In 2012 both the Caribbean and Pacific renewed their separate cooperation strategies with the EU, which shared interesting similarities in priorities. Pacific strategy: http://ue.eu.int/uedocs/cms_data/docs/pressdata/EN/foraff/130227.pdf. (accessed 30-04-2013) Caribbean strategy: http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/133566.pdf (accessed 30-04-2013)

Assessments and knowledge about the ACP Secretariat and its work are mixed in the Pacific. Most interviewees agree that its mandate and working arrangements require fundamental reform – but their views differ as to the scope and nature of the restructuring and whether or not the Secretariat is too ambitious. Some interviewees advocate empowering the Secretariat, arguing that its mandate to focus on CPA management and organise meetings and events is too narrow, and that broadening its mandate would give a political direction to the Group's activities, and empower its Secretary General (SG). Others consider the Secretariat to be trapped in a political logic and too reliant on EU funding; they also question how much it actually represents the ACP member states.

However, strong and effective leadership is needed to make the most of the ACP Secretariat's mandate. Interviewees who have followed the CPA from its start agree that the ACP Group's nominating process for Secretary Generals causes strife, especially between Francophone and Anglophone ACP countries – though, fortunately, charismatic Caribbean leaders have helped break the deadlock. Some stakeholders feel that the first SGs performed badly, and that the ACP states' reluctance to adequately resource the Secretariat and pay their membership fees has made it dependent on EU financial support, reinforcing the asymmetry of the ACP–EU partnership.

Past ACP meetings are criticised for having mostly reacted to EU proposals instead of taking a more proactive, concrete and technical focus. The Group's Secretariat is criticised for not developing stronger functional relations with the RECs, as well as for having changed from serving the Group to being active in areas that are considered too ambitious (e.g. migration-related development projects). Some interviewees would prefer the Secretariat to become 'lean and mean' and to focus more on the RECs, and can envision seconding ACP Secretariat staff to the RECs secretariats.

Some respondents suggest giving the Secretariat a more technical mandate to inform and raise issues at the political level, rather than to merely support them. It is considered important to search for alternative funding – internal, external or a combination of both. Interviewees who are not enthusiastic about the Secretariat's mandate do not favour expanding it and generally criticise the Secretariat's contribution to ACP–EU relations; the reverse is true for respondents who value its mandate. One respondent faults the Secretariat for being located in Brussels instead of an ACP country; others view the planned purchase of a new building in Brussels as 'jumping the gun' because the Secretariat's future mandate is not clear.

ACP country respondents have a wide range of views about the ACP–EU Joint Parliamentary Assembly (JPA): many regard it as a useful forum for stimulating discussions between European MPs and members of Parliament of ACP countries. They see it as helping promote democracy by strengthening the role of national parliaments and also affording the experience of parliamentary scrutiny and legislative activities. Some call for reducing the frequency of JPA meetings, currently held twice a year.

The difficulty of assessing an entity's impact on democratic practice or culture at the national level is exacerbated by the fact that most ACP MPs who attend the JPA belong to their country's ruling party (each ACP country sends only one representative). Many countries even send their EU ambassadors so that many ACP members at the JPA represent their governments, not their parliaments. Some respondents view the JPA as a piece of well-oiled machinery that contributes little to ACP–EU relations.

Another issue repeatedly raised with respect to the JPA is the difference in attendance by the ACP and EU representatives. JPA meetings are often attended by lots of ACP parliamentarians but relatively few of their EU counterparts – which indicates a certain disengagement on the part of the EU despite the amount of its investment.³¹

The ACP country interviewees also touched on the present and future relevance of Cotonou's joint institutions. Few stakeholders are familiar with the Technical Centre for Agricultural and Rural Cooperation (CTA) and the Center for the Development of Enterprise (CDE). The former is appreciated for its role as a knowledge provider in the agricultural sector although dissatisfaction is voiced about its low impact on pertinent ACP–EU policy discussions. Many regard the CDE as a body without vision or good organisation that is further hampered by insufficient staff and budgetary resources.

4.3.2. Cooperation in relation to Cotonou's three partnership pillars

Our research team explored perceptions of the Cotonou Agreement in ten countries, where the views are generally less positive than at headquarters. Cotonou is still viewed as a valuable framework, mostly because of its legally binding nature. But at country level the CPA is regarded as too ambitious because it covers such a broad range of areas. Even among those who favour extending the CPA, many prefer that it have a narrower mandate focusing on a few key issues: finding a specific niche would help the Group and the CPA remain relevant. The new priorities are likened to acupuncture needles that touch only a few key points but deliver benefits to the whole body.

Political Dialogue

Government representatives, civil society actors and stakeholders from other affiliations indicate little awareness of the basics of the EU–ACP political dialogue in the CPA Articles 8, 96 and 97. Because the EU alone tends to take initiative regarding Article 8, and due to Article 96's reputation as the 'sanction article' the EU is viewed as being more interested in judging ACP countries' governance than in conducting a genuine political dialogue.

³¹ It should be noted that with the ACP numbering 79 countries compared with the EU's 27, it is normal that ACP parliamentarians will outnumber those from the EU.

While donors and foreign diplomats seem highly sceptical of the impact of political dialogue, many ACP national actors agree on the universality of the values and principles defended by the EU – and its tangible, albeit limited, impact. Government officials point out that EU interpellations on governance and human rights issues manage to ‘slip in’ and help make a difference in the medium term. But it is generally agreed that this occurs within a wider political context that may prompt regressive measures, such as in a number of ACP countries where restrictive legislation is crippling NGOs and sometimes even forcing them to close. Some civil society organisations (CSOs) insist that were it not for Cotonou’s legally binding character, their very existence would have been threatened. Others claim that politicians condemn the EU’s governance and human rights conditionalities as ‘neo-colonialism’ and ‘paternalism’.

Not only is the EU considered correct about the values it promotes, but it is also seen as being entitled to demand better governance because it provides development aid – regardless of the amount. Interviewees prefer to maintain working relations between the EU and their governments, even when the two parties strongly disagree. But a few believe that *“conditionality has had a negative impact as regimes have been changing without real will.”* They see more potential for change in tools like the African Peer Review Mechanisms instead of top-down, occasionally punitive conditionalities. African interviewees expect African regional powers to assume greater leadership on governance issues.

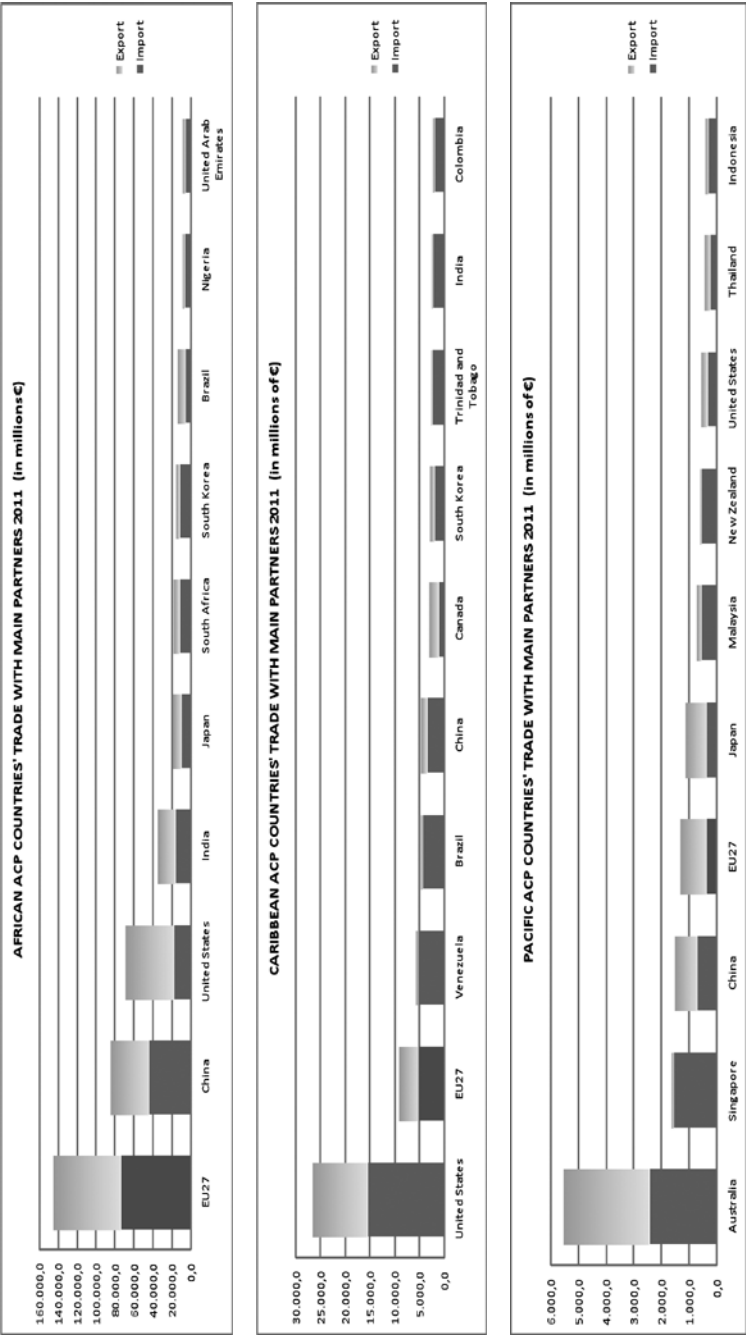
Regarding civil society’s inclusion in political dialogue – especially for defining development strategies and EU support – many non-state actors (NSAs) express disappointment about how consultations are conducted. The latter are seen as becoming unilateral information programmes despite the fact that in the CPA, consultation with the civil society is considered to be key for fostering participation and ownership of developmental strategies, governance and human rights issues, etc.

Especially in the Caribbean, NSAs report that dialogues about national strategies and EU development cooperation is poor, generally because governments and EU delegations are hardly involved, there are few vibrant well-organised CSOs and networks, and it is very difficult to access EDF funds. Some CSOs view EU attempts to create new bodies for regional consultation as detrimental and divisive.

Trade

The analyses of overall EU trade flows in section 2 do not reflect how the importance of trade with the EU varies for each ACP region and country. Graph 3 presents the trade flows disaggregated for Africa, the Caribbean and the Pacific, showing that trade with Europe remains most important for Africa.

Graph 2: Main trading partners for the three ACP regions in 2011³² (Source: DG Trade statistics)



32 Figures for Africa exclude South Africa, which alone presents 25% of ACP trade with Europe under a separate framework provided by the Trade Development and Cooperation Agreement (TDCA) that entered into force in 2004.

The Cotonou Agreement was intended to gradually end the EU practice of granting non-reciprocal trade preferences to ACP countries and move towards a liberalised trade regime through Economic Partnership Agreements (EPAs). But the lengthy and controversial EPA negotiations have created friction between the parties, tarnishing the EU's image in all ten countries (see also section 3).

Although post-2020 scenarios for Cotonou will be affected by the outcomes of EPA negotiations, the latter are between the EU and the RECs and are not dependent on Cotonou's future. Nearly all ACP interlocutors reject EU arguments in favour of EPAs because they see how EPAs undermine local industries and mostly favour EU exports. They argue that although trade 'openness' tends to be win-win for countries at similar stages of development, large asymmetries between the parties – as in their case – can undermine the growth of infant industries in non-industrialised countries whose economies often rely on a few primary commodities. Other sources of concern include ACP governments' expected loss of custom revenue, which cannot be compensated for by longer transitional periods or temporal compensatory payouts, and the ACP producers' incapacity to access EU markets and compete under EU standards – even after EPAs are agreed. Many consider the EU position to be hypocritical since it pushes for liberalisation externally – while heavily protecting its own agriculture sector.

For Least Developed Countries (LDCs) that benefit from the Everything But Arms (EBA) agreement, there is little incentive to sign an EPA, since their goods are granted preferential access to the EU market under the EBA. EPAs compel MICs to open their economies to one of the most competitive markets in the world – which is not necessarily in their interest. Generally the EU's contribution to regional integration is welcome: small MICs like Botswana need regional cooperation to develop. Yet were Botswana to sign an EPA with the EU its access to ports in Namibia and South Africa through the Southern African Customs Union (SACU) could be jeopardised. The landlocked country is in the unenviable position of having to renounce its beef preferences – by not signing an EPA with the EU – in order to maintain its own regional cooperation within the SACU framework.

A more compelling criticism of the EPA process is that Cameroon signed (but did not ratify) the interim EPA but other countries in Central Africa did not follow, leaving Cameroon isolated at the regional level. One COMESA official argues that EPA negotiations had split the REC between LDCs and other members, complicating regional integration processes. One interviewee finds little incentive for ACP economies to access EU markets because non-tariff barriers – such as EU standards and packaging and labelling requirements – will persist even in a fully liberalised trade relationship.

In the Caribbean, the only region to have signed a full EPA, the process of implementation is sluggish with country ratifications proceeding at snail's pace. The looming expiration of

unilateral preferences provided to ACP countries³³ – on 31 December 2007 – caused rushed negotiations, with little consensus about many elements. Many interviewees believe that the Caribbean region would have negotiated differently if they had understood that the preferences would be continued: Caribbean government officials and private sector representatives regret signing the agreement.

For the many Caribbean countries that are primarily service providers (tourism) or have few diversified exports (e.g. oil, sugar, rum), an EPA brings no significant advantages since their lack of capacity prevents them accessing the Union's service markets. In addition to supply-side weaknesses, these countries have all sorts of other difficulties conducting business with Europe because visa constraints impede easy access to the territory – an issue that is crucial for trade but which is not part of the EPA.

For the ACP Group, the CPA's main contribution to trade is the strong political support and funding provided to Regional Economic Communities (RECs). The EBA – introduced by the EU in 2001 outside the CPA setup – is regarded favourably by its LDC beneficiaries but negatively viewed by other countries because it collides with the non-LDC ACP members' interest in having the RECs and the EU agree on EPAs.

Most of our interlocutors believe that the EPA agenda should drop the Singapore Issues³⁴ but retain custom revenues. They also agree on the need for regional trade agreements with the EU to foster regional integration and increase their bargaining power. Since the WTO talks on trade facilitation are stuck on the very same issues, an African interviewee asks, “[W]hy should the EU ask us to dance faster than the music?” Aversion to the EPA agenda does not indicate aversion for regional integration as such: most of the interviewees who are involved with trade issues recognise the need to boost regional integration, if possible along the lines of Europe.

Landlocked countries have vital interests in regional integration. But the EU's current internal economic problems are challenging the European integration process, and reducing its appeal as a model. Many people in regions that are undergoing processes of integration are anxiously awaiting the end of the present EU crisis, which is viewed as stretching beyond economic aspects to core issues of identity and the willingness to truly integrate.

Our ten country visits confirmed widespread dissatisfaction with the way the EU has been negotiating the EPAs. One interlocutor termed them as an “*EU monologue*” characterised by opacity and asymmetry of the negotiators and conducted under lots of political pressure from the EU – which in turn was being pressured by the WTO to do away with its non-reciprocal trade

³³ These would still be provided to Least Developed Countries under the Everything-But-Arms scheme.

³⁴ These concern four issues introduced to the WTO agenda at the December 1996 Ministerial Conference in Singapore: trade and investment, trade and competition policy, transparency in government procurement, and trade facilitation.

preferences towards the ACP. The EU's approach to trade with the ACP Group is often described as undercutting the CPA's spirit of partnership. The EU is viewed as attempting to impose an agenda of liberalisation and privatisation that is far greater than what most ACP countries desire. This issue has tarnished the EU's image in ACP countries, where the EU is perceived to be pursuing its own commercial interests under the banner of development. Many of its partners doubt the developmental rewards of some of its demands. A widely shared ACP view is that *"[T]he EU is ruthless in trade matters."*

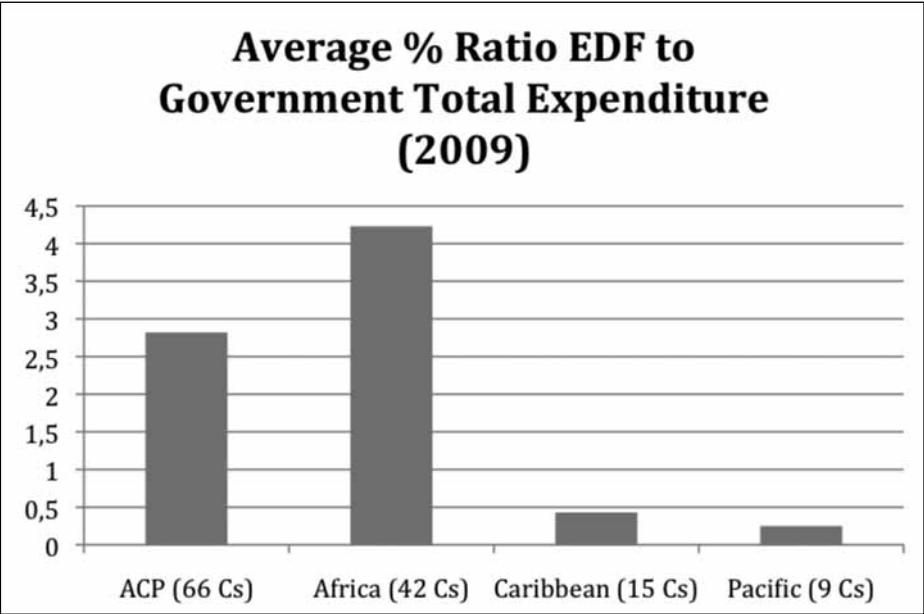
The ACP Group opened an office in Geneva to strengthen its position during the WTO negotiations. While some interviewees feel that this has helped ACP countries that are not represented individually, most question the move. Trade is a very case-specific, sensitive issue so cooperation is rarely straightforward. Few interlocutors are aware of the Geneva office or know about its functioning and remit.

Several stakeholders express hope that the EU will invest more in Africa, and many think that development cooperation should concentrate on attracting EU investments to the continent. Others remark that EU aid should focus on removing supply-side difficulties that impede ACP access to European markets.

Development cooperation

Echoing the Brussels-based interviewees, many interviewees working in development cooperation praise the EDF for ensuring predictability in funding, thereby enabling aid organisations to plan for the medium term. (Other donors impose annual negotiations on future funding.) Yet many interviewees in Africa claim that EU national strategies are often very vague about their priority sectors and that development funding is allocated with little knowledge of local contexts. Fortunately, national development plans will be used wherever available for EDF national programming for the period 2014 – 2020, instead of EU Country Strategy Papers. The EDF and its aid-effective 'avant la lettre' provisions that were inserted in Cotonou and earlier agreements are highly appreciated – despite the lengthy procedures and annoying red tape. The EDF is viewed as a more predictable and reliable source of development finance than those provided by several bilateral EU donors, and as playing an important role in maintaining ACP interest in the Cotonou Agreement. Some interviewees even say that if the EDF were to be channelled through the AU or the RECs, *"no one in Africa would complain for dropping the ACP"*. Most ACP countries appear to consider the EDF as just another component of foreign aid although EDF funds do not contribute a large share of ACP government expenditures, as shown in graph 1, which compares EDF disbursements in 2009 to ACP government expenditures. EDF funds are shown to be particularly low in the Caribbean and Pacific regions – 0.4 and 0.2 percent, respectively. While for ACP countries, the average ratio of EDF disbursements to government expenditures is 2.8 percent, in Africa EDF funds represent 4.2 percent on average, or 5.2 percent when only countries with direct EDF disbursements are considered. Cash gifts amounting to 4 to 6 percent of the government's annual budget should be quite welcome! (Keijzer, Lein et al. 2013)

Graph 3: 2009 EDF disbursements as a percentage of government expenditures. Countries (=Cs); missing data is excluded.



Sources: European Commission; IMF World Economic Outlook Database (Keijzer, Lein et al. 2013).

A particularly controversial form of EDF funding is budget support, or direct aid to national budgets, either with pre-defined priority setting (Sector Budget Support) or without (General Budget Support). EDF budget support was first introduced during the 7th EDF (1990–1995). In the 10th EDF, 44% of the programmable money (EUR 13.5 billion) was to be channelled through BS – making slight increases in General Budget Support and significant increases in Sector Budget Support from the 9th EDF (DSW 2008). These increases reflect the EU’s commitment to provide 50% of development cooperation in the form of budget support by 2010 (the European Consensus on Development). Under the EDF, in the period 2002–2010, the Commission committed a total of EUR 6.2 billion for General Budget Support – over 90% for Africa. Budget support (BS) is generally regarded as an effective way to channel donor aid, but is also as a modality that weakens systems of accountability and governance because it lacks proper monitoring and sufficient conditionality.

Although the EU is praised for its contributions through the use of programme-based approaches like BS, in the ten countries visited, EU development cooperation is not very visible. Since much official development assistance (ODA) passes through the country’s own systems and is spent ‘under the radar’, most citizens and national stakeholders are unaware of the size of EDF contributions. The EU focus on ambitious objectives such as poverty reduction and economic growth also usually outstrips the resources for the programmes.

The EU is generally appreciated for its major long-term support to ACP RECs. But despite appreciating EU contributions to regional integration, African government officials express concern about whether the RECs can absorb the large funding contributions in pace with the regional cooperation process. The EU also supports COMESA through a contribution agreement, a form of BS for an organisation, yet the EU contribution greatly outstrips those of the COMESA Member States, fostering dependency and raising concerns about ownership.

Allegedly the CPA has played an important role by providing access to funding and helping soften the conditions and occasionally harsh legal frameworks for non-state actors (NSAs) to operate. Cotonou has especially helped African grassroots organisations to be heard – and the EU has systematically protested against any national legislation that restricts NSAs.

Civil society actors do not think much of the EDF tendering procedures, which they consider to be too long, bureaucratic and opaque. Furthermore, application processes are said to be too slow and cumbersome for many NGOs, with relevant information poorly disseminated in some countries, and EU web pages that do not provide comprehensive, centralised information on tenders and mechanisms – although they are said to have been improved somewhat. Respondents express concern that EU tendering procedures are oriented to the private sector, which makes it difficult for NSAs to engage.³⁵

The Cotonou Agreement supports ACP civil society by acknowledging NSAs as essential players in the partnership. Civil society representatives in the ten countries we visited seem to value EU support, for example in Cameroon, where Brussels funded a programme to structure national civil society – the ‘PASOC’³⁶ – that is considered to be effective. But many interviewees report major shortcomings regarding NSAs’ involvement – mainly because EU delegations and ACP NSAs lack capacity. The EU delegations often fail to sufficiently engage civil society organisations (CSOs) since this requires lots of time and human resources, while CSOs are faulted for not having the capacity to handle large amounts of funds and thereby facilitate the EU delegations’ disbursement pressures. The fact that EU funds are jointly managed by national authorising officers, many of whom are reluctant to have funds channelled through NSAs, only compounds the difficulties and creates the perception that despite the CPA’s provision for direct CSO support, they receive only a fraction of their total funds.

China’s growing presence in Africa challenges the EU’s CPA cooperation by proposing a new form of engagement with an external power and questioning the relevance of the EU’s cumbersome bureaucratic procedures and tight conditionality. In-country interviews reveal that China is widely regarded as a more ‘pragmatic’ and flexible actor with more immediate, tangible impact.

35 One example is the African CSO that was repeatedly requested to supply a non-bankruptcy act – an eligibility criterion for an EDF-funded tender. Such acts are common legal documents in the for-profit private sector, but not among non-profit CSOs.

36 Programme d’Appui à la Structuration de la Société Civile. PASOC programmes were set up in other African countries such as Mauritania and Niger, but the feedback here refers to the Cameroon.

African government stakeholders particularly appreciate how China is building sorely needed infrastructure: *“China gives us roads, the EU gives us procedures”*.

Many government officials are discouraged by the cumbersome EDF procedures and value the straightforward and efficient support from the China Development Bank's African Development Fund for their transport and energy infrastructures. However, these officials do not manage the day-by-day cooperation with China – which is not always straightforward. Nevertheless, long-term benefits do accrue to African countries from having a permanent infrastructure to enhance their domestic and international trade links. Furthermore, China's cooperation is perceived as less paternalistic, and China is able to speak with one voice to African governments.

Some interviewees, however, are concerned about China's typical approach of using its own companies and workforce to implement projects, thus creating little local employment. China also mainly issues loans not grants: although low-interest rates are currently low, the yuan's revaluation will most likely cause the real value of African debts to China to skyrocket.³⁷ Other emerging economies like Brazil, India and Turkey are also becoming increasingly active in Africa – but not as much as China, and with different modalities. These countries' swifter, more tangible results – as opposed to those of the EU (and individual EU Member States) – are generally appreciated.

Many stakeholders in Africa feel the EU should be promoting its businesses and investing in the continent because although Chinese and Indian companies are more competitive than European companies, the latter are thought to produce higher quality products. The EU is also appreciated for blending investment and economic development with a political, values-driven approach. Although these values are applied inconsistently, they are acknowledged as being essential for equitable, sustainable development. But tangible economic and social programmes must also be part of the ACP–EU relationship.

The widespread perception that the European and EU grip on Africa is slackening is accompanied by reiteration of the two continents' historical ties³⁸. Most interviewees emphasise their cultural proximity to Europe: despite the changing global context, the EU remains the continent's most natural partner although at the same time it needs to redefine its African strategy.

³⁷ These loans are to be repaid in part with local currencies or natural resources – or access to them.

³⁸ Europe remains the ACP's main trading partner. See figure 1 in Mackie et al (2011).

Box 2: Differentiation: A contentious issue

The country consultations revealed concern about the principle of 'differentiation' in the EC document, 'An Agenda for Change' (2011), which foresees ACP upper-middle-income countries (UMICs)³⁹ 'graduating' from assistance after the Cotonou Agreement expires because they will no longer be eligible for funding earmarked to individual countries under a new European Development Fund or under the Development Cooperation Instrument (DCI). Although in the ACP–EU cooperation, needs and performance have long been used to determine EDF allocations to ACP states (Keijzer, Seters et al., 2012; Koch, 2012), under the 'Agenda' they are expected to be applied more stringently to the CPA, thus creating bigger changes in allocations to ACP states.

Possible loss of funding is the prime concern of African stakeholders, who argue that phasing out development aid per se is a bad thing, a way of 'punishing the good pupils'. The proposed approach based on gross national income (GNI) is criticised because 70 percent of the world's poor actually live in UMICs: Development aid should tackle the inequalities instead of using differentiation to disengage from these countries (Furness and Negre, 2012).

Respondents from the Caribbean are especially worried about the EU applying differentiation without properly accounting for the regional economies' vulnerabilities, especially in terms of international crises that can impact tourism and the adverse effects of climate change. Many Caribbean interlocutors argue that climate change should be central to any discussions about post-2020 Cotonou. However, some respondents maintain that the region should stop relying on development assistance and acquire other leverage tools.

4.3.3. Views of the future

During the country visits we heard limited interest in the ACP Group and its future relations with the EU – partly because of ignorance about the dynamics, but also because Cotonou is still operating for another seven years. Nevertheless, it is possible to interpret key messages that could be useful in reflections about the future.

The EU is widely regarded as being open to dialogue and seeking areas of common interest, although some interviewees express disappointment in the EU's unilateral approach, especially with regard to trade. Any future cooperation should be less procedural and less bureaucratic – and more open to innovation and risk-taking. This would require greater levels of technical expertise.

39 As well as countries that account for more than 1% of the world's GDP.

While opinions are often nuanced and sometimes reject scenarios that focus too much on form instead of function, stakeholders in ACP countries identify two broad options for post-2020 ACP–EU relations: on one hand, letting the Cotonou Agreement expire and dismantling the Group, and on the other, making the Group relevant by means of radical reform, including refurbished EU relations. The stakeholders concur that maintaining the status quo is not an option.

Proponents of the first approach criticise the ACP Group as such, and are aware of EU institutional changes indicating that the EU is losing interest in Cotonou – promoting regional partnerships with Africa, the Caribbean and the Pacific, and especially pushing for African regional integration and closer ties with the African Union. Stakeholders believe that unpacking the ACP would be a safe exit strategy. They sense that the ACP has lived out its purpose and needs to justify its continued existence for Africa, the Caribbean and the Pacific.

Although some interviewees view the AU as an important platform, most argue that the RECs are more suitable interlocutors for further cooperation with the EU. They also indicate scepticism about the idea of treating Africa as one. Overlapping memberships and capacity constraints are viewed as hampering RECs efforts to drive regional cooperation, and limiting their potential as building blocks and vehicles of future international cooperation. African stakeholders feel that if EU–ACP relations were disaggregated into the three components of the ACP Group, it would be necessary to have a legally binding operational Joint Africa–EU Strategy (JAES) to preserve some of the CPA's key principles and components.⁴⁰ Several respondents believe that if the ACP were dismantled, African states could resume the 'nationalisation of international relations' – and develop stronger bilateral relations with their traditional European partners.

Others want the ACP Group to exist after the Cotonou Agreement expires in 2020, arguing that it will still have an active role to play. They concede that the Group would have to redefine its mission and mandates and emancipate itself from the EU, particularly regarding funding. Many interviewees also believe that the Group needs to diversify its external relations and enhance its links with emerging economies. This is particularly important for countries moving from low- to middle- income status, where development cooperation is likely to decrease in relevance over time, and political dialogue to increase.

Caribbean and Pacific stakeholders indicate strong motivation to continue working within the ACP framework and reach consensus about extending the Cotonou Agreement beyond 2020. Some view the Group's future as a question of "affordability, leadership, and expected benefits" and welcome regionalisation under a strong ACP umbrella. The Caribbean and Pacific regions consider that intra-ACP relations should be strengthened in terms of sharing experiences and coordinating at the global level.

⁴⁰ However, the JAES is perceived as suffering even more from a 'Christmas tree' approach than the CPA: it lacks focus on a manageable set of areas for further cooperation.

5. *Conclusions and recommendations for further debate*

Europeans present two approaches to the future of the Cotonou Partnership Agreement – one that abandons the ACP–EU partnership, and the other that preserves some of its elements. The first approach has a weak rationale for keeping a common framework with these very heterogeneous regions, which do not appear to have developed an ACP-identity or intra-ACP trade. Europeans point to the decreasing relevance of former colonial ties, particularly in the context of an enlarged EU, but also because of the ACP–EU emphasis on ODA, combined with the ACP Group's poor track record in helping to shape joint positions and interventions at international fora.

That said, European stakeholders find that there are three main elements worth retaining: (i) the CPA's legally binding nature that promotes political dialogue, predictability and ownership strategy in development cooperation; (ii) the European Development Fund, which has a relatively strong record of performance (compared with other EU development cooperation instruments) and a commendable multi-stakeholder approach to designing and managing development strategies; and (iii) the potential alliance of the ACP and the EU for global public-goods provision. Although several EU Member States, the EC and the European Parliament have called for 'budgetising' the EDF, our findings suggest that the EU would gain from 'EDF-ising' its other development cooperation instruments by including innovations developed in the ACP–EU context. However, there should be democratic scrutiny of the EDF by the European Parliament.

Although there is no official position of the EU or its Member States about what should happen after Cotonou expires, European actors seem to favour a more regional approach to EU external relations and also maintaining the valuable aspects of the present setup. Although the EU's strategic interest in the Caribbean and especially in the Pacific is clearly declining, EU Member States' repudiation of the CPA could seriously impact promotion of their values and interests in Africa. The Joint Africa–EU Strategy does not provide a viable alternative framework for cooperation.

The EU seems inclined to preserve key elements of the CPA in a 'light' version of the current ACP–EU agreement – either by transferring them into separate EU regional strategies toward Africa, the Caribbean and the Pacific, or by combining them into a simple overarching 'ACP light' structure with regional strategies. European policy discussions on this matter are long overdue, with preparations for the CPA's third revision in 2015 potentially serving as an important 'warming up session' for negotiations on post-2020. EPA negotiations have negatively affected ACP–EU relations in the recent past and could harm the EU's position and trade with Africa in the medium to long term.

While the ACP countries' official representatives in Brussels support continuing the Cotonou Agreement and also upgrading the ACP Group's international profile, stakeholders in ACP countries are not enthusiastic. Our ten country visits identified five key reasons for this restraint.

First, a sizeable 'social disconnect' exists between the structures and inner circles involved with the Cotonou Agreement's functioning, the ACP Brussels-based actors and the ACP countries. Although this is not unusual for such an agreement, it is telling that relevant stakeholders from government, civil society, the private sector, international organisations and academia don't really value Cotonou's scope and reach. Important differences about the ACP–EU exist across regions, countries and stakeholders, indicating the value of more discussions about how ACP countries might shape future cooperation with the EU. States that are party to the Cotonou Agreement appear to have largely outsourced the CPA's management to a select group of international experts, diplomats and representatives – to the ACP's Brussels-based Secretariat and the ACP states' national missions to the EU. As a result, many well-informed, relevant stakeholders in these countries may know about EPAs and EDF development interventions, but also be completely unaware of their governing ACP–EU partnership.

Second, while the ACP Group is regarded as historically relevant, there is little appreciation of its current value beyond securing EU development assistance through the Cotonou Agreement, and to help the Caribbean and Pacific regions amplify their messages to the EU and internationally. Obviously, the Group's size in itself could be an important reason to maintain it, especially if this power were used with the EU to create an automatic majority in international fora. However, since the Group has little to show in this regard, size alone does not make a convincing rationale.

Third, the overlapping mandates, memberships and international strategies among the different organisations and frameworks seem to conflict. Increased bilateral relations vis-à-vis traditional EU partners, the rising role of RECs and the tensions that result from overlapping memberships, as well as competition for remits between the regional (RECs), continental (AU) and ACP levels, are just some of the conflictual interactions that affect the Group.

Fourth, although the institutions emanating from the CPA were ambitiously designed, the ACP's low financial commitment is interpreted as a sign of its lacking political will. Shortcomings of the current leadership – as compared with the first decades of the ACP–EU framework – are also regarded as explanations for the ACP's decreasing relevance. Compounding this is the negligible intra-ACP cooperation and trade – or other substantial links.

Fifth, EPAs negotiations have especially tarnished the EU's image at the country level, where the CPA's trade pillar is its best-known component and dissatisfaction is expressed about issues of both process and content. Most ACP interlocutors claim that the EU has pushed its own interest-based agenda, disregarding the ACP countries' key concerns and insisting on speed despite the lack of any agreement. The ACP countries most fear the loss of custom revenues, competition from EU industries, and lack of supply-side capacity to access EU markets – combined with possible damage to their local economies from the Singapore Issues. Real or perceived, sound or not, the EU's approach to trade negotiation has inspired the Group's mistrust.

All this notwithstanding, EDF money is generally appreciated – even if there is little consensus about how it should be targeted. While most interviewees acknowledge that EDF-funded interventions are important for development, many also are disappointed that cooperation has remained so government-oriented despite the acknowledgement of the partnership's multiple actors. EU development cooperation is broadly viewed as taking alignment seriously, and the EU's basic values are broadly shared.

ACP stakeholders generally view the values that the EU seeks to promote through political dialogue as universal and feel that Cotonou is an important instrument for insuring mutual accountability. Stakeholders view the political dialogue as mostly one-sided, although they recognise that they have managed to raise concern for some of their values, for instance how EU Member States treat ACP migrants. The problem does not seem to be the values themselves but rather the way the EU promotes them, as well as its choice of the right time to intervene. Despite these criticisms, ACP stakeholders agree that political dialogue is important for fostering civil society participation in the development process, and many insist that much more should be done. However, all parties agree that the EU civil society consultations in ACP countries are not well done and the CSOs' access to EDF funds is inadequate.

ACP–EU relations are deeply affected by emerging economies' growing role in ACP countries, which impacts trade relations by creating the impression that European exports and services are less competitive than those from China, and also increases competition for access to natural resources. Important economic fluxes from China – and to a lesser degree from other emerging nations, too – that apparently have no strings attached, are reducing the significance of EU development funds and limiting the EU's position to promote the values addressed in the political dialogue (Hackenesch, 2013).

The EU has already lost, or is in the process of losing, its status as a privileged partner for many ACP countries – and vice-versa. Any future cooperation agreement should be less government-focused and more flexible and opportunistic about identifying a few concrete areas to drive cooperation. While Cotonou's contractual nature is appreciated, its vast framework for cooperation distracts from more down-to-earth agreements like those that ACP countries have happily made with other countries like the BRICS. ACP stakeholders insist, however, that these new modes of cooperation should not be taken as encouragement for the EU to become like the BRICS: the European approach to cooperating, along with the way practices have been shaped over decades, is much valued.

The growing absolute and relative size of EDFs, as well as the contentious nature of and slow progress with the CPA trade and political pillars, have caused development cooperation to eclipse the ACP–EU partnership. Not only has this hampered Cotonou's potential to be a strong and broad Partnership Agreement, but it also eliminates the possibility of a post-2020 'status quo' because the EU's development assistance to ACP countries is being reduced. Cooperation

should be expanded beyond development in view of the strong interest in and potential of cooperation in areas such as trade, investment and knowledge exchange.

ACP stakeholder perceptions concerning the future of the Cotonou Partnership Agreement sketch out three possible scenarios for ACP–EU relations:

- Abandoning the Cotonou Agreement as a legal framework and focusing EU relations on each of the ACP regions (which will happen automatically if no successor agreement to Cotonou is adopted);
- Upgrading the Cotonou Agreement beyond 2020 by fundamentally changing the ACP–EU institutions to a lighter – less ODA-focused – cooperation architecture; or
- Regionalising the ties while preserving as many elements of the Cotonou Agreement as possible and maintaining the ACP to coordinate certain international fora and for cooperation in technical, developmental or trade matters.

While European interlocutors generally seem to favour the first option of regionalising the EU strategies and simply turning the page on the Cotonou Agreement, attitudes within the ACP are more diverse. ACP officials and ACP country ambassadors in Brussels, as well as others involved in operating the current framework, broadly support upgrading the CPA. However, most country stakeholders see no reason to maintain either an ACP structure or the CPA, and opt for letting Cotonou expire, regionalising relations with the EU, and possibly maintaining a simple ACP structure. Regardless of their preferred scenario, stakeholders acknowledge the need for an in-depth assessment of the political and technical feasibility of all the options.

One key aspect appears to be shared, namely the conviction that some key elements of the Cotonou Agreement – particularly regarding development cooperation and political dialogue, and to a lesser extent, the trade pillar – should be preserved and improved. So the question is how to regionalise and also incorporate key CPA aspects into regional strategies vis-à-vis the EU. Few believe that much can be achieved in this regard before Cotonou expires. In fact, this will probably be one of the main considerations in the countdown to 2020.

The social disconnect observed between the institutions and functioning of the Cotonou Agreement, and their intended Partnership shows that relevant EU and ACP country stakeholders should be more involved in the decision process that is slowly taking shape: the debate must be expanded beyond the inner CPA circles. This research shows how relevant stakeholders from the field of international relations, government, the private sector, CSOs and others are often disconnected from decisions about their status, shape or future development. Regardless of the direction that ACP–EU relations take, the more open and participatory the process, the better the chances of achieving a meaningful outcome.

Although the seven years to 2020 might seem long, the ACP and the EU must stop being preoccupied with structures and groupings and urgently launch discussions that are driven by specific cooperation concerns. The ACP's Group of Eminent Persons does not provide the solution, but it could help promote what is really needed: a multi-stakeholder bottom-up review of the partnership in ACP countries.

Annex 1: A synthesis of independent evaluations of support to ACP regions⁴¹

This annex presents the results of independent evaluations commissioned by the EC about cooperation with the ACP regions. These evaluations were carried out between 2005 and 2008, that is, they covered the 8th EDF period, not the present one. Some of the shortcomings detected by the evaluations may have since been addressed.

i) Caribbean⁴²

Although the Commission's support was intended to construct a regionally integrated space that resonated among its members and responded to the region's special needs, its strategy was regarded as lacking two crucial points in the political dialogue: a vision of the long-term regional integration process, and how the support would contribute to sustainable development and poverty reduction. The linkage between individual interventions and strategic priorities was also too vague.

While the strategy for this region seemed to be flexible and adapted to evolving needs, its design did not adequately take the large asymmetries between the Caribbean countries into account.

Interventions aimed at regional integration noticeably impacted on several sectors, including "trade, promotion of cultural identity and diversity, product identity and regional marketing, tertiary education and crime prevention". However, the time constraints and scope of the strategies' organisational framework were negatively assessed.

The evaluation confirms with the general view that the EC development cooperation push for regional trade to be liberalised has caused negative social impacts – increasing the urgency to address issues of gender and poverty.

⁴¹ This annex is adapted from: Negre, (2012).

⁴² European Commission (2005a).

ii) Central Africa⁴³

The Commission's strategy was found to be generally relevant, although its focus on regional integration appears to have sidelined poverty reduction, which was indirectly addressed. Country strategies also failed to concentrate on poverty reduction. Both the regional and country strategies were incoherent and lacked complementarity. Another key issue in the area is the lack of good governance, which is judged to be "the principal problem in the region".

Support for transport and natural resources appeared to be satisfactory in terms of effectiveness and impact. However, important difficulties were identified regarding the other evaluation criteria: Complementarity and coherence were viewed as 'problematic', sustainability 'at risk' and efficiency 'unsatisfactory'.

The lack of complementarity between the regional and country strategies was viewed as "weak[ening] internal coordination and low[ering] capacity within the Commission to implement its regional strategy". Complementarity in regional economic integration and governance needed significant improvement.

Since this region is partly characterised by the lack of a clear definition of its members and a multiplicity of regional organisations, the EC was unable to identify interlocutors. Notwithstanding EC efforts to be sensitive to the various regional processes, ownership remained weak, partly because "the only implementation mechanism being used currently [was] the project approach which in addition to leading to weak ownership contributes to low sustainability and high relative costs".

iii) Eastern and Southern Africa and Indian Ocean⁴⁴

The evaluation found that the EC regional strategies were relevant to the regional integration organisations (RIOs) as well as those of the African Union (AU). Support for RIOs was fairly substantial but the regional programming's global architecture was not in line with the AU priority to strengthen regional organisations and increase their harmonisation.

Despite major attempts to integrate sector programmes and policies, the funds were deemed insufficient. Improving policies, plans and management capacity was a main priority, but this appeared to be disproportionate in light of the sorely needed investment in infrastructure. The evaluation also pointed out, "[C]apacity-building activities easily find a limit in the absorption capacity of the recipients".

⁴³ European Commission (2006b).

⁴⁴ European Commission (2008d).

Regarding natural resources management, the Commission's regional strategy did significantly contribute to enhancing capacity and policy outcomes, while also helping foster consensus and improve awareness of the risks and tensions related to scarce natural resources.

Although support for conflict prevention, resolution and management (CPRM) projects at the regional level was pertinent, it was not really coherent with EC initiatives at the country and continental levels. Despite their joint programming of CPRM activities by RIOs, their coordination was minimal. The EC's own capacity to provide this type of support was deemed inadequate at the time of the evaluation.

iv) Pacific⁴⁵

The evaluation established that the EC support was oriented to the needs and priorities identified by the partners but "not strategically directed to the overarching objectives of Commission cooperation, as illustrated in particular by the weak consideration of poverty reduction". This indicates a clear conflict between ownership and EU priorities for development cooperation.

Assistance to boost participation of the Pacific region's partners in international commitments to global challenges, particularly regarding climate change and natural resources management, was viewed as highly pertinent and coherent with EU global policies.

Concerning the EC's coordination and complementarity of its regional and country strategies, which was important given the Commission's limited relevance as a donor in the region, the evaluation concluded that much could be improved to maximise the impact of its assistance.

v) Southern Africa Development Community⁴⁶

The EC's regional support was found to be "generally relevant, coherent and poverty oriented", with potential for enhancing coherence and creating stronger linkages to country strategies.

Southern Africa's numerous regional organisations made it difficult for the Commission and the SADC to decide on appropriate action. The division of SADC member states into two EPA negotiating zones creates major difficulties for intra- and inter-regional cooperation.

The evaluation pointed out that the strong emphasis on capacity building in support of regional organisations, particularly the SADC Secretariat, was misguided. The Secretariat was described as understaffed – with posts either vacant or filled by a non-competitive quota system – and dominated by SADC heads of state.

⁴⁵ European Commission (2007c).

⁴⁶ European Commission (2007d).

Weak linkages between regional and country strategies were regarded as being further diluted by insufficient interaction between the EC delegations charged with coordinating activities and incorporating regional aspects.

EC support for the transport sector was judged positive at the national level but weak at the regional level because the regional transport market was in the early stages of being liberalised.

Interventions in the area of HIV/AIDS were judged to be in the right direction despite the lack of observable improvements in terms of results and measurable outcomes.

vi) West Africa⁴⁷

Even if the countries in the region demonstrated little commitment to the process of regional integration, EC support was focused on the institutional aspects, particularly developing the Economic Community of West African States (ECOWAS)⁴⁸ and the West African Economic and Monetary Union (UEMOA, as it is known in its French acronym)⁴⁹, which is composed of eight of the 15 ECOWAS members.

The EC regional strategies were deemed insufficient to properly define the program results and anticipated impacts, although measures to address this shortcoming that had been recently implemented were expected to improve the results significantly. Improvement was focused on supporting crisis prevention and EPA negotiations.

Support for the transport sector in order to improve regional integration was judged pertinent and correct since this sector is viewed as a main contributor to the regional integration process. However, this support did not benefit the entire population because transport prices were not lowered, illegal tolls eliminated the potential benefits of the investment, and frontier transit remained very slow.

Coherence between other regional and country strategies was deemed weak, with the Commission lacking clear strategies to leverage its objectives in the region.

⁴⁷ European Commission (2008c).

⁴⁸ ECOWAS is composed of: Benin, Burkina Faso, Ivory Coast, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo and Cape Verde.

⁴⁹ UEMOA is composed of: Benin, Burkina Faso, Ivory Coast, Mali, Niger, Senegal, Togo and Guinea-Bissau.

Reinventing Pacific-EU Relations: with or without the ACP?¹

Geert Laporte and Gemma Pinol Puig²

1. *Milestones in the reflection process*

Both the EU and the ACP have started reflections on the future of the ACP Group and the future of the Cotonou ACP-EU Partnership Post 2020.

The ACP Group has been quite pro-active in the past three years launching several initiatives both at the political and technical levels. An Ambassadorial Working Group on future perspectives was established in November 2010. Several consultations have been held with various actors and stakeholders, mainly at the level of the ACP and EU institutions in Brussels. With the support of the UNDP, the ACP Secretariat published a study by Prof. Myriam Van Reisen in 2012 on Future Perspectives of the ACP Group which was mainly based on consultations with Brussels based ACP actors.

In December 2012 the 7th ACP Heads of State and Government Meeting in Equatorial Guinea adopted the Sipopo declaration on the future of the ACP Group. The ACP-EU Joint Parliamentary Assembly also organised regular sessions on the future of the ACP-EU cooperation in its six monthly meetings, in the past two years.

In March 2013 an ACP Eminent Persons Group (EPG) was launched to reflect on the future of the ACP Group. The Group which is led by former President of Nigeria, Chief Olusegun Obasanjo, consists of 14 men and women, including Fiji's former Foreign Affairs Minister, Kaliopate Tavola and former Samoan Financial Secretary, Kolone Vaai on behalf of the Pacific region. The EPG is currently hosting a series of 6 regional talks in Africa, the Caribbean and the Pacific to gather views on the future outlooks of the ACP Group and its relations with the European Union. A first meeting took place in Samoa (17-19 October) and will be followed by consultations in the Caribbean and the 4 African sub-regions. The results of these meetings will be submitted to an ACP Heads of State meeting that is scheduled for the end of 2014.

¹ This chapter originally appeared as: Laporte, G. & G. Pinol Puig. October 2013. Reinventing Pacific-EU relations: with or without the ACP? (ECDPM Briefing Note, 56). Maastricht: ECDPM. <http://www.ecdpm.org/bn56>

² The authors would like to thank the participants to the Pacific consultation on future perspectives for the ACP as well as their ECDPM colleagues Jean Bossuyt, Brecht Lein and Andrew Sherriff for their useful comments on an earlier draft.

In Europe reflections on the future of the ACP-EU Partnership have also started. An informal Commission-European External Action Service (EEAS) Working Group was established in 2011 to gradually start internal EU reflections on the future of ACP-EU relations Post Cotonou. A formal EU inter-service Group comprising the line Directorates General of the Commission and the EEAS has also started its reflections on 18 October.

Also, at the level of some EU member states and the European Parliament, initial thinking on the future of the ACP-EU partnership has started. The negotiations for a possible third revision of Cotonou in 2015 should formally start in February 2014. Although no major revisions are expected, this could be the 'warming up' for a debate that will gain momentum after the elections for the European Parliament (May 2014), the nomination of the new EU Commission (November 2014) and the appointment of a new High Representative of the Union for Foreign Affairs & Security Policy.

As a non-partisan foundation, working since 1986, on ACP-EU issues, the European Centre for Development Policy Management (ECDPM) is playing a lead role in this reflection process through policy oriented research and the facilitation of dialogue. The Centre undertook a number of studies and papers including a series of country consultations³, mainly in Africa. While quite some work has been undertaken on the future of the ACP and of the ACP-EU Partnership in Brussels circles (EU institutions, ACP Secretariat, ACP Ambassadors, ...), there is a need now to bring the debate to the various ACP regions and countries. In this context the ACP consultations in the ACP sub-regions, involving the ACP Eminent Persons Group, can contribute to shed some light on the concerns and expectations in the various ACP countries and regions.

2. *Purpose and structure of this chapter*

This chapter aims to make a contribution to the debates on the future of the ACP group and the future of the ACP-EU and Pacific-EU cooperation.

- First, this chapter will provide a short overview of emerging views in the ACP and in the EU on the future of the ACP Group and the Cotonou Agreement. This overview is largely based on papers and reports of official players and think tanks as well as meetings involving policy makers and experts.
- Secondly, we report on the outcomes of a number of ECDPM consultations that we have undertaken, under 'Chatham house rule' with interviewees from key institutions in the Pacific and the EU on the basis of a set of guiding questions (see Box). These views are complemented with some of the outcomes of the Pacific ACP consultation in Samoa of 17-19 October 2013.
- Thirdly, in conclusion we focus on a number of process elements that could contribute to ensuring a sound and realistic reflection process.

³ with DIE - The German Development institute

Box: Guiding questions for consultations**1) On the future of the ACP Group**

- What interests do political and economic Pacific actors have to keep the ACP as a Group and to safeguard a privileged relationship with the EU?
- Where can the ACP as a Group, still make a difference for the Pacific, promote and coordinate collective action among the African, Caribbean and Pacific countries and use bargaining power in the EU and at the global level?

2) On the future of the ACP-EU and Pacific-EU relations

- What has been gained by the Pacific region from the Cotonou relationship (in economic, political and aid terms)?
- How can the ACP-EU partnership evolve from a donor-recipient relationship into a strategic partnership based on real common interests?
- What are possible policy frameworks that can ensure similar types of gains for the Pacific region as the ACP-EU framework?
- What are the real political and economic interests of the EU to safeguard a privileged relationship with the ACP, and with the Pacific in particular?
- In an increasingly multi-polar world what kind of areas should the EU prioritise in the relationship with the Pacific region?
- What is the perceived value added of the EU in the Pacific?
- How to design possible alternatives to the Cotonou Agreement Post 2020 that could be relevant for future EU-Pacific relations?
- To what extent is the current Pacific Strategy of the EU a useful framework for the future? Is there an interest within the region to make it an effective and genuine joint strategy?

The perspectives generated through these interviews on the future of the ACP, and of the EU-ACP and EU-Pacific Partnership are by no means fully representative. However they provide a snapshot of ideas indicating some emerging trends and possible options for the future that could inform further discussions.

3. *Emerging views in the ACP and the EU on the future of the ACP Group and the Cotonou Partnership*

Both the ACP Group and the EU do not feel that this exercise is 'business as usual'. There is a broad awareness over the internal and external pressures on the ACP Group and the EU-ACP

partnership. All parties concerned seem to be convinced that change is required to reinvigorate both the Group and its historical relations with the EU.

Emerging views in the ACP

From the various ACP policy documents, analyses, presentations, meetings and discussions in Brussels, an emerging consensus can be identified regarding the design of an ACP strategy:

1. Stagnation or status quo is not an option. The ACP has made considerable efforts in the past years to reflect on its future at expert, Ambassadorial, Ministerial and Heads of State level. Additional investments were also made in strengthening the ACP identity by selecting an ACP anthem and flag. Beyond these formal expressions of ACP identity **more needs to be done** in the coming years to convince both the ACP and EU constituencies of the continued relevance of the ACP Group and of the ACP-EU Partnership.
2. The ACP Group has repeatedly expressed the wish to **build a stronger political partnership** with the EU beyond the donor- recipient aid-based relationship of the past 38 years. The ACP is under increasing pressure to show concrete examples of its political relevance as a Group and in its dealings with the EU.
3. Beyond the EU, the ACP Group has a clear interest to broaden its partnerships with other major players at global level. Relations with the **emerging economies (BRICS)** and **South-South** relations therefore could provide promising opportunities if the ACP Group proves able to profile itself as a relevant economic and political player.
4. The ACP Group aims to become a more prominent player in the **multilateral fora** on a set of key global challenges such as climate change, sustainable development, natural resources and renewable energies.
5. There is an increasing awareness that the credibility of the ACP Group as an international player hinges on its mandate and its ability to **finance its own institutions and initiatives**. Institutions that claim relevance in this globalised world should enjoy ownership and funding from their member states.

Convincing arguments for the ACP Group need to be found on all the above mentioned issues if the ACP group wants to keep up a special relationship with the EU beyond 2020 and prove its relevance at global level.

Emerging views in the EU

The EU house has many rooms and the Lisbon Treaty (2009) has further expanded the building with additional floors. It is too early yet to have a consolidated perspective on how the EU and its member states view the future relationship with the ACP beyond 2020, as the formal discussions in Europe did not really start yet. However, from informal discussions it is possible to identify some first trends:

1. There is wide recognition that individual ACP countries in Africa, the Caribbean and the Pacific are doing increasingly well in recent years in economic terms. Clearly this is generating interest in Europe to strengthen the relations with many of the countries bilaterally. The EU also seems to have a clear preference for **regionalised relations** by focusing on homogenous geographic regions such as Africa (as a whole), the Caribbean (possibly in a association with Latin American) and the Pacific (possibly in association with Asia). Yet, there are major doubts about the “value added” and the desirability to maintain a privileged partnership with the ACP as a Group of 80 countries.
2. In line with this regional approach the EU seems to be inclined to favour **regional strategies or (sub) regional trade agreements**. This is reflected in the negotiations for Economic Partnership Agreements (EPAs) in 6 ACP sub-regions and in the Joint Africa EU-Strategy (JAES 2007), the Joint Caribbean-EU Strategy (JCEUS 2012) and the unilateral EU strategy with the Pacific (2012). Increasingly the EU also has developed its own regional strategies for parts of Africa (Sahel and Horn, soon also Golf of Guinea and Great Lakes).
3. In the EU Brussels’ institutions and the EU Embassies in various ACP countries there is a pre-dominant perception that **the ACP Group is not sufficiently beneficial to an EU aspiring to stronger global leadership**.
4. The Lisbon Treaty did not reserve a special place for the ACP in the newly created European External Action Service beyond a small one-person desk in the pan-African unit. Also the Commission (DG DEVCO) has **no longer a specific ACP institutional focus, which** are signs on the wall that the EU does not any longer consider the ACP as a relevant group in the future.
5. There seems to be a clear understanding among Europeans that the ball is in the court of the **ACP** in terms of determining their own future as a Group and in the partnership with the EU.

These emerging trends in the ACP and EU call for a deeper political economy analysis of the real interests at stake for a continued ACP role and for a renewed ACP-EU relationship post 2020.

4. *What Future for Pacific-EU relations?*

Based on a select number of interviews in the Pacific and Brussels we can provide at this stage a snap-shot of our findings which could be complemented by the Samoa and other meetings:

Pacific: small but increasingly attractive for global players

The Pacific region of the ACP is experiencing unprecedented global attention. Both the emerging economies (BRICs) as well as the traditional global partners (USA, Japan, EU) are displaying renewed interest.

Australia and New Zealand remain the key partners of the ACP Pacific countries. Given their geographic proximity they are the closest partners both in terms of aid and trade. While New

Zealand has been targeting specific Pacific countries and sectors, Australia is present all across the region in key economic and social sectors. Australia's economy has been slowing down recently and the costs of reallocating asylum seekers from South Asia has resulted in significant aid cuts for most of the Pacific countries⁴. These cuts in development cooperation are likely to continue in the next years under the new Liberal Government that has already announced a shift in its approach towards the Pacific. Furthermore Australia's aid agency AUSAID will be absorbed into the Department of Foreign Affairs and Trade (DFAT) as part of a major public service reform.

Progress to improve trade relations between Pacific countries and Australia and New Zealand under the Pacific Agreement on Closer Economic Relations (PACER) has also been slow at times. The overall impression is that the Pacific region is taking a strong interest in diversifying its partnerships beyond its closest neighbours.

The **Chinese** influence in the region has significantly increased during the last decade in terms of investment in the sectors of natural resources, fisheries and trade. Also Chinese immigration in the region is growing fast and has created major challenges for the Pacific region and its citizens in terms of governance, the "style of doing business" and the management of land and natural resources.

India and **Brazil** have stepped up their presence across the Pacific particularly in countries such as Vanuatu and Fiji. India opened an office at the level of the Pacific Islands Forum Secretariat in Suva.

South Korea and **Indonesia** are also expanding their relations with ACP Pacific Countries. An Indonesian Embassy was opened in Fiji, providing military cooperation to some Pacific countries and aid 'in-kind'.

Such support has been interpreted as an exchange for the recognition of Indonesian observer status in the Melanesian Spearhead Group (MSG).

Increasing **Russian** presence in the region aims to challenge European and US geostrategic, military and economic interests. So far, Russian influence has focused on gaining diplomatic support for the recognition of the independence of Abkhazia and South Ossetia for which Russia could get the support of Nauru and Tuvalu. Yet, this 'timid' Russian presence should however not be underestimated as visit by the Russian Minister of Foreign Affairs Sergey Lavrov, Russia clearly display Russian interest in the region. This diplomatic interest has been complemented with humanitarian aid to Nauru and several investment proposals to PNG. In addition Russia also agreed on developing a treaty for visa free travel to Fiji citizens and expressed an interest in cooperating in the areas of minerals, energy, tourism, education and medicine.

4 Except for Nauru that has seen a considerable increase in its aid budget in exchange of accepting asylum seekers and refugees camps.

The **USA** announced in 2011 its intention to increase its presence in the region by rebalancing its economic, political, peace and security support in the Pacific. This was quickly translated into a progressive military presence in the Freely Associated States of Micronesia and security operations with other Pacific countries. In addition the USA also provides substantial aid for tackling the effects of climate change and in the sectors of energy, trade, health and education.

As a longstanding key partner in the region **Japan** is further intensifying its presence in the Pacific including through alliances with the USA and India.

Where does the EU fit in this global picture?

Against this background of multi-polarisation in the region, the EU issued, in 2012, the Joint Communication called 'Towards a renewed EU-Pacific development Partnership'.⁵

This Communication clearly states that the Pacific is becoming an "emerging foreign policy priority" for the EU because of its growing geostrategic importance as well as the vulnerability of its states to climate change. The Lisbon Treaty has strengthened the EU's ambitions to increase its global presence, the EU envisages consolidating its position as one of the key donors in the region after Australia and the USA. Also the "big three" EU member states (France, Germany, UK) as well as small EU member states such as Luxemburg, continue to develop interest in the Pacific region.

Key priorities for the EU-Pacific partnership include: climate change, trade, fisheries, regional integration as well as governance and human rights. In order to realise these ambitions the EU and the Pacific can count on the Cotonou Agreement and substantial funding from the European Development Fund amounting to some 750 million Euros under the 10th EDF (2008-2013)

Just over one year in the lifetime of the EU Communication on the Pacific, the ambitions for enhanced partnership do not seem to have materialised yet. In the area of trade it appears that EU-Pacific relations have reached a critical stage as EPA negotiations experience substantial problems and are stalled at this stage.

Regarding **development cooperation**, the ongoing policy dialogue for the 11th EDF (2014-2020) and the formulation of Country Strategy and National Indicative Programmes seem to indicate that individual and regional envelopes will not experience a significant increase of aid. Indeed the EU has embarked upon a policy of differentiation that will see a change in the way it allocates aid.⁶ The EU has also argued that the stagnation of its aid volumes is mainly due to the economic crisis and the subsequent budget restrictions. It is in this context that the EU decided to close its Delegation in Vanuatu despite of having informed the authorities in

⁵ EU (2012).

⁶ See Keijzer, Setters et. al (2012) and Krätke (2013).

Vanuatu only last year that it had the intention to upgrade the Delegation to an Embassy level with the nomination of an Ambassador.

This decision has not been welcomed by the national authorities, or by regional organisations in the country nor by some of the like-minded donors such as Australia, which deplored this decision by the EU.

5. *Pacific perceptions on the benefits of ACP membership*

The ACP is generally perceived as a positive grouping for the region in several respects:

Bargaining power. Being part of the ACP has increased the presence and recognition of Pacific states in the EU and in the international arena.

The membership of the ACP Group, also made it possible for the Pacific to raise global awareness on the multiple challenges the Pacific is facing. This ACP membership was, for example, instrumental in gathering support in the UN on issues of major concern to the region such as climate change conventions, Rio 20+ and the Conferences of the Parties (COPs) on climate change. Other perceived indirect benefits of belonging to the ACP were the Small Island Developing States (SIDS) alliances in the UN and the WTO. Most SIDS countries are member of the ACP and this is believed to have created some degree of solidarity and common interest.

Enhanced South-South and intra-ACP cooperation. The ACP has also been instrumental in strengthening South-South cooperation and, in a modest way, also intra-ACP cooperation in areas of common ACP concern such as tourism and climate change. There is an overall feeling that more could have been done and that the Pacific did not get many resources out of the intra-ACP envelopes.

For the Pacific Group, sub-regional and alternative South-South Groupings such as the g7+ (a Grouping of Post conflict countries led by Timor Leste), the SIDS and the Non-Aligned Movement are seen as potentially important platforms of countries involving several Pacific and ACP states. Regular exchanges with the African and Caribbean counterparts have proven useful to address issues of common concern (e.g. vulnerability) at the level of the ACP Ambassadors in Brussels and in the various ACP regions.

Substantial aid through ACP. The most important perceived advantage of ACP membership is the access to significant financial aid resources that the Pacific was able to mobilise for the individual states and the region as a whole.

These achievements would not have been possible without the ACP Group and without the ACP-EU partnership.

In conclusion: there is a clear awareness that the Pacific, as a small region, would not have been

able to achieve the same impact if it would have been standing alone. Being part of the ACP Group has provided the Pacific states with a voice in Europe and in the global arena in areas of crucial concern and interest to the region.

6. *Pacific perceptions on the role of the EU and the Cotonou Partnership*

Perceived value added EU...

Pacific actors involved in this short consultation pointed to a number of areas where the EU is still perceived as a player with a real **value added**:

Important donor of development resources. The European development cooperation resources provided by the EU through the European Development Fund makes an important contribution to development in the region. The EU allocates significant amounts of aid which have progressively increased and in some countries (Vanuatu) even doubled since 2000 under Cotonou. Under the 10th EDF (2008-2013), the EU provided a total of € 400 million as bilateral assistance to the 15 Pacific ACP states (including Timor-Leste) and some € 350 million through regional envelopes and other channels (e.g. call for proposals for only ACP countries, programmes managed by ACP secretariat) The Pacific is also eligible to aid under several other non-ACP budget lines such as the Climate Change Alliance, Environment or the European Instrument for Democracy and Human Rights. The European Investment Bank also provides low interests credits, mainly targeting the private sector.

The EU was among the first development partners to use sector and general budget support in the region and is still the most consistent one in doing so. The EU is currently providing budget support to Tonga, Solomon Islands and Vanuatu and it seems to be committed to increasing the use of this modality in the Pacific. Although the impact of budget support in terms of poverty reduction has not always been tangible, it was acknowledged that this modality has contributed to the strengthening of government systems and state building processes. This has been quite noticeable in the field of Public Finance Management Systems, institutional development, human and technical capacity building, policy planning and accountability. Additionally, the EU's Budget support through the EDF has provided incentives to other donors in the region to use the same modality and to step up coordination efforts on budget support⁷.

Promoter and model for regional cooperation. The EU's global interest in supporting regional integration processes seems to have contributed to creating more regional awareness and cooperation in the Pacific region. ACP-EU cooperation under the Cotonou Agreement was felt to be a trigger in this respect. The Pacific also has a good track record of delivery on the EDF regional programmes.

7 In the case of Tonga and Solomon Islands, donors, among them WB, EU and AusAID, pool budget support under the same coordination matrix.

Climate change, bio-diversity and environment. The EU is perceived as a global leader in this area. The special partnership with the ACP Group which comprises many small and vulnerable states in terms of climate change has helped to put the Pacific on the map in international fora. Without the ACP-EU cooperation, the Pacific would most probably have attracted less global attention.

Renewable energy. All Pacific islands are committed to step up efforts to make themselves less dependent on traditional energy by investing in renewable sources of energy. This appears to be a key priority of the European Commission and the current Development Commissioner Andris Piebalgs (formerly Commissioner for Energy) as can also be noticed from the most recent EU priority setting in the 11th EDF programming exercise.

Sustainable Tourism. The EU was the first donor to support the tourism sector in the Pacific and for quite some time it was the only one. The added value of the EU in tourism is appreciated as EU programmes have served to promote eco-tourism and the protection of the cultural, natural and social heritages of the Pacific countries at global level. The EU's support in tourism also contributed to increasing the opportunities for capacity development such as trainings for local businesses men and tour operators. It also helped to access to European markets and therefore has had an important and noticeable impact in countries such as Fiji, Vanuatu, Tonga and Samoa.

Higher education and human resource development. Education programmes such as Erasmus Mundus have created a modest alternative for a limited number of Pacific students to study at European Universities of international reputation beyond Australia and New Zealand. Under Horizon 2020 ACP-based universities can be collaborative partners of universities in the EU and can gain access to substantial EU research funding but also the exchange of knowledge (and potentially technology) that is a bi-product of such initiatives.

... but also Pacific criticism over the EU

In a number of ways the ACP–EU relationship has also created some disenchantment in the region:

Perception of unequal partnership. For obvious reasons of history, size and proximity, the EU has a much stronger interest in Africa than in the Pacific. This strong EU focus on Africa has frustrated Pacific ACP countries who sometimes felt “marginalised”. It appears to be difficult for the EU to fully understand or invest in understanding the complexities of Pacific (and Caribbean) islands states.

Although EU-ACP relations are based on principles of reciprocity and equal partnership, the overall impression is that relations are unequal and conditioned to the EU's interests, rather than based on real partnership.

A case in point is the EPA negotiations that have been dragging on for more than 10 years. Given the limited progress on EPA negotiations with the Pacific region as a Group, the EU initiated bilateral negotiations with Papua New Guinea (PNG) on the export of processed tuna. This resulted in an interim EPA (IEPA) with different types of trade advantages for PNG, compared to those offered in the EPA negotiations to the rest of the Pacific ACP countries. This negotiation took place with a lot of discretion and it took time for both sides to finally recognise the existence of IEPAs. The EU quickly declared that these IEPAs are exceptions and that it would not be possible for other Pacific ACP countries to sign similar agreements. For several Pacific countries this was a clear signal that the amount of asymmetry to be gained, ultimately depends on the bargaining power of the individual state.

Another example was the publication of the Draft Report for a Comprehensive EU Fishery Strategy in the Pacific Region' which confirmed the suspicions of Pacific countries that the key interest of the EU in the Pacific is access to fish. The draft calls not to grant any Pacific ACP country with a derogation of rules of origin under EPA negotiations, unless there are a reciprocal benefits to the EU fishing industry such as allowing EU vessels to fish in Pacific waters. The perception exists that the EU has tried to use a trade agreement on goods and services (EPA) to put pressure on Pacific countries and the Western Central Pacific Fisheries Commission to obtain advantageous measures that can further European commercial interests.

Delays were also caused by limited institutional and human capacity on the sides, of regional organisations and the EU field offices. EU **standardized approaches** do not always work for isolated Pacific islands states which face different challenges and more structural constraints in terms of **capacity development and capacity mobilization**. This was and still is particularly felt with the longstanding EPA negotiations process and the simultaneous PACER trade negotiations with Australia, requiring major investments of the region in terms of negotiating and coordination capacities. The capacity cost for the Pacific region has been huge, while so far these investments have not resulted in concrete economic and trade impacts.

Another type of criticism relates to the **complex EDF rules and procedures and the conditions** for accessing EU aid. The capacity levels and the bureaucratic culture in the Pacific are different and not adapted to deal with EU rules. EU aid management has major difficulties in relying on national government systems in the Pacific. The NAO system proves to be difficult to manage since the Pacific islands have small administrations with limited staff that need to deal with a multitude of donors as well. Resources in the region are stretched to the limits and absorption capacities are further worsened by the limited physical capacity and representation of the EU in the Pacific. In this context it was suggested that regional organisations such as the Pacific Islands Forum Secretariat (PIFS) could assist in managing the bilateral funds of the smaller islands states with the weakest capacities.

'Aid not trade' Overall the value of the partnership with the EU is largely aid driven. EPAs have been presented to the Pacific as a tool for development. However, the overall impact of trade with the EU in the development of Pacific countries is considered as negligible, possibly with the exception of fisheries and timber. Moreover, as mentioned before there is an enormous capacity cost for the region to access an EU market that only represents a small share of the total exports in exchange for trade advantages that Pacific countries are not able to exploit efficiently. A good example of these limited returns is the Sugar Protocol. The Sugar Protocol and other trade preferential treatments enabled Fiji to benefit from higher sugar prices on the EU Market than Fiji could get on the world sugar market. However, Fiji could not benefit as much as expected, as it was not able to produce sufficient sugar exports to Europe in order to benefit from the higher prices.

Value driven agenda. The EU often presents itself as a “driver” of soft values like human rights, democracy and good governance. In the Pacific region, however, the EU is perceived to promote a governance agenda that is more tailored to African realities rather than sensitive to Pacific realities.

In conclusion, despite signs of appreciation for the role of the EU in the region, at times the partnership is perceived as “unbalanced” and “donor” and “aid” driven. Standard EU approaches do not always take account of the specific Pacific local context. Weak human capacities in the Pacific have to deal with overly high and at times unrealistic EU expectations (as the EPA negotiations seems to have demonstrated). The decreasing political representation of the EU in the region also seems to have created dissatisfaction in the Pacific region.

7. *What are the EU's interests in the Pacific?*

In spite of the EU Pacific Strategy of 2012 the Pacific region does not figure high on the foreign policy priority list of the EU. From the consultations and some of the recent EU policy dialogues on the programming of the 11th EDF it is possible to identify some key areas of EU interests in the Pacific⁸:

Fisheries. The recent pressure from the EU in using EPAs negotiations in exchange for fishing access to the Pacific fisheries sector indicates a clear EU interest. Tuna fish from the Pacific represents 50% of total EU consumption and fisheries is likely to continue to play an important part in the future EU-Pacific relations.

Sustainable management of natural resources and environment. Natural and mineral resources (gas, oil, gold, timber, ...) abound in many parts of the Pacific. In countries such as the Solomon Islands, PNG, Vanuatu, Tonga, Fiji, Federated States of Micronesia there is an enormous, largely unexplored, potential of seabed resources. Deep-sea mining is becoming a top issue in many

8 For a wider discussion and independent analysis of the current programming process see, Herrero et al. 2013.

Pacific states. The lack of infrastructure and the high transaction costs for foreign companies explain in part the limited exploitation of those natural resources so far. It can be expected that there will be increased competition for these natural resources, involving as well European firms in the nearby future. A sound management of natural and “blue ocean” resource management is perceived as essential in the fight against poverty and in building resilience against economic shocks. The importance that the EU attaches to these sectors is underscored by the fact that more than 40% of all EU regional funding since Lome IV (2008-2013) has been earmarked to these areas.

Climate change and renewable energy. The 2012 EU Communication calls for a concentration of EU cooperation in one sector in the majority of the smaller islands and in two or three sectors in the case of larger island countries’ (Fiji, PNG, Solomon Islands). The EU programming documents for the 11th EDF seem to push climate change⁹ and renewable energies as key sectors. These priorities seem to be in line with the Pacific agendas as well as with the priorities of individual EU member states who are active in the Pacific such as Germany (climate) and Italy (energy). Addressing climate change is key to building resilience in the Pacific region to natural disasters.

Trade, Tourism and other services. Although European tourists only represent 6% of the total number of visitors to the region, Pacific markets may still be relevant and attractive to Europe. Linked to these sectors is also the potential for preserving cultural heritage. The experience of some European member states in this field could be useful for the Pacific in view of protecting its attractive but vulnerable cultural heritage.

Political and diplomatic capital in a multipolar world. The 2012 EU Joint Communication clearly states that one of the main objectives of EU-Cooperation is “to define with Pacific countries a positive agenda of issues of common interest in global fora.” Against a background of increasing Chinese and Russian influence in the Pacific region the EU is well advised to continue its engagement with the region. The Pacific ACP counts for 15 sovereign votes in the UN and other multilateral fora. Moreover, many Pacific states are also represented at the level of the EU in Brussels, through several national Embassies, which provides an important diplomatic capital. Reduced EU ties, also in terms of aid volumes could lead to a decrease of influence over the Pacific countries in international negotiations.

Security is a more controversial topic, conditioned by the diversity of interests by ACP Pacific member states. While Melanesian countries would welcome the EU playing a role in terms of civil protection mainly in emergency cases of natural disasters and security in the trade and immigration front (mainly Chinese immigrants), Polynesian and Micronesian countries may have different views, given their relations with the US military presence in its associated states. Security also needs to be carefully analysed from a EU perspective and its relations with China,

9 Climate Change should rather be considered as a cross cutting issue as it is not only linked to the effects of global warming but also to the effects of over-exploitation of natural resources (environmental sustainability).

India and the USA. The USA has indicated that it would be helpful if Europe could also play a stronger military role in the region. So far only EU states with OCTs in the Pacific, such as France, still take an interest in strengthening their geopolitical influence and military presence in the region.

Last but not least, **poverty reduction and social and economic development** objectives are also areas of EU interests as clearly mentioned in the 2012 Communication. There is a feeling however in the EU, that the impact of Europe's aid efforts has been quite low, mainly due to absorption and implementation capacities.

In conclusion: the EU interests in the Pacific seem to be spelled out along the following lines:

- In countries with a lack of substantial natural resources, fisheries are the single most important key sector.
- In the larger more diversified countries with rich reserves of natural resources such as PNG, Solomon Islands and Fiji, the EU favours multi-sectoral approaches and links between climate change, fisheries and natural resources.
- In line with other major players the EU also increasingly becomes aware that more than ever Pacific numbers could count in international diplomacy.

8. *What scenarios are there for the future beyond 2020?*

The apparent limited interest of the EU in the Pacific region (that is mainly focused on fisheries) on the one hand, and the perceived limited added value of the EU on the other hand by Pacific actors, should not lead to unbalanced and hastily drawn conclusions that the EU is not interested in the Pacific and that it will withdraw from the region.

In terms of the geography, size and make-up of the economies, the Pacific region continues to emphasise that it is very “unique and diverse” and that it could well become more attractive to the EU. Any revamp of the ACP-EU Partnership should take account of the Pacific specificity.

Several scenarios have been identified in “Brussels circles” and among ACP and Pacific actors on the future of the ACP and the ACP-EU partnership. Some of the options tend to be more realistic than others.

In relation to the **future of the ACP Group**, scenarios range from opening the ACP Group to all LDCs and small and vulnerable economies worldwide to enlarging the ACP with the countries of North Africa (“Africa as a whole”), to establishing new partnerships with the new global players to the option of keeping an ACP Group as an “umbrella” for regional (Africa, Caribbean, Pacific) and/or sub-regional groupings with a view to address issues of common concern and interest to all ACP regional groups of countries.

In relation to the future of **ACP-EU** and **Pacific-EU cooperation Post 2020** the following scenarios were mentioned:

1. Status quo of current ACP-EU relations

The Pacific ACP group has benefitted, mainly in terms of aid, from its association with Africa and the Caribbean through successive Lome Conventions and the Cotonou Agreement. It is widely acknowledged that the Pacific without the ACP group would never have been able to receive the same levels of aid, trade and market access. Disassociating the Pacific from its longstanding African and Caribbean partners could lead to the marginalisation of the Pacific in the ranking of EU priority regions at the global level. However, in the current context it seems quite unlikely that the EU will grant the same privileged status to the ACP Group after 2020 to which it has been used to since 1975. The Pacific ACP countries and the region seem to be realistic enough to admit that “business as usual” will not work in a Post- 2020 context as was clearly coming out in the Pacific consultation in Samoa.

2. EU Agreement with an Asia-Pacific Group of countries

ACP leading officials tend to believe that the Group has been able to create certain dynamics and an identity amongst the countries of Africa, the Caribbean and the Pacific. This group of officials perceives the relationship with Africa and the Caribbean as “more close” than with Asia. On the side of the EU the Pacific geographic unit has now been integrated in the Asia desk within DEVCO. An Asia-Pacific association could be disadvantageous for the Pacific as the small Pacific islands would have to operate in a group of countries of a very different size (some of them BRICS), with much larger populations and very different levels of economic development. For many Pacific countries this will not lead to more coherence but rather to conflicting interests. Therefore, the option of the Pacific being linked with the Asia region, which is sometimes informally raised in EU circles, does not seem to create a lot of excitement in the Pacific region.

3. A separate EU-Pacific agreement

Another scenario that could be considered is a bilateral **EU-Pacific agreement**. Given the limited bargaining power of Pacific ACP states vis-à-vis the EU and the major capacity and institutional challenges involved, this could become an unbalanced partnership and overly ambitious. However, if the partnership would be able to focus on a select number of key areas of common interest it could work and become more balanced. In that context, one could think of a shift from an aid and trade centred agreement (Lome, Cotonou) to a natural resource driven focus (land and sea-bed), including related issues such as fisheries, forests, climate change and energy. An essential question to be addressed is whether such a separate EU-Pacific agreement would be just a paper strategy or a legally binding one like Cotonou. The planned establishment of a Pacific bureau in Brussels may help to strengthen the Pacific identity in Brussels and to better position the region in the partnership with the various EU institutions and member states.

4. Regional agreements between the EU and Africa, the Caribbean and the Pacific with an overarching ACP-EU framework

Another option would be to keep the ACP Group as a common platform to address issues of common concern to Africa, the Caribbean and the Pacific. From the perspective of the Pacific, climate change, renewable energy and the sustainable development and management of natural resources were identified as key priorities. Climate change is the topic “par excellence” around which common interest could be built in all three ACP regions. In addition there are the challenges regarding natural resources that should also attract the interest of Africa and the Caribbean. Another area for collective ACP Group action currently being explored is the agro-food sector where the ACP could still play a key role (possibly through the Centre for Agricultural and Rural Cooperation CTA) in tackling the increasingly complex area of non-tariff measures and SPS.¹⁰ Beyond agro-food there are other priority areas where common ACP action could be further explored in the fisheries, extractive sectors and tourism. An ACP Group that manages to clearly define its value added for all three ACP regions in a limited number of areas of common interest is likely to “survive” beyond 2020, all be it with a more restricted mandate and role.

Moving from policy intentions to practice

The identification of broad areas of common interests is just the first step in a longer process leading up to 2020. The key challenge will be to move from policy to practice. First, it is crucial to specify in more detail the broadly identified areas of common interest among the Pacific states. A second step would consist of matching the areas of interest to the Pacific with the strategic interests of the other ACP sub-regions so as to find common ground to be covered by the ACP Group. Third, in order to be taken seriously as relevant and credible partners, the Pacific and the ACP Group should also be able to raise their voice in global governance with coherent and commonly agreed positions. Fourth, credibility of the Pacific ACP countries and the ACP Group will also be enhanced if they can develop other incentives beyond aid as the sole binding factor. Political interest in the ACP and ownership of the ACP Group would greatly be enhanced if ACP states would be willing to honour their financial commitments towards the Group.

For the Pacific, the ACP Group is no longer its sole and unique partner in pursuing Pacific interests. Based on the application of the subsidiarity principle, the Pacific would identify the best and most suitable institutional partner with whom it can best realise its ambitions. This will require a careful analysis of who is best equipped to deal with the priorities of the Pacific. For some Pacific-specific issues the national or regional organisations (PIFS) could be the best option. In other cases, inter-regional groupings such as the Small Islands Development States (SIDS) could be more effective and still for other inter-regional issues, the ACP Group could come into the picture as the best option.

Undertaking such an exercise as described above will require careful and in-depth political

¹⁰ Paul Goodison, 2013 (forthcoming)

economy and “feasibility” analysis with the involvement of the key stakeholders. In the next phase of the reflection process the Pacific could engage in this more in-depth analysis by systematically doing a reality and feasibility check.

9. *Ensuring an effective process leading to a renewed ACP vision for the future*

The coming years will be crucial for the ACP, the Pacific and the EU to redefine longstanding relations. The outcome of such a reflection will be largely influenced by the quality of the process that will be organised at various levels. A few key points could be considered for ensuring a good process.

ACP and Pacific in the driving seat. The ACP group and its Pacific members are **owners** of the ACP Group and should therefore be taking the lead role in the reflections on the future of the Group. This should be done in close cooperation with representative groups of stakeholders in their member states and regional representative groupings who should have a say in setting out what future they see beyond 2020 for the ACP-EU Partnership.

Realistic political economy assessments are needed. Any reflection process on both sides of the partnership should start from a realistic assessment of past, current and future ACP-EU cooperation beyond wishful thinking or unrealistic ambitions. Fundamental questions should not be avoided or replaced by a discussion on irrelevant or “non-issues”. It is therefore important to focus energies on the key substantial strategic questions. This means in the first place deepening the reflection on the value added of the ACP Group and exploring whether and why the ACP is “the best vehicle” to pursue the interests of its member states and populations. This debate should take place **before** discussing issues relating to form and structure. Substance should prevail over format.

Key questions that urgently need to be addressed include:

1. From intentions to implementation. Strong political declarations of the ACP Group (e.g. the Simpopo declaration) need to be translated **into concrete action and ultimately in convincing results that underline the relevance of the ACP**. Between now and 2020, evidence of coherent and joint ACP action in multilateral fora, intra-ACP cooperation, ACP autonomous funding etc. could produce the necessary ammunition and arguments to convince the EU that some type of cooperation with the ACP should be kept alive beyond 2020.

2. Bring the debate to the ACP regions. It seems crucial to move the debate **beyond the Brussels “bubble”** and subsequent vested interests. This implies that the economic, political and social actors in the various ACP countries and regions should be heard through innovative and participatory processes (stakeholder ownership).

3. Drop taboos. All efforts should be made on both the ACP and the EU side to stimulate open debate on the “real” issues that may have hampered progress on ACP-EU. An assessment of what has (not) worked and why? Where lies the niche area for the Group to profile itself against a patchwork of international organisations and development instruments? This requires an upfront approach, a healthy degree of critical introspection, pragmatism and realism on both the ACP and EU sides and a general willingness to look beyond the vested interests and the political correctness of the ACP-EU system.

4. There is no need for self-fulfilling prophecies nor for wishful thinking. There is no need for preaching to the choir, arguing about the relevance of the ACP Group to those who are already convinced. It is important to convince others of the potential usefulness of an independent ACP on the basis of solid arguments.

10. Conclusions

This short chapter has clearly indicated that there are still common interests between the Pacific and the ACP and between the Pacific and the EU. There is however, need to clearly define these common interests beyond the declarations of intent and general statements. The ACP as a Group and the Pacific countries and region are confronted with major challenges in the coming years. There seems to be an increasing awareness that it is not in the interest of the ACP Group to deal with too many objectives. More than ever the slogan “Do less and choose better” seems to be at the order of the day. Pragmatism will be needed so as to present a realistic agenda of interests and priorities that are common to all ACP countries and regions and to drop those areas that can be better covered by other institutional partners of the Pacific. Last but not least, this exercise will require the necessary courage to take bold decisions for a restructuring of the ACP Secretariat and the overall governance structure of the ACP Group.



PART 3

Policy Coherence for Development

Insights from Developments in National Policy Coherence for Development Systems - Key Cross Cutting Issues and Dilemmas¹

Greta Galeazzi, Anna Knoll, Florian Krätke, Brecht Lein, Anna Rosengren and Andrew Sherriff²

1. Introduction

1.1. Background and Scope

The fact that development progress in poor countries can be negatively or positively impacted by the policies of richer ones is well established. The need to “development proof” these policies so that they at least do not harm developing countries has been widely recognised by researchers, think tanks, civil society and politicians since the 1990s (see Box 1 for a definition of the term). Commitments on achieving greater policy coherence to promote development have also been promoted by the Organisation of Economic Cooperation and Development (OECD) as well as in the 2011 Busan Partnership for Effective Development Cooperation³, the UN Millennium Declaration and the 2010 UN Millennium Development Goals Summit. In an era when development assistance is likely to come under more pressure, Policy Coherence for Development (PCD) should become more rather than less important, including in the post 2015 framework as is increasingly recognised.⁴

1 This chapter originally appeared as: Galeazzi, G., A. Knoll, F. Krätke, B. Lein, A. Rosengren & A. Sherriff. April 2013. *Insights from Developments in National Policy Coherence for Development Systems – Key Cross Cutting Issues and Dilemmas* (ECDPM Discussion Paper, 144). Maastricht: ECDPM. <http://www.ecdpm.org/dp144>

2 The research for this chapter was produced by a team of Anna Knoll, Anna Rosengren, Brecht Lein, Florian Krätke, and Greta Galeazzi at ECDPM under the overall direction of Paul Engel and Andrew Sherriff. James Mackie and Niels Keijzer also gave feedback on earlier versions of this chapter. The authors are extremely grateful to those officials, experts and civil society activists who gave their time for interviews. We are also grateful for feedback received on a first draft given by Seemab Sheikh and Adam Moe Fejerskov from the Danish Ministry of Foreign Affairs, and preparation work undertaken on the seminar by Carla Cecilia Greiber. In addition Tilly Bogataj-De Coninck and Joyce Olders did complex layout work in Word on this document under significant time pressure which the authors are grateful for. Any errors in this report remain the responsibility of the authors. The views expressed in this chapter are those of the authors only and should not be attributed to any other person or institution. Feedback on how this chapter can be addressed to Andrew Sherriff, Head of the EU External Action Programme at ECDPM at: as@ecdpm.org

3 See Busan Partnership for Effective Development Cooperation (2011). Page 2.

4 See GDI, ECDPM and ODI (2013).

Yet this recognition should not be misinterpreted: progress in promoting PCD is not an acceptable reason to reduce Official Development Assistance (ODA) budgets – rather countries and organisations need to perform well in both areas. At the European Union level there has been a specific legal commitment to take account of the impact of other policies on development countries since 1992, recently restated and strengthened in the Treaty of Lisbon in 2009, as well as recurring strong statements in political declarations such as the 2005 European Consensus on Development. At the national level, several European countries have made commitments to take forward and develop systems to promote PCD. Some of these efforts are relatively young or nascent, while others have been consolidated over more than a decade.

Box 1: Development proofing or Policy Coherence for Development?

In recent years the term “development proofing” has become increasingly used in development policy-making circles. The phrase “development proofing” clearly draws parallels to the concept of “climate proofing” which has been used to draw attention to the potential negative impact of various policies on climate change. As such, ‘development proofing’ refers to the process of ensuring that national non-development policies do not contradict national development policy objectives, nor have a negative impact on developing countries (i.e. “do no harm”).

Development proofing is an important component of Policy Coherence for Development (PCD), though the two concepts are not equal. PCD in addition also encompasses the seeking of synergies between development policy and other policy areas, as well as the identification and rectification of policy incoherencies. Whereas PCD has clearly defined and endorsed definitions (at EU and OECD level), development proofing has been used as an alternative, as some see it as a more accessible, understandable and less technocratic term. Throughout the report, the term PCD is maintained, while development proofing or development proof policies are considered as the baseline for effective PCD in the country studies.

In Denmark, as in other EU Member States, civil society pressure and political leadership has coalesced with the promotion of best practices by the OECD⁵ and the EU to ensure that specific commitments to Policy Coherence for Development were made.⁶ The new International Development Cooperation Act that entered into force on the 1st of January 2013, sets the tone by stating that Denmark “*recognises that developing countries are not only affected by development policies, but also by other policy areas.*” More specifically the new Danish

⁵ See for example OECD/DAC (2011a).

⁶ Danish Civil society was very active during the Danish Presidency of the EU. See, Concord Denmark (ed.) (2012).

Development Cooperation policy of June 2012 titled “A Right to a Better Life” articulates this commitment more clearly, noting that, *“Political measures in other areas such as trade, energy, climate, security, migration, taxation, agriculture and fisheries often play a far more important role than development cooperation. Unless a stronger coherence between these policies is ensured, we run the risk of undermining the aim of poverty reduction and sustainable development. Accordingly, Denmark will work for stronger coherence between policies in the many areas that affect developing countries.”*⁷ In the same document, Denmark also committed to developing an Action Plan on Policy Coherence for Development and promoting progress on PCD at the European Union level. This follows on from a political commitment of the new Danish government in 2011 that *“Denmark shall lead the efforts on closing taxation gaps, addressing illegal capital transfers and promote a fair taxation of natural resources in the worlds poorest countries”*.

In the preparation of the Action Plan, the Danish Ministry of Foreign Affairs wished to understand how other countries have approached Policy Coherence for Development, thereby providing food for thought on how the Ministry might effectively take forward its new commitments. While Denmark ranks very well in the Commitment to Development Index⁸, which is seen by some to approximate performance on PCD, specific mechanisms for promoting PCD in Denmark are less well developed. One of the reasons noted for the lack of formal mechanisms was that having a small government with ‘short lines of communications’ between the ministries reduced the need for putting in place specific and formal mechanisms. Danish civil society and the OECD-DAC Peer Review of Denmark’s Development Cooperation have however remarked that developing PCD mechanisms is necessary if Denmark is to continue to live up to its development commitments. In addition to pressures from outside government, the important political engagement of the Danish government during its EU Presidency to facilitate the formulation of a specific set of Council Conclusions on PCD (EU commitments on PCD adopted on 14 May 2012) strengthen the government’s resolve to make further progress.⁹

As an input to its preparations of the Action Plan, the Danish Ministry of Foreign Affairs approached the European Centre for Development Policy Management (ECDPM) with a request to undertake a brief study to look at how other countries have addressed PCD. The study serves as an input to both internal discussions in the Ministry of Foreign Affairs as well as an expert meeting to allow direct exchange between government officials as well as other experts including some from the Member States covered by the study and civil society. This expert meeting was held in Copenhagen on the 10th of April 2013 and a report of this event is included as an annex to this chapter.

7 See The Danish Government (2012), Page 34.

8 In 2012 Denmark was ranked number 1 on the Commitment to Development Index but this was mainly due to non-PCD aspects. See Center for Global Development (2012).

9 See Council of the European Union (2012b) in reference to EU document 9317/12.

PCD systems are highly related to the national political culture and existing systems of public administration system in countries. As such, a selection of EU Member States was chosen to offer some comparative analysis. The study focuses on smaller EU countries with a history of engaging in development issues, namely Belgium, Ireland and Finland, on the assumption that they share similar challenges and opportunities in influencing national and EU policy processes to Denmark. One larger country, namely Germany, was also added to provide a different perspective to the comparative analysis. The study also looks, albeit in less detail, at the Netherlands and Sweden as two “early adopters” and “front-runners” in promoting Policy Coherence for Development. Together these six countries offer a variety of experiences that can provide instructive examples, key dilemmas and some “food for thought” for Denmark to effectively take forward its Action Plan. It is also hoped that the report would be of wider use to those seeking to promote Policy Coherence for Development in EU and OECD DAC countries.

1.2. Methodology and Approach

In undertaking the analysis, ECDPM has drawn on its own methodological framework¹⁰ and experience in assessing PCD as endorsed by national evaluation departments, as well as those of the OECD. It is important to note that this report presents the results of only a brief study – the results should therefore not be interpreted as an assessment of the PCD systems of the six countries. The latter would require a more comprehensive investigation, formal agreement from the countries concerned and access to internal documents, all of which were not part of this study. In analyzing the countries, ECDPM decided to look at three mechanisms deemed essential for making progress on Policy Coherence for Development. These three components have been identified by ECDPM in the past to analyse country systems for PCD and bear close resemblance to the “building blocks” for PCD, as defined by the OECD for DAC members to strive towards.¹¹

Table 1: ECDPM and OECD approaches to analyzing and understanding PCD components

ECDPM	OECD
1. Explicit political and policy commitments	1. Political Commitment: Setting, Prioritising and Articulating Objectives
2. Administrative and institutional mechanisms for policy coordination	2. Ensuring Effective Policy Co-ordination
3. Knowledge input and knowledge assessment mechanisms for analyses and assessing impact	3. Improving Implementation, Monitoring, Analysis and Reporting

10 See, ECDPM (2006). See OECD (2009a). See Aksant Academic Publishers.

11 This graphic representation is taken from, see Keijzer (2012a).

1. Explicit Policy Statements (to be explored in section 2.1)

The most usual form of this type of mechanism is an official policy statement or strategy paper. There are a few cases where the authorities have gone further and passed legislation of some form. Certain governments have taken a more sector-by sector approach (in addition to general policy statements) by concluding inter-ministerial agreements of different forms with ministries responsible for policy areas that can have a significant impact on developing countries. Policy statements of intent can be made and endorsed at the EU and OECD level as well.

2. Institutional & Administrative Mechanisms (to be explored in section 2.2 & 2.3)

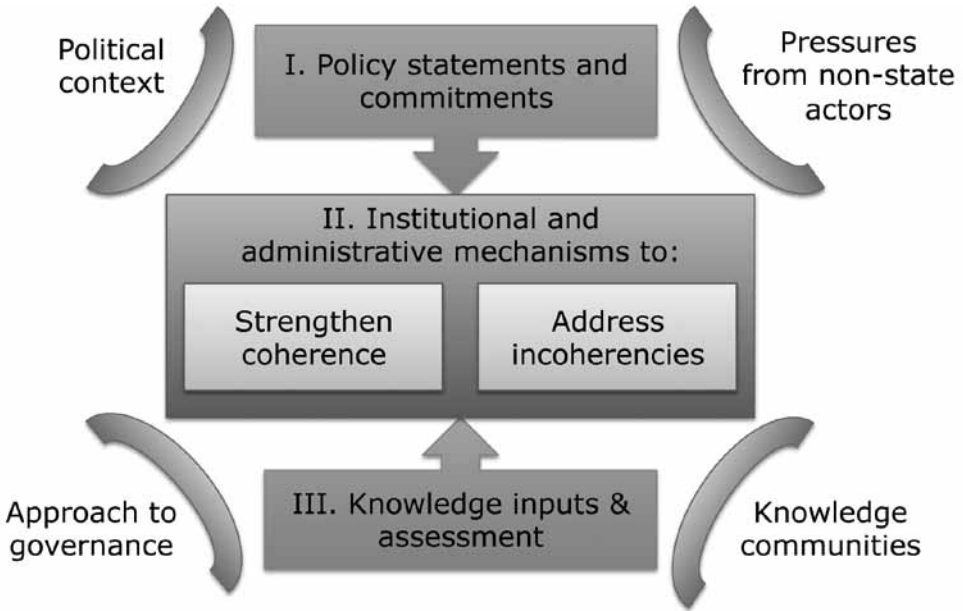
Whereas inter-ministerial or inter-departmental arrangements for promoting policy coherence at national or EU level are a common feature of national government administrations in EU Member States, it is only as of recently that such arrangements and mechanisms have been instituted or have adopted functions relating to the promotion of PCD. There is a wide variety of such mechanisms, involving civil society, independent bodies and parliament in different ways.

3. Knowledge Input & Assessment mechanisms (to be explored in section 2.4)

Commonly, multi-stakeholder reference groups of different types provide assessment and knowledge inputs on PCD to the policy formulation structures and processes. In some approaches, knowledge mechanisms are linked to academic analysis or to existing evaluation systems. Civil society also generates knowledge inputs, which can have influence on policy formulation processes with relevance for PCD.

While the three mechanisms are analysed separately, it is the interaction of these different elements that constitute a PCD system as illustrated by Figure 1 below. The system is made up of the dynamics of interaction between the three elements, and has in OECD guideline documents also been presented as a cycle. These three components are influenced by the political context in the country, how governance is conducted on a day-to-day basis, pressure and level of influence from non-state actors (e.g. NGOs and CSOs), and various knowledge communities.

Figure 1: Interlinked PCD mechanisms



Source: ECDPM/Keijzer for Concord Denmark (2012a)

1.2.1 Timing and key questions

This study was conducted in three phases by a team of ECDPM researchers from mid-January to March 2013. First, the study team conducted desk research of relevant (policy) documents and reports available in the public domain. These included notably the 2007 Evaluation of the EU Institutions & Member States' Mechanisms for Promoting Policy Coherence for Development (ECDPM, ICEI and Particip, 2007), relevant OECD DAC Peer Review reports and related legislation, government statements, policies and programmes from the countries studied.

These documents were collected and analysed in order to source relevant information on (aspects of) the selected countries' respective PCD mechanisms. EU bi-annual PCD reports, as well as studies and reports undertaken by civil society, academia and other independent research institutions, further contributed to the desk research.¹²

Four research questions were used to guide the research undertaken in this phase of the study, based on existing best practices in analysing PCD (ECDPM et al. 2007, OECD 2010):

1. What are the explicit policy statements of intent with regards to PCD, and how do they work?

¹² The ECDPM research team taking part in this project speak Swedish, Dutch, English, German and French allowing them to analyse legislation in the national language of all but one of the countries studied.

2. What are the administrative and institutional mechanisms for policy coordination in support of PCD and how do they work?
3. What are the knowledge-input and knowledge-assessment mechanisms for generating evidence on the effective design, formulation and impact of policies on developing countries, and what is their capacity for monitoring, analysis and reporting this?
4. What are the links and effective interaction between the components of the PCD 'system'?

Based on the answers, a 'snapshot' of the current state of the PCD 'systems' for the selected EU Member States was developed. A graphical mapping of the various actors, organisations and institutional structures, and the linkages between them, is available for each of the respective countries (see Annex I)¹³.

Following the desk research, the research team undertook a small number of semi-structured interviews with key people involved in, or knowledgeable of, the respective countries' PCD systems.¹⁴ As such, twenty-four different people were interviewed in the course of this study. The interviews served to fill in information gaps and clarify or confirm specific issues for the countries covered. However, it should be noted that the vast majority of informal and formal discussions on Policy Coherence for Development are conducted within government public administrations and are not accessible in public domain or available to researchers.

Finally, the research team analysed the six separate mapping studies of the countries (Belgium, Finland, Germany, Ireland, Netherlands and Sweden), to determine cross-cutting commonalities, differences, bottlenecks, solutions and other issues, all derived from the following considerations:

- What cross-cutting issues regarding the policy statements of the six countries stand out (both in parallel and in contrast), which have had an effect on degree to which PCD is promoted?
- What crosscutting issues stand out regarding the institutional and administrative mechanisms in the six countries? Are any specific arrangements particularly effective at screening policies for PCD concerns? To what degree do these mechanisms link to the EU policy coordination system?
- Do any particular methods or arrangements stand out which overcome common constraints for establishing PCD systems?
- What crosscutting issues stand out regarding the knowledge-input and -assessment mechanisms in the six countries?
- To what extent do the three components of PCD mechanisms fit together, what can be said comparatively across the six countries about this?

¹³ No visual mapping has been undertaken for the Netherlands, as its structures for promoting PCD are at present possibly subject to significant change.

¹⁴ It was not always possible to acquire an interview with all those contacted given their other commitments and the short timeline for this study.

In answering these cross-cutting questions, the research team remained conscious of the fact that no ideal one-size-fits-all approach can be followed to promote PCD in any country, as also reflected in ECDPM research outputs and OECD guideline documents. The research team also assumed that PCD systems are never static, but rather evolve constantly. Although the report focuses primarily on recent years, the research findings broadly confirm that promoting PCD is a continuous political and policy debate rather than a one-off construction exercise. A final, important caveat is that governments in some cases do promote development policy objectives in other policy areas without explicitly referring to the concept of PCD – the research team has taken care to explore a wide range of recent experiences of cross-sectoral policy processes in the six countries, but cannot guarantee that all instances of policy coherence for development in the countries have been included.

With these caveats in mind, the resulting crosscutting analysis and country mapping studies form the knowledge base of this report. In particular, attention was given to extract broad trends from the country mappings while simultaneously identifying practical challenges and choices for developing PCD mechanisms related to the EU policy screening and coordination process of Denmark.

2. *Mechanisms to Promote Policy Coherence for Development*

Section 2 considers the broad trends of each of the essential components of systems for promoting PCD, both at the national level, across the six countries, and at the EU level.

2.1. Policy Commitments

Political and policy commitments to PCD constitute one of the essential mechanisms for any progress on development proofing, let alone PCD in the broader sense, to be made. Some form of policy commitment was present in all countries studied – three variables regarding recurring crosscutting differences emerged from the research: 1) drivers for the commitment 2) the nature and scope of the commitment and 3) the understanding of the commitment.

2.1.1. *Drivers for the commitment*

An overarching or specific commitment to Policy Coherence for Development does not arise unless there is pressure or political will, encompassing political leadership, focus and longer-term sponsorship. In the countries studied there are a variety of drivers that enabled PCD to be put and/or kept on the national policy agenda and that influenced the focus on particular thematic policy priorities. The cross cutting drivers which emerge are: (a) political drive and priorities of parties or individual politicians; (b) pressure, advocacy and lobbying by development-focussed civil society, and; (c) international norms set, assessments and commitment to the OECD and EU. Regarding the latter, the main instrument of the OECD for conveying messages on PCD at

the national level is the Peer Review process (which includes an assessment of the national PCD system according to the three “building blocks”). The EU conveys such messages through the three EU-wide PCD Reports of 2007, 2009 and 2011, which were based on evidence from each Member State about what progress they are making on PCD collected by means of a questionnaire. These completed questionnaires are not in the public domain so they cannot be searched easily, but it is assumed that this process may have had some effect in prompting action at the national level.

Table 2 provides an illustration of where the drivers for the policy commitments come from in the various countries. It is difficult to ascertain the exact “weight” to be given to the different drivers (political leadership, civil society, multilateral pressure) as the specific reasons for progress on PCD are opaque and differ in the individual country studies. It seems however, that all three are needed to sustain interest and progress on PCD policy commitments, with political leadership and focus playing particularly crucial roles.

Table 2: Political/Policy Drivers for taking forward PCD

	National Political leadership	Civil Society	EU	OECD Peer Reviews	Other
Belgium	Yes, since 2012 ¹⁵	2008 Annual report by NGO-federation was entirely dedicated to PCD. 2009 Agreement between the minister and the NGOs. Yes including 2012 commitment for legal process	In 2005 and in 2012/2013 clear reference to EU level as a driver	2005, 2010	-
Finland	Yes All government's programmes after 2007 presented commitments to PCD.	Yes, involved in promoting PCD since 2003, pushed the agenda in 2006-2007.	Finnish Presidency of the EU in 2006	2007, 2012	Independent advisory body (DPC) reporting on PCD from 2003 onwards.
Ireland	Limited	Yes in 2005-2006 (consultations for the White Paper on Irish Aid). More nuanced in recent years.	Implicit drive by debate at EU level	2003, 2009	Academic work by Irish institutions gave further insight.

¹⁵ A new minister was appointed in early 2013 – it is too early to comment on their commitments to PCD.

Germany	Commitment to develop coherent policies / PCD in relation to specific areas (trade, agricultural subsidies), otherwise little political will (recent decline).	Yes, regular monitoring on PCD issues since 2001. Little influence outside BMZ and Parliament.	Reference on the EEAS as an actor providing the framework to dovetail different policy areas more coherently for development (implementation strategy of the Minds for Change Document)	2010	--
Netherlands	Yes originally to get commitment to PCD and now through new Minister	Yes, particularly on specific issues such as taxation, migration, biofuels	National process originally	National process originally – 2011 review had further insight	Influential 2010 report by Scientific Council for Government Policy (WRR) identified PCD as an underdeveloped instrument for effective development cooperation
Sweden	Yes, strong “whole-of-government” commitment to principles and intent, lesser commitment in day-to-day activities.	Yes, coalition of NGO conducts a bi-annual shadow report following the national PCD report.	National process originally. Clear national positions on several EU PCD issues e.g. the CAP.	Originally a national process 2005, 2009 (2013)	PCD process initiated by a report conducted by a parliamentary committee, who consulted a wide range of national and international academia, NGOs, civil servants etc.
At the European Union level, civil society, European Parliament the biennial EU PCD reports and the advocacy of certain Member States as well as action by the DAC-OECD have all had some influence on PCD policy commitments and priorities.					

Once an overarching priority for PCD has been established, it is often due to individual political parties, politicians or, as in the case of the Netherlands, an active Parliament that ensures that the government maintains the issue on the agenda. The general commitment to PCD in Finland has been sustained across political parties, yet it is the political sponsorship from the top levels of government that has allowed the agenda to further focus on specific thematic areas – the current Prime Minister for instance pushed for the issues of taxation and migration to be included among the policy priority areas for PCD in Finland.

Across countries, the Minister for Development Cooperation or equivalent holds a key position for promoting PCD, with for example recent incumbents of this post in Belgium being essential for progressing on making commitments towards PCD. More recently, the Minister for International Cooperation and Trade in the Netherlands stated that she would be the first Minister to actually make PCD work, referring to previous years of many commitments and discussions with few subsequent results (see also sections 2.2 and 2.3 below). The personal involvement of politicians or political parties can ensure greater political sponsorship yet regular changes of government in EU Member States leave PCD vulnerable to being dropped quickly as a policy priority (as can be observed in changes of government in Germany). The observations on the importance of political factors and political leadership in driving forward PCD policy commitments in this study do reinforce those of previous analyses.¹⁶

A common feature is the role of the civil society in pushing for general or specific PCD policy commitments. In Ireland, the 2006 White Paper – the first specific standalone commitment on development cooperation policy that laid the groundwork for PCD – was informed by consultations with various stakeholders including civil society. In Belgium, progress on PCD started in 2009 when Minister Charles Michel signed an agreement with the Belgian NGO community. In the Netherlands, civil society consistently promoted and voiced for further progress on PCD. In Sweden, one of the countries often cited as the most advanced on PCD, civil society has nevertheless consistently pushed the government to do better and has not shied away from pointing out shortcomings or areas for further improvement. In Germany, civil society has regularly monitored PCD and sought to influence BMZ, the Federal Ministry for Economic Cooperation and Development.

In Sweden and the Netherlands, it was originally the national political processes, rather than discussions influenced or encouraged by multilateral commitments, that led to the governmental PCD commitments. It is clear however, that the OECD DAC Peer Review process were an added impetus, for instance for Belgium (from 2005 and 2010) and Ireland (2003 Review), to increase their focus on PCD. In the past, the OECD-DAC Peer Review congratulated the Dutch government on its progress on PCD and more recently the reviews provided additional insight into how PCD should be prioritised. The EU's efforts to promote PCD are enshrined in the European Consensus on Development, among other documents, and past EU Presidencies also seem to have had an

¹⁶ See ECDPM (2007).

impact on Belgium, Finland and Ireland, to endorse and promote PCD at national and EU level – see section 2.3 for more details. Focussed civil society lobbying benefitted from EU Presidencies and used EU commitments to push for progress on PCD.

2.1.2. *Nature and scope of the commitment*

The nature and scope of PCD commitments varies across the countries studied. Sweden has had a legal commitment since 2003, while Belgium, which had fairly ambiguous commitments in the past, now presents Policy Coherence for Development as one of the six overarching objectives of a new law on development cooperation adopted in March 2013. Ireland presented its commitment to PCD in the 2006 White Paper on Irish Aid, which, though not being legally binding, is still a significant and high-level policy document that was widely consulted on by a number of stakeholders. In Finland, PCD is recalled in the 2011 Government's programme and the Finnish Development Policy Programme of 2012 - both are political documents. In the case of Germany, PCD is part of the 2009 "Coalition Agreement" (albeit rather ambiguously) and appears in the Federal Ministry of Economic Cooperation and Development's own strategy as well.

A particular aspect of interest is how much commitments to PCD, which by their very nature should extend beyond the ministries of development or foreign affairs, are endorsed and supported by other ministries or departments of government. In the Netherlands, Ireland and Finland, PCD commitments can be found in the strategies of other non-development departments, while in Germany PCD is, for example, reflected in a joint strategy by the German Federal Ministry for Economic Cooperation and Development and the Federal Ministry of Food, Agriculture and Consumer Protection (BMELV) on food security.

Table 3: Examples of Policy Commitment(s) specifically to PCD

	Legal Commitment	All-of-Government	Development Ministry / MFA	Non-Development / MFA Ministry
Belgium	Included in 2013 law on development cooperation	Yes – legal (see 2013 law). The aim is to come to a high-level whole-of-government statement in 2013.	2013 Policy Note for Development Cooperation.	None yet
Finland	None	Yes in the Finnish Government's Programme (2011) ¹⁷ .	Yes in the Finland's Development Policy Programme (2012) ¹⁸ .	Yes in the Strategy of the Finnish Ministry of Employment and the Economy (2009) ¹⁹ , restated in the 'Team Finland' concept (2011) ²⁰ .
Ireland	None	The White Paper on Irish Aid (2006) has a general reference to development policy being the responsibility of the whole government.	Yes in the Department of Foreign Affairs' Strategy (2011) ²¹ .	Yes in the Department of Agriculture's Strategy (2011) ²² , in the Department of Environment's Strategy (2011) ²³ .
Germany	None	No, policy statements mainly at Ministry level.	Yes, noted (ambiguously) in 2009 Coalition Agreement ²⁴ and 2011 BMZ concept 'Minds for Change' ²⁵ .	No specific PCD commitments of other ministries; Joint strategies / papers (e.g. food security ²⁶) exist.

¹⁷ See Finnish Government (2011).

¹⁸ See Ministry of Foreign Affairs of Finland (2012).

¹⁹ Ministry of Employment and the Economy (2009).

²⁰ See Prime Minister's Office Finland (2012).

²¹ See Department of Foreign Affairs and Trade (2011)

²² See Department of Agriculture, Food and the Marine (2011).

²³ See Department of Environment (2012).

²⁴ See Coalition CDU, CSU and FDP (2009).

²⁵ See Federal Ministry of Economic Development and Cooperation (2011).

²⁶ See Bundesministerium für Ernährung Landwirtschaft und Verbraucherschutz and Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (2012).

Netherlands	None	2011. The Development-dimension of International Public Goods (IPGs): A Practical Agenda.	2010. General Letter on Development Cooperation. New Policy note expected for spring 2013.	Reference to development issues in joint policy notes on Agriculture (incl. CAP), Trade, Migration
Sweden	Government bill "Shared Responsibility: Sweden's Policy for Global Development" 2003 ²⁷ .	Yes – legal through the adaption of the 2003 government bill.	Bi-annual reports assessing past PCD efforts and outlining future strategies and priorities. These reports are not legally binding, but rather communications of how the government aims to work with PCD, to be presented to the Parliament.	Yes, e.g. the Trade Policy Declaration (Min. of trade, 2010 ²⁸) and the Official Government Report on Circular Migration and Development (2011) ²⁹

There is a distinction between a) having a general and explicit PCD statement which is then broken down to thematic areas – or b) not having a general policy statement on PCD but rather some inter-ministerial strategies on a particular issue relevant to development. The first is an all-of-government commitment, which does not then follow-up with more specific thematic commitments. The second weakness would be specific thematic commitments that are concluded in the absence of an overarching clear all-of-government commitment on PCD (as in the case of Germany), and is significantly less systematic or strong. It would seem critical for progress on PCD that a whole-of-government commitment be reflected in the priorities of non-development ministries, yet there was a disappointing amount of evidence of unambiguous commitments to PCD (rather than policy coherence more generally) that emerged from the countries studied.

²⁷ See Government Offices of Sweden (2003).

²⁸ See Björling (2010).

²⁹ See Statens Offentliga utredningar (2011)

PCD commitments are increasingly being taken from the general level to specific thematic areas as illustrated in table 4. This trend holds two possible weaknesses for PCD commitments. First, more specific priorities create specific responsibilities, which fall onto various parts of the national government, beyond the Ministry of Foreign Affairs or Development, or onto the government to influence the multilateral system (such as EU or WTO). Such prioritisation may also be a tactical move to push PCD onto areas where progress is more likely to be made or political sponsorship can be gathered more readily. Indeed, it seems unrealistic and unmanageable to make tangible progress on PCD commitments in all relevant policy areas of government, as this would require a significant change, adaptation and reformulation of priorities in almost all departments of government. This was one of the reasons why Sweden refocused its original PCD commitments to a smaller set of areas while retaining an all-of-government approach. The EU itself concentrated the number of policy areas from twelve in 2005 to five priority areas in 2009 (see table 4). Monitoring any progress with regard to a generic commitment to PCD would seem to be difficult if the commitment is not complemented by more specific thematic policy priorities.

Examples of thematic priority areas at the national level include Ireland's prioritisation of hunger and nutrition following its Hunger Task Force's report (2008) and subsequent endorsement by the government. Germany also has a specific commitment to PCD in the food security area, including a joint government strategy. Finland has prioritised tax, migration, trade and security as well as food security for which a specific multi-stakeholder platform was created. The Netherlands and Sweden have gone further to define specific areas or priorities for action on PCD within broad thematic policies (within the area of trade or conflict and fragile situations), in order to provide further clarity on what is to be achieved and by whom.

Table 4: Recent specific thematic policy focus areas of PCD

	Year of commitment	Thematic Areas ³⁰	Commitment made in
Belgium	2012	Debt recovery, social and ecological aspects of trade agreements, financial sector. Step-by-step involvement in five priority areas, as stipulated in EU PCD Work Programme 2010-2013.	2013 Policy Note for Development Cooperation
Finland	2012	Food security, trade, tax, migration and security.	2012 Development Policy Programme
Germany	2009	No clearly identified focus areas for PCD at the national level. Reform of global trade system (WTO rules) and agricultural subsidies recurrently noted.	Coalition Agreement 2009 Minds for Change
Ireland	2008	Hunger and nutrition	[NB: the thematic areas was proposed by the Hunger Task Force's Report ³¹ subsequently endorsed by the Government].
Netherlands	2011	The 5 EU priority areas for PCD, noted as GPGs: trade and finance, climate change, food security, migration, security.	2011. The Development-dimension of International Public Goods (IPGs): A Practical Agenda.
Sweden	2008	Six priority areas: Oppression, Economic exclusion, migration flows, climate change and environmental impact, conflict and fragile situations, communicable diseases and other health threats (including sub themes under each of these)	Government Communication, Global Challenges – our responsibility, Govt. Comm. 2007/08:89 ³²
There has been a specific overarching EU policy commitment to policy coherence in reference to development since the Treaty of Maastricht updated in Article of the Treaty of Lisbon 2009. The EU also committed to 12 policy areas - Trade, Environment, Climate Change, Security, Agriculture, Fisheries, Social Dimension of Globalization, Employment and Decent work, Migration, Research and Innovation, Information Society, Transport and Energy in 2005. In 2009 Council conclusions the EU noted that while the 12 policy areas remained, the PCD work programme should focus on “five priority issues”, “trade and finance, climate change, food security, migration and security”. These were again endorsed along with the overall commitments to PCD in “Council conclusions” in the Foreign Affairs Council in May 2012.³³			

³⁰ Countries can be expected to also have committed to the five EU PCD priority areas as per the 14 May 2012 Council Conclusions.

³¹ See Hunger Task Force (2008).

³² See Government Offices of Sweden (2008).

³³ See Council of the European Union (2012b) in reference to EU document 9317/12.

While there are specific priority area commitments to PCD, made by the EU and MS collectively (see table 4), some countries studied also have commitments at the national level to pursue certain PCD policy issues at the EU level (table 5). Some of these are directly aligned to the PCD five priority issues agreed upon at the EU level while other address different or more specific themes. The different prioritisation at the national and EU level indicates that national priorities for PCD are set within the country rather than solely influenced by the priority areas of the EU PCD work programme. Specific commitments could either refer to areas that the government wants to focus on or reform for other reasons than strictly PCD (e.g. because reform of the Common Agricultural Policy is already a government priority), or could reflect different assessments on where most progress is deemed feasible. It is interesting to note that although action in terms of PCD was seen as important at the EU level in all the countries studied, they continue to prioritise the national level for PCD. This may be because it is easier to make progress, sustain national interest and political support for PCD through nationally focussed stakeholders than through pursuing PCD solely at the EU level.

Table 5: Examples of specific EU level commitments made at country level

Country	Year of commitment	Thematic Areas	Wording	Commitment made in	PCD or Policy coherence generally
Belgium	2012	Tax Havens, Illegal Capital Flows. In time: EU PCD Work Program	"(...) To make the Belgian position in International Financial Institutions as coherent as possible with the objectives of the Belgian Development Cooperation"	2013 Policy Note	PCD
Finland (1)	2012	Agriculture, fisheries, environment and trade	-	Finland's 2012 Development Policy	PCD
Finland (2)	2008	Trade	"The inclusion of development concerns in global and EU trade agreement"	Finland's Aid for Trade Action Plan 2008-2011	Both
Germany	-	Not clearly articulated EU commitment in official policy documents	-	-	-

Ireland	2012	Common Agricultural Policy	"CAP post 2013 should respect EU's PCD commitments"	Department of Environment (2012) ³⁴	PCD
Netherlands (1)	2010	Trade, Energy, Agriculture and Climate Action	"Coherent approach in international fora and at EU level"	General Letter on Development Cooperation 2010.	Some ambiguity but seem to be related to PCD
Netherlands (2)	2010	Trade and Finance, Climate Food Security, Migration, Peace and Security (EU PCD work programme)	"In its selection of International Public Goods, the government seconds the EU's selection of priority areas for PCD"	The Development dimension of International Public Goods (IPGs): A Practical Agenda. (2011)	PCD
Sweden	2003	-	"Sweden should actively promote better coherence in EU policies relating to developing countries and the integration of development aspects into all EU policy areas. Sweden should seek to ensure that international commitments to equitable and sustainable global development are effectively monitored and evaluated by the EU."	The Swedish position on EU PCD policy as formulated in the 2003 Government Bill. Gov. Bill 2003 ³⁵	PCD

³⁴ See Department of Environment (2012).

³⁵ See Regeringskansliet (2003).

2.1.3. *The understanding of the commitments*

In a number of countries it was found to be difficult to get a clear understanding of the PCD commitments enshrined in policy. A key area of confusion is the link between the need for policy coherence per se, which generally is accepted as a principle of effective national governance, and policy coherence for development in particular. In almost all countries studied, the commitment to PCD sits alongside other governments' commitments to policy coherence in general terms or in other thematic areas or for other purposes.

Some ambiguity around this seems to be wilful rather than unintentional, in the sense that general policy coherence is easier to promote and more easily manifests in a whole-of-government agreement and buy-in as no government wants to stand accused of being inefficient. In that sense, policy coherence is generally more readily accepted across government as a principle of effective public administration than policy coherence for development, which is often perceived as primarily benefiting one policy area only. This remains so despite the fact that promoting PCD often leads to supporting the longer-term objectives in the interest of all, while pursuing objectives incoherent with development can also harm individual EU Member States (e.g. the lack of reform to the Common Agricultural Policy will hamper the longer-term competitiveness of the European agricultural sector; failure to overhaul the failing Common Fisheries Policy will not reduce overfishing and endanger the EU's fishing communities in the long run). Yet the policy arguments about the benefits of PCD to other policy areas do not seem to be clearly conveyed given the acceptance of the principles of and modalities for working in PCD within other government departments.

For example, despite the drive by the EU and OECD since 2005, Belgium reduced its commitment to PCD to focus more on coordination amongst development actors and other donor organisations, including the EU, in 2009. While there have been various commitments to coherence in Belgium, it was not until 2013 that the Belgium Minister's policy note actually used the wording of 'policy coherence for development', referring explicitly to the OECD definition. This interpretation of coherence was also part of the Irish original commitment to PCD, which limited PCD to either the work of the Foreign Affairs Department on development issues or the Ministry for Development being more coherent within their own actions.

The issue has been further complicated in case the purpose of the overall development policy is ambiguous as well. For example, recent German and Swedish policy documents noted that development policy should to some extent benefit their countries as well. In the broad area of food security and agriculture, recent policy initiatives of Finland, the Netherlands and Ireland noted that outcomes should be mutually beneficial rather than exclusively for developing countries. While this does raise questions on the need for PCD not be a zero-sum game, whereby the benefits to the OECD countries in these thematic area always have a negative impact on PCD (or vice versa), this approach makes progress on PCD more complicated and increases the

need for close monitoring. On the other hand, a policy commitment that is seen as “mutually beneficial” to different policy areas may be more readily accepted by other government departments that do not have development as their primary objective.

In part, differences in understanding of the concept of PCD may be due to the rather technocratic nature of the prevalent definitions of (and accepted practices for) PCD. As noted in Box 1, the concept of PCD consists of a variety of components, from a) ensuring that national non-development policies do not contradict national development policy objectives, nor have a negative impact on developing countries to b) seeking synergies between development policy and other policy areas, as well as the identification and rectification of policy incoherencies. The policy statements for PCD made in the countries studied predominantly concern themselves with the former: ensuring that non-development policy areas support or do not obstruct development policy objectives (“do no harm” or development proofing). Whereas this holds particularly for whole-of-government commitments (e.g. in Belgium, Finland, the Netherlands and Sweden), inter-ministerial strategies, are concentrated more on the later component of seeking synergies between particular policy areas (such as is common in Finland and Germany).

Another example of confusion occurs in the championing of greater policy coherence in addressing conflict and crises as promoting PCD. Several countries, including Sweden, the Netherlands, Germany and Belgium, have all taken measures to better coordinate their response to fragile and conflict prone states in ‘all of government’ approaches. The genesis and driver for this policy does not necessarily come from a desire to promote better development alone, albeit this could be an impact. There is a need to further interrogate whether policy coherence per se as an all-of-government commitment is always positive for development. Continued vigilance and policy clarity are thus required to safeguard the ‘D’ of development for policy coherence.

2.1.4. Summary analysis on policy commitments

There are obvious differences between rhetorical policy commitments and actual progress on PCD, yet specific and thematic political and policy commitments to PCD remain a crucial starting point for effectively promoting PCD both at the national and EU level. The drivers for progress on PCD policy commitments are political leadership, international norms and civil society, which, at different times in the six countries studied, have all prompted progress on PCD. Developing commitments towards PCD as well as the requisite mechanisms for living up to these commitments is not something that can be readily achieved during the average four-year lifespan of one government. Fluctuations in the level of political support to make or follow through policy commitments are evident in all countries. Political leadership to take on PCD, political sponsorship of thematic areas and political drive to focus action beyond broad commitments are crucial.

The engagement of parts of government beyond those specifically concerned with development

to endorse PCD continues to be a particular challenge. While one solution is to ensure continued political sponsorship at the Prime Ministerial or cabinet level, clear examples of sustained engagement were not evident. To make any progress on PCD, a clear unambiguous over-arching policy statement needs to be made (and restated and refined over time). In addition, strategically and tactically defining a small number of thematic focus areas is important, particularly if these have resonance with the political culture (hunger in the case of Ireland) or have direct political sponsorship from politicians (taxation and migration in the case of Finland).

Furthermore, without the continued engagement of civil society, bolstered by the promotion of international best practices and the drive by developments at the OECD and EU level, there seems to be little or limited progress made in adopting clear policy commitments to PCD. In fact, even in the Netherlands and Sweden – countries where PCD has been long established as a principle and supported by the continued engagement of politicians and civil society - OECD and EU involvement helps to maintain a technical momentum on PCD. Yet, all policy commitments explored in this section have to be effectively linked to the other parts of the PCD system in order to achieve progress. In isolation they amount to little more than paper exercises with a questionable real 'developmental' impact.

2.2. Institutional mechanisms and arrangements for promoting PCD

Beyond securing political and policy commitments for promoting PCD at the national and international level (EU, OECD, multilateral), another key challenge to consider is how to operationalize such commitments in order for PCD to become part of the day-to-day practice of government. This requires not only widespread awareness and a shared understanding of what PCD means (both as a concept and in terms of concrete policy dossiers), but also agreed institutional and administrative arrangements through which PCD is promoted.

While it is common for government administrations to collaborate on and coordinate policies and positions, that is not to say that policies are in agreement with all the various ministries' different objectives. Arrangements for promoting PCD should ensure that (a) the coherence of government policies affecting developing countries is strengthened and, ultimately, not harmful towards or ideally supportive of development objectives, and (b) incoherencies in policies (negatively) affecting developing countries are identified and addressed. The former is usually addressed through such arrangements prior (ex-ante) to the adoption and practical application of a policy through the formulation and coordination of policies. The latter are usually addressed when such a policy is already in practice (ex-post). PCD can therefore be promoted through arrangements at any stage in the policy design, coordination and implementation cycle.

The OECD has set out several lessons for making policy coordination mechanisms more effective at promoting PCD (OECD 2009a, p.32):

- Ensure that informal working practices support effective communication between ministries;
- Establish formal mechanisms at sufficiently high levels of government for inter-ministerial co-ordination and policy arbitration, ensuring that mandates and responsibilities are clear and fully involve ministries beyond development and foreign affairs;
- Encourage and mandate the development agency to play a pro-active role in discussions about policy co-ordination.

Annex I provides simplified graphical representations of the institutional structures and linkages to promote PCD and to coordinate EU policies for some of the countries studied.³⁶

2.2.1. *Institutional arrangements specifically mandated to promote PCD*

Whereas the countries studied perceive PCD primarily as a whole-of-government commitment, the manner in which ex-ante PCD is formally operationalized varies widely from country to country. The determinants of this are not just commitment to PCD but very much the political culture and nature of public administration within different countries. Of the countries studied, the Netherlands and Sweden mark the two opposite ends of the spectrum – Box 2 provides a brief description.

Box 2: Formalised institutional arrangements for promoting PCD in the Netherlands and Sweden

The Netherlands until 2012 – designated, proactive PCD unit

The Department for Effectiveness and Coherence (DEC) was for over ten years tasked with promoting PCD throughout the Dutch domestic and international policy-making processes. Situated under the Director-General for International Cooperation, the DEC was composed of five full-time staff members and promoted PCD by (1) screening Dutch contributions to and positions on EU policy dossiers, (2) proactively engaging with other departments and ministries on PCD policy dossiers according to the EU PCD Work Programme, and (3) promoting discussion on PCD issues with EU Member States and at the EU and OECD level. The DEC pursued clear actions and objectives of the Dutch government for promoting PCD in support of selected global public goods. Due to a reorganisation of the ministry, the DEC was discontinued in December 2012, and the ministry's capacity to work on PCD issues has been diminished.

³⁶ Annex I currently only contains the mappings for Belgium, Germany, Finland, Ireland and Sweden. No visual mapping has been undertaken for the Netherlands, as its structures for promoting PCD are at present possibly subject to change.

Sweden – government-wide mandate

All departments of the Swedish government are responsible for ensuring their policy area is in compliance with the whole of government responsibility for PCD, as noted in the Policy for Global Development (PGD). The government office furthermore outlines a set of goals and results indicators for implementing the PGD on which each ministry has to report bi-annually to Parliament. The main responsibility for monitoring and supporting compliance with the PGD rest with a specific unit in the Ministry of Foreign Affairs' Department for Development Cooperation. This unit drafts guidelines for policy formulation, operational planning and provides research and analysis on global and thematic development issues. It was also asked to support the government departments in drafting their annual PCD reports.

For all countries studied, with the exception of Belgium³⁷ and Sweden³⁸, commitments and efforts to promote PCD are put into practice by either 1) individual ministry departments or 2) inter-ministerial structures mandated to raise awareness of PCD issues and facilitate the exchange of information. For the former, the obvious place for such a unit or department would be in the Ministry of Foreign Affairs' development policy division or equivalent, in practice situated at a technical level within the directorate or division for development policy and cooperation. This arrangement allows for synergies within the department. Furthermore, having a dedicated unit for PCD has the potential to concentrate and direct leadership to drive PCD commitments, whereas this may otherwise be diffuse – hence why such a unit was set up following a revision of the Policy for Global Development (PGD) also in the Swedish case.

A formalised arrangement with specific departments or structures mandated to promote PCD (e.g. in the Netherlands and Germany) might be the basis for mainstreaming PCD and/or consistently screening policies. There are however several important caveats to this. First, the effectiveness of such a unit remains to a large degree constrained by its terms of reference, which are in most cases limited to raising awareness of PCD issues. In the early 2000s the Netherlands tried to compensate for this by recruiting external experts when it found that the necessary skills were not present in the ministry. Second, such a unit may be perceived as 'taking care of' PCD for the rest of the government, reducing government-wide ownership and motivation for promoting or mainstreaming PCD. This is what led some to question the long-term relevance of the specialised DEC unit in the Netherlands. Effectively, an arrangement concentrated around

37 Belgium is in the process of deciding on the manner in which PCD mechanisms will be organized – initial decisions are expected during an inter-ministerial conference to take place sometime in 2013.

38 The unit in the Swedish Ministry of Foreign Affairs mandated to support the implementation of PCD across the government was relocated in 2011, and is currently composed of one part-time staff member.

a single department mandated to promote PCD risks isolating the awareness, motivation and practice of PCD, both within the MFA and from other line ministries.

Given that there is a perception among non-development ministries and administrations that PCD implies a subordination of their respective policy area to the objectives of the development policy, the authority of a single department driving PCD across the government may also be increasingly called into question, particularly if it is also mandated to screen policies for PCD issues government-wide. Whereas there is no clear instance of this happening among the six countries studied, the aforementioned perception was recurrently cited during interviews.

Attitudes and approaches of the PCD-mandated units or departments vary. The Netherlands' DEC has often been likened to an internal PCD-advocacy bureau in proactively seeking engagement on policy dossiers and processes, while on the other hand the Department for Coherence and Cooperation in the Federal Government of the German Federal Ministry for Economic Cooperation and Development (BMZ) has been described as largely 'reactive' to other ministries' policy processes. That is not to say the latter cannot have a positive effect on policy formulation processes: the department managed to insert a section on development cooperation in the Federal Ministry of Economics and Technology's 2010 Raw Materials Strategy, and recurring notes on the need for coherence with Germany's development policy.

A second form of arrangement for promoting PCD identified from the country cases are structures bringing together various ministries, whether it is in inter-ministerial policy coordination networks, committees or working groups.³⁹ Among the six country case studies, two types of inter-ministerial arrangements with PCD mandates can be distinguished. First, there are structures ensuring high-level coordination of broad policy areas (e.g. development policy, foreign affairs), ordinarily chaired at a political level by a State Secretary for Foreign Affairs or equivalent. These networks are composed of senior officials from relevant ministries, notably the Ministry of Foreign Affairs, and meet two or three times a year - their meetings are prepared by civil servants from the development department of the MFA.

These networks have primarily an advisory or consultative role and are therefore able to give policy recommendations to Ministers, Ministry departments or the Cabinet, they are however not mandated to make policy decisions. Both Finland's inter-ministerial network on PCD and Ireland's Inter-Departmental Committee on Development (IDCD) play valuable awareness-raising and information exchange functions to promote PCD across government ministries. However, they do not actively assess policies, and meet too infrequently to systematically scrutinise policy dossiers – these forums are therefore not those in which the most relevant policy trade-offs for PCD occur.

39 These structures are, however, no substitute for a whole-of-government policy statement or commitment clarifying the understanding of PCD.

Second, Sweden has developed inter-ministerial arrangements in which specific policy dossiers, such as international trade, migration and food security, are discussed in formal working groups complemented by informal working groups. The working groups are comprised of senior civil servants, supported by their departments, and are coordinated by the MFA – as dossiers are still treated at a technical level there is scope for PCD-relevant policy trade-offs to be made. The remaining countries (Belgium, Germany and the Netherlands) have no particular inter-ministerial arrangements or structures for promoting PCD. Table 6 provides an overview.

Table 6: Existing institutional mechanisms for promoting PCD

Country	Year instituted	Name	Situated	Mandate for PCD
Belgium	n/a	n/a	n/a	n/a
Finland	2008	Inter-ministerial network on PCD	Inter-ministerial, political level.	Awareness raising and exchange of information on PCD issues.
Germany	2011	Department for Cooperation and Coherence in the Federal Government	Ministry for Economic Cooperation and Development, technical level.	Mainstream PCD across the Federal Government.
Ireland	2007	Inter-Department Committee on Development (IDCD)	Inter-ministerial, political level.	Strengthen coherence in the governments approach to development.
The Netherlands	2002 (until 2012)	Department for Evaluation and Coherence (DEC)	Ministry of Foreign Affairs, Directorate for Development Cooperation, technical level.	Screen Dutch positions on EU policies; proactively engage with specific policy dossiers.
Sweden	2003	Unit for Development Cooperation Governance (UD-USTYR)	Ministry of Foreign Affairs, Department for Development Cooperation, technical level.	Coordinating government efforts towards the PGD.

Irrespective of the precise institutional arrangements chosen to promote PCD, the capacity of such structures to do so depends on the political commitment to the PCD agenda. With reference to the previous section, a clear, government-wide mandate for PCD, such as in Sweden, or a consistent push by Parliament (as in the case of the Netherlands) or other external stakeholders (such as Finland's Development Policy Committee) allows for momentum of the agenda to be retained. Awareness raising efforts of the PCD-mandated structures are therefore not in themselves enough. To the extent that the other countries actively promoted PCD, it was done so on the basis of individual priority policy dossiers or on a case-by-case basis (once specific PCD issues were highlighted by civil society, for instance).

Development policy and cooperation as a whole, and PCD in particular, may however not always be relatively the highest priority on the national agenda. Changes of government in both Germany and Finland have led to significant losses of capacity for PCD structures due to reorganisations or staff not being replaced. For these two countries, as for Sweden, the departments charged with promoting PCD have for some time also been staffed with only one or two people. Furthermore, staff rotation programmes in the Ministries of Foreign Affairs of Finland and the Netherlands have made it difficult to develop and retain capacity for promoting PCD, or indeed to specialise on particular policy dossiers in which to do so.⁴⁰ This has led to poor institutional memory and lack of specialised knowledge on the part of the MFAs.⁴¹

2.2.2. *National policy coordination and coherence mechanisms*

Beyond such PCD-mandated structures, the country's system and process of inter-ministerial policy consultation and coordination is where relevant discussion and trade-offs for PCD are most commonly made. Whereas the purpose of these mechanisms is similar in each of the countries – e.g. to arrive at a coordinated and 'coherent' government position on any particular policy by involving all relevant ministries at some stage of the policy formulation process – their degree of formality varies significantly, as noted in Box 3. Any new mechanism specifically mandated to promote PCD would have to align to the governance system, culture and administrative practices if it is to stand any chance of making a difference.

⁴⁰ It is unclear whether this is due to the low political value attached to promoting PCD, or whether the resources needed to do so are underestimated.

⁴¹ Consequently, the poor institutional memory on PCD allows line ministry officials to 'play dumb', forcing the MFA to enter into debates on what PCD means when in fact the concept is understood. However, given that these ministries also have some turnover, in many cases line ministry officials are genuinely unaware of the concept.

Box 3: Policy coordination and coherence mechanisms in Germany and Finland**Germany – constitutionally mandated consensus-building**

The German Constitution and Joint Rules of Procedure of the Federal Ministries provide a comprehensive legal framework for policy coordination to ensure that the Federal Government speaks and acts consistently. All proposals for Cabinet decisions affecting the mandate of more than one Federal Ministry undergo consultation with each of the ministries involved through Cabinet and/or inter-ministerial committees. Most compromises or trade-offs are made during consultation among departments in different ministries pursuing independent, often competing objectives. Policy coordination is geared towards reaching consensus in the short-run, rather than developing consistent long-term coordination between various ministries / departments. If consensus is not reached, higher levels of the hierarchy are involved. Though no formal PCD screening is in place, and no Federal Ministry can veto a proposal, it represents a solid structure for promoting policy coherence.

Finland – systematic yet informal policy coordination

The Finnish system of government reflects a collective and consensual style of politics, which involves systematic formal and informal coordination across the government. Informal or semi-formal inter-ministerial networks and groups provide the main administrative and institutional mechanism with decision-making powers to raise, discuss and address policy coherence issues and address the issue in other fora, such as the EU coordination mechanisms. The relevant department in the 'lead' ministry on a particular policy dossier coordinates the Finnish position supported by a number of informal coordination fora (such as inter-ministerial working groups). Finnish officials can also informally contact different departments to coordinate policy dossiers, which offers opportunities to promote PCD. Furthermore, an informal inter-ministerial network on PCD meets twice a year at political level (Under-Secretaries), and has thus far mostly been a forum for awareness raising and exchange of information.

The Netherlands, Sweden and Germany have all made substantive progress in putting in place comprehensive, formalised policy coordination-mechanisms - these countries' systems are praised as they place the emphasis on screening policies for incoherence ex-ante (see OECD, 2009). It should be recognised that PCD is a systemic issue, which is strongly conditioned by the country's approach to governance (Concord Denmark 2012). Integrating PCD into (or modelling mechanisms for promoting PCD on) existing policy coordination processes (including EU policy coordination, see below) enables PCD to become part of the administrative culture of the government.

While some formality in policy coordination procedures is necessary, informal working arrangements prove to be equally critical - informal or semi-formal coordination arrangements are prevalent across the Finnish and Irish systems of governance, and have proven critical for developing a 'culture of coherence' where one is not mandated (as in the case of Germany or the Netherlands). Informal or ad-hoc inter-ministerial working groups have supported awareness raising on PCD issues and for disagreements on particular policy dossiers to be addressed ahead of formal meetings or decisions. These arrangements span horizontally across or between line ministries, and occur more readily at the technical or middle layers of government, thereby facilitating steady communication between senior civil servant or technical / administrative desk officer level.⁴²

At the technical level in line ministry departments, few civil servants are entirely unaware of the effect of domestic policies on developing countries – for example few civil servants in the German Federal ministries of trade or agriculture, for instance, would deny that 'their' policies strongly affect the developing world. However, there is little interest for line ministries to invest in quantifying these effects and taking them into consideration in subsequent policy formulation. This is due to the fact that only a limited number of policy decisions are made on the basis of technical considerations alone – instead, it is widely accepted across the countries studied that domestic political and economic interests are more strongly represented than the interests to support development.

Development policy and cooperation are currently not near the top of the political agenda for Belgium, Finland, Germany or Ireland, nor is there any guarantee that any future development minister or state secretary will push for PCD. Furthermore, there is insufficient sustained pressure from civil society and the electorate to raise the profile of PCD – champions for PCD therefore appear in short supply. As such, the cases of Sweden and the Netherlands demonstrate that political leadership for PCD should not concentrate only on thematic or content issues, but focus also on on-going institutional construction efforts to establish the promotion of PCD as part of the national political and administrative culture. Nonetheless, no truly sustainable solutions were found among the countries studied to overcome the negative impact of the loss of political momentum for PCD on the effectiveness of institutional mechanisms.

⁴² However, leaving the recognition and promotion of PCD to a large degree dependant upon interpersonal ties feeding into policy coordination processes imposes certain limits on the extent to which a PCD can consistently be promoted. The PCD agenda in effect comes to rely on key individuals' political commitment to the agenda overall or the particular issue at hand, requiring political leaders or senior civil servants to champion the PCD agenda and engage in the difficult trade-off discussions at a political or technical level. Indeed, when senior civil servants such as Director-Generals do not want to promote PCD in a particular policy dossier once it has escalated from the technical level in the civil service, there is only limited use for making strong efforts at lower levels.

2.2.3. *Additional mechanisms and arrangements for promoting PCD*

In addition to the above, there are individual institutional mechanisms and arrangements that can effectively facilitate the awareness and promotion of PCD:

- Inter-ministerial consultations at a technical level bring together experts who concentrate on one field from a national and/or sectorial perspective. Capacity gaps, differing skill sets and divergent interests are prevalent – PCD requires civil servants to confront these issues by venturing into unfamiliar technical areas of policy. Civil servants in Finland and Belgium have voiced this as a concern for the extent to which development interests are heard and understood in inter-departmental coordination. In order to facilitate inter-departmental discussion and raise awareness of PCD issues, the Netherlands and Germany have piloted staff exchanges from the PCD-mandated department or ministry to other ministries to anchor PCD more broadly across the government. Civil servants have expressed that these exchanges are positive for increasing awareness of PCD and exchanging information between ministries.
- Institutionalised ex-ante impact assessments (as such currently in place in the Netherlands and the European Commission) provide a practical addition to informal working arrangements by asking departments involved to consider the development impact of a policy proposal. Whereas this can over time develop awareness of and a ‘reflex’ for PCD, screening and impact assessments of policy proposals cannot be effective without tangible evidence on the impact of non-development policies on developing countries. This will be explored further below and in section (2.4).
- Belgium is currently considering implementing an impact assessment comparable to the one in place for promoting policy coherence for sustainable development. This process follows first a ‘quick scan’ to check for the likely impact on sustainability of policy proposals, based on a number of economic, social and environmental indicators.⁴³ If the effects assessed are considerable, the dossier is scrutinised by external experts whose report is presented alongside the proposal to the Council of Ministers. In practice however, most policy dossiers only undergo a quick scan, and policy proposals with a significant impact on sustainable development can still be accepted by the Council of Ministers.
- Specific units or departments within the MFA, or inter-institutional committees exist in each country to formulate and coordinate the country’s position in international dialogues

⁴³ Currently, only one of the indicators used to measure Belgian engagement for sustainable development directly refers to development cooperation, referencing the 0.7% commitment to ODA. A proposal for new indicators as part of the national long-term sustainable development strategy proposes to add the Commitment to Development Index as another indicator, potentially incorporating PCD promotion in a parallel system in Belgium.

and forums with clear implications for developing countries, notably environment and climate change, peace and security and trade. These structures often have more capacity than PCD-mandated units or departments to coordinate positions, and to feed back international standards and agreements to relevant line ministries. For instance, the Department for Development Policy of the Finnish MFA houses a Unit for International Environment Policy, coordinating environment policy positions for international forums and organisations with the Ministry for the Environment and other units in the Department for Development Policy.

- Parliaments are currently underutilised across the countries studied, even if they show some involvement, as is the case in the Netherlands, Sweden and Finland, where the parliaments receive an annual report on the government's progress on PCD. However, it requires the interest of a particular parliamentarian, or of a particular policy dossier with PCD implications before the concept is brought to bear in parliament (often ex-post). In countries with designated ministry structures for promoting PCD in government, these are not reflected in parliament, for instance through the appointment of a standing rapporteur on PCD.
- In recent years the idea was raised of having a formalised complaints mechanism, perhaps through an Ombudsman, where individuals or organisations could raise policy incoherencies affecting developing countries. Whereas the idea has been widely promoted by civil society⁴⁴ (particularly in the context of the CAP) and the European Parliament⁴⁵, this study found no instance of such a mechanism actually being put into place.
- For assessments of the incoherence or (likely) impact of policies, both ex-ante and ex-post, there is a case to be made for the systematic involvement of non-governmental and civil society organisations. Not only do they contribute to raising public awareness of PCD issues, but NGOs and CSOs often have networks in the field that to a certain extent overlap with those of the country's development agency and foreign representation. Nonetheless, outside of Finland's Development Policy Committee (DPC), there are no structures for promoting PCD in which these actors are systematically involved and even in the DPC their involvement is ex-post. It is a common feature of the countries studied that NGOs and CSOs face similar capacity issues in generating (technical) capacity and knowledge to effectively promote PCD (see section 2.4). Furthermore, NGOs and CSOs are in some cases (notably in Germany) redirected to the MFA or development agency, rather than to other government departments, an approach that limits the scope for discussions on policy trade-offs.

⁴⁴ See <http://tinyurl.com/c92rshg>, http://www.bond.org.uk/data/files/EU_120206_CONCORD_REACTION_to_the_2011_EU_report_on_Policy_Coherence_for_Development_-_FINAL.PDF, http://aprodev.eu/files/Trade/aprodev%20cap%20policy%20brief_monitoring%20complaint%20mechanism_final_i.pdf,

⁴⁵ See http://www.europarl.europa.eu/meetdocs/2009_2014/documents/deve/pr/804/804536/804536en.pdf

2.2.4. *Conclusions on national institutional mechanisms*

The countries studied have put the emphasis on developing ex-ante awareness raising and policy screening arrangements to promote PCD in policy-making, most commonly by assigning a particular department or unit in the Ministry of Foreign affairs with this mandate. Several limitations restrict these structures' potential for promoting PCD, including varying awareness and understanding of the concept of PCD, limited resources, capacity and skill gaps, high turnover and diverging interests. Furthermore, the country systems still respond to PCD issues on a case-by-case basis. Even in systemic approaches to promoting PCD, such as in Sweden, the lack of shared understanding of the concept and focused leaderships remain considerable obstacles to effective policy coordination.

While national mechanisms for policy formulation and coordination are generally conducive to the promotion and mainstreaming of PCD, political will and leadership for PCD are necessary drivers to operationalize the commitments made in this area. Concentrating on priority issues is an effective way of exploring and manifesting new working arrangements in favour of PCD – however, such endeavours risk remaining one-off exercises if no shared understanding of (and commitment to) PCD or unambiguous divisions of roles and responsibilities emerge from the process.

2.3. EU policy coordination mechanisms for promoting PCD

As is the case of the coordination systems for national policies, all countries studied have comprehensive EU policy coordination systems in place. For PCD, these could serve several purposes: they can 1) promote the coherence and positive development impact of EU policies, 2) promote the concept of PCD in EU forums or 3) implement EU-level PCD commitments at national level. While these objectives overlap to a large degree, they are treated in turn below.

2.3.1. *Promoting PCD of EU policies*

All countries studied have a similar structure for EU policy coordination, in which one single Ministry or department is in charge of coordinating EU affairs. However, for each EU policy dossier a 'lead' ministry is designated to take charge of the content, checking and coordinating of the dossier with other relevant ministries and departments. Among those usually consulted are the Prime Minister's Office or equivalent, the budget department of the Ministry of Finance, the relevant EU Affairs department and any ministry with competence on (part of) the policy dossier.

All ministries are therefore involved in the broader EU policy coordination. This process is often more formalised when it concerns topics on which the EU has particular competence (notably trade, agricultural and fisheries policy). This is particularly the case for the Belgian Directorate-

General for European Affairs and Coordination (DGE), which is composed of units coordinating the policy formulation process for each of the areas of EU exclusive competence. In Belgium, Germany and Finland, the Ministry of Foreign Affairs or EU Affairs department furthermore has a prominent role in the policy coordination process.

Other than in the Netherlands, there are at present no clear institutionalised linkages between mechanisms and arrangements for promoting PCD and the EU policy coordination system. EU policy coordination mechanisms in all cases predate PCD mechanisms, and have in some cases (the Netherlands, Germany, Ireland) been part of the day-to-day business of governance for over 20 years. As such, arrangements or mechanisms for promoting PCD currently exist in parallel to it. In the case of Ireland and Finland, inter-ministerial structures for promoting PCD are not directly engaged in the EU policy coordination process though do however, in part mirror the EU policy coordination structures, both in composition and thematic focus. Particularly in the case of Finland, the inter-ministerial network on PCD is considering concentrating on EU policy dossiers, and PCD concerns are addressed in EU policy coordination sub-committees through the representation of the MFA. As these forums are composed of senior civil servants from the various departments collectively involved in EU policy coordination, presumably a degree of information exchange on EU affairs also takes place in these countries given the informal governance arrangements.

An obvious exception to the above is the case of the Netherlands, where efforts have been made to closely align mechanisms for promoting PCD with existing EU policy coordination processes as noted in Box 3. This stems from the Netherlands' early commitment to the concept of PCD and support of the Treaty of Maastricht. In addition to the DEC, the 'lead ministry' scrutinising the policy proposal is tasked with undertaking an impact assessment of the proposal in several areas by means of a standard set of questions, including on PCD. These are then sent to Parliament and inform government's position in Brussels.⁴⁶

The involvement of parliaments in EU policy coordination is significantly higher in the EU policy coordination process than in PCD mechanisms throughout the six countries. Although parliament does not have the power to veto country positions on EU policy dossiers in all cases (e.g. in Finland, Ireland and Belgium), its position must be heard and represented at EU level. Parliament therefore provides an entry point for either linking with the PCD mechanisms, or for raising awareness of PCD issues by NGOs and CSOs.

Furthermore, the lack of institutionalised linkages between the parallel systems does not mean that PCD cannot be promoted through EU or national policy coordination arrangements. For instance, collaboration between the German Federal Ministry of Food, Agriculture and Consumer Protection (BMELV) and the Federal Ministry of Economic Cooperation and Development (BMZ)

⁴⁶ For more information on the Netherlands' process for promoting PCD in EU policies, see Engel et. al. (2009).

takes place around regular inter-ministerial dialogue, the result of which feeds into Germany's long-held position of abolishing agricultural export subsidies as part of the Common Agricultural Policy (CAP). This position is, in turn, formulated and promoted in EU forums through the Ministry of Economy and Technology's linkages with the German Permanent Representation in Brussels.

Areas of exclusive EU competence, such as agriculture and trade, are priority policy areas for promoting PCD nationally, and can offer scope for developing new arrangements and mechanisms for policy coordination and coherence. For instance, Finland has recently undertaken to pilot the OECD Policy Framework for PCD tool (OECD 2012a), as detailed below.

Box 4: Finland's pilot of the OECD Policy Framework for PCD tool

In June 2012, the inter-ministerial high-level working group on PCD (chaired by the Under-Secretary of State for Development Policy) launched a pilot to assess Finnish and EU policies impacting food security in developing countries. The pilot process will concentrate on assessing and further developing national institutional mechanisms to promote PCD in EU policies in the areas of agriculture, fisheries, environment and trade, and include a small case-study at country level.

A steering group, chaired by the Ministry of Foreign Affairs, coordinates the pilot with representatives from the Ministries of Agriculture and Forestry, Environment, Social Affairs and Health, Economy and Employment, as well as research institutions and NGOs⁴⁷. While the MFA coordinates the work, individual sections of the analysis are assigned to those participants of the steering group with the most relevant expertise. Early indications are that the pilot process has been successful in bringing different actors together, and has generated an overview of the state of PCD in various policy areas at national and EU level.

EU policy coordination cycles however, tend to move at a faster pace than national ones. This presents a considerable obstacle for undertaking an effective or timely check of a EU policy dossier's potential effect on developing countries. In the case of Finland, the Ministry of Foreign Affairs chairs or has a presence in many of the (over 30) EU sub-committees monitoring their work in relation to Finnish positions on particular issues – however, only one civil servant in the MFA is effectively responsible for promoting the PCD content of such dossiers. Moreover, the MFA is not represented in some sub-committees with clear PCD implications, e.g. the taxation sub-committee.

⁴⁷ For further details on the process, see Ministry for Foreign Affairs of Finland (2012b).

Involvement of the relevant Ministry or department is no guarantee for an effective PCD-check, however. For instance, the Belgian Directorate General for Development Cooperation is often invited to contribute to the Directorate General for European Affairs' coordination meetings and discussions on policy dossiers, which affect developing countries, though due to capacity constraints it has no weight in the DGE's assessment of the impacts of EU policies.

2.3.2. *Promoting PCD at EU level and implementing EU-level commitments towards PCD*

Alongside the promotion of PCD in EU policies, certain countries, particularly the Netherlands and Sweden, strongly advocate for PCD – in EU forums - they seek to ensure that the EC and other EU Member States fulfil commitments embodied in EU Council Conclusions on PCD (Council of the EU 2007a, 2009b and 2012b) and strengthen ownership and awareness of PCD among EU institutions and Member States.

Sweden had been vocal in criticising the lack of ownership of PCD outside the EU's Directorate-General for Development and Cooperation (DEVCO). In response, Sweden drove the development of the PCD Work Programme 2010-2013 (EC, 2010e) during the Swedish Presidency of the Council of the EU in 2009, heavily inspired by the Swedish institutional arrangements for promoting PCD, which concentrate on cross-departmental EU processes in designating thematic areas, aiming to mobilise political will, identify objectives and indicators and improve dialogue among the Member States on these policy areas.

Aside from Sweden, Finland also saw a strong surge in political interest for PCD at both the national and EU level when it assumed the rotating Presidency in 2006. The other countries studied have not pushed the agenda very strongly during their most recent respective Presidencies. While each EU Presidency is expected to conduct a mapping of the items on the EU Council agenda with a potential impact on developing countries, the countries studied all concentrated on PCD issues matching their national priorities. Indeed, Finland has arguably made little progress in promoting PCD in EU policies in recent years (EC 2009a, 2011g) despite its strong presence in 2006-2007. This lack of progress in promoting PCD in EU policies is also present in the other countries studied.

Despite the fact that all countries studied have units or departments responsible for raising awareness of PCD, and that each country has a specific department or section within the Ministry of Foreign Affairs for dealing with EU development policy and cooperation⁴⁸, awareness of commitments made to PCD at the EU level remains low in other line ministries in the countries. As such, EU-level PCD commitments appear to have little influence on the PCD-relevant processes at the country level.

⁴⁸ Only in Germany is this somewhat of an oddity, as compared to the other countries studied it has a separate Ministry for Economic Cooperation and Development (BMZ) which also has a unit that deals with EU development policy.

2.3.3. *Conclusions on EU policy mechanisms to promote PCD*

Aside from the Netherlands, the other countries in the sample have no institutionalised linkages between mechanisms and arrangements for promoting PCD and the EU policy coordination system. Whereas the PCD mechanisms in all countries in part mirror the EU policy coordination structures, in both composition and thematic focus, the real linkages depend on the degree to which a) the 'lead ministry' in charge of assessing the content of EU policy proposals is mandated and willing to involve other ministries or departments, and b) the extent of the Ministry of Foreign Affairs or relevant PCD-mandated department or unit is represented at both the technical and political level in coordinating EU policies. Regarding the latter, capacity constraints and assigned competences place a ceiling on the degree to which PCD mechanisms can integrate into the EU policy coordination process. Nevertheless, other ministries may promote PCD in their assigned EU policy dossiers, particularly in the case of the CAP where various linkages between the MFA and the Ministry of Agriculture have generally existed in practice for some time.

At the EU level, assuming the Presidency of the Council of the EU can provide some impetus for supporting the EU agenda and work programme for PCD. Conversely, awareness of commitments made to PCD at the EU level remains low in other line ministries in the countries. This indicates that PCD, even at the level of EU policies, remains very much a matter of national political will.

In addition to the political commitment, promoting PCD in EU policies or PCD at EU level requires considerable coordination capacity and technical knowledge to coalesce in short policy coordination cycles - few countries currently effectively achieve this. Indeed, countries may be seen to hide behind commitments to promote PCD in EU policies or at EU level, noting that outcomes depend on the Member States collectively on which one individual country has only limited influence, without making or realising PCD commitments at national level. Small EU Member States could justify this by reasoning that their national policies only have limited effect on developing countries, so they concentrate on the EU level. In effect, the German government has been reproached for this, given that BMZ's commitments to pursuing PCD in practice hardly extend beyond reducing agricultural export subsidies in the CAP and ensuring fair negotiations in the WTO.

2.4. Knowledge Input and Assessment Mechanisms

Without clear, consistent, and relevant knowledge input and impact assessment of national and EU policies, commitments and mechanisms to promote Policy Coherence for Development are not evidence-based, increasing the chances that they remain paper exercises. This severely undermines both the capacity to learn and adapt policies or wider accountability to commitments given. Assessing with a reasonable degree of certainty what has been the exact impact of the lack of policy coherence in cooperation with a developing country or in a

particular policy area is a rather difficult and complex task, thus requiring a specific base of knowledge.⁴⁹

Despite this area being noted as one of the three most important PCD mechanisms or building blocks by the OECD, as well as in previous studies and evaluations, the area of knowledge input and assessment has to date been given the least attention or investment in all of the countries studied. This is the case even amongst those countries cited as global leaders in the field of PCD, such as the Netherlands or Sweden. This lack of investment in evidence and research has been consistently noted as one of the most significant factors (along with unsustainable political commitment) hampering the effectiveness of PCD.⁵⁰

2.4.1. *Mainstreaming PCD in country knowledge input systems*

Rather than developing specific mechanisms for developing knowledge input and assessment for PCD, a common approach noted in the countries studied has been to utilise existing formal or quasi-autonomous knowledge systems in the development cooperation sphere to provide this sort of analysis (see table 6). On a certain level, this “mainstreaming” of PCD within these knowledge systems is to be welcomed, as it has produced some insightful work on PCD. These systems are furthermore connected to the policy making process, and can as such provide insight and evidence directly into corrective measures. Yet even these investments have not been consistent or consummate with the original policy commitments to PCD.

Nevertheless, a wide range of analysis has been produced, such as specifically commissioned academic analysis (Germany, Ireland) and policy reports produced by quasi-internal bodies (Finland) or through the main evaluation services (Netherlands) (see table 6). National bodies of policy research beyond the development and foreign affairs field rarely look at PCD. For example in the Netherlands with the Scientific Council for Government Policy (WRR) report which noted amongst other aspects on PCD that, “[N]ot much progress has yet been made as regards the practical implementation of policy coherence [for development]. At the same time, the possibilities are enormous.”⁵¹ All in all, the mainstreaming of PCD in country knowledge input systems remains scattered at best.

⁴⁹ See for example, King et al. (2012).

⁵⁰ King et al. (2012).

⁵¹ See Lieshout van. P, R. Went and M. Kremer (2010). P. 189.

Table 7: Examples of inclusion of PCD or PCD related themes in internal or semi-internal overarching policy systems (national level) since 2008

	Knowledge Entity/ System(s)	Systematic PCD focus	Specific PCD activities
Belgium	Service Special Evaluation (DBE)	No	None yet
Finland	Development Policy Committee (DPC)	Its mandate covers enhancing PCD, among other topics.	PCD is addressed in the regular reports on Finland's development policy.
Germany	Deutsches Institut für Entwicklungspolitik (DIE)	Conceptual research undertaken and following general debates, but little focus on concrete PCD topics.	Commissioned by BMZ to write a high-profile evaluation report on the concept of PCD but this was in 2004. ⁵²
Ireland	Advisory Board of Irish Aid ⁵³	No specific mandate but has looked at PCD	Commissioned and financed studies on PCD.
Netherlands (1)	Independent Inspection Development Cooperation and Policy Evaluation (IOB)	No	Coverage in major 2008 Africa Strategy evaluation, Study commissioned on how to evaluate coherence in 2012 ⁵⁴
Netherlands (2)	Scientific Council for Government Policy (WRR)	No but has looked at PCD in seminal Report on Development Cooperation: Less pretension, more ambition	Formulated recommendations on how to mainstream PCD throughout the line-ministries in report
Sweden	Office of Public Management, Swedish Agency for Administrative Development, 2011 ⁵⁵	No	Evaluation of Swedish development cooperation, very limited references to PGU/PCD.

⁵² See Ashoff (2005).

⁵³ This body ceased to exist in 2011 and its mandate was split between the Irish Aid Expert Advisory Group (IAEAG) for the advisory activities and Irish Aid's Policy, Planning and Evaluation Unit for the research activities.

⁵⁴ See Keijzer and Oppewal (2012).

⁵⁵ See Statskontoret (2011).

2.4.2 Knowledge and the connections to policy making process

The lack of specific PCD knowledge systems should however not be interpreted as a sign that there has been no significant work undertaken to build PCD knowledge. Although largely ad hoc in the countries studied, there are examples of government departments (usually MFAs) utilising reports and studies to promote PCD by drawing on existing knowledge systems (see table 7). A consistent challenge however, with many of the excellent ad hoc reports that have undertaken, is the extent to which they genuinely feed in and influence official policy commitments or connect directly into the institutional mechanisms at either the bilateral or multilateral level. This connection between evidence and change seems to have been difficult to make in all the countries studied. Furthermore, there is a common desire to acquire knowledge inputs to provide insight into developing effective PCD systems and, more recently, on assessing impact and measuring PCD, including at the partner country level.

Table 8: Examples of officially commissioned studies designed to provide a knowledge input for PCD

Country's commissioning/holding	PCD Systems	Methodological Reports on Indicators and Measurements	Thematic Focus (bilateral)	Thematic focus (multilateral)	Developing Country Focus
Belgium	-	-	-	-	-
Finland	Development Policy Committee's Reports	Pilot study for OECD tool on food security (expected in 2013)	-	-	-
Germany	-	Measuring PCD Report, 2012 ⁵⁶	DIE study in 2005 ⁵⁷	DIE study in 2005 ⁵⁸	-
Ireland	Policy Coherence for Development: The State of Play in Ireland. A Scoping Report (2009) ⁵⁹	Policy Coherence for Development: Indicators for Ireland (2012) ⁶⁰	Agriculture ⁶¹ (2007)	-	-

⁵⁶ See King, Keijzer, Spierings and Matthews (2012).

⁵⁷ See Ashoff (2005).

⁵⁸ See Ashoff (2005).

⁵⁹ See Barry (2009).

⁶⁰ See King (2012).

⁶¹ See Matthews, Chaplin, Giblin and Mraz (2007).

Netherlands	External Evaluation of the Netherlands Policy Coherence for Development Unit 2011	Measuring PCD Report, 2012 ⁶²	-	Background studies on the Common Agricultural Policy, the Common Fisheries Policy, and the General System of Preferences, 2011	Pilot country studies of PCD impact (Ghana, Bangladesh, Mali) due later in 2013.
Sweden	MFA: Govt/comm on PGU	Bi-annual governmental communication report on PGU	6 global challenges	-	-
Between 2004 and 2008 a variety of studies were commissioned under the auspices of The group of Heads of the EU Member States' development cooperation evaluation services and the European Commission (EUHES) specifically looking at evaluating Coordination, Complementarity and Coherence. See, < http://www.three-cs.net/ >					

It is clear that, within the studies conducted, little knowledge has actually been generated on (how to assess) policies' real impact on developing countries or indeed measuring national performance on PCD. Despite the undoubted methodological challenges, this knowledge gap has meant that PCD remains on shaky evidence-based foundations, relying mostly on ex-ante (before the fact) inputs from policy mechanisms (see section 2.2). Ireland has probably gone the furthest in terms of supporting the developing indicators for Irish and EU policies (see box 5). Yet this research, along with the other reports assessed, could not find evidence of a direct causal link between these types of ad hoc knowledge products and a formal change in a particular thematic policy, originating outside of the Ministry of Foreign Affairs or the Development department. Given the small number of studies designed with the specific purpose of obtaining the buy-in across government and feeding directly into policy-making systems, this is perhaps an unsurprising observation.

62 See King, Keijzer, Spierings and Matthews (2012).

Box 5: The Advisory Board for Irish Aid and PCD research

In 2007 the Advisory Board for Irish Aid commissioned a four-year research project to Trinity College Dublin and University College Dublin on PCD in Ireland, which resulted among others in the 2012 report “Policy Coherence for Development: Indicators for Ireland”. The report represents the first effort to develop a portfolio of national PCD indicators (including outcomes, policy outputs, policy inputs, and partner country strength) for Irish and EU policies in the areas of international trade, agriculture, fisheries, migration, environment, finance and enterprise, security and defence and development aid. Even though the study was commissioned and discussed both in the Inter-Departmental Committee on Development and the Parliament, Ireland’s inter-ministerial committee for promoting PCD) it has so far not been integrated into policy formulation and coordination processes. Additional resources and capacity are needed to operationalize the indicators and assess Ireland’s performance on PCD on an (bi-)annual basis. However, there are concerns regarding the willingness of government departments to adopt the indicators in their work.

While it would be naive to conclude that all that is missing is ‘evidence’ of the negative or potential impact to change policies, how knowledge connects to the other PCD mechanisms and parts of government that can use them to promote change remains a significant and pressing concern for the advancement of PCD. Particularly since one of the implications of this knowledge gap is that the baseline for PCD – development proofing – cannot effectively be supported with evidence.

2.4.3. *The role of civil society in knowledge inputs*

Civil society has not only conducted principled advocacy but has also been a provider of analysis and knowledge on PCD. While one could question whether the advocacy agenda of NGOs strongly influences the findings of such studies, civil society inputs have served a very useful purpose in raising wider public and policy awareness of PCD related issues, as well as filling a gap left by the lack of independent research, or research specifically linked to policy processes. These knowledge inputs go beyond advocacy pieces in most cases, and have in all countries not only assisted in putting PCD on the agenda but also in advocating and articulating how the issue can be taken forward. Beyond NGOs, the media could also provide a role in bringing credible evidence of policy incoherence. On issues such as taxation and arms sales, the media in the past has provided knowledge in the public domain that has raised more general political awareness.

Table 9: A selection of influential civil society reports related to PCD issues

	Civil society report	Influential on
Belgium	11.11.11. (2009). Belgian Development Policy in 2008, Brussel. several impact studies	Set PCD on the political agenda. In general, 11.11.11.-work on PCD formed considerable input for the All-Stakeholder Meeting on PCD in May 2012, fed into the 2013 policy note and are closely involved in working groups on the set up of the PCD-architecture.
Finland	KEHYS' Policy Coherence for Development "Call for Coherence" (2006)	Finnish Presidency of the EU and producing the first written commitment to PCD in the 2007 Development Policy Programme.
Germany	Gemeinsame Konferenz Kirche und Entwicklung (GKKE)	Annual PCD reports spark some debate in ministries and the Parliament.
Ireland	Christian Aid: Tax of life: how tax dodging undermines Irish support to poor nations (May 2010)	Incentivised further studies and NGOs' advocacy work on taxation and led to a debate on taxation's impact on developing countries and PCD-related issues in the Parliament's Joint Committee on Foreign Affairs and Trade.
Netherlands	Evert Vermeer Stichting (Fair Politics Netherlands and Europe), ViceVersa and The Broker.	General momentum on PCD, raising awareness on the impact of incoherencies with a negative impact on developing countries.
Sweden	PGU/PCD Barometern bi-annually	Post-2003 bi-annual CONCORD Sweden reports (which serve as the model as well as provided initial funding for the CONCORD Europe spotlight reports).

2.4.4 EU and OECD level knowledge assessment and inputs

In addition to what has been done at the national level, all the countries concerned have also provided inputs to the bi-annual reporting on Policy Coherence for Development at the EU level. However, this process has its weaknesses and is at present largely an internal process rather than one nourished by external analysis or robust independent assessment of the inputs of the EU Member States. The lack of progress in setting targets and measuring progress has been noted as an "Achilles heel" of EU-level efforts to promote PCD, although the same could be said for most countries.⁶³ The European Commission has also commissioned its own PCD related

63 See Keijzer (2012a).

studies on specific topics but again the ability of these to feed into genuine policy change is questionable⁶⁴. In addition, NGOs have focussed on addressing PCD impact on the EU level.⁶⁵

On the cross cutting knowledge issues, the OECD constitutes, through its Development Assistance Committee's (DAC) Peer Review system, one of the only external accountability reminders, monitoring progress on PCD at the national level. Indeed the OECD has consistently developed and championed PCD through the development of knowledge (including on best practices) that have been widely appreciated and often used by the countries studied.⁶⁶ That is not to say the EU has not undertaken comparable efforts, as for instance in the case of the 2007 evaluation of the EU institutions' and Member States' mechanisms for promoting PCD (ECDPM, ICEI and PARTICIP GmbH. 2007), which involved all participating countries' evaluation departments and the European Commission's Joint Evaluation Unit for External Relations. Involving national or official evaluation departments indeed has more weight than the more ad hoc attempts to generate knowledge on PCD and, presumably, the impact of policies.

At present, there is an increased interest at the OECD to develop more focused impact assessments for PCD at the level of recipient countries, particularly in specific policy areas such as food security. While such work is still in its initial stages, a focus on country level impact in specific areas has generally been lacking. Working collectively through the OECD may offer some promise to countries wishing to partner with others to share costs and hopefully have a greater impact. Finland is currently conducting a pilot study on food security making use of the OECD tool for Policy Coherence for Development to analyse the impact of Finnish and EU policies on food security in developing countries. In the Netherlands, an inventory of available information on policy incoherencies was requested to the delegations in 2011, in preparation for a pilot study assessing the impact of Dutch, EU and domestic policies on its partner countries. Based on these results, three partner countries were selected and a conceptual and methodological approach was developed to guide the actual impact research. Results are yet to be presented to parliament however.

64 Most recently, in 2013 the European Commission's DG for Development and Cooperation undertook a study: 'Assessing the impact of biofuels production on developing countries from the point of view of Policy Coherence for Development yet this is not a public document'. In the 2009 Staff Working Document the European Commission on Policy Coherence for Development produced a summary of analysis of impact studies it commissioned on the MDGs – see European Commission (2009a).

65 See for example the work of Fair Politics which has conducted three "impact studies" on EU policies in particular countries - http://www.fairpolitics.nl/europa/index_kopie.

66 OECD publications in this realm are significant – a listing of many of them can be found at <http://www.oecd.org/pcd>

Box 6: Developing countries knowledge input and accountability mechanisms

In addition to what is done at the level of countries, the EU or the OECD there is the question of how developing countries can engage in a policy dialogue on policy incoherence. There seem to be no real examples of this or clear mechanisms of where this can feed in to any parts of the PCD systems of the countries looked at. This constitutes a significant structural weaknesses and accountability gap. While there are some multilateral vehicles such as Article 12 of the Cotonou Partnership Agreement between the European Union (and its member-states) and the African, Caribbean and Pacific group of countries these have been utilised only very rarely.

Despite such initial attempts to map the impact of policy incoherencies at partner country-level, impact assessment for knowledge-based, development-friendly policy making is by far the least developed building block. Investment in impact assessment remains a top priority for those advancing PCD in the coming years.

2.4.5 Conclusion on knowledge input and knowledge assessment systems

There seems to be a remarkable accountability gap given the significant under-investment in knowledge input and knowledge assessment systems – this means national PCD systems have to rely on internal ex ante impact-assessments, rather than on ex post evidence. Whereas one could conclude that the countries studied fare rather well in comparison to other OECD members in terms of their investment in knowledge input and knowledge assessment, the lack of investment in this part of the PCD system was clearly identified as a problem in a more comprehensive evaluation of country systems in 2007,⁶⁷ and there seems to have been little progress since then – with only recent nascent work on impact assessments seeming to break new ground.

Furthermore, while a number of (OECD) studies are being undertaken to analyse the potential impact of the lack of PCD (rather than the impact of PCD systems and processes in place), and others are in the pipeline, the question of how these will feed into the PCD system remains an additional concern. The failure to develop a system providing knowledge inputs that feed into the policy processes does undermine Policy Coherence for Development, particularly in an era of “Results Based Management” whereby showing the actual impact or lack thereof is an increasingly common public accountability request.

⁶⁷ See, Mackie et al. (2007).

3. *Key dilemmas for advancing PCD*

3.1. Introduction

In this report the policy statements, institutional mechanisms and knowledge-inputs and – assessment practices to promote PCD of six EU countries have been assessed. Whereas there have been some notable changes in the PCD landscape in Europe, many of the key lessons and conclusions of a more comprehensive 2007 study conducted by ECDPM, ICIE and Particip (endorsed by EU Member States' evaluation departments) remain valid. Despite the fact that the countries studied represent some of the more advanced OECD DAC countries in terms of the development of their approach to Policy Coherence for Development, progress on advancing PCD has been limited. Systematic, meaningful and sustained progress for PCD would appear difficult to achieve, with even the 'front-runners' of the PCD field facing challenges. The potential benefits of effective PCD however remain unquestioned.

The below sections present an overview of the broad trends on the recent developments in the promotion of PCD for the six country cases. From these broad trends, key dilemmas and challenges for advancing PCD are derived and laid alongside possible or employed responses to address them.

3.2. Commitment to PCD – conflicting interests or seeking synergies

All countries have in recent years made, restated or refined policy commitments to PCD, which vary to a great degree in their nature (specificity, priorities noted, implementation). Critical drivers for such commitments were political leadership, pressure from civil society and international commitments. For commitment to PCD to be sustained, long-term and sufficiently high-level political support is required in order to anchor this commitment across government. **The key dilemma for countries is how to develop and sustain the level of political interest in and support for PCD**, firstly to put a commitment to PCD on the agenda, and secondly to make those commitments meaningful for promoting PCD at both the national and the EU level.

In this regard, the questions raised on promoting PCD over the long-term in the 2007 study still stand: *"How does one, for instance, sustain political support for PCD over a period of a couple of decades? What can be done to build multi-party consensus in parliament to ensure continuing commitment to PCD when government changes? What are the implications for forward planning of work on promoting PCD? What level of impact can one hope to achieve over different shorter and longer periods of time? Can one envisage a PCD promotion strategy that evolves over time through various phases?"* (ECDPM, ICEI, Particip 2007, p.100) These are questions PCD champions must ask themselves once they set out to develop national PCD systems.

Table 10: Key dilemmas and possible responses regarding policy commitments towards PCD

Key dilemmas	Possible responses
1) Sustaining political interest, will and support for PCD.	• Recognise the limits of what can be achieved on PCD without political sponsorship, focus and leadership; • Invite and respond to sustained pressure from champions for PCD in civil society and cross-party support in parliament: this in turn implies that any sustained campaign to promote PCD must be able to count on widespread public support over time.
2) Making PCD commitments at national level meaningful.	Policy commitments towards PCD should have: • clearly expressed priority policy areas or objectives to achieve through PCD, preferably those which have national political resonance or enjoying political sponsorship; • clear indications on how the commitment should be implemented in terms of assigned responsibilities, new arrangements and mechanisms; • clear indications on how progress both for developing the national PCD system and whether national policies are coherent with development objectives should be measured, monitored and evaluated (see section 3.5 on knowledge inputs); • provisions for regular review of the commitment, in part in order to include arising policy priorities.
3) Making PCD commitments for EU policies and at EU level meaningful.	• Include commitments for PCD towards EU policies and at EU level in PCD policy statements; • Engage in dialogue with other EU capitals in addition to the EU PCD Work Programme to build common support for priority policy areas for PCD best pursued at EU level. • Look to promote PCD in general EU policy coherence dialogue, outside the EU PCD Work Programme.
4) Ensuring that there is a common understanding and a shared ownership of what is meant by 'development' and a broad knowledge of development policy objectives.	• Adopt and promote an unambiguous, all-of-government understanding of development linked to all of government policies on development with clear objectives; • Actively consult all ministries whose mandate may affect developing countries in the policy consultation process.
5) Ensuring that there is a common understanding and a shared ownership both of the concept of PCD and the PCD policy commitments in place beyond those mandated to promote it.	• Adopt and promote joint or inter-ministerial policy commitments and strategies for the medium- to long-term that seek synergies between interlinked policy areas; • Seek out high-level political sponsorship on specific thematic issues to create momentum for PCD; • Integrate PCD into commitments and practices that aim to ensure policy coherence, clearly noting the distinction.

The impression was gained that the various countries have taken lessons from the EU and OECD discussions on PCD, and in response made more pragmatic commitments and efforts towards achieving PCD either by concentrating on a limited number of priority policy areas, or by making practical, procedural commitments to PCD. Nonetheless, political leadership, sponsorship and focus have waned in recent years for all countries.

The reality remains that development cooperation remains lower on the political agenda than issues clearly framed as direct economic or political interest, particularly in the recent years of financial crisis. However, the need for clear, unambiguous policy statements for PCD has not diminished, nor has the need to restate and refine such commitments over time – both require a measure of sustained political pressure. As in the 2007 study, there was limited evidence of parliaments or civil society exerting strong, continuous political pressure on government to make (new) commitments to PCD and subsequently implement and maintain them. This is not to say that civil society hasn't been important as a champion of PCD. In some instances among the countries studied, even development policy commitments and objectives are to some degree ambiguous such as Germany.

As such, understanding or recognition of the concept of PCD promoted in the various policy commitments does not often extend very far beyond a small group of core PCD promoters (usually those civil servants or NGO staff actively working on the issue). Even in the case where explicit policy statements or legal commitments exist, there remains (perhaps wilful) confusion about the difference between 'policy coherence' and PCD. This may in part be due to the term 'PCD' itself, which can be perceived as overly technical and broad concept to be of concretely integrated in policy statements.

3.3. Institutional arrangements and mechanisms for PCD

The 2007 study described the PCD mechanisms developed at that time as 'experimental', noting that they could be characterised by newness, lack of clarity on the impact sought and the various roles of actors involved, limited discussion on the need for monitoring and evaluation, and little long-term vision and planning on how to promote PCD. Whereas the newness of some of the countries' systems has worn off, the other characteristics identified still very much apply to the six countries studied.

Many of the issues affecting the potential of specific arrangements and mechanisms for promoting PCD already arise in policy statements and commitments towards PCD. Notably, most commitments made in the countries studied lack both provisions for implementation including clearly assigned responsibilities and clearly stated objectives in terms of achieving PCD. The effectiveness of such mechanisms are never constant, instead they match the ebb and flow of government and political support. Whereas there is generally a degree of compromise involved in national policy consultation and coordination processes, with different policy areas seeking

to be ‘more coherent than others’, the balance of such compromise has swung more towards more narrowly defined national political and economic interests in recent years. Institutional mechanisms have therefore become constrained by the lack of political support and also the lack of knowledge-inputs.

Table 11: Key dilemmas and possible responses regarding institutional arrangements and mechanisms for promoting PCD

Key dilemmas	Possible responses
1) Ensuring that PCD is seen as the responsibility of all or various cross-cutting government departments and involved both the political and the technical layers of government (thus creating a ‘culture of coherence’).	• Involve all cross-cutting offices of government (including the Ministry of Foreign Affairs, the Prime Ministers Office, inter-ministerial structures and permanent geographic/thematic desks) into the PCD mechanisms; • Mandate relevant units or departments to do more than awareness-raising on the concept of PCD; • Integrated PCD checks into the inter-ministerial policy consultation process as well as the policy escalation process in case of disagreement.
2) Integrating (new) PCD arrangements and mechanisms into existing governance arrangements, and balancing formal with informal arrangements.	• Develop and adapt PCD arrangements and mechanisms as part of existing policy formulation, consultation and coordination procedures; • Promote mutually reinforcing formal and informal arrangements.
3) Ensuring that components and actors in the PCD arrangements and mechanisms have the resources, capacity and skills necessary to effectively promote PCD.	• Curb the high turnover and rotation of staff in PCD-mandated units and departments in order to promote the development of capacity, technical expertise and institutional memory; • Implement cross-government PCD-targeted staff exchange and training programmes to raise awareness and develop capacities; • Regularly monitor and externally evaluate the effectiveness of PCD-mandated units or departments in addition to the OECD DAC Peer Reviews.
4) Ensuring that PCD is an equal-status priority rather than a matter of compromise.	• Seek to bring together a variety of stakeholders through PCD mechanisms (both at different levels in government, across different policy areas and outside government).

Most cases, with the exception of Sweden, have modelled and developed their PCD mechanisms on existing governance arrangements. All country cases noted the mutually reinforcing interaction between formal and informal linkages, with policy coordination processes being driven more by one of the two with a clear role for the other. The exact ‘shape’ of the PCD systems and mechanisms studied depends on both the administrative / governance culture and on the

existing arrangement of government. Regarding the latter, permanent geographic or thematic desks in the various ministries are the veins of policy coordination, but are rarely involved in PCD mechanisms.

The results of this assessment re-confirm the finding of the 2007 study that one single institutional mechanism driving the PCD agenda is insufficient – notably, a 2009 evaluation of the Netherlands’ unit for promoting PCD (the Department for Effectiveness and Coherence or DEC) revealed a number of constraints to such an arrangement. Chief among these is the lack of opportunities to retain and develop skills and capacities due to insufficient resources and regular staff rotation within the Ministry of Foreign Affairs. Continued discussion at OECD and EU level on efforts to promote PCD should thus not leave much space for governments to underestimate the effort and resources necessary to promote PCD at a national level.

3.4. Promoting PCD in EU policies – at national or at EU level

All countries studied have to some degree included references towards achieving PCD in EU policies and/or promoting PCD at EU level in their national policy commitments for PCD. Indeed, all countries participate in the EU’s Work Programme for PCD and have established systems for coordinating national positions on EU policies, including development policy. At present however, very few linkages have been put in place to link existing institutional arrangements for EU coordination with mechanisms for promoting PCD. The key dilemma is therefore how to effectively link the well-established and powerful systems for EU policy coherence at the national level with those for PCD (and vice-versa).

Table 12: Key dilemmas in promoting PCD in EU policies and at EU level

Key dilemmas	Possible responses
1) Establishing and strengthening linkages between existing PCD arrangements and mechanisms and the national EU policy coordination mechanisms.	• Actively involve PCD-mandated structures in the EU policy coordination process; • Mirror PCD arrangements and mechanisms to the EU policy coordination by developing expertise on areas of EU competence (such as the CAP). • See to ensure EU policy coordination mechanisms have PCD “on the agenda” or relevant joint sessions with PCD mechanisms
2) Ensuring capacity for relevant departments and units to promote PCD in EU policies.	• Invest in training programmes, awareness raising and priority setting for personnel involved in relevant departments; • Undertake staff exchanges between civil servants from the development department and those in departments coordinating EU policy dossiers (CAP, trade, fisheries etc.).

3) Assuming an active role in promoting PCD at the EU level	• Promote dialogue on best practice in promoting PCD in EU policies at the national level; • Seek alternative alliances beyond official EU structures with other EU member-states (and other key promoters in the European Parliament and civil society) to push progress on PCD on thematic policy issues
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In part, this lack of integration is due to the fact that PCD-mandated departments and units do not have sufficient resources or capacity to integrate and assert themselves in the faster-paced EU policy coordination cycles. Promoting PCD in EU policies or PCD at EU level requires considerable coordination capacity and technical knowledge to coalesce in short policy coordination cycles - few countries currently effectively achieve this.

There is a need to ensure that pursuit of PCD in EU policies or at EU level does not imply abandoning PCD at the national level. In promoting PCD at EU level (e.g. during the term of a Rotating Presidency or in the context of the PCD Work Programme), countries are most active in those areas that have national resonance or are national priority issues for PCD. Efforts to promote PCD at EU level are hence equally, if not more effectively fulfilled by promoting PCD in the national EU policy coordination system and in bilateral relations with other EU Member States. Countries could consider the EU as a knowledge-sharing platform for best practice in development cooperation, specifically for achieving PCD at EU level through national commitments and mechanisms. Yet relegating the EU level to knowledge-sharing would be a missed opportunity and one of rather low ambition, also as this knowledge sharing can equally be done at the OECD level.

3.5. Missing evidence and accountability drivers for promoting PCD – knowledge-inputs and -assessment

Knowledge-inputs and -assessment are the critical component that should drive both the political commitment and institutional practice for PCD by rendering an otherwise abstract concept more concrete and tangible. Whereas knowledge inputs in particular can demonstrate the value and impact of PCD, it is still by far the least developed aspect of the PCD systems of the six countries studied.

While some effort has gone towards research on PCD, these are often limited to studying and promoting the concept at an abstract or policy-making level, e.g. describing what PCD is, how it could theoretically benefit developing countries, and pointing towards glaring policy incoherencies, discussions on mechanisms. These studies commonly utilise existing knowledge systems in the (national) development cooperation sphere to derive insights. Although mainstreaming PCD within these systems is to be welcomed, countries are still to seriously invest in developing and integrating methodologies and practices for gathering information at the level of developing countries on how national policies affect development outcomes.

Table 13: Key dilemmas in developing knowledge-inputs and –assessment mechanisms

Key dilemmas	Possible responses
1) Ensuring that PCD issues are systematically assessed throughout policy coordination processes rather than treated on an ad-hoc or case-by-case basis.	• Integrate PCD assessment into policy consultations and existing policy impact assessment and evaluation systems, as well as knowledge management systems, used throughout the relevant ministries and departments.
2) Developing evidence of national and international policies and policy incoherencies on developing countries or development objectives.	• Invest in assessing impact at the country level or on themes – joining international initiatives (such as those sponsored by the OECD); • Positively respond to efforts of civil society and independent organisations to research the development impact of policies; • Support critical, independent research on PCD and the impact of national policies on developing countries.
3) When can it be said if development proofing / policy coherence for development has been achieved? What constitutes an appropriate amount of effort and outcome?	• Recognise that development proofing / achievement of PCD requires the three elements and is beyond merely knowledge input alone. For government's and the EU it means having narratives that illustrate credibly how the three mechanisms have delivered change and safeguards for PCD generally and in specific cases. For civil society, media, and knowledge input mechanisms (academia / think tanks / accountability bodies) role is to interrogate how credible and effective these are generally, and in specific cases.

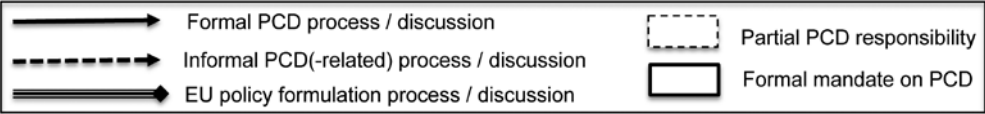
It remains unclear, however, to what extent research presently undertaken feeds into and influences the policy and practice for PCD. Ideally, such research and evidence would feed directly into the national policy coordination and assessment process. As such, it is critical that any effort to devise clear indicators linked to PCD objectives are derived explicitly from the national development policy framework rather than only from international guidelines in order for national ownership of the concept and practice of PCD to ultimately be increased.

Annex I – Graphical mapping of national PCD and EU policy coordination systems

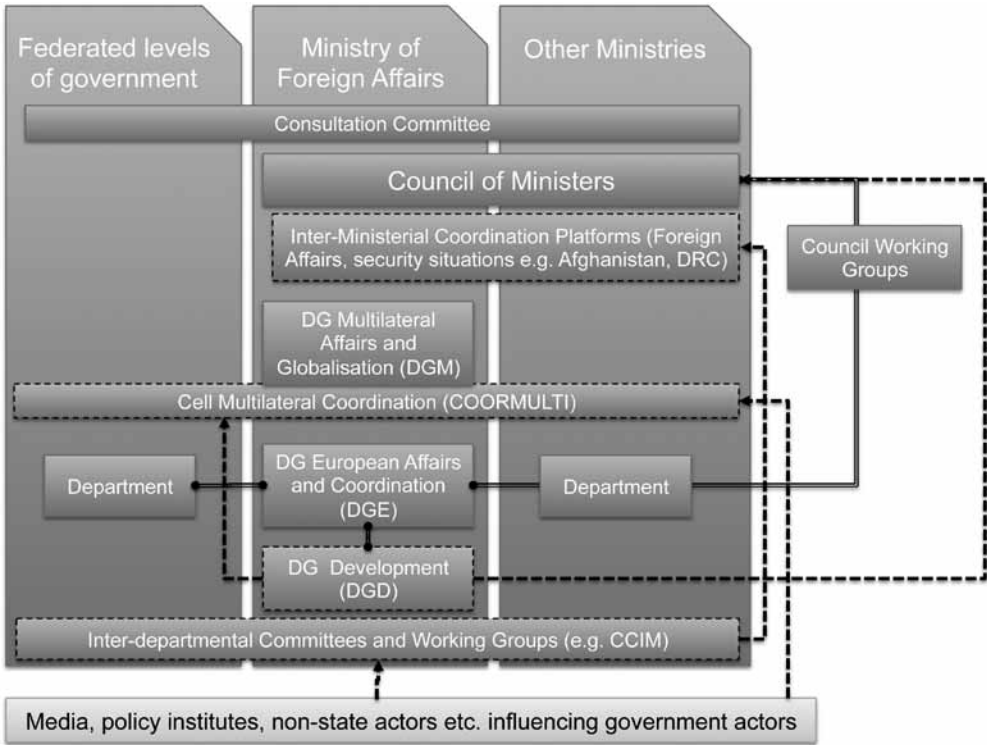
Please note that the following graphical mappings have been drawn up by ECDPM based on our research and do not constitute officially produced, sanctioned or agreed documents by the countries themselves. These mapping are meant to give a schematic overview of the various actors, organisations and institutional structures which make up the six respective national systems for promoting PCD and coordinating EU policies, and the linkages between them.

Importantly, the solid lines and arrows indicate structures and processes with a formal mandate for promoting PCD, e.g. a dialogue between departments or a PCD report issued from one structure to another. The dashed lines and arrows, meanwhile, indicate structures and processes which may have implications for PCD or link to the formal processes, but which are not explicitly mandated as such. Please consult the legend below.

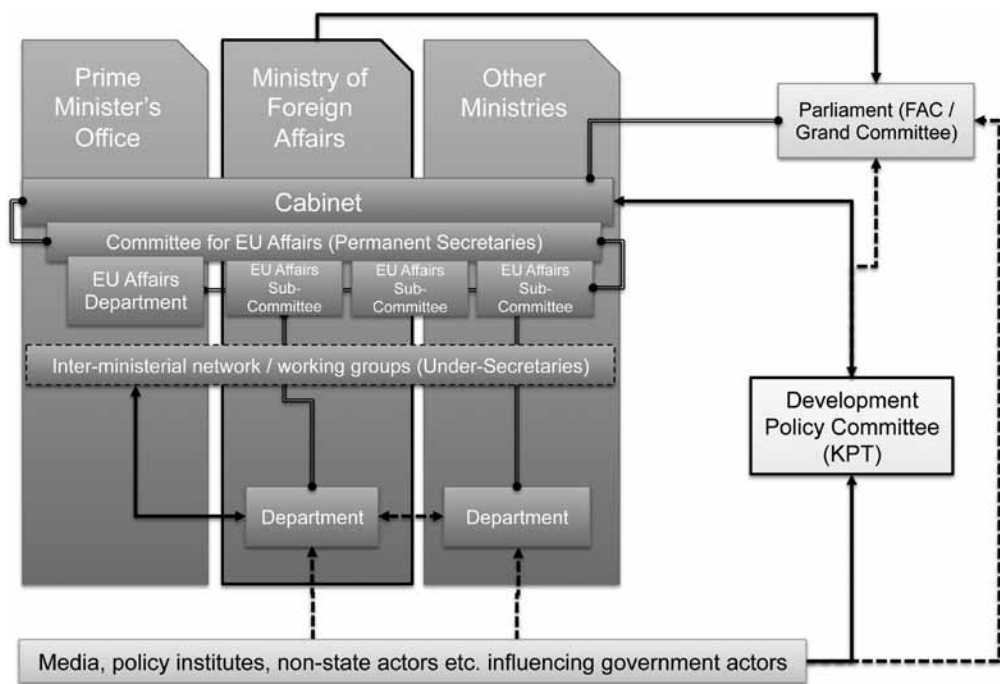
Legend



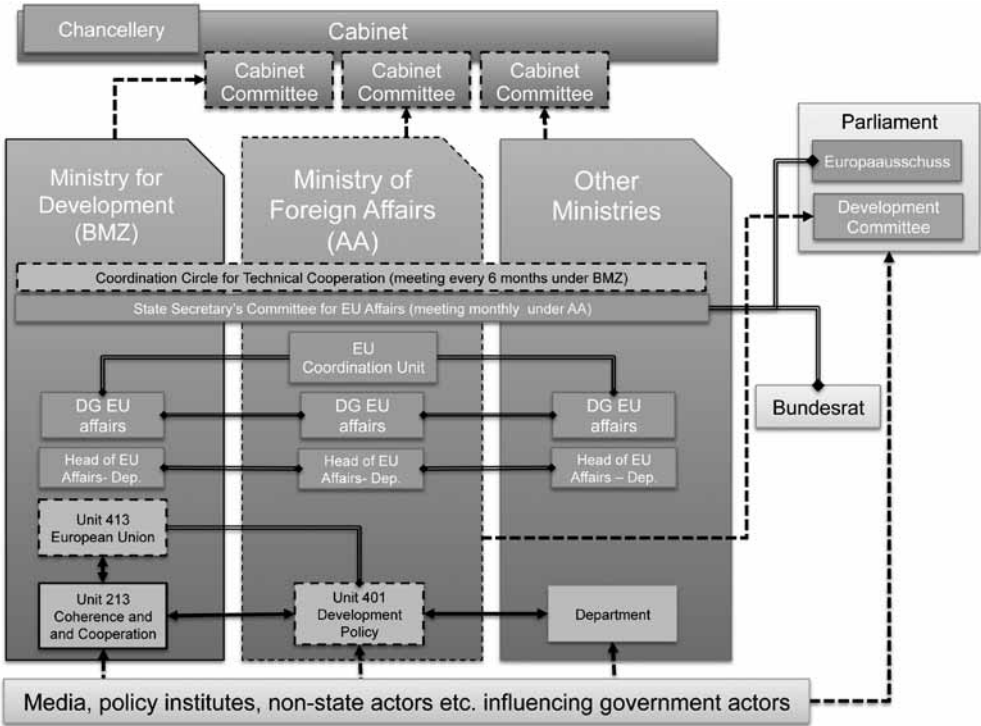
Annex I-i Belgium



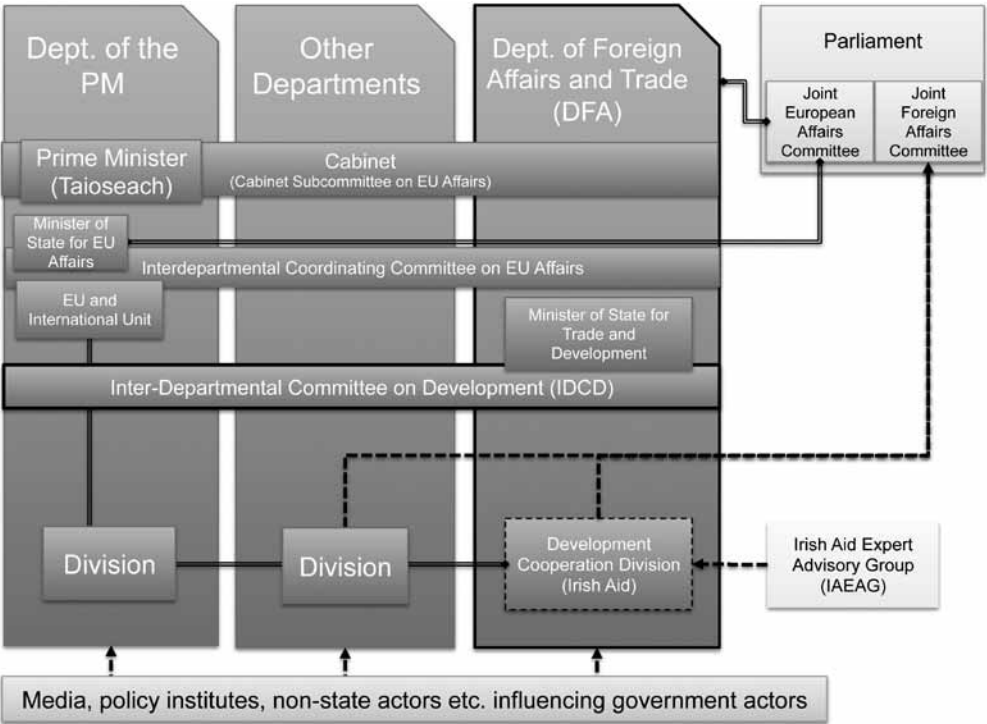
Annex I-ii Finland



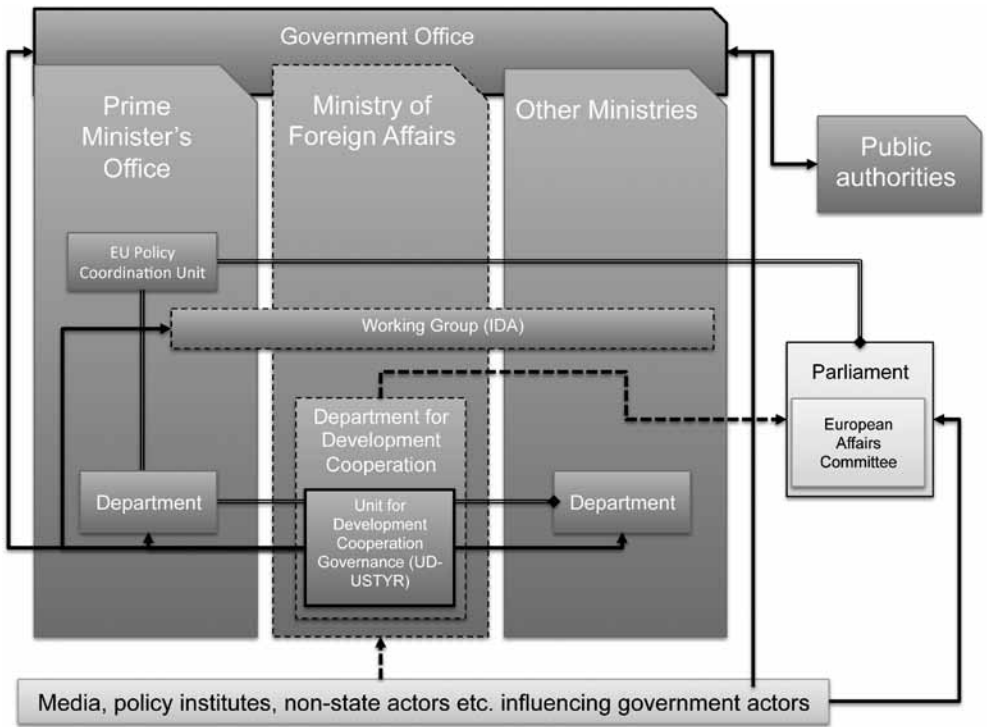
Annex I-iii Germany



Annex I-iv Ireland



Annex I-v Sweden



EU Policy Coherence for Food Security - Aligning Parallel Agendas¹

Paul Engel, Brecht Lein, Bas van Helden, Jeske van Seters²

1. Introduction

The concept of Policy Coherence for Development flows from the recognition that development cooperation alone will not bring development, and that the effects of other policies can have more decisive consequences for developing countries. It is about ensuring that different policy areas work in synergy with development objectives in order to make development progress.

For the European Union, Policy Coherence for Development (PCD) is both a legally enforceable treaty obligation and a political priority, fully in keeping with its commitment to support the pursuit of the Millennium Development Goals and to improve the effectiveness of development assistance. To operationalize PCD, the EU has put in place a PCD Work Programme 2010 – 2013. This Work Programme outlines thematic policy focus areas for PCD promotion and targets and indicators are in place to track and report progress. An elaborate framework of institutional mechanisms further contributes to the promotion and monitoring of development concerns throughout the EU's diverse decision-making structures. Nonetheless, 'these instruments are not yet used to their full potential', as stated in the 2012 OECD DAC peer review (OECD-DAC, 2012: p. 43), and living up to PCD commitments has in practice delivered mixed results. While the reasons for such hampered progress are multiple, complex and mutually interlinked, they often stem from a limited political willingness to compromise domestic concerns over the benefit of international development. This in turn flows from the unproven interpretation of PCD as a zero - sum game.

¹ This chapter originally appeared as: Engel, P., B. Lein, B. van Helden & J. van Seters. October 2013. EU Policy Coherence for Food Security – Aligning parallel agendas (ECDPM Discussion Paper, 153). Maastricht: ECDPM. <http://www.ecdpm.org/dp153>

² The authors are grateful for the useful comments and suggestions they received from Andrew Sherriff and Quentin de Roquefeuil from the European Centre for Development Policy Management (ECDPM), and from Niels Keijzer from the German Development Institute (DIE). The findings and conclusions contained within this chapter remain those of the authors and should not be attributed to any other person or institution. Special thanks go to Alexandra Beijers for her editing and layout work on this chapter. For comments and information, please contact Brecht Lein (bl@ecdpm.org) or Jeske van Seters (jvs@ecdpm.org).

In October 2013, the EU will release its fourth biennial progress report on PCD and by next year the European Commission is expected to present to the Council and the European Parliament its second three-year Work Programme to guide EU-wide action on PCD. This chapter provides insights and considerations regarding PCD promotion by focusing on one of many particular development objectives, notably food security.

Food security is a major development challenge, as it is estimated that one in eight people in the world suffer from chronic hunger and many more are food insecure (FAO, 2013). To address this, the EU has effectively put global food security high among its development priorities for the years to come. In fact, with the adoption of the €1 billion Food Facility in December 2008, the EU was the first donor to proactively respond to the global food price crisis of 2007-08. Moreover, since 2006 the EU has provided €1 billion per year to strengthen food security and agricultural development (IFPRI, 2013).

The objective of this chapter is to discuss in how far the EU's legal and political commitments to PCD, as well as the relevant institutional mechanisms in place, have supported its development objectives in the area of global food security.

For that purpose, this chapter addresses the following questions:

1. What does the EU commitment to promote PCD entail and what tools have been put in place to deliver on this commitment?
2. What specific global food security objectives has the EU committed to that should guide PCD efforts?
3. In practice, what role have global food security concerns played in key EU policy processes in recent years (agriculture, fisheries, energy, trade)?
4. What lessons can be drawn from this in order to further strengthen the EU's PCD efforts, particularly in the area of food security?"

In terms of structure, Section 2 of this chapter briefly introduces the concept of PCD and its implications for modern policy-making and then outlines the EU's policy commitments and institutional mechanisms dedicated to the promotion of PCD. Section 3 provides a descriptive analysis of the indicators and targets for PCD action for enhanced food security as stipulated in the PCD Work Programme for 2010-2013. Subsequently, Section 4 looks into the 'D' of PCD, in this case the EU's development cooperation commitments for food security as recently outlined in a EU-wide Implementation Plan and relevant EC Communications on Food Security, Resilience and Nutrition. Section 5 then examines a selection of four key policy processes drawn from the PCD Work Program, allowing to identify elements in current policy-decisions with likely positive

or negative consequences for the food security objectives described in the previous section. Specific attention will go to mapping the efforts made to ‘development-proofing’ the respective policy-making processes, focussing on potential bottlenecks and institutional challenges. Finally, Section 6 provides a cross-analysis of those challenges and offers suggestions to better align the PCD agenda with EU development strategies in the area of food security.

2. *The EU agenda for Policy Coherence for Development*

As the world’s largest donor for international development, the European Union (the Commission and the 28 Member States) contributes over half of worldwide Overseas Development Assistance (ODA), accounting for EUR 55.2 billion in 2012 or 0,43% of its collective Gross National Income (EC, 2013i). As development cooperation finds itself under increased political scrutiny and budgetary constraints, donors increasingly look for means beyond aid to realise their international commitments. Whereas ODA will remain of catalytic importance to the development of, in particular, fragile states and Least Developed Countries, overseas aid money has decreased in relative significance as a contribution to economic growth in developing countries, particularly in comparison to other financial flows like foreign direct investments, migrant remittances or public and private debt flows (Development Initiatives, 2013; Driffield and Jones, 2013).

On the other hand, the increasing **liberalisation and globalization** of trade, finance and resource management has changed public policy making to such an extent that it has become hard to think of a policy area without implications for third countries. The fading divide between domestic and foreign policies requires a holistic type of policy making, based on complex balancing exercises aimed at reconciling different and sometimes competing rationales, values and interests.

In growing recognition of the limitations of ODA and the sometimes harmful side-effects of a broad range of policies on developing countries, the international donor community has since long stressed the importance of such formal recognition of PCD. Most notably, PCD currently finds a basis in the 8th Millennium Development Goal (MDG) and multiple stakeholders, including the EU, the Organisation for Economic Cooperation and Development (OECD) and the UN System Task Team have stressed the need to incorporate PCD as one of the guiding principles for a post-2015 global development framework. Furthermore, the ‘Busan Partnership for Effective Development Cooperation’, adopted in 2011 by a variety of stakeholders including non-traditional donors like China and Brazil, acknowledged the need to “*examine the interdependence and coherence of all public policies – not just development policies – to enable countries to make full use of the opportunities presented by international investment and trade, and to expand their domestic markets*” (OECD-DAC, 2011b). Policy Coherence for Development is to be seen as a key aspect of a gradual transition from aid to development effectiveness.

The EU is all but new to the notion of Policy Coherence for Development. In fact it is the only region in the world to have a legal commitment to PCD. For over twenty years, PCD features as a legally binding treaty obligation for the EU and its Member States, ever since the 1992 Treaty of Maastricht stated that all EU policies should take into account the EU's development objectives. Currently, Article 208 of the Lisbon Treaty on the Functioning of the EU (TFEU) constitutes the legal basis for this commitment:

“Union development cooperation policy shall have as its primary objective the reduction and, in the long term, the eradication of poverty. The Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries”³

The legal stance is supported by a political commitment in the 2005 European Consensus on Development, the key inter-institutional agreement on development cooperation signed by the European Commission, the European Parliament and the European Council. Interventions by the European Council have over the years called for a better-targeted PCD agenda. In May 2012, European ministers specifically encouraged the Commission to work on a more evidence-based approach to improve monitoring, implementation and follow-up of PCD action, while adding that *‘relevant baselines, indicators and targets should also be developed including for measuring the impact of PCD in a way which demonstrates clear development results’* (Council, 2012a). Most recently, in its conclusions on a previously presented EU vision for the post-2015 development framework called ‘A decent life for all’, the Council concluded in June 2013 that *‘policy coherence at all levels and, in particular, Policy Coherence for Development, need to be enhanced across all sectors, including in their measurability, to better achieve poverty eradication and sustainable development’* (Council, 2013d). Late September 2013, Development Commissioner Andris Piebalgs repeated that PCD had been an absolute priority for him since the beginning of his mandate.⁴

Whereas PCD is essentially a matter of political prioritisation and a consistent decision-making accordingly, it also requires practical measures to translate those commitments into practice. Therefore, the EU has established a **toolbox of institutional mechanisms** to safeguard compliance and monitor PCD commitments throughout EU policy-making processes (see Box 1 for a detailed description of the various mechanisms currently in place).

³ <http://eur-lex.europa.eu/JOHtml.do?uri=OJ:C:2007:306:SOM:EN:HTML>

⁴ <http://blogs.ec.europa.eu/piebalgs/commissioner-piebalgs-response-to-ngo-report-on-policy-coherence-for-development/>

Box 1 EU toolbox of institutional mechanisms for PCD promotion

The European Commission Directorate-General for Development Cooperation (DEVCO), and in particular DEVCO Unit A1 on Policy and Coherence, is responsible for the follow up on EU PCD commitments. As such, its mandate is to coach, coordinate and mobilise thematic expertise on PCD across the Commission, while engaging in wider conceptual and policy debates on PCD with other relevant stakeholders like the OECD and the EU Member States. DEVCO A1 also leads the preparation of the PCD Work Programme and the biennial PCD reports. Finally, DEVCO A1 can commission external research on the impact of EU policies on developing countries.

Furthermore, the commission uses the following institutional mechanisms for PCD enhancement:

- **Public stakeholder consultations** at several stages of the preparation of policy proposals allow a wide variety of actors, in- and outside the EU, to express their views and position on a particular proposal. Public consultations thus offer a voice to both third countries and civil society organisations (CSO) to flag their concerns regarding the potential development implications of a given policy.
- **Impact Assessments (IA)** are used to identify and analyse potential economic, social and environmental consequences of EU legislative proposals as well as non-legislative policy initiatives. Each year, the Secretariat-General of the EC, in collaboration with the Impact Assessment Board and the different Commission departments, screens forthcoming policy initiatives and decides which of them require an IA – i.e. the most important ones with the most far-reaching implications. Since 2009, the Commission IA guidelines oblige the respective DG's conducting the IA, to establish whether proposed policy options have an impact on relations with third countries, and *“in particular impacts on developing countries – initiatives that may affect developing countries should be analysed for their coherence with the objectives of the EU development policy”* (EC, 2009c). The implementation of this new provision has proven difficult however and a screening exercise by Concord Denmark on all EC IAs between 2009-2013 showed that only 19% out of 177 relevant IAs looked at development concerns.⁵ An on-going revision of the current IA guidelines is expected to address these shortcomings and could sharpen the IA as a proper PCD tool.
- **Inter-service consultation (ISC)** amongst Commission services takes place at every step of the decision-making procedures. ISC allows relevant DGs to be involved in any policy process with possible implications for their area of expertise. As such, ISC enables (DEVCO) officials to raise development concerns at an early stage and suggest development-friendly modifications to policy proposals.

⁵ <http://www.concorddenmark.dk/?type=page&id=448&itemid=1919>

- **The PCD Inter-service group (ISG)** provides a second working-level opportunity to identify and monitor policy processes with a potential impact on developing countries. Bringing together participants from the different DGs who act as PCD focal points for their respective policy areas, the ISG constitutes a forum for inter-DG discussions on PCD. As such, ISG's offer an opportunity to identify possible synergies between policies.
- **The PCD Work Programme 2010-2013** serves as the Commission's agenda for PCD promotion in that given timeframe. Following up on previous 'rolling' work plans adopted since the 2006 Austrian EU Presidency, the current Work Programme is more result oriented in the sense that it proposes targets and indicators per identified policy area, so as to provide a scoreboard to track progress. The Work Programme hence constitutes the framework for a biennial PCD progress report. While the Work Programme serves as a reference framework for the EU institutions' work on PCD, it should also serve as a tool for the Member States to guide their reflection and decision-making regarding PCD promotion.
- **A Biennial PCD report** is issued since 2007 by DG DEVCO, based on Member States' and the European Parliament's responses to a questionnaire. Its aim is to monitor progress on EU PCD commitments as stipulated in the PCD Working Programme (see Section 2). The report thus gives a state of play of PCD progress in relevant policy areas. As such it provides a basis for actors at EU and at national level to express concerns and give concrete suggestions to strengthen PCD.
- **Country Strategy Papers (CSP)** generally include a section on PCD or on 'other EC policies', which identifies EU policies that are of particular relevance to the partner country concerned. To date however, the treatment of PCD in CSPs has often displayed a certain lack of understanding of the concept of PCD among the Delegations. It is worth noting that there will no longer be CSP's in relation to the 11th European Development Fund (EDF), or in relation to programming under the new Development Cooperation Instrument (DCI).⁶

The European External Action Service (EEAS) established a Development Cooperation Coordination Division (DCCD) and a Global Issues Division (GID) to ensure coherence between development cooperation and other key issues of EU foreign action. Hence the EEAS provides an instrument to bolster greater coherency and consistency of EU external action. The EEAS is also invited to participate in relevant ISC and ISG meetings.

The EU Delegations are likely to take on an increasingly important role in the Union's PCD efforts. Notably when it comes to the systematic inclusion of PCD in the EU's regular dialogue with partner countries, delegations will play a crucial role toward a better assessment of the impact of EU policies at country-level. DEVCO's PCD Unit therefore

⁶ For more information on EDF and DCI programming for the period 2014-2020, we refer to Herrero et al. (2013).

regularly organises PCD training sessions for delegation staff, in order to strengthen their understanding of PCD as well as their capacity to flag potential impacts of incoherencies in EU policy-making.

The European Parliament (EP), a co-decision maker on the vast majority of EU legislation and policy initiatives, appointed in 2010 a Standing Rapporteur on PCD with a two-year mandate to enhance further collaboration between the parliamentary committee on development (DEVE) and other EP committees to ensure development-friendly policy making in parliament. The Standing Rapporteur, a position currently held by MEP Charles Goerens (Group of the Alliance of Liberals and Democrats for Europe), thus sits in the EP's Development Committee (DEVE) and is also responsible for the drafting and presenting of a biennial PCD report. To ensure an evidence-based approach, complementary to its right to examine the EC's ex-ante impact assessments, and if necessary ask for updates, the EP can carry out its own IAs to assess the consequences of its 'substantive' amendments to the EC's proposals. On top of its policy-making powers, the EP has oversight and control functions, which allow it to monitor and scrutinize the implementation of EU policies, including how the impact on third countries plays out. (EC, 2011g).

The Council of Ministers constitutes the forum where politicians and officials from national administrations discuss and coordinate matters of PCD, mainly through the various preparatory working groups and in the Committee of Permanent Representatives of the Member States to the EU at the Council (COREPER). Given the rather informal coordination on PCD issues at the council, much depends on the willingness and capacity of the rotating presidency to ensure PCD promotion. The EU High Representative for Foreign Affairs and Security Policy (HRFASP) who chairs the Foreign Affairs Council (FAC) and acts as Vice-President of the Commission is mandated to ensure coordination and consistency in the EU's external action. Since the FAC covers development cooperation and humanitarian aid, the High Representative plays a key role in assuring that development concerns receive due attention in the EU's foreign and security initiatives. Like the EP, the Council can also carry out IAs on its amendments to EC proposals.

The EU Ombudsman is mandated to investigate matters of maladministration in EU policy and governance. As such, failures to act according to general principles of EU law such as proportionality, human rights and consistency, allow the Ombudsman to press EU institutions to fulfil their obligations. If necessary he can investigate complaints from non-EU citizens regarding loans issued by the European Investment Bank in developing countries. Whereas PCD is thus part of the Ombudsman's mandate, it is not his task to function as an institutional advocate or safeguard for development objectives or PCD.

Article 12 of the Cotonou Partnership Agreement (CPA) enables the 79 current members of the African, Caribbean and Pacific Group of States (ACP), to flag harmful effects of EU policy incoherencies and possibly submit amendments to policy measures. So far however, the mechanism has hardly been used, mainly due to a lack of awareness and capacity on the ACP side. Nonetheless, ACP states are familiar with the EU's commitments to PCD and have used the PCD argument in their dealings with EU policy-reforms, e.g. during the reform of the EU sugar regime.⁷

3. *The EU PCD agenda for food security*

EU PCD concerns in the area of global food security have arguably been around since the very concept of PCD entered EU policy-discussions. Notably the distorting effects of the EU's Common Agricultural Policy (CAP) in the 1980-90's on agricultural development and smallholder farming in developing countries played a significant role in the proliferation of both PCD as a concept, as well as on PCD-thinking for food security more specifically. Since enhancing global food security features as a central element in both the 2005 Consensus on Development and the Commission's 2012 Agenda for Change, it has been one of the main focus areas for PCD promotion.

In 2005, the Foreign Affairs Council (FAC) structured the EU PCD approach around twelve policy areas, of which the majority has a clear relevance for global food security: trade, environment, climate change, security, agriculture, fisheries, employment, migration, research and innovation, information technologies, transport and energy. While maintaining the focus on these 12 policy areas, the Council agreed in 2009 - in line with the recommendations of the biennial progress report on PCD that year- that the EU's agenda for PCD promotion would benefit from a more targeted approach built on 5 broad areas where a more pro-active EU engagement in PCD promotion could best support the efforts for achieving the Millennium Development Goals, notably trade and finance, climate change, migration, security and food security. Given the increased importance of food security on the global and European development agenda since the 2007-08 food price crises, food security is likely to remain one of the focus areas for PCD promotion. The recent adoption of a EU-wide Food and Nutrition Security Implementation Plan could in this respect provide new impetus to further bolster PCD objectives for enhanced food security and should inform the design of a PCD Work Programme post-2013.

For food security as a priority area for PCD action, the PCD Working Programme identifies six relevant EU policy areas: i) agricultural policy; ii) trade; iii) research and development and innovation; iv) biodiversity; v) land use and the impact of bioenergy production; and vi) fisheries policy. For each of these six policy sectors, the Commission stipulates a set of targets and respective performance indicators. Table 1 gives an overview of these six policy areas and their respective targets and indicators.

⁷ <http://www.acp.int/content/acpldc-sugar-group-deeply-disappointed-eu-council-proposal-sugar>

Table 1: Targets and indicators for PCD action on food security (PCD Work Programme 2010-2013)

Priority policy area	Targets	Indicators
Agricultural policy	To prepare a post-2013 CAP reform taking into account food security and development objectives in a balanced manner.	Communication on post-2013 CAP reform considers impact on development objectives
	To propose EU initiatives in the field of agricultural product quality policy taking into account development objectives.	Development objectives are taken into account in preparing impact assessment for agricultural product quality policy initiatives.
Trade	Not indicated	Not indicated
Research and Development and Innovation	To strengthen research efforts targeted on malnutrition and agricultural production	Identify and share with the Research community in Africa research needs on malnutrition.
	To strengthen research into agricultural production	Number and value of research projects launched under the Framework Program 7 on agricultural production
Biodiversity	Step up the EU contribution to averting global biodiversity loss (in accordance with the 2020 EU biodiversity target)	Terrestrial and marine protected areas have increased since 2009 (MDG indicator).
		Improvement in the state of the World's plant and animal genetic resources for food and agriculture.
		Increase in fish stocks within safe biological limits since 2009.
Land access and use and impact of bioenergy production	To progress towards greater security of access to land and of land tenure to protect vulnerable groups.	Agreement at EU level on principles for responsible investments in agricultural land (2010).
Fisheries policy	To adopt a reform of the post-2013 CFP which takes into account development objectives.	Proposals for post-2013 Common Fishery Policy are based on an Impact Assessment, including an assessment of the impact on developing countries.

A critical look at the Work Programme identifies several shortcomings. Prior to the design of the Work Programme for 2010-2013, several EU Member States noted that it was a lack of concretisation and result orientation that had hampered the use and effectiveness of previous rolling work plans for PCD. The main objective of the new Work Programme was thus to make the EU's objectives for PCD promotion explicit, while improving accountability so as to ensure adequate action. According to the Council Conclusions of November 2009, the PCD Work Programme was *'to outline the respective roles of the EU Institutions and the Member States'*, while focussing on the following four objectives (Council, 2009b):

- outline how the EU through all its relevant policies, processes and financial means will address the **five priority issues** selected harnessing the development potential of its policies;
- create a **political momentum** from all relevant policy areas with an impact on the five priority issues;
- establish a clear set of **objectives, targets and gender disaggregated indicators** to measure progress in the selected priority areas;
- facilitate engagement in and **inclusion of PCD in dialogue with partner countries** around the selected priority areas.

Whereas the PCD Work Programme indeed helped the Commission to address PCD in a more systemic manner, much remains to be done to increase its usefulness as a guidance and reporting tool for PCD promotion. The 2011 PCD report notes in this respect that a review and update is needed in order to further increase the Programme's objectivity and efficacy. While the main critiques on the quality of the Work programme are indeed well known by now⁸, it is worth looking into them as they i) reflect more fundamental concerns regarding the drafting process of the Programme; ii) allow us to draw links with some of the bottlenecks for PCD promotion in the policy-processes discussed in section 4 of this chapter and iii) offer valuable lessons and considerations regarding the post-2013 PCD monitoring.

- First of all, the relevant policy areas for each of the 5 PCD priorities are introduced in a brief narrative, yet they **lack a clear objective**. This ambivalence makes it hard to assess whether the respective operational targets and indicators are adequately ambitious since they cannot be linked back to a clearly defined envisioned end result. Needless to say that hampers any appropriate monitoring or evaluation of progress made.

8 For a detailed analysis of the 2010-2013 PCD Work Programme, see: Keijzer (2010). Also, the EU 2011 PCD report notes in this regard that "according to the Member States' contributions, items to discuss in greater depth include the evaluation of results, division of responsibility among EU institutions and the Council's perceived lack of ownership of the PCD Work Programme. For most Member States who responded to the PCD questionnaire, a plan specifying how issues are raised in work groups and within the Council is needed".

- As a result, the majority of the **indicators are of a general nature** and lack adequate specification in terms of baseline data, time-dimension and quantitative measurability. Vague wording like ‘improving’, ‘taking into account’ or ‘in a balanced manner’ further obscures any qualitative detail for progress tracking.
- In particular cases, **targets are missing or do not cover the policy area fully**. For example, in the case of ‘Trade’ as a sub priority area for food security, no specific targets or indicators are mentioned. In the case of ‘Land access and use and impact of bioenergy production’, no indicators refer to bioenergy or its potential impact on land use in developing countries.
- In response to the Council’s instructions, the Work Programme is presented as an important step towards strengthened dialogue with developing countries on PCD issues, since *‘on the basis of the programme, developing countries might identify relevant initiatives on which to engage in a dialogue with the EU’*. The initiative to engage in such a **dialogue is thus left to the developing country community**. As such, the programme somewhat contradicts its own mission statement as an instrument for a more pro-active EU engagement on PCD. Despite i) being conceived as a tool for all EU institutions and Member States and ii) the Council’s demand for the Work Programme to outline a **task-division** among the EU institutions and the Member States, the Work Programme does not provide guidance in terms of ‘who does what’. Also, being drafted by the Commission with little external consultation, the Work Programme suffered from a lack of EU-wide ownership, particularly from the Member States (EC, 2011a). Research by ECDPM on the developments in national PCD mechanisms showed that, whereas EU PCD commitments and in particular the biennial PCD progress reports play some role as a driver for general PCD commitments at Member State level, the extent to which Member States use the Work Programme as a guide to identify PCD priority areas differs greatly (Galeazzi et al., 2013).
- Whereas the PCD Work Programme is introduced as a *‘rolling work programme, to be regularly updated’* such **updates never happened**. Hence targets and indicators were not renewed in accordance with evolving policy initiatives.

Many of the remarks listed above point to **more fundamental concerns regarding the collective drive for PCD**. The drafting and consultation procedures in the formulation process of the Work Programme required five Inter-Service Groups, composed of representatives of all relevant Directorates-General, to agree upon objectives, targets and indicators. As such, the overall level of ambition and specificity of the Work Program reflects the PCD commitment across the Commission’s services. Whereas PCD is indeed about reconciling diverging interests, which may require difficult trade-offs at different levels of policy-making, the lack of ambition of the Work Program limits the actual usefulness of translating EC policy commitments into a result-oriented work plan. Moreover, it affects the overall credibility of PCD commitments made at the political level. Note that the design of the Work Programme directly affects the usefulness of

progress assessments like the biennial PCD report, as well as the overall scope for PCD promotion throughout the policy processes identified in the Work Programme, as is discussed in section 5 of this chapter.

4. *The EU development agenda for food security*

The EU plays a leading role in tackling global hunger and malnutrition through its support to multilateral alliances and EU aid and development programs. Smallholder agricultural development features prominently at the EU's development agenda and since 2006, the European Commission has committed € 1 billion annually to enhance food security and sustainable agriculture across the world (IFPRI, 2013).

This section discusses the **priorities and strategies for food security in EU development cooperation**. Focus is on the recently endorsed EU Food and Nutrition Security Implementation Plan (IP) entitled '*Boosting food and nutrition security through EU action: implementing our commitments*'. These commitments the title speaks of, refer to three prior communications by the Commission. Notably, the Food Security Policy Framework of May 2010, the EU approach to resilience and the EU Nutrition Policy Framework, the latter two endorsed by the Council in May 2013.

The analysis below serves the purpose of further deconstructing the 'D' in PCD. What objectives has the EU set for itself in the area of international food security? The EU, through these different communications, has usefully equipped itself with clear international food and nutrition security goals. While primarily designed to guide development cooperation initiatives through the ongoing programming for the period 2014-2020, these goals should also shape PCD efforts. They can therefore help focus a post-2013 PCD Work Programme, justify particular PCD initiatives and assess (ex-post) if the EU's international food security ambitions have materialized.

4.1. EU Food Security Policy Framework

In May 2010, following the 2007-08 food price crisis and ten years after the objective of halving the world's hungry was declared a Millennium Development Goal, the EU endorsed a common *EU policy framework to assist developing countries in addressing food security challenges*.⁹ By adopting a common Food Security Policy Framework (FSPF) in coordination with the Member States, the EU explicitly put food security and sustainable agriculture higher among its development priorities for the years to come.

The policy integrates most of the key issues associated with the recently emerged international narrative on food security and has been welcomed for its "**Right to Food**"-approach and its

⁹ Note that the food security policy framework was part of the same basket of policy commitments as the EU Development Spring Package of 2010 that also included the PCD Work Programme 2010-2013.

straightforward priority setting. Using a comprehensive approach to food security, addressing the issue in both rural and urban contexts, the framework recognizes that strategies are to be country-owned and country-specific in order to be effective. Geographically speaking, the policy prescribes a focus on those food insecure countries and regions that are most off-track in achieving MDG1, notably Africa, South Asia and countries in fragile situations.

A key aspect of the EU's approach to tackling food security is that smallholder farmers and vulnerable communities are targeted as societal groups that yield the best returns in terms of poverty reduction and agricultural growth:

“this new EU framework therefore concentrates on enhancing incomes of smallholder farmers and the resilience of vulnerable communities, supporting the resolve of countries that prioritise agriculture and food security in their development efforts” (EC, 2010a: p. 3).

To achieve this, the FSPF is based on the four broad pillars of food security: i) increasing availability of food; ii) improving access to food; iii) improving nutritional adequacy of food intake; and iv) enhancing crisis prevention and management. Streamlined into an equal number of interlinked priority themes, the EU's policy on food security focuses on: i) improving smallholder resilience and rural livelihoods; ii) supporting effective governance; iii) supporting regional agriculture and food security policies; and iv) strengthening assistance mechanisms for vulnerable population groups.

In order to allow for maximal effectiveness of food security investments, it is indicated that the EU and its MSs will pay extra attention to national and regional agriculture and food security policies and strategies, improving the coherence of the international governance system and harmonising EU interventions. **As a common policy framework for the EU and its Member States** to guide their efforts against world hunger and malnutrition, the FSPF puts considerable emphasis on this latter aspect of harmonisation and aid effectiveness more generally. In the spirit of the Paris Declaration on Aid Effectiveness, the Accra Agenda for Action and the EU Code of Conduct on Division of Labour, the FSPF stresses that harmonisation of policies, complementarity of instruments, as well as coordination with private investments should contribute to more effective action.

Regarding Policy Coherence for Development, the FSPF does not refer to the Work Programme for 2010-2013¹⁰, yet affirms that PCD will be promoted through a range of policy instruments, *including agriculture, trade, fisheries, climate change, environment and research*. The reform of the Common Agricultural Policy and the Common Fisheries Policy are mentioned as policy processes that will *‘continue to take into account global food security objectives’*. Finally, an ambitious conclusion of the Doha Development Agenda is believed to strengthen the international trade system to the benefit of global food security.

10 The Commission issued the FSPF one month before the PCD Work Programme for 2010-2013 was presented.

4.2. EU Resilience Policy Framework

In May 2013, the Council endorsed its conclusions on the Commission's proposal for an *'EU Approach to resilience: learning from food security crises'*. Complementing EU emergency responses, the new policy's aim is to help **tackle the root causes of recurrent crises**, rather than just addressing their, more costly, consequences. In this sense, resilience building is presented as a fundamental aspect of poverty reduction efforts by working through different angles, most notably food security, climate change adaptation and disaster risk reduction.

Building on the recent experiences with massive food crises in the Sahel region and the Horn of Africa, the new approach aims to improve the EU's support to disaster-prone and vulnerable populations. Although building on experiences with food insecurity in sub-Saharan Africa, the proposed approach consists of three general key components that allow it to be applicable to other regions and other types of vulnerability (e.g. floods, droughts, earthquakes, food price increase etc.): i) anticipating crises by assessing risks; ii) focusing on prevention and preparedness; iii) enhancing crisis response.

Whereas key elements from the policy framework for resilience have been incorporated into the Implementation Plan for Food and Nutrition Security, a separate Action Plan on Resilience has been presented by the European Commission in June 2013, which has been welcomed by the European Parliament in September 2013.¹¹

4.3. EU Nutrition Policy Framework

Adopted in May 2013, together with the Resilience Communication, the EC's Communication on nutrition, entitled *'Enhancing Maternal and Child Nutrition in external assistance: an EU policy framework'* was drafted jointly by DG Development Cooperation (DEVCO) and DG Humanitarian Aid and Civil Protection (ECHO). Both the consequences and the root causes of undernutrition will be addressed, targeting nutrition-specific development interventions at creating the right conditions during the *'crucial window of opportunity of the first 1000 days between conception and two years of age.'* Also, a Staff Working Document accompanied the Communication on Undernutrition in Emergencies, which outlines basic principles and lessons of best practice regarding humanitarian responses to nutrition challenges.

The communication indicates that EU actions to improve nutrition will particularly address issues of rural development, sustainable agriculture, public health, water and sanitation, social protection and education. With the overall aim of reducing mortality, morbidity, as well as growth and development deficiencies due to undernutrition, the Nutrition Policy Framework (NPF) defines the following two specific objectives:

¹¹ <http://www.europarl.europa.eu/sides/getDoc.do?type=COMPARL&reference=PE-516.686&format=PDF&language=EN&secondRef=01>

1. Reduce the number of children under five years of age who are **stunted** (low height for age), in line with the Commission's commitment at the 2012 London Global Hunger Event to support partner countries in their efforts to reduce the number of stunted children under five by at least 7 million by 2025.
2. Reduce the number of children under five years of age who are **wasted** (low weight for height). The Commission specifies that the EU will contribute to the global target of the World Health Assembly (WHA) of 2012 to reduce and maintain the number of wasted children to less than 5% worldwide.

In terms of strategic priorities to reach these commitments, the Commission outlines that the focus will be on i) mobilising political commitment through political dialogue and advocacy; ii) scaling up nutrition efforts at country level, in line with priorities of partner countries; and iii) strengthening the knowledge –base and technical expertise on nutrition through applied research and the development of information system. Related to the latter priority-area, the communication puts considerable emphasis on accountability through the development of tools that track investments and methodology to monitor and measure nutrition impacts of associated development policies.

At the core of the EU's approach to nutrition is the understanding that the various determinants of undernutrition are interlinked and therefore tackling the issue requires a **multi-sector** response, *"combining sustainable agriculture, rural development, food and nutrition security, public health, water and sanitation, social protection and education"* (EC, 2013h). Regarding EU non-development policies however, the communication only stresses the need to strengthen existing linkages between humanitarian and development actors, for example through joint vulnerability assessments and operational planning. No reference is made to commitments made to existing PCD commitments or to other EU policies with a potential relevance to nutrition in developing countries.

4.4. EU Implementation Plan for Food and Nutrition Security

In May 2013, European Development Ministers at the Foreign Affairs Council endorsed a long awaited EU Food and Nutrition Security Implementation Plan. The Implementation Plan (IP), entitled *'Boosting food and nutrition security through EU action: implementing our commitments'*, is the Commission's tardy response to an invitation from the Council to design an implementation framework to better coordinate EU and Member States' policies and programmes in the area of food and nutrition security.

As such, the Plan is perceived as the **operational closing piece** of the EU's long-term policy response to the international food crisis evoked by soaring food prices in 2007/08. It complements more direct humanitarian-development approaches such as the € 1 billion EU

Food Facility and EU-led multi-stakeholder instruments like the AGIR and SHARE initiatives in the Sahel and the Horn of Africa respectively¹². As a framework to guide EU-wide action against hunger and malnutrition, the IP could potentially also serve as a useful tool to inform and help target EU policy coherence for food security.

The formulation of the implementation plan has proved to be a cumbersome process. Following the adoption of the food security framework in 2010 discussed in Section 4.1, the council requested the Commission to develop an Implementation Plan, yet for a long time little progress was made. Whereas the Commission presented a draft implementation plan for the FSPF in May 2011 at an EU experts meeting on agriculture (Heads of Agriculture and Rural Development: HARDs), it took over two years since the Council's request before the Member States could come to an agreement. A number of policy shifts, such as the Agenda for Change to modernize EU development cooperation and a new focus on food and nutrition security meant that successive draft implementation plans needed updating. Speculations about the reasons for the unusual delay in endorsement also point to a lack of political drive from the Member States. Whatever the reasons of the delay, the adoption of the IP is considered a milestone on the long road to a more concerted EU-wide approach to addressing global food insecurity and malnutrition.

In order to improve the **Coherence, Complementarity and Coordination** (the “3 C’s”) of EU and Member States’ cooperation, the Plan is based on a “three-pronged” approach centred on:

1. Enhancing political and policy dialogue on food and nutrition security with partner countries, regional and global organisations and other stakeholders like civil society and the private sector.
2. Enhancing EU and Member States’ programmes, incl. implementing joint programmes where feasible, and including, but not restricted to, countries where joint programming is currently being carried out.
3. Identifying interventions for Europe and its Member States, jointly or according to the Code of Conduct on Division of Labour, to contribute to global, regional and national efforts in combatting food and nutrition insecurity.

Content-wise, the stated aim of the IP is to define an operational response for the EU to deliver on policy commitments made in the three aforementioned communications on food security (Section 4.1), resilience (Section 4.2) and nutrition (Section 4.3), of which the latter two were endorsed simultaneously with the IP in May 2013. Distilled from these commitments, the IP puts forward six policy priorities reflecting agreed EU and Member States’ policy commitments in the area of food and nutrition security..

¹² For the Global Alliance for Resilience Initiative (AGIR), see: http://ec.europa.eu/echo/policies/resilience/agir_en.htm. For the Supporting the Horn of Africa's Resilience initiative, see: http://ec.europa.eu/echo/policies/resilience/share_en.htm.

1. Improve smallholder resilience and rural livelihoods
2. Support effective governance
3. Support regional agriculture and food and nutrition security policies
4. Strengthen social protection mechanisms, particularly for vulnerable populations
5. Enhance nutrition, in particular for mothers, infants and children
6. Enhance coordination between development and humanitarian actors to build resilience and promote sustainable food and nutrition security

The IP is a reporting and communicating commitment and improvements across the above six priority areas will be presented in a joint report to the Council on a biennial basis from 2014 onwards and ending in 2020. In order to better serve these reporting purposes, a scorecard is foreseen with relevant performance criteria per policy priority. These criteria are formulated in a broad manner and are generic by nature, (e.g. *'number and value of relevant programmes supported in X countries or at international level'*), *as to allow for each Member State and the EU to tell its own story. Ideally, this should allow for reliable, regular information on EU and Member States' efforts and 'ensure accountability to policy commitments and further advance the aid effectiveness agenda in concrete terms'.*

The IP refers to PCD in a rather ambiguous way. Despite the stated intention for the IP to foster improvements in coherence, complementarity and coordination and the recognition that Policy Coherence for Development affects food and nutrition security outcomes, it is indicated that PCD is reported against in parallel processes. The performance criteria therefore relate to development assistance and communication efforts (advocacy and dialogues) only, with the exception of one that reads *'policy coherence improved as documented in relevant reports'*. Hence, instead of presenting a comprehensive EU agenda to promote international food and nutrition security, it focuses on a small part of the picture, leaving aside the specifics of influential non-development policies.

4.5. What these frameworks and tools bring for PCD efforts

The EU has made great efforts to define its approach to global food security. This currently results in a set of communications, council conclusions and EP resolutions, providing ample details on the EU objectives, principles and approaches regarding food security. The recent Food and Nutrition Security Implementation Plan specifies how this is to be operationalized in the period 2014-2020.

The overarching nature of the implementation plan, which brings together food security, resilience and nutrition concerns, implies that its 6 policy priorities can guide all global food security efforts in the coming years of the EU institutions and its member states. The fact that these food security objectives are now clearly spelled out is a valuable and far-from-evident accomplishment, given the complex EU decision-making processes.

Focussing exclusively on development assistance and dialogues with third countries, leaving out the specifics on other, non-development, policies, is a missed opportunity however. Labelling PCD as a '**parallel process**' does not fit the need for a comprehensive approach that maximizes synergies between development and non-development policies.¹³

While this section examined how future PCD initiatives can be shaped by recent communications on global food and nutrition security, the next section looks back to assess past efforts to promote, or protect, food security in third countries through non-development EU policy-making processes.

5. *Aligning different agendas: living up to commitments?*

Whereas all six of the sub-areas outlined in table 1¹⁴ are relevant and necessary to enhance policy coherence for food security, this section of the chapter focuses on a selection of four key EU policies where recent or on-going policy reforms could have a significant impact on food security. As such, they offer an interesting and timely opportunity for analysis in view of the PCD Work Programme review. The four selected policies are the Common Agricultural Policy (CAP), the EU Common Commercial Policy (i.e. trade policy), the Renewable Energy Directive (RED) and the Common Fisheries Policy (CFP).

It is not within the scope of this chapter to assess the potential impact of these respective policies on food security in developing countries, nor is it our intention to offer specific suggestions to make them more development-friendly. The aim of this section is to discuss how concerns for global food security have been addressed throughout the different stages of the policy-making process, focussing in particular on the use of institutional mechanisms designed for PCD promotion.

5.1. The Common Agricultural Policy

The Common Agricultural Policy (CAP) is the agriculture policy of the EU. It aims to safeguard farmers' incomes, to ensure a stable, safe and affordable food supply to European consumers, and to support the provision of public goods such as the environment. The CAP budget is funded by the European Commission and accounts for roughly 41% of the EU's budget for 2013, but will decline to 36% in 2020.¹⁵ It consists of two pillars. Pillar 1 manages direct payments to farmers and market management measures. Pillar 2 requires co-financing from the Member States and funds the development of rural areas.

¹³ Keijzer and King have pointed out in this regard that it is better to integrate the monitoring of effects on developing countries in existing monitoring processes as opposed to parallel structures as these would imply a mere secondary consideration. (Keijzer and King, 2012).

¹⁴ For the reader's convenience: agricultural policy, trade, research & development and innovation, biodiversity, land use and the impact of bioenergy production and fisheries policy.

¹⁵ <http://register.consilium.europa.eu/pdf/en/13/st12/st12602.en13.pdf>

As the **world's largest importer, and the second largest exporter of agricultural commodities** (EC, 2013c), the EU's agricultural policies and instruments have a significant effect on world food prices and agricultural development in developing countries. Traditionally, the CAP has been subject to criticism from development stakeholders, particularly directed at the market distorting effects of its domestic support and trade measures. Whereas successive reforms since 1992 have considerably reduced such negative spillovers, the CAP remains one of the priorities for PCD work for food security.

Box 2 PCD Work Program 2010-2013 targets for agriculture

Targets

- To prepare a post-2013 CAP reform taking into account food security and development objectives in a balanced manner.
- To propose EU initiatives in the field of agricultural product quality policy taking into account development objectives.

Indicators

- Communication on post-2013 CAP reform considers impact on development objectives.
- Development objectives are taken into account in preparing impact assessment for agricultural product quality policy initiatives.

The CAP's potential effects on food security in developing countries are multiple and vary across and within countries, depending on production and consumption patterns, dependence on food imports, trade and other domestic policies and whether a population group is primarily consumer or producer and living in an urban or rural area. Impacts also change as countries change due to (sub-) urbanisation, migration, etc. A listing of the broad types of effects different policy measures under the Agriculture policy can have is provided in Annex I.

The CAP reform process started in April 2010 and concluded in a political agreement on 26 June 2013. It was the first CAP reform applying the new ordinary procedure under the Lisbon Treaty, giving the European Parliament co-decision powers in the political decision-making on the overhaul of the policy. Content-wise, discussions focussed on how ambitious a new policy-package would be on diminishing direct payments, putting an end to quotas and export subsidies and making farmers more environmentally accountable for the funds received. Discussions turned out to be more cumbersome than was initially anticipated and developed alongside equally cumbersome budget negotiations on a new Multiannual Financial Framework (MFF) for the period 2014-2020. Due to the delay, many of the policies under the new CAP will not be implemented before 2015.

- To kick off the CAP reform, the Commission invited all interested EU citizens and stakeholder organisations for a three-month **public debate** on the future of the CAP, its objectives and its *raison d'être*. Concluded with a conference in July 2010, an inclusive public debate this early in the reflection process was to provide input to policy-makers and inform their preparatory work for the subsequent decision-making process. While the public debate was restricted to EU views, the summary report does indicate that several European stakeholders represented developing countries' interests and concerns (EC, 2010c). From the over 5500 submissions received, the Commission distilled twelve future directions for the CAP that are believed to enjoy the support of a broad range of contributors. Among those twelve future directions for the CAP, the following two catch the eye. "The EU should i) ensure that the CAP guarantees food security for the EU, using a number of tools to achieve this aim", while ii) avoid damaging the economies or food production capacities of developing countries; *help in the fight against world hunger*".
- Based on the outcomes of the public debate, the Commission presented in November 2010 its **Communication on "The CAP towards 2020"**, which outlined the options for the future CAP (EC, 2010d). Here again, increasing EU food production in order to guarantee long-term EU food security, while contributing to world food demand features as one of the three main strategic aims for the CAP post-2013.¹⁶

Arguably triggered by food price surges in 2007/2008, European and global food security became a rather odd but pervasive argument for those calling for the protection of EU agriculture. Such a rationale raises questions about the validity of food security concerns in the EU and the most appropriate policy measures to address European and global food security. Not only does evidence show that food security is not endangered in the EU (Zahrnt, 2011. And Blandford et al. 2011), the bulk of CAP policy measures as proposed in the communication focus on maintaining EU production capacity and providing domestic (income) support through decoupled direct payments rather than on stabilising food markets while market access conditions into the EU remain untouched. As such, the CAP does not evidently help in the fight against world hunger. In fact, the policy tools used to promote EU production are controversial with regards to their impact on the stability of world prices, the price advantage they convey to European producers, and the limitation on market access that are used to insulate the European market from outside competition. A wide range of research and actors would argue that the goals of promoting European food security, as currently undertaken, and global food security, are not necessarily mutually supportive.

More fundamentally, the proposed CAP approach to contributing to world food security, i.e. increasing EU production, goes against the rationale of the Commission's approach to

¹⁶ The other two challenges the CAP should respond to are environment and climate change, and territorial balance. (EC, 2010g).

food security as formulated in the March 2010 communication on a EU Food Security Policy Framework, which focuses on supporting smallholder farmers and rural livelihoods. De facto reducing food security to European food self-sufficiency and stressing the role the CAP can play to fulfil global food demand, the communication focuses on direct payments to maintain and increase production levels. Whereas the Communication thus indeed fulfils its obligation as stipulated in the PCD Work Programme to ‘take into account food security and development objectives’, it does so in a way that undermines its very own development narrative on food security. In an overview of stakeholder views on the CAP-reform, Klavert and Keijzer hence note that food security as a term has been taken over by protectionist lobbyists as ‘a new label for an old justification: Europe’s agriculture is not viable without the CAP and its direct payments’ (Klavert and Keijzer, 2012).

- Next in the reform process, a formal **stakeholder consultation** took place between November 2010 and January 2011. Aim of the consultation was to further explore the broad reform options outlined in the Communication and in particular to provide information and knowledge on the expected effects of each respective policy scenario and the associated changes to the CAP instruments. Stakeholders were invited to ‘provide factual, analytical contributions that will complement other sources of information in assessing the impacts of policy reform’. From the around 450 contributions received however, none came from developing countries.
- A more institutionalised way of stakeholder consultation finds place in DG AGRI’s **Advisory Group on International Aspects of Agriculture**, which involves among others representatives from development NGO’s and Civil Society Organisations. However, the Advisory Group’s capacity to deal with the CAP reform’s implications for developing countries is limited since meetings are organised on the invitation of the EC who also sets the agenda. As such, the Group meets rather irregularly and discussions focus on agricultural trade relations with third countries. The CAP’s overall reform process did not feature as a topic for discussion, let alone its implications for global food security.
- On 12 October 2011 the Commission presented its **legal proposals** for the CAP 2014-2020. Based on the aforementioned Communication, addressing world food demand by an increased EU agricultural production through domestic support remains at the heart of the policy proposal. Yet, by justifying the maintenance of farm subsidies as a measure to feed the world, the CAP not only contradicts its own narrative on development cooperation for enhanced food security as argued earlier, it actively limits incentives and chances for agricultural development in developing countries. This has been stressed by the UN’s Special Rapporteur on the Right to Food (UNSRRF) who described the CAP as “*a 50 billion euro contradiction of the EU’s commitment to help put developing world agriculture back on its feet, and [which] will remain so under today’s reform plans*”.¹⁷

¹⁷ <http://www.srfood.org/en/cap-reform-must-put-an-end-to-dumping-un-expert>

- The **Impact Assessment (IA)** accompanying the legal proposals reaffirms the CAP's contested approach to mitigating food insecurity. Notably, the IA finds domestic farm subsidies compatible with EU efforts to support a sustainable agro-food sector in developing countries and even notes the EU Food Security Policy Framework in a footnote as the reference framework for EU priorities in food security, which the CAP is to promote and support. Strangely, Annex 12 of the IA, drafted by DG DEVCO on 'The Common Agricultural Policy and Development Cooperation' does somehow recognise the inherent tension between on the one hand harnessing the growth potential of small farmers and small agricultural enterprises in developing countries, while on the other hand contributing to global food security by remaining an important supplier of high quality and safe agricultural and food products in a growing world market. While implicitly recognising this tension, Annex 12 does in no way elaborate whether the reform proposals at hand offer a right balance between the two.

While the EC's proposals for a CAP reform indeed pay **lip service to the concept of PCD** and global food security, they abuse both terms to support a specific narrative that is both in spirit and in approach incoherent with the EU's commitments to food security as a global development challenge. Although 'food security' thus played a central role in the CAP reform, the global implications of the concept have de facto not been taken into account adequately and the usage of various institutional mechanisms for PCD promotion could not alter such misinterpretation.

- The EC's legal proposals signalled the beginning of a second, **political phase of the reform process**. One in which the European Parliament and the Council work toward a consensus decision. While environmental concerns, transparency issues and direct payment schemes dominated the discussions in the run up to the institutional positioning for the trilogue negotiations, development stakeholders focused their efforts on ensuring that the CAP would 'do no harm' to food security and overall economic growth in developing countries.

Despite the many complexities associated with tracking the impact of CAP measures on developing countries, strong calls were uttered by the European Parliament's Development Committee (DEVE), as well as by non-governmental actors and EU Member States to look into options for a systematic **monitoring of how the CAP affects developing countries** (Keijzer and King, 2012).¹⁸

- Indeed, in the run up to the Parliaments plenary vote on the CAP reform, the **EP's Development Committee (DEVE)** voted unanimously in favour of a mechanism to monitor and assess the CAP's development impacts in order to ensure that CAP regulations would *"not jeopardize the food production capacity and long term food security of developing*

¹⁸ For an overview of stakeholder's proposals for impact assessment as well as complaint mechanisms, see [http://www.europarl.europa.eu/RegData/bibliotheque/briefing/2012/120254/LDM_BRI\(2012\)120254_REV1_EN.pdf](http://www.europarl.europa.eu/RegData/bibliotheque/briefing/2012/120254/LDM_BRI(2012)120254_REV1_EN.pdf)

countries, in particular least developed countries (LDCs), and contribute to achieving the Union's commitments on mitigating climate change". In particular the proposed amendments, made to the proposal on financing, management and monitoring of the CAP, suggested i) to integrate the CAP into the EU's broader framework for PCD and measure its external impact; ii) to phase out export subsidies entirely; iii) to address the EU's dependence on protein crop imports; and iv) completely decouple direct payments from production. Regarding the monitoring mechanism, DEVE proposed regular, independent assessments focussing on the impact on local and smallholder producers (in line with the Food Security Policy Framework) while building on evidence submitted by a variety of stakeholders, including farmers' organisations, local governments and civil society organisations. It would be up to the Commission to define the scope and procedure of these impact assessments and to submit an annual report to both the EP and the Council to share results, evidence and the EU's policy response (EP DEVE, 2012).

- In late January 2013, members of the **EP's Agriculture Committee (COMAGRI)** gavelled through some 100 amendments, distilled from more than 7500 original amendments to the Commission's 2011 proposal, including those submitted by the other EP Committees.¹⁹ The outcome however was a weakening of the Commission's proposals for a transition toward a more sustainable EU agro-food system. Despite a call from UNSRRF De Schutter on MEPs to support DEVE's amendment for a monitoring system, COMAGRI rejected them all in January²⁰. DEVE's amendments were again submitted and subsequently rejected in the EP's plenary vote in March, closing the final window for development-proofing the CAP.²¹ At Council level, the other co-legislator, development and global food security concerns never properly entered the debates for a common position.²²

This critical analysis of the reform process shows that development concerns were indeed present at the technical preparatory stage of the policy process, yet disappeared early on in the political decision-making procedure. In general, development interests have not been granted much attention in the CAP reform, partly because the most obvious negative effects of dumping through export subsidies are largely gone.²³ Nonetheless, given the EU's global weight in agro-food trade and the CAP as a tip of the spear for EU PCD action for food security, the reform

19 <http://www.europolitics.info/sectorial-policies/agri-wraps-up-work-on-compromise-amendments-art346514-11.html>

20 http://www.euractiv.com/cap/un-official-cap-consider-global-news-517127?goback=.gde_3695216_member_207473820-.UQlhADltaOI.twitter

21 <http://www.ecdpm-talkingpoints.org/final-window-for-development-proofing-the-cap/>

22 Despite efforts by the Netherlands to raise the issue in the Agriculture and Fisheries Council. <http://register.consilium.europa.eu/pdf/en/11/sto8/sto8880.en11.pdf>. All concerns regarding the impact of the CAP on food security where shushed with the promise that the consequences for developing countries would be analysed in the impact assessments accompanying the legislative proposals on the CAP after 2013. http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/agricult/121551.pdf

23 For an analysis of development interests in the CAP reform, see Matthews, A. 2013. <http://capreform.eu/the-development-interest-in-the-cap-reform-debate/>

has not delivered on its commitments under the PCD Work Program and continues to hamper agricultural development in developing countries.²⁴

- Although the mobilisation of diverse interest groups during the public debate and the stakeholder consultation is a positive evolution, it is clear that **stakeholder involvement and advisory structures are biased** toward participants with a direct interest, being the agro- and food-manufacturing producers and European consumers, while participation from developing countries is not envisaged. Improving the representativeness of these structures should help flagging development concerns at this stage (Klavert, 2012,19).
- Whereas the **concept of food security** indeed features at the heart of the reform's threefold objective, it does so in a way that is at odds with both the global narrative on the right to adequate food in the context of national food security, as well as with the EU's own Food Security Policy Framework. The FSPF's approach to food security should be the guiding narrative in how other policy areas, including the CAP, go about the concept and can use it as a justification for its policy measures.
- Finally, the principal **rejection to monitor the CAP's impact** on food security in developing countries contradicts the Council's May 2012 request for 'a more evidence-based approach to improve monitoring, implementation and follow-up of PCD action'.²⁵ Despite indications of potential impacts in the ex-ante impact assessment accompanying the legislative proposals, no efforts are suggested to follow-up on them.

5.2. The Common Fisheries Policy

The EU's Common Fisheries Policy (CFP) seeks to manage who can fish what and how much. EU waters are a shared resource with equal access for all EU MS so the predominant part of the legislative measures under the CFP are aimed at addressing overfishing while ensuring a profitable fish industry and social security for EU fishing communities. Other parts of the CFP concern the management of EU markets in fishing products, the EU aquaculture industry and the 'external dimension' of the CFP.

More than a quarter of the total fish caught by EU fishing vessels is caught outside EU waters. The **CFP's external dimension** thus concerns EU access to maritime resources whose management lies beyond EU jurisdiction and applies to a small external fleet of little over 700 EU vessels operating elsewhere in the world.²⁶ This includes operations on the high seas as well as on the territorial waters, or Exclusive Economic Zones (EEZ), of third parties, mainly developing

²⁴ For an overview of key sources of incoherencies of the CAP regarding global food security, see: Concord, 2013.

²⁵ http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/130225.pdf

²⁶ Estimates from 2008 identified a list of 718 EC vessels as being potentially included within the scope of the external fleet, of which 59% fly the flag of Spain, 14% the flag of France, and 10% the flag of Portugal (EC, 2008).

countries. Whereas this concerns a very marginal share (0,82%) of the total EU fishing fleet, the vessels of the external fleet are significantly larger and more powerful than their counterparts of the internal fleet, to such an extent that external catches contribute to 21% of the total EU catches for human consumption (EC, 2008b).

Fisheries policy is an exclusive EU competence so it is the European Commission who negotiates and regulates **EU external fishing access**. The EC does so through a combination of existing institutions and own management instruments.

- i) **Bilateral Fisheries Partnership Agreements (FPA)** grant EU MS access to a share of third party's, often (West-African) developing countries, surplus stock in exchange for financial and/or technical support. As such, FPA's are in part aimed at contributing to the development of a well-governed sustainable fishing practice in the partner country.
- ii) **Bilateral 'northern' agreements**, i.e. the joint management of shared stocks with Norway, Finland and the Faroe Islands.
- iii) **Regional Fisheries Management Organizations (RFMO)** who bring together a group of countries in order to organize fishing activity in certain areas of the high seas. EU officials negotiate access rights in RFMOs where European fishers are active.

While these agreements establish the legal, economic and environmental framework for EU fishing activities outside EU waters, it is estimated that **over half of the EU's external fleet operates outside such governing frameworks** and instead works through privately negotiated agreements, joint ventures or under non-EU flag. Fisheries Agreements therefore cover less than 0.5% of the activities of the total EU fleet, while fish caught under FPAs account for approximately 3-4% of total fish supplies to the EU market.²⁷ The EU's capacity to monitor the behavior of these vessels on their compliance against CFP legislation is limited at best, since strictly speaking there is no obligation for MS to inform the EC of such extra-FPA arrangements by ship-owners operating under their respective flags.²⁸ In addition, some parts of the high seas are not properly or not at all covered by RFMOs. In sum, the large majority of the EU external fleet operates in "troubled waters" where it is ultimately up to the doubtful capacity of a developing country to put in place adequate Monitoring, Control and Surveillance (MCS) systems to regulate EU access and sustainable fishing practices (Keijzer, 2011a).

27 Declaration of the ACP-EU Joint Parliamentary Assembly. The reform of European Fisheries and its impact on ACP countries. http://www.europarl.europa.eu/meetdocs/2009_2014/documents/acp/dv/897/897617/897617en.pdf

28 The 2009 Green Paper launching the stakeholder consultations prior to the CFP-reform notes in this respect that "Fisheries control has generally been weak, penalties are not dissuasive and inspections not frequent enough to encourage compliance. Moreover, no checks have been built into the system to ensure that, for example, Member States only access Community funding if they fulfill their basic control and conservation responsibilities" (EC, 2009b).

Moreover, even when operating through an FPA, the responsible operating of EU fishing vessels hinges predominantly on whether or not an **adequate domestic governance framework** is in place, either at the coastal state level or at the level of the RFMOs. Vice versa, in coastal countries that have established a good regulatory framework, the operating of a Distant Water Fleet (DWF) pose less of a threat, regardless of the framework they operate through: FPAs, private agreements or joint ventures. This is a rather concerning finding as many of the countries with which the EU has signed an FPA are fragile or failed states, evoking questions about their capacity to govern their waters or implement supportive measures through an FPA (Tindall, 2010).

Apart from the EU's external role in safeguarding the principles of sustainable and responsible fisheries internationally, several elements within the **CFP's internal dimension** are of particular relevance in view of the policy's impact on food security and the overall development of the fisheries sector in developing countries.

- The EU is by far the **largest single market for fish and fishery products** in the world. Due to growing consumption and declining domestic catches, the EU's dependence on imports for its fish consumption is growing and increasingly exceeds domestic supply. EU fish imports increased 10% between 2009 and 2010, representing about 26% of world fish imports (excluding intra-European Union trade). These trends often force the EU to source its fish supply from areas where sustainable exploitation cannot be guaranteed, threatening the future availability of fish (species) in these waters (FAO, 2012: p. 72). The Group of African Caribbean and Pacific countries (ACP) estimates that around 10% of EU fish imports come from ACP countries, representing 68% of ACP countries' total fish exports.²⁹
- The EU fisheries sector is characterized by **low economic resilience and heavy subsidies**. Apart from direct aid through the European Fisheries Fund (EFF) and comparable national support schemes, the fishing industry enjoys several indirect subsidies like fuel tax exemptions while, unlike other industries, it does not have to pay public management costs associated with its activities. In several MS, the estimated costs of fishing have therefore exceeded the total value of catches (EC, 2009c). Through its direct and indirect support measures, the EU keeps fishermen on board that would otherwise may have left the industry. While overcapacity is a key driver of overfishing, EU operators are considered to benefit from subsidies that grant them an unfair competitive advantage toward local fishing communities.
- Due to subsequent enlargement rounds, the EU now has a number of countries without direct access to EU waters and have actively lobbied for more support to in-land aquaculture. While open sea aquaculture remains the dominant approach, in-land aquaculture suffers from the same problems in the sense that larger amounts of fresh fish need to be harvested to feed the farmed fish which tend to be predominantly carnivorous.

²⁹ Ibid.

Finally, EU livestock also requires feed inputs that are derived from fish flour, and hence add to the EU's demand for fish (Keijzer, 2011a).

For developing countries, fishing often constitutes **an intrinsic part of the livelihoods of coastal communities** while part-time fishing activities provide an important contribution to the food security of mainly agricultural households.³⁰ From a nutrition point of view, fish products are the primary source of protein for up to nearly 25% of people in low-income and food-deficit countries.³¹ As a major player on the global fish trade market, as well as through its external fleet, the EU and its CFP has a considerable impact on the food security and the overall development of fishing industries in coastal developing countries.

The PCD Work Programme 2010-2013 acknowledges this impact as it notes that *“the intended post-2013 reform of the Common Fisheries Policy, especially its external dimension (Fisheries Partnership Agreements) is an important initiative which is expected to have an impact on developing countries, especially with regard to the sustainability aspect of the exploitation of sea resources”* (EC, 2010e: p. 24).

Box 3: PCD Work Program 2010-2013 targets for fisheries

Target

- To adopt a reform of the post-2013 Common Fisheries Policy which takes into account development objectives.

Indicator

- Proposals for post-2013 Common Fisheries Policy are based on an Impact Assessment, including an assessment of the impact on developing countries.

The CFS reform process started in April 2009 with a Green Paper, which analysed the shortcomings of the former policy and identified five structural failings, which the reform was to tackle if the EU were to future-proof its fisheries sector.³²

- **The Green Paper launched a public consultation** that lasted until May 2010. A total of 382 contributions were received, including 117 from the fishing industry and some 63 by NGOs (including development NGO's). Among the eleven third countries that submitted a contribution, the ACP Group was the only one from a developing country perspective.

³⁰ <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/2837.pdf>

³¹ http://www.seafish.org/media/publications/SeafishSummary_FAOSOFIARpt2012.pdf

³² The five structural failings identified are i) a deep-rooted problem of fleet overcapacity; ii) imprecise policy objectives resulting in insufficient guidance for decisions and implementation; iii) a decision-making system that encourages a short-term focus; iv) a framework that does not give sufficient responsibility to the industry; v) a lack of political will to ensure compliance and poor compliance by the industry (EC 2009c).

The EC issued an overview of the contributions in a synthesis report, which was presented at a large conference organized in Madrid on 2-3 May 2010. With regards to the external dimension of the CFP, the report noted that, *“many see the importance of aligning the principles of the CFP and work on FPA closer with other policies, to ensure coherence and synergies with Economic Partnership Agreements (EPA), trade agreements, development aid and support to local development”*. Also, concerning the implementation of FPAs, *“several stakeholders, especially NGO, propose replacing FPA by a fisheries governance framework or sustainable sourcing agreements”*. Regarding the key objectives of the new CFP, it is worth noting that some MS suggested fisheries for food supply and (EU) food security as a new objective (EC, 2010d).

- Following this long period of multi-stakeholders consultation, the College of Commissioners adopted a **package of policy proposals on 13 July 2011**. For the first time since the Lisbon Treaty, the MS and the European Parliament engaged in a ‘co-decision’ procedure to jointly agree on a future Common Fisheries Policy.
- **Two draft impact assessments** accompanied the reform proposals. One on the ‘Basic Regulation’ on the CFP, and one on the ‘Market Regulation’ for a Common Organisation of the Market in Fishery and Aquaculture Products. First drafts of both IAs, submitted in December 2010, were considered inadequate by the Impact Assessment Board and had to be revised. Regarding the Basic Regulation, the IA Board identified four areas of concern that required further work, one of which was the analysis of the external aspects of the CFP. In particular, the Board Opinion demanded a more thorough assessment of the problems in implementing FPAs, notably “those related to surplus stocks, EU funding and payments for fishing rights that are eventually not used”. Also, the revised IA should “clarify the relative importance of the FPAs for the EU fisheries sector”³³.
- **Both IAs were revised and resubmitted to the IA Board** in February 2011 and again the board assessed that both would benefit from further improvements, including on the CFP’s external dimension and the aforementioned implementation issues associated with FPAs. Whereas this time no revision was demanded, the Board Opinion makes it clear that, although FPA implementation issues were discussed in annex 12 of the second draft, they were inadequately used in the main text and thus in the analysis of the possible reform options that subsequently informed the proposed regulations (EC, 2011h).³⁴

33 Other, more technical recommendations were made but were transmitted to DG MARE directly and were expected to be incorporated in the revised IA of the Basic Regulation. http://ec.europa.eu/fisheries/reform/opinion_basic_en.pdf

34 Both the eventual IAs, as well as the IA Board’s opinions can be consulted here: http://ec.europa.eu/fisheries/reform/impact_assessments_en.htm

- The final Impact Assessment accompanying the Basic Regulation included a narrative listing of significant shortcomings associated with both FPAs and RFMO's. Regarding the latter, a lack of compliance and control is acknowledged to have undermined the role of RFMOs in fisheries management and has driven some of the main players like the EU, to complement multilateral actions with unilateral ones. However, the IA also recognizes that *"the responsibility for compliance and control lies ultimately with flag states which may be unwilling (the issue with flags of convenience) or unable (lack of capacity, especially in developing States) to properly control their fleets and ensure compliance with RFMO Conservation Measures"* (EC, 2011c: p. 23).

By providing only an overview of shortcomings and perceived challenges associated with the current status quo of the external dimension, the IA fails to effectively report on the potential impacts of the suggested reform options for the future. In other words, the IA makes no mention of EU external fishing activities outside the regulatory framework of an FPA or RFMO, while the implications of any changes in the implementation and management of FPAs are left unaddressed as well.

- The **EC's Communication on the CFP's External Dimension** was adopted alongside the Regulations and submitted to the EP and the Council on 14 July 2011. It suggests transforming FPAs *"into Sustainable Fisheries Agreements (SFAs) focusing on resource conservation and environmental sustainability, improved governance and effectiveness of sectoral support"*. Whereas all efforts to make bilateral fisheries agreements more sustainable are indeed laudable, making FPAs stricter could incentivize more EU fishers to operate outside FPAs. While the Commission's proposal aims to better align the CFP's internal and external dimension, it only includes articles on bilateral agreements and on RFMOs, neglecting EU fishing interests from private agreements, joint ventures and other forms of investment. A likely increase in extra-FPA activity would therefore result in the de facto deregulation of the CFP's external dimension as joint ventures and private agreements are effectively excluded from both the impact assessment, as well as from the Basic Regulation itself (Keijzer, 2011a).
- The **EP's DEVE Committee** addressed precisely this issue, among other things, in its reading of the Basic Regulation in June 2012 and unanimously proposed several amendments to make the CFP more consistent with the Union's development policy, as well as to better regulate EU fishing activities outside the regulatory framework of a FPA or RFMO:
 - *"No Union fishing vessels shall operate in a third country with which the Union has concluded a Sustainable Fisheries Agreement outside the provisions of that Agreement"*.

– *“Effort shall be made at Union level to monitor the activities of Union fishing vessels that operate in non- Union waters outside the framework of sustainable fisheries agreements. Such vessels should respect the same guiding principles that are applied to those fishing in the Union”.*³⁵

- After the **EP’s Fisheries Committee** (PECH) voted on the CFP in December 2012, in what was praised by environmental stakeholders as a milestone vote for sustainable fisheries, the **European Parliament** voted on the Basic Regulation in plenary on 6 February 2013. A large majority reaffirmed PECH’s draft report on the Basic Regulation, setting a strict deadline to end overfishing by 2015, while further strengthening the discard ban.

In addition to the amendments proposed by PECH, the plenary also approved DEVE’s amendment regarding the monitoring and compliance of external fleets operating outside a regulatory framework. In particular, member states will be required to collect information on private agreements between ship-owners flying their flag and third country governments. Previously, no such data was available, despite such obligations under the 2008 Council regulations to prevent, deter and eliminate illegal, unreported and unregulated fishing.³⁶

- **At the level of the European Council**, EU Ministers for Agriculture and Fisheries adopted conclusions on the EC’s Communication on the CFP’s External Dimension in March 2012. The conclusions stress the need to apply the same principles and standards for sustainable fisheries management for the external dimension as the ones applied in EU waters, yet they fail to do so for EU fishers operating outside bilateral, regional or multilateral agreements.³⁷ The Council’s ‘general approach’ to the Basic Regulation, only fully adopted on 27 February 2013, did not change this limited approach to the CFP’s external dimension.³⁸
- **Trilogue negotiations on the Basic Regulation between the Council and the EP** started on 19 March 2013 and concluded on 30 May, resulting in a consolidated text that can be assessed from a development and food security point of view as a considerable improvement compared to the previous legislation. Whereas both the discard ban and the 2015 cap on overfishing were somewhat softened with exceptions and regionalized plans, the main provisions regarding the monitoring and regulating of EU vessels in non-EU waters outside the SFA framework were maintained. Also, the EC will be required to arrange

35 <http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&reference=A7-2013-0008&language=EN> - title4

36 “Member States shall obtain information on any arrangements between nationals of a Member State and a third country that allow fishing vessels flying the flag of that Member State to engage in fishing activities in waters under the jurisdiction or sovereignty of the third country, as well as details of the vessels concerned and their relevant activities. The Member State shall inform the Commission”. See <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:286:0001:0032:EN:PDF>

37 http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/agricult/129052.pdf

38 <http://register.consilium.europa.eu/pdf/en/11/st12/st12514.en11.pdf>

for independent ex-ante, as well as ex-post evaluations of each protocol to a SFA before negotiating a successor agreement.

- However, both the Council and the EP are still to fully form an opinion on the € 6,5 billion **European Maritime and Fisheries Fund (EMFF)**³⁹, which allocates the subsidies to fisheries, proposed by the EC in December 2011. According to environmental stakeholders, ‘following the money’ will be the true test of how ambitious the CFP reform will really be.⁴⁰ A partial general approach by the Council, adopted in October 2012, accepted a compromise package enabling funds for fleet renewal. In June 2013, members of the PECH Committee voted in favor of a plan that would reintroduce subsidies to build new fishing vessels and modernize the EU fleet. This contradicts the rules and spirit of the new Basic Regulation as investments in new boats and equipment, rather than in data collection, control and enforcement, are likely to result in further overfishing. A plenary vote on the proposed report on 23 October 2013 will show in how far EU support the ambitious reform of the Basic Regulation.

A critical analysis of the reform process shows that, while never at the center of the CFP reform, development concerns, as well as coherency issues featured throughout the entire policy reform process, from stakeholder consultation to trilogue negotiations.

- **In spite of various contributions to the public consultation** on the CFP reform calling for better governance outside EU waters and deploring the poor accountability mechanisms in place for commercial fisheries in many developing countries, the Impact Assessment of the Basic Regulation failed repeatedly to look into the potential implications of a CFP reform that is likely to push more EU operators outside its negotiated regulatory frameworks.
- **The limited scope of the CFP’s external dimension** (Part VII of the final compromise text) displays a limited interpretation of the concept of PCD. Focussing exclusively on the Union’s international obligations and EU vessels operating outside EU waters, the external dimension of the CFP excludes relevant linkages with measures under the internal dimension that are likely to have an impact (e.g. subsidies for fleet renewal), albeit more opaque, on fisheries and food security in developing countries. Despite a statement in Part VII that “the provisions of this Part shall be without prejudice to specific provisions adopted under Article 218 TFEU”, the limited interpretation of the external dimension goes against the CFP’s new principle of good governance, notably on “*coherence between the internal and external dimension of the Common Fisheries Policy*”.⁴¹

39 Replacing the European Fisheries Fund (EFF).

40 http://www.wwf.eu/what_we_do/fisheries/cfp_reform/?210793/WWF-Fish-Campaign-Newsletter---October-2013

41 Basic Regulation on the CFP (as endorsed by the Coreper meeting of 14 June and submitted for consideration to the PECH meeting of 18 June). http://cfp-reformwatch.eu/wp-content/uploads/2013/06/2013-06-14_Basic_regulation_on_the_CFP_final_compromise_text.pdf

5.3. The Renewable Energy Directive

The EU's Renewable Energy Directive (RED) was adopted in 2009 and aims to achieve specified, **mandatory targets for the use of renewable fuels and the reduction of greenhouse gas (GHG) emissions by 2020**.⁴² The RED introduced a 20% target for the overall share of renewable energy consumption (from wind, solar, hydro-electric and tidal energy, as well as geothermal energy and biomass) and a sub-target of 10% share for renewable energy for the transport sector in particular.

A companion directive, the **Fuel Quality Directive (FQD)** introduced a mandatory target to achieve by 2020 a 6% reduction in GHG intensity of fuels used for transport.

The **contribution from biofuels** to reach these targets is limited, yet for the sub-targets in the transport sector they are expected to be the dominant contributors. Various policy instruments under the RED, ranging from fuel tax exemptions for biofuel producers over trade measures (e.g. import tariffs), blending mandates⁴³ to incentives for better and more efficient supply and marketing chains, have incentivized the consumption of biofuels to the extent that, according to the Renewable Energy Projections, biofuels will represent around 9% of total EU energy consumption for transport purposes by 2020 (EEA, 2011: p. 17).⁴⁴

The EU biofuel support framework has been controversial, both for its questioned accounting of indirect emissions due to land use change and for the impact of expanding biofuel mandates on global food prices. According to the High Level Panel of Experts on Food Security and Nutrition, which acts as the science-policy interface of the UN Committee on World Food Security (CFS), the EU biofuel policy **triggered a globalized market in biofuels and biofuels feedstock, based on developing country agriculture** (HLPE, 2013: p. 30). Indeed, while being only a minor consumer of bioethanol, the EU is a major biodiesel consumer. With a global consumption share of 56% in 2011 and 46% of global production, the EU market accounts for almost 90% of global biodiesel trade. Although most of the biofuels consumed in the EU are also produced in the EU from raw materials originating from the EU⁴⁵, its targets on renewable energy cannot be fully met using only domestic biomass (Diop, et al. 2013: p. 24-27). Argentina, Indonesia and Malaysia are presently the main biodiesel exporters to the EU and while imports from African countries have so far been insignificant, the continent has become a dominant focus of biofuel investments and is therefore likely to play an increasing role in global biofuels trade.

42 The Directive is part of a broader legislative dossier, the EU Climate and Energy Package (2008) setting out the so-called "20-20-20" targets: i) a 20% reduction in EU GHG-emissions compared to 1990 levels; ii) a 20% target for the share of renewable energy in overall EU energy consumption (RED); and iii) a 20% increase in EU energy efficiency. http://ec.europa.eu/clima/policies/package/index_en.htm

43 Obligations to blend fixed proportions of biofuels with fossil fuels.

44 A previous EU Directive "on the promotion of the use of biofuels or other renewable fuels for transport" set the goal of reaching a 5,75% share of renewable energy in transport in 2010.

45 83% of biodiesel and 80% of bioethanol consumed in the EU was also produced in the EU in 2010. 60% of feedstock for biodiesel and 79% for bioethanol consumed in the EU are grown EU-domestically, (EC, 2013d).

The bulk of biofuels consumption in the EU, as well as globally, is dominated by **food-based, first generation biofuels**, derived from sugar and starch crops (ethanol) and oilseed crops (biodiesel).⁴⁶ From the very outset, researchers and stakeholders hence warned that EU biofuels policy with mandatory blending targets would contribute significantly to a shift in demand for agricultural products, leading to a substantial increase and volatility in agricultural market prices and increased competition for, and pressure on, land. Public policies stimulating biofuels production thus play at the heart of interlinked global challenges such as energy, land, water, food and climate change. A listing of associated effects of biofuels on global food security is provided in Annex 2.

Given their many relevant effects, both negative and positive, on all four dimensions of food security (availability, access, utilization and stability)⁴⁷, European development and environmental stakeholders have in the past couple of years targeted the biofuels support regulations and the RED in particular, as the **main stage for PCD action for global food security**. The Commission's PCD Work Programme 2010-2013 however, focuses on land issues and large-scale foreign investments in agricultural land, without linking back to the policies that incentivise them and that are being targeted by NGOs.

Box 4: PCD Work Program 2010-2013 targets for land and impact of bio energy production

Target

- To progress towards greater security of access to land and of land tenure to protect vulnerable groups.

Indicator

- Agreement at EU level on principles for responsible investments in agricultural land (2010).

The only reference to the **RED in the PCD Work Programme** regarding food security concerns the Commission's obligation to include in its biennial Renewable Energy Progress Reports the economic, environmental and social impacts of the RED as stipulated under article 17 on the policy's sustainability criteria.⁴⁸ Indeed, the Directive sets out a series of mandatory sustainability criteria with which biofuels need to comply in order to be accounted toward national targets.

⁴⁶ Second generation biofuels (not widely commercialized yet) use biomass from non-food sources like lignocellulosic feedstocks and waste matter from food crops or residues. Third generation biofuels are made from algal biomass.

⁴⁷ Depending on a wide variety of factors ranging from the sort of feedstock used, natural resources involved, the processing technologies used and the comparative efficiencies in terms of yields, costs and reduction of GHG emissions, biofuel have differing effects on the environmental and social context in which they are produced.

⁴⁸ Under Climate Change as one of the five target areas for enhanced PCD action, the RED is discussed in more detail, yet here as well efforts focus on assessing the overall impacts of the RED under article 17.

These criteria are aimed at preventing the conversion of areas of high biodiversity or carbon stock for the production of raw materials for biofuels, while enforcing minimum GHG emission reductions for biofuels used on the EU market.⁴⁹

On top of the sustainability criteria, the RED includes **monitoring and reporting provisions on the economic, environmental and social impact of EU biofuels consumption**. Besides measures to safeguard minimum GHG emission savings and soil conservation, the EC is thus required to report on the RED's impact "on social sustainability in the Community and in third countries of increased demand for biofuel". This includes *"the impact of Community biofuel policy on the availability of foodstuffs at affordable prices in particular for people living in developing countries, and wider development issues"*. These reports further address the aspect of land-use rights and monitor whether a selection of conventions on biodiversity and labour rights are ratified and implemented in the EU as well as in countries providing raw material for biofuels consumed in the EU.

However laudable these intentions, it is clear that the EC's reporting on EU biofuels' economic, environmental and social impact is **hampered by evidence gaps and scientific constraints**. Whether suffering from a science too premature to enforce policy adaptation or hiding behind a lack of data as some NGOs claim, the EU recognises the evidence-gap on:

- **EU Biofuels impact regarding land use rights.** While recognizing the possible negative impacts on land use rights, the EU Renewable Energy Progress report points out that it is simply too soon to draw assumptions about the link between EU biofuels policies and land acquisitions since the lead time between land purchase and biofuels production is at least 3-5 years. Even though companies have referred to the RED as part of their investment argumentation, the report states there is insufficient information to connect biofuels-oriented projects to an increased and subsidized demand from the EU market. (EC, 2013e).
- **EU Biofuels impact on food prices.** Despite better data and analytic improvements, estimates regarding crop and commodity price increases due to biofuels production remain sensitive to the modelling framework used and its underlying assumptions. Nonetheless, the EC's 2013 renewable energy progress report acknowledges that the pressure exerted on global food markets is likely to drop in case of a decrease in consumption of food-based biofuels (EC, 2013e). However, against the broader context of

⁴⁹ In particular, the EU requires that biofuels achieve a minimum GHG emission saving threshold of at least 35% compared to fossil fuels' emissions in order for biofuels consumed in the EU to receive financial support, to be counted toward the renewable energy obligations or toward the mandatory national energy targets. That threshold was to increase to 50% from 2017 onward and to 60% in 2018 for production installations launched after 1 January 2017. Producers serving the EU biofuels market need to comply with these criteria, either through national MS legislation transposed from a EU sustainability scheme, or by joining one of the fourteen voluntary schemes recognized by the European Commission. However, the EC's progress report reveals that the transposition and implementation of the sustainability criteria in many MS is still not complete or correct. See <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=SWD:2013:0102:FIN:EN:PDF>

other relevant determinants affecting global food prices, research commissioned by the EC does not acknowledge a direct link between the biofuel production and local food price increases (ECOFYS et al., 2012).

- **Land use impacts and GHG savings.** Member States' progress reports provide little evidence of the impact of increased biofuels production on land use patterns in the EU. Research for the European Commission, as well as by third parties however suggested that indirect land-use change (ILUC), implying that pristine land is tilled to replace the food crops that were diverted elsewhere to biofuels production, significantly reduce the potential GHG savings from biofuels.⁵⁰ Here as well, different models working under different assumptions result in a variety of findings. Despite these uncertainties, there is an overwhelming body of scientific research that confirms strong evidence that ILUC emissions, while crop-specific, are in some cases so significant they could shift biofuels effects on climate change from positive to negative.⁵¹ As early as December 2010, the EC adopted a report on ILUC. The report concluded that despite the limitations associated with available modelling methods, there was sufficient evidence that ILUC emissions reduce the savings associated with first-generation biofuels to such an extent that it is recommendable to address it, albeit in a precautionary approach, as a flaw in the current legislation.

In October 2012, the European Commission issued its **proposals to amend the RED and the FQD** in order to limit land use change for food-based biofuel production, while raising the minimum emission savings threshold for biofuels consumed in the EU. The 'not perfect' proposal, in the words of Climate Commissioner Connie Hedegaard, was jointly presented by DG Energy and DG Climate after almost two years of internal analysis and discussion, informed by a series of external studies.

- The EC's proposals suggest a **5% blending cap for food-crop based biofuels**, the 2011 average consumption level for the EU in general, yet already exceeded by some MS. The proposal explains the cap as a means to limit ILUC emissions and the accompanying memo addresses the link between food and feed prices and an increased biofuels production, noting that any "increased use of land increases the competition for the resources that we get from our land areas" and that "under the new rules, the growth in biofuels in the EU should come from feedstock that are not in competition with food crops, thus minimising these impacts."⁵²

⁵⁰ Raw materials for biofuels production may be produced on land directly converted from another status (e.g. deforestation). Carbon emissions from such land use change are not included in the RED's requirements for the minimum GHG emission savings threshold, yet could amount to higher levels than those of the fossil fuels they replace.

⁵¹ For an overview of scientific research from various sources on ILUC and GHG emission calculations for biofuels, see: <http://www.transportenvironment.org/what-we-do/what-science-says-o>

⁵² http://europa.eu/rapid/press-release_MEMO-12-787_en.htm

- An **elevation of the minimum GHG savings threshold in the FQD** to 60% for biofuels produced in installations operational after July 2014. For installations operational before that time, the 35% threshold remains valid until December 2017, after which it is elevated to 50%. The amendment thus does not affect the short-term expectations of the industry.
- The overall 10% target for renewable fuels in transport and the 6% carbon reduction remain unchanged in the FQD so the Commission's proposal foresees measures to encourage greater market penetration of non-food based biofuels through an **incentive scheme increasing the weighting of advanced biofuels** toward the 10% target for transport. As such, the proposal sets out different 'ILUC factors' for different crop groups. Biofuels that require land will get an ILUC factor. Waste, residues and algae for second and third generation biofuels will not.
- Prior to the official launch of the EC's proposals, a draft version was leaked to Reuters in September 2013. Following an intense lobbying campaign by the biofuels industry, the official proposal dropped binding ILUC factors to be counted toward the FQD's 6% carbon reduction. Under the new rules, MS and fuel suppliers are obliged to include the estimated emissions from **ILUC in the reporting on GHG savings**, but is not taken into account when it comes to calculating the FQD's 6% GHG decrease target. Also, the Commission is required to report by 2017, based on the latest available scientific evidence, on the effectiveness of the measures proposed to limit the GHG emissions due to land use change associated with biofuels production. If deemed appropriate such a review should include a legal proposal to introduce ILUC-factors in the mandatory sustainability schemes as of 2021.

Since the EC is proposing to simply amend existing directives and is not introducing entirely new legislation, there has been no official opportunity for stakeholder consultations or public comment. The EU biofuels dossier and the proposed amendments however evoked a vivid debate before, during and after the launch of the proposals. As such, the policy process was subject to **intense lobbying** on behalf of the biofuels industry, striving against a cap on first generation biofuels in order to protect investments.

Environmental advocates and biofuel industry stakeholders engaged in vigorous debates on the **scientific rigour** around key issues in the dossier, like the amount of EU subsidies for biofuels support⁵³, the effect of EU biofuels policies on global food prices⁵⁴ and the monitoring of ILUC emissions⁵⁵. Concerning the latter issue of assessing ILUC impacts, the scientific community recognises considerable uncertainties and both policy-makers as well as scientists are divided on the function for ILUC factors to play in the new policy. Strong enough to justify a U-turn in policy focus according to the one, too uncertain for legislation for the other, the introduction of

53 <http://www.euractiv.com/science-policy-making/biofuels-subsidies-overestimated-news-529929>

54 <http://www.euractiv.com/energy/eu-report-brussels-biofuels-poli-news-530293>

55 <http://www.euractiv.com/energy/biofuels-honesty-eye-beholder-analysis-530311>

ILUC factors has divided both researchers and policy makers regarding the way forward with the EC's proposal.⁵⁶

As a result, there is somewhat of a **contradiction** between the proposals' recognition of ILUC as a problem and its simultaneous weakness in providing measures to tackle it, as ILUC factors were downplayed to reporting items only and would therefore not influence whether or not certain biofuels meet the minimum GHG saving requirement.

The **European Parliament** was deeply divided in its voting on both Directives in September 2013. The result was a tentative victory for environmentalists in the sense that ILUC factors were reintroduced for accounting in the FQD from 2020 onwards, yet the cap level for food-based biofuels increased to 6%, instead of 5. Reflective of the strong split in opinions was the narrow vote against starting negotiations with the European Council.

On the side of the **European Council**, a similar split is apparent as MS who have already exceeded the 5 or 6% share of food-based biofuels are likely to oppose a proposal that limits the extent to which these biofuels can contribute to the overall target. A first discussion in March 2013 showed that most MS are also sceptical on the evidence base for ILUC impacts. So far only the Netherlands, the United Kingdom, Denmark and Belgium have expressed support for an ILUC-based accounting model, while others unofficially question whether EU biofuels demand actually drives food price increases or incentivizes land conversion.

Regardless of the aforementioned split between 'believers' and 'non-believers', the biofuels file offers considerable **challenges from a PCD for food security perspective**:

- In absence of official public or stakeholder consultations, **inter-service consultations** within the Commission constituted the main forum to promote PCD and food security interests. Although it is hard to assess in how far DG DEVCO's voice was heard in these discussions, it didn't help that a study *'Assessing the impact of biofuels production on developing countries from the point of view of Policy Coherence for Development'* (Diop et al., 2013), commissioned by DEVCO did not inform these consultations. In terms of timing, the request for tendering was issued too late for the study to be used during DEVCO's meetings with DG Energy & Climate Change in the run up to the RED and FQD reforms and in terms of content the study fails to link the impact of biofuels in developing countries to EU policy measures. On a side note, the fact that Development Commissioner Andris Piebalgs was Energy Commissioner at the time the RED was designed, has led some observers to question whether this might have complicated a strong case for development issues.

⁵⁶ <http://www.euractiv.com/energy/biofuels-industry-sent-mails-hou-news-519531>

- All in all, the **cap on first generation biofuels is a clear message** to investors that policy support for conventional biofuels is something of the past. However, the cap is set at current production levels instead of prohibiting the use of food crops for EU fuel altogether. While food security concerns have not been the main driver to amend the Directives, the EC recognizes the effect of its policies on food prices, yet shies away from setting a more ambitious cap.
- Also, the **practical relevance of the cap on food-based biofuels** will depend upon the interaction between the RED and the FQD mechanisms. Intra-EU biofuels trade could be a way for MS with production levels already exceeding the 5/6% cap to sell or transfer their surplus biofuels to MS lagging behind in reaching the RED targets. However, the FQD target of 6% GHG reduction in transport remains valid and is likely to incentivize higher volumes of (conventional) biofuels production in all MS. Reaching the FQD target will prove very challenging without dramatic increases in usage of advanced biofuels and observers anticipate that first-generation biofuels production will actually overshoot the RED's cap-level because of the FQD target. In order to make the RED's cap meaningful, a similar cap on food-based biofuels would have to be introduced in the FQD (Kretschmer and Baldock, 2013).
- Discussions on ILUC and the scientific evidence required to justify policy adaptation, cut to the core of more fundamental concerns regarding the **need for knowledge-based development- and climate-proofing** of EU policy-making. 'Independent' research has served both sides in the discussions on ILUC factors, and the limitations in the modelling are broadly acknowledged. Opponents of ILUC inclusion therefore argue that the evidence-base is too uncertain for legislation, claiming ILUC would label certain biofuels "guilty until proven innocent". Others noted that many EU policies are based on uncertain modelling and that, even in lack of conclusive proof, the EU is meant to follow the precautionary principle in implementing policies with a potentially harmful effect on the environment, let alone on global food security.

5.4. The Trade Policy

The EU Common Commercial Policy can have considerable bearing on food security in developing countries, as worldwide the EU is a major actor in agricultural trade, both in terms of imports and exports. This is recognised in the EU PCD Work Programme and the EU Food Security Policy Framework (Box 5).

Box 5: Extract from the EU Food Security Policy Framework on the role of trade

“International trade can substantially contribute to food availability by increasing the amount and by broadening the variety of food on the market. Food availability can also be enhanced by regional integration of agricultural and food markets, facilitating trade flows from surplus to deficit areas. The EU and its Member States should support standardisation and harmonisation of policies, rules and regulations, towards regionally integrated agricultural policies. Moreover, the EU and its Member States acknowledge that given food security concerns, whether at a national or regional level, developing countries can make use of existing trade policy space, including through border measures. The objective should be to aim at a sustainable agri-food chain.”

“The EU and its Member States should contribute to improved food market functioning at global, regional and national levels.”

A wide variety of recent and ongoing EU trade-related initiatives are relevant in this context. First, one could mention the EU's positioning in **multilateral trade negotiations** at the WTO, particularly the stalled Doha Development Round. The handling of tariff and non-tariff barriers to trade in agricultural goods is among the contentious issues in the negotiations, alongside disagreement on the level of tolerance toward agricultural support. Second, the EU negotiates and concludes **bilateral free trade agreements** with individual and groupings of countries. Well-known examples are the Economic Partnership Agreements (EPAs) that the EU negotiates with African, Caribbean and Pacific states. Other relevant examples are on-going negotiations with MERCOSUR, the United States and India, to name just a few. Third, **unilateral EU trade** schemes matter, such as the Generalised System of Preferences (GSP), whose recently revised version will come into force in January 2014.

In these trade agreements and schemes, the handling of tariff and non-tariff barriers to trade in agricultural goods is often among the contentious issues in the negotiations. Views diverge often between the negotiators on provisions that can be expected to affect food security, like:

- the tariff rates for agricultural products from the EU to enter developing countries' markets and vice versa;
- the degree of tariff escalation;
- uptake of a special food security safeguard clause allowing trading parties to take protective measures in case of unpredictable developments that threaten food security;
- amount of EU development assistance to level the playing field, i.e. ensure the private sector in developing countries can seize export opportunities provided by the FTA and can

compete with EU agri-businesses on the domestic market, and meet EU private and public standards. This latter point only applies to EPAs, since these are the only FTAs to include provisions on development assistance.

- dealing with the potentially distortive support the EU provides to its farmers.

As for the outcomes of the negotiations, civil society often argues that the EU through its trade policy disincentivises agricultural development in poor countries by favouring subsidised EU agricultural produce to enter developing country markets and forcing developing countries (non LDCs) in the role of commodity provider due to increasing tariffs higher up the value-chain. The European Commission on the contrary, for example in its communication on Trade, Growth and Development published in 2012, highlights successful steps taken to further coherence of trade policies with development objectives, like the inclusion of a food security safeguard clause in the EU – CARIFORUM EPA. Clearly, results are mixed. In line with the previous sections, this section does not serve to assess how “food-security friendly” the EU Commercial Policy is in practice, but rather to identify elements in the EU trade policy-making process that arguably affect the capacity of the EU to take global food security objectives into account.

- There is a need to step up **monitoring and evaluation efforts** as perceptions of stakeholders differ and the impact of trade measures is complex and diversified. It is far from straightforward to determine how trade policies affect food security, given diversity across and within countries. Furthermore, beliefs of the implication of specific trade measures differ. Some are firm believers of trade liberalisation while others are convinced there is a need for protective measures. Therefore, even if consensus exists on the need to seek coherence between trade and global food security objectives, contradicting views and unclarity prevails as to what this entails. This can be partly addressed by stepping up monitoring and evaluation efforts, which shed light on the likely (ex-ante) and actual (ex-post) impact of trade policies. It should be kept in mind though that the ruling development paradigm (e.g. free trade or protectionist) might influence the choice of indicators to monitor. Valuable ex-ante monitoring tools specific to EU trade agreements, first conducted in 1999, are ‘Sustainable Impact Assessments’ (SIA), which examine the economic, social and environmental implications of trade negotiations. However, civil society has noted that in many cases SIAs are finalised only after the conclusion of the negotiations. They also flagged that while SIAs may usefully point to potential negative impacts of the trade agreement and recommend adjustment measures, specificities lack on who will follow up on these recommendations.⁵⁷ The European Parliament, in recognition of the need to broaden the evidence-based to inform trade policy and the FSPF priority of improving smallholder resilience and rural livelihoods, has called for “*regular and independent assessments and evaluations of the EU’s agricultural and trade policies, paying special attention to impacts on local and smallholder producers, and building on evidence*”

⁵⁷ Concord (2011).

submitted by governments, farmers' organisations, civil society organisations and other stakeholders in developing countries which are EU trading partners".⁵⁸

- The EU has not been **upfront about the balance of commercial interests and development objectives** in the case of the EPAs. Since 2002, the EU is engaged in EPA negotiations with African, Caribbean and Pacific states, which has resulted so far in 36 countries having signed or initiated an (interim) EPA. With the exception of 15 Caribbean states, all are still engaged in tough negotiations with the EU towards final regional EPAs. From the outset the EU has stressed that it was not driven by economic interests but instead considered the EPAs to be primarily development tools. However, in the negotiations the EU insisted on high tariff cuts, while showing little flexibility to address ACP concerns. The fact that the EU did not reveal its commercial interest from the outside, but instead pretended to be only concerned with development, has been a cause of frustration and political tension. More transparency about the balance between economic interests and development objectives, including global food security, could resolve and help avoid strained relations.⁵⁹
- The **leverage of policy-makers beyond trade experts** is limited and could be strengthened. Regular inter-departmental coordination mechanisms such as inter-service consultations are applied to trade policy-making, while DG Trade remains in the lead. If agreements like the EPAs, are genuinely meant to be tools for trade and development, some argue that a more considerable role could usefully be assigned to DG Development Cooperation, by having it co-lead EPA negotiations on the European side. Similar reasoning can be applied to the task division within the European Parliament, where the Trade Committee spearheads the parliament's EPA scrutiny role, rather than a sharing of tasks on an equal footing with the Development Committee.⁶⁰ Furthermore, with the entry into force of the Lisbon Treaty in 2009, the High Representative for Foreign Affairs and Security Policy and her newly established European External Action Service are expected to ensure coherence of the EU's external policies. So far, they have been rather silent on trade policies, while they could be instrumental in strengthening thinking and efforts to link-up trade, development and other external relations with developing countries, both at headquarter and EU delegation level.
- The EU PCD Programme 2010 - 2013 recognises that trade can provide a major contribution to food security. However, it **does not present any targets nor indicators**. Concrete targets and indicators on trade (particularly in the area of trade negotiations, market access, international labour and environmental standards, as well as International Property Rights) are presented under the more general Trade and Finance section of the work programme, which contains no single reference to food security. This lack of clarity on PCD aspirations

⁵⁸ European Parliament (2011)

⁵⁹ For more details about the EPA negotiations, see Ramdoo and Bilal (2013).

⁶⁰ Negre (2013).

in the area of trade and food security hinders progress and reduces accountability.⁶¹ There is thus a merit to sharpen PCD target setting in follow up of the PCD Work Programme 2010-2013.

6. *Conclusions and recommendations for PCD objectives on food security to gain traction*

The EU has made **repetitive commitments** in its treaties that it shall take account of the objectives of development cooperation in the politics it implements which are likely to affect developing countries. While it is the only region in the world with a legally binding commitment, the recognition of the importance of PCD is in tune with the international development discourse, as reflected in the Busan Partnership for Effective Development Cooperation and the ongoing discussion on a post-2015 global development framework.

With a recently adopted Implementation Plan, the EU has made significant steps to define a common EU-wide approach to global food and nutrition security. Focusing its efforts on a clear set of six policy priorities - centered around smallholder farming, effective governance, regional approaches, social protection mechanisms, nutrition interventions and resilience-building – the EU displays a **sound understanding** of the underlying trends that cause hunger crises and widespread malnutrition. Since these priorities constitute the focus areas in the EU's development work on food security, they should inform and spur the PCD efforts of the EU and its member states toward banning world hunger.

An analysis of EU policy-making processes related to agriculture, fisheries, energy and trade in previous sections shows that **some tangible efforts** have indeed been made to strengthen policy coherence 'for food security'. For example, the reform of the Common Fisheries Policy will strengthen the monitoring and regulation of European vessels operating in non-EU waters outside the framework of SFAs and RFMOs. The amendment of the Renewable Energy Directive is proposed to introduce a blending cap for food-crop based biofuels. However, these are tentative steps and the policy-processes show that other concerns and interests dominate the debates and shape the outcomes, while global food security considerations play a very marginal to no role, or the food security rationale used is at odds with the logic of the EU's own food security policy framework.

While living up to PCD commitments in the end is a matter of political decision-making, institutional mechanisms can play a key role in securing that relevant concerns are taken into account throughout the policy-making process. This chapter identified **a number of fundamental**

61 Concrete targets and indicators on trade (particularly in the area of trade negotiations, market access, international labour and environmental standards, as well as International Property Rights) are presented under the more general Trade and Finance section of the PCD Work Programme 2010-2013. No reference to food security is made in this section.

shortcomings in the (use of) PCD tools such as the PCD Work Programme, impact assessments and inter-sectorial coordination. On this basis, the following suggestions can be made to further strengthen the EU's PCD efforts, particularly in the area of food security:

1. Strengthen linkages between the development cooperation and PCD agenda on food security

The 2010 EU Food Security Policy Framework is the agenda for the EU and its member states to address global food security challenges, which concerns both development assistance and PCD efforts, as is also reiterated in the Food and Nutrition Security Implementation Plan, adopted in 2013. However, although the implementation plan explicitly aims to foster improvements in coherence, complementarity and coordination, its performance criteria relate primarily to development assistance and dialogues. As noted earlier, PCD is labeled as a 'parallel process'. Vice versa, the PCD Work Programme 2010-2013 fails to clearly link with the objectives laid down in the Food Security Policy Framework, like fostering smallholder farming. In moving forward, there is a need for a genuinely comprehensive approach that maximizes synergies between development and non-development policies. An early opportunity is the formulation of a new PCD Work Programme, the food security section of which could particularly target non-development policy measures impacting on the EU's 6 global food security priorities. Furthermore, dialogues with third countries on EU development assistance programming for the period 2014 – 2020 could be used to also discuss non-development policies.

2. Set clear PCD food security objectives, targets and indicators to better guide policy-making and monitor progress

While the PCD Work Programme 2010 – 2013 contains operational targets and indicators, it is unclear to which objectives these should contribute. Furthermore, the majority of targets and indicators are of a general nature and lack adequate specification in terms of baseline data, time-dimension and quantitative measurability. Targets along the lines of *"a post-2013 CAP reform taking into account food security and development objectives in a balanced manner"* do not provide adequate instructions for PCD action and simply restate a legal treaty obligation regarding the requirement for Impact Assessments. It was noted that in the area of trade for food security specifically, targets and indicators are entirely absent. The formulation of a next PCD Work Programme merits clearer PCD objectives, targets and indicators to serve as a more useful guide for PCD efforts and would allow for better progress tracking.

The current work programme seems to have served primarily as a base document for the biennial PCD reporting rather than as a tool for policy-makers in EU institutions and EU member states' administrations to get familiarised with and respect the EU's development

commitments. For a next PCD work programme to prove its worth, it is needed for the Commission and the Member States to promote its use and application more strongly beyond the development community. Finally, it is worth noting that clear targets and useful indicators can only be derived from clear objectives, which are defined at the political level. In this sense, a straightforward and feasible PCD work programme will be one of the determinants of whether the EU will take its legal and political commitments on PCD serious.

3. Broaden the evidence-base of PCD impacts on food security objectives

It is widely recognised that there is a need for a more evidence-based approach to PCD, as also stressed by EU Development Ministers in their May 2012 FAC meeting. The exclusion in the CAP reform of a system to monitor and evaluate the external impact of the CAP contradicts these Council conclusions. On the other hand, DEVCO's intention to increase the number of independent ex-post studies on the impact of policies, building on the experience with the biofuels impact study, is welcome. Complementary measures by independent researchers with a more academic approach, as well as continued funding for civil society - in Europe and in developing countries- could further enrich the, often quite sterile, debates on PCD and EU policy impacts. Given the complexity of the exercise, MSs like Finland and the Netherlands, as well as the Commission have expressed intentions to support initiatives that contribute to a more knowledge-based approach in terms of assessing the impact of different EU policies on the food security system in a given partner country. Data and evidence on the impacts of EU policies on food security are essential to inform policy debates.

4. Give more political weight to development and food security objectives through institutional fine-tuning and PCD standard setting across different policy areas.

It was noted in many cases that food security and broader development issues are raised at the early phases of policy-making, but disappear in the higher-level political stages of the decision-making process. While it is inevitable that at this higher-level more trade-offs are made and many objectives are reconciled, it needs to be ensured that food security and development concerns are indeed part of the agenda of those taking the final decisions. Looking at the EU's toolbox for PCD promotion, it is apparent that most institutional mechanisms are limited to the first phase in policy-making, i.e. the preparation of legislative proposals. When policy processes reach the political level, mechanisms to promote PCD in the EP and the Council are more limited in number and strength, and much depends on how their respective development bodies promote development interests.

In this context, it was stated that if EPAs are genuinely meant to be tools for trade and development, a more considerable role could have been assigned to the Development Commissioner and his staff. In the same spirit, an opportunity to embed PCD at a higher political level is to explicitly assign a more considerable role for promoting PCD to the new President of the Commission and the Council taking office in 2014.

5. Commission DGs should provide adequate resources to independently analyse the impact of policy options on developing countries

In line with the Treaty obligation on PCD, the Commission President could instruct its Secretariat General to require Commission DGs to provide for adequate resources to independently analyse the potential effects of EU policy options on developing countries. DG DEVCO should not be left with the 'burden of proof', doing the impact assessments for other DG's policy options. The Impact Assessment Board could be tasked to safeguard the quality of these assessments, possibly drawing on DG DEVCO for technical support in this regard.

After over 20 years of legal and policy commitments as well as political rhetoric, this chapter lays out why it is necessary for the EU to get realistic about PCD at the political level in the area of food security. While many of the considerations noted in this chapter are of a technical nature, the four policy processes discussed show there is a real need for political sponsorship and leadership on PCD as related to food security. Without such strong political drive, there is a distinct lack of scope to promote genuine change toward a more development-friendly EU policy-making and 'success stories' will remain small and anecdotal.

If the EU were to keep failing to deliver on its self-imposed PCD commitments, the lack of progress is likely to undermine its credibility. As such, the EU would benefit from a more genuine approach. This would mean either to follow through on its commitments, which would require the investment of significant political capital – or alternatively lower political ambitions and accept the consequences of this. While it would perhaps be naïve to expect a 'step change' from the EU given the interests at play, greater progress is needed for credibility to be maintained.

Annex I. The CAP and food security

- **Coupled payments** are granted to farmers if they produce a specific commodity associated to the direct payment. As such, their aim is to promote the production of particular commodities by making the profitability of their production dependent not only on their market price, but also on the associated amount of direct payment. Coupled payments thus encourage EU production, and may lead to overproduction, bringing down world food prices. Reducing them would benefit exports and therefore farmers' income in many developing countries.
- **Decoupled or direct payments** remove the link between a direct payment and the production figures of a specific commodity and are therefore believed not to influence production decisions. Decoupling was introduced in the 2003 reform of the CAP and continued in the 2009 'Health Check' in order to move away from the market-distorting effects associated with promoted production, giving EU farmers the freedom to produce according to market demand. Whereas decoupled payments are indeed less trade distorting, they still form an incentive for non-competitive farmers to stay in the industry, thus maintaining artificial levels of production and land use for farming.
- **Rural development payments** serve three objectives: i) improving the competitiveness of the farming and forestry sectors, ii) enhancing the environment and the countryside and iii) improving the quality of life in rural areas. Rural development measures are co-financed and every MS, or an area within them, can choose from a menu of measures to include in their designated programs. Greening measures that effectively reduce Green House Gas (GHG) emissions will benefit agricultural development in developing countries by mitigating the effects of climate change. Depending on whether payments for rural development provide additional income based on measures farmers would have taken anyhow, rather than changing their behaviour to the benefit of the environment, payments can give EU farmers a competitive advantage that harms their counterparts in developing countries.
- **Export subsidies** are calculated to make up the difference between EU prices and lower world market prices. They however also provide a financial incentive for the export of particular EU products, hence promote their (over) production, which reduces world market prices for those commodities. Whereas producers and exporters in developing countries would benefit from a reduction in EU export subsidies, higher food prices could harm some consumer groups in developing countries. Currently, the EU spends less than 0,5% of the agriculture budget on export subsidies (EC, 2012h: p. 26). The remaining subsidies mainly go to dairy products.
- **Import tariffs** refer to those tariffs paid by countries when exporting to the EU market. LDCs, benefiting from the EBA regime, do not pay import tariffs on agricultural (or any

other) good. In general, a reduction of import tariffs would on the one hand benefit those developing country exporters, while on the other hand increase competition for those who have beneficial or tariff-free access already. Depending on developing countries' trade and production patterns, increased demand from the EU market could harm developing country consumers in the short term, but would lead to increased production and better rural livelihoods in the long term if price signals are transmitted and supply responses follow.

- **Agricultural product quality policy** refers to a broad range of legal frameworks that set the minimum requirements to which products sold in the EU have to comply with. At the heart of the 'quality policy' are comprehensive 'quality schemes', designed to protect high-quality EU products of a particular geographic origin and or of organic or traditional nature. International registration schemes apply to non-EU developing countries as well, so depending on the extent to which farmers and other agro-food producers in developing countries are capable of complying to these regulations, such quality schemes can either pose a non-tariff barrier to access the EU market or help secure added value (including on sustainability e.g. ethical or organic trade and geographical origin criteria) to developing countries' products, giving producers greater bargaining power over their product marketing.
- **Product standards** offer similar opportunities and challenges to developing countries' exports as they aim to ensure that all products on the EU market, whether produced in the EU or imported, meet the EU's high standards regarding hygiene, food safety, animal and plant health (so called Sanitary and Phytosanitary standards). Where EU product safety standards transcend international standards, they form an additional non-tariff measure to developing countries' exporters who lack the capacity to comply with the EU's strict requirements.⁶²
- **Production quotas** are limitations on the amount of a product that can be placed on the market. Currently, the EU applies quota on the production of milk and sugar. Depending on the corresponding import quota a country has to adhere to, developing countries can benefit from EU domestic production quotas as they secure a market for their produce, like is the case for ACP sugar producing countries. Some consumers would however benefit from the lower food prices an abolition of EU production quota could evoke. Under the new legislation, dairy quotas will be eliminated in 2015 and sugar quotas in 2017.

⁶² In August 2013 UNCTAD issued a review of non-tariff measures and their economic policy implications for developing countries. See: http://unctad.org/en/PublicationsLibrary/ditctab20121_en.pdf

Annex II. Biofuels and food security

- Impact on land, water and resource use. Apart from second and third generation biofuels who rely on crop residues and waste, biofuels production requires land and therefore competes for land used for other economic and agricultural activities. It therefore increasingly interferes with land protection for environmental objectives, particularly biodiversity and carbon storage, potentially to the extent that it hampers the primary objective of climate change mitigation. Large-scale biofuel investments are playing an important role in land use transformation in developing countries often in ambiguous circumstances referred to as “land grabbing”.
- Impact on market dynamics and food prices. Although monitoring the net overall effect of biofuels production on world food prices is complex and blurred by the use of different economic models, it is widely recognised that the rising demand for biofuels does exert an upward pressure on food commodity prices because crops used for biofuels reduce the availability of these crops as food or feed. Given that rising oil prices constitute an opportunity gain for key food- or flex crops, biofuels production has also been associated with increasingly volatile food prices. A 2011 report by the UN Food and Agriculture Organisation (FAO) and nine other international organisations concluded that *“as long as governments impose mandates, biofuel production will aggravate the price inelasticity of demand that contributes to volatility in agricultural prices”* (FAO et al. 2011: p. 10).
- Socio-economic impact and development opportunities. Biofuels production can bring much needed capital, innovation and knowledge to developing country agriculture. On the other hand, large-scale farming for energy crops can drive out poor smallholder farmers and their communities, women in particular, either through land expropriations, competition or concentration of resources. Biofuels can best be put to use in rural developing countries for cooking, heating and local power generation.

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The European Union's International Cooperation - Recent Developments and Future Challenges

The European Centre for Development Policy Management (ECDPM) aims to link policy and practice in international cooperation. This book seeks to explore the dilemmas facing the European Union as it aims to reconcile its values and interests in a changing world. These challenges will be relevant for the next leadership of the EU institutions and throughout the EU's budgetary period of 2014-2020.

The increasing linkages between international relations and development policy has created a new agenda for international cooperation. For the European Union and its member-states to remain relevant and influential in a world driven by globalisation, the rise of middle-income countries and one of the longest recessions in recent history, it must respond to these changes and address the challenges upfront.

This book explores these issues to give readers an overview of current developments and future challenges. ECDPM strives to go beyond analysis and provide realistic options to bridge the policy to practice divide and not shy away from the political fundamentals that have to be addressed.

The book covers issues such as the implementation of the EU's new development policy the Agenda for Change, EU joint programming, budget support in fragile states, EU support to transition, and engagement with middle income countries. In addition the book looks at the Mali crisis and EU-Africa relations, and the future of ACP-EU relations as well as a specific section on recent developments in Policy Coherence for Development.

The developments and dilemmas presented in this book paint a picture of considerable evolution in the EU's international cooperation agenda and policy. Despite adaptation and change, persistent questions are still raised of whether the EU is moving fast enough with regards to implementation. This book explores particularly the challenge of bridging the policy to practice divide - a key consideration for a more effective European response to global challenges in the future.