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

One Whitehall Place, London
27-29 April 2009

Conference Report
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Summary

On 27, 28 and 29 April 2009, the Overseas Development Institute (ODI) and the UK Department for International Development (DFID) co-hosted three events to discuss the future of EU development cooperation. The first event was a dinner for policy-makers, parliamentarians, academics and NGO representatives from across Europe. Three speakers, the UK Minister of State for International Development, Gareth Thomas; the Swedish Minister for Development Cooperation, Gunilla Carlsson; and the Director-General of EuropeAid in the European Commission, Koos Richelle, gave their thoughts on opportunities for EU development cooperation and on maximising the EU’s future potential. The second event was as a private seminar which brought the same participants together to have a frank and open discussion, off the record, about opportunities and proposals to restructure EU development cooperation in light of the changing development agenda, the global financial crisis and the timetable of decisions in the immediate future. It built on and took forward the discussion on the next steps in the evolution of EU development cooperation initiated by the Agence Française de Développement, at Ermenonville in December 2008. The third was a panel debate open to the public. A copy of the agendas for 28 and 29 April are in Annex 1. A copy of the list of participants in the private meeting on 28 April is in Annex 2 and a copy of the background conference paper written by Mikaela Gavas of ODI is in Annex 3.

Participants gathered together in London to hone in on some of the issues identified at Ermenonville, in particular, the EU’s development vision and structure. There was a general sense that the EU has the power and potential to make a real contribution to development on a global scale. Participants recognised that EU development cooperation had improved since the reforms of external assistance in 2000, but that more could be done, in particular in terms of a consistent and joined-up institutional and geographical approach to development cooperation.

Well into 2009 and with decisions looming on the future of Europe, the sense of urgency was heightened. With the election of a new European Parliament, the appointment of a new European Commission, possible ratification of the Lisbon Treaty and a fundamental review of the EU budget, there was a recognition that decisions made this year would be key to the EU’s future in international affairs. 2009 offers real opportunities to put development issues at the top of the international agenda. In order to grasp those opportunities and make real headway on the path of change, participants set about identifying a vision for EU development cooperation and a set of proposals for translating the vision into action.

All participants expressed a commitment for ensuring a strong EU voice for development embodied by a Development Commissioner, responsible for the development budget. There was agreement on the need to ensure that all policies, in particular, trade and climate change, are coherent with
development objectives and this responsibility should lie with both the High Representative and the Development Commissioner within the Commission. Enthusiasm was expressed for the Commission’s April package.

At the same time, participants felt EU development cooperation currently lacks vision. In order to articulate the vision, Member States need to define their own role in the world, a new political impetus is needed to define the EU’s role in the world and a commitment is needed to overcome the discrepancies.

Finally, all participants agreed that discussions on the vision and the architecture had to be taken forward in the immediate future and that the debate needed to be had with a wide range of stakeholders within and beyond Europe.

Disclaimer: The views presented in this paper are those of the conference participants and do not necessarily represent the views of ODI.
The private meeting: 28 April 2009

The first session was chaired by Simon Maxwell, ODI Director. Gareth Thomas, UK Minister of State for International Development and Gunilla Carlsson, Swedish Minister for Development Cooperation gave their thoughts on EU development cooperation in a changing world.

A copy of Gareth Thomas’s speech is in Annex 4. He set out three areas for how the EU could build on the improvements it has made in its development programme. First, the Lisbon Treaty provides opportunities for the EU’s external actions to be more coherent. Second, European Community aid should be managed in a more consistent and joined up way with a strong voice for development in the European Commission. Third, there needs to be greater coherence between the EU’s development aims and its wider objectives.

Gunilla Carlsson set out the priorities for development for the forthcoming Swedish Presidency of the EU. First, with development issues at the heart of climate change, she expressed a need better to integrate climate change into development interventions. Secondly, there would be a strong focus on democracy. She also mentioned that Sweden and the European Commission would be hosting the European Development Days in Stockholm in October 2009 focused on citizenship and development. Finally, the EU needs to make better use of all of its policies and instruments. Policy coherence for development and improved aid effectiveness would be a priority. She highlighted improvements to EU development assistance, but stressed that there needed to be better use of evaluation, better integration of cross-cutting issues and further strengthening of EC delegations. She also emphasised the need for a strong Commissioner responsible for inter alia development policy and implementation in the future.

Jean-Michel Debrat, Deputy Director General of the Agence Française de Développement summarised the discussion that took place at Ermenonville in December 2008 focused on: (1) The political foundations for European aid, particularly the relevance of a common development assistance policy; (2) The respective roles of Community and national institutions, and where and how they complement each other; (3) The financial instruments and collaborative practices of Europe’s development actors. A copy of the presentation is in Annex 5.

Mikaela Gavas, ODI Research Associate, gave a presentation on the evolution of EU development cooperation, its progress and continuing challenges, and offered practical tools and options for redesigning the European Commission’s development architecture. She presented three different models of how development could be structured in the European Commission: (1) The development agency model; (2) The development policy and implementation model; (3) The development policy and programming model. A copy of the presentation is in Annex 6.
Participants were then asked to write a note to the Swedish Minister, Gunilla Carlsson, completing the following phrase:

Dear Gunilla,
   Congratulations on assuming the EU Presidency. If you do one thing before December it should be …

The letters to Gunilla Carlsson are in Annex 7. Recurring issues raised in the letters include the need for a strong voice for development in the EU institutional architecture and the need for a commitment to ensuring the coherence of EU policies with development objectives.

In the subsequent discussion a number of questions were raised about whether or not there was a shared vision of EU development cooperation and whether the EU should unite the world around its own values. Decisions needed to be made on: What role the EU play should in a globalised world? On whether it should be a global or regional player? On the role of the European Commission versus the Member States? On whether there should be a shared vision and a shared method to implement a shared policy or multiple entities supplying aid under a shared vision, but contributing in their own way?

The seminar then broke up into five workshops to address the following questions:
   1. What is your vision for EU development cooperation?
   2. How do you translate the vision into action?
1. **Visions of EU development cooperation**

**Working group reports:**

1. An EU development approach that leads the world in poverty reduction and sustainable development and delivers by:
   - Being greater than the sum of its parts
   - Being the first port of call among multilaterals for its members
   - Setting the benchmark for other international institutions

2. EU works and is recognised as a role-model for pro-poor policy coherent development and responsible partnership that transcends aid:
   - Grounded in the European Consensus on development
   - Delivering on its promises on aid volumes and aid effectiveness
   - Is decentralised and coherent at partner country level
   - With an internal architecture that saves the fundamental principles of ownership and partnership and ‘one EU’ in critical global fora and policy processes

3. EU as a global leader (both financially and morally) and a visible and effective leader through demonstrated results
   - Social and economic justice, involving southern partners’ views and interests
   - Reliable, innovative and results-oriented
   - Inclusive approach (Commission, Parliament, Member States, NGOs, private sector)

4. Promoting effective, sustainable and inclusive partnerships to recognise country needs:
   - Partnerships should be open to all possible partners (regions, countries, organisations), using the complete range of tools in flexible ways leading to effective contractual arrangements that can be monitored and evaluated.

5. We need to make an effort to define Europe’s global role
   - Recognise our limitations
   - Define global agenda and how each policy sector contributes to it
   - Use ODA to make this agenda development friendly

Reviewing the outcomes of the working groups, areas of consensus included the vision of EU development cooperation focused on reducing poverty, promoting partnerships, using coherent pro-poor policies. Unresolved issues and areas of disagreement included the vision of the EU as a global development leader versus the EU as a ‘network manager’, facilitating a multitude of leading donors; and whether, in the future, the European Commission should be the main port of call for European aid delivery.
2. Translating the vision into action

**Working group reports: Actions for EU development cooperation**

1. In 2009, we need to fight for a strong voice for development through a Development Commissioner, and we need to define a reference role for the High Representative. In 2010, we need to pilot a global EU agenda in Africa - 'one Europe, one agenda'. We also need to develop accountability mechanisms. By 2013, Member States should define their role alongside the EU’s role. We need the Presidency and the European Commission to give sustained leadership to drive informal meetings on these debates.

2. We need to focus on the processes and fora that already exist. The EU already faces big credibility challenges and the financial crisis adds to those challenges. We need:

   - A strong collective statement on the Commission’s April development package on supporting developing countries in coping with the crisis;
   - To build EU consensus on climate change and deliver additional aid and develop new financing modalities in time for the UN Climate Change conference in Copenhagen in December 2009;
   - A strong EU position on getting closure on the Doha round;
   - To bring the debate about the European External Action Service from “smoke-filled rooms” out into the open through:
     - Discussions at Heads of Delegation level;
     - Development Minister meetings - Council meeting in November 2009;
     - Development champions within the cabinet of the High Representative and President of the European Commission

3. We need greater agreement on EU development cooperation and we need to clarify its aims and objectives. To do this, we should:

   - Review the European Consensus on Development agreed in 2005, through a consultative process involving all stakeholders;
   - Ensure greater consistency in particular between incoming and outgoing presidency agendas;
   - Ensure greater geographic and policy coherence;
   - Ensure better coordination between the Commission and Member State programmes by applying the Code of Conduct and introducing two-way review/consultation – or independent- evaluations
   - Grasp the opportunity for a strong Development Commissioner, with adequate resources and budget responsibility;
- Review the EU budget to ensure the EU has the means to achieve its ambitions and examine the question of budgetising the European Development Fund (EDF) or ‘EDF-ising’ the development budget.

4. The High Representative should not capture the development policy agenda. At the same time dev policy needs to be strengthened within the High Representative’s agenda. For this to happen, we need:

- A strong Commissioner for development with full budget responsibility. Budget authority must rest with the relevant Commissioner;

- The High Representative to lead, supported by a coordinating committee, the internal negotiations amongst Commissioners. The High Representative should facilitate conflict resolution across the Commissioners and provide a synthesis representing a common position which can then be disseminated. If there are serious conflicts the President of the Commission needs to assume responsibility;

- A strong DG Development Policy and Humanitarian Aid, which combines the current DG Development with DG ECHO and DG RELEX’s geographical responsibilities (neighbouring countries, Asia and Latin America). A European development implementing agency which collaborates with the European Investment Bank, NGOs, local authorities and Member States’ agencies. A humanitarian aid implementing agency – ECHO;

- Policy, programming and implementation should all be under the same Commissioner;

- The links between the Development Commissioner and the heads of the two implementation agencies would be strong;

- An independent external evaluation committee that would evaluate EU partnerships and include stronger capacity of partners to evaluate. [See Appendix 1, p. 21 for the model.]

5. Global action needs to be organised primarily on a regional basis. We need to define the EU’s regional interests together with our developing country partners.

- There needs to be a strong Development Commissioner, with adequate resources and budget responsibility. And there needs to be a more integrated and cohesive structure which includes all financial tools (not just grants), supported by the High Representative;

- There needs to be a unified EU’s representation in multilateral institutions;

- A credible and understandable account for what the EU is doing (globally and on a country-basis);

- An agreed objective of ‘One EU’.
There seemed to be consensus on the need to appoint a strong Development Commissioner who would be able to ensure the prominence of development issues in the EU’s other external policies on climate change, migration, security, trade. It was also suggested that the High Representative take responsibility for coherence across the external affairs and should be selected on the basis of a strong track record in development to ensure integration of development issues in EU’s external policies.

At the same time, however, it was felt that a strong Development Commissioner should not diminish the role of the High Representative. Furthermore, as EU Heads of Delegations will report to the High Representative, some participants felt that programming should take place in-country rather than in Brussels.
3. The policy agenda

The European Commission’s April Package on Supporting Developing Countries in Coping with the Crisis

In addition to organisational issues, a discussion took place on the policy agenda and in particular, the European Commission’s April package of Communications offering proposals to support developing countries in coping with the global financial crisis. These cover: meeting aid commitments for 2010 and 2015; using aid to leverage additional money for trade finance and private investment; acting quickly and counter-cyclically; improving aid effectiveness through implementation of the Paris Agenda. In addition, the package proposes new codes of conduct on vertical funds and on the use of country systems and measures to improve coordination of EU aid; sectoral measures for social protection to safeguard social spending and to invest in infrastructure and agriculture; a strong commitment to green growth, innovative financing and renewable energy; measures to stimulate trade; and finally, action on reform of the UN and the International Financial Institutions. A number of points were made on these topics:

On aid volumes:

- We all know that aid targets are not credible, but we should not drop them. It is important to keep the pressure on.
- Technically if aid commitments stay constant, falling currencies will give more aid.
- Importance of the relativisation of the costs of development with regards to stabilisation and recovery programmes. Using absolute numbers will show that the numbers for these programmes are so big now that aid costs look very small when described in value terms.
- Frontloading is a good idea, as well as working with the IMF to channel new money effectively.
- The EU can front-load aid with budget support, but there is opposition to using budget support.

On budget support:

- Middle-income countries which have liquidity constraints should be given loans.
- For the others, the objective should not be more money faster, but better results.
- Budget support works in some places, but not in others.

On the financial crisis:
- All expectations are off track: aid targets, trade, remittances etc. This means that it is even more important to achieve the MDG targets.

- The UK Government responded to the crisis with liquidity, capital, funding. The EU should do the same.

- The EU’s financial shock architecture is weak and lacks options.

- We need an EU voice on ensuring that the extra money for an unreformed IMF does not result in excessive conditions on partner countries.

- Only $50 bn of IMF programme funds goes to Least Developed Countries. Most of it goes to CIS countries that have recently opened capital accounts, as well as multilateral development banks.

- Importance of trade finance. Banks need AAA guarantees for trade finance.

- FLEX can be drawn on for crises, when export levels fall.

- The G20 broke big developing countries away from smaller ones - divide and rule.
4. Taking the change agenda forward

Participants agreed that, in the short-term, the priority is the structure of the EU institutions. We will need to think about structure before policy. If we do not get the Commission right, we will not be able to get the policy right. In the longer-term, we should continue to think about and articulate the vision.

In terms of timing, it is difficult to decide these issues before the Irish referendum. The risk, of course, is that after ratification things will move very quickly and without proper consultation. Few Member States are well informed of the issues. Decisions will be made in foreign policy circles and the development voice needs to be heard in these circles. The NGOs and in particular, CONCORD, need take a proactive role in galvanising support for the development agenda.

Suggestions included:
- Opening up the debate to other stakeholders within and beyond the EU, including to representatives of civil society and the private sector;
- Organising a meeting ahead of the Director Generals meeting in June;
- Drafting a set of proposals ready in time for the Director Generals meeting in June;
- Organising a series of public meetings similar to those organised under the European Development Cooperation to 2010 project;
- Organising a public meeting around the European Development Days in Stockholm in October;
- Setting up a EURO 50 group of academics, policy-makers, NGO representatives and other stakeholders to influence the EU institutions;
- Making use of the online discussion forum set up by AFD;
- Setting up an informal consultation, like Germans did before their EU Presidency or like the EU-Africa website;
- Influencing the European Parliamentary hearings of the new Commissioners.
The public panel debate: 29 April 2009

Reinventing and restructuring EU development in a changing world

On 29 April 2009, following on from the meeting of ‘change-makers’ on 28 April 2009, ODI hosted a panel debate which brought together around 100 people from NGOs, think-tanks, the private sector and civil servants based in the UK. The focus of the debate was the following question:

How can development stakeholders and European aid instruments be better organised in the face of current global challenges?

Simon Maxwell, Director of the ODI chaired the panel. Martin Dinham, Director-General International of DFID was the speaker. The four discussants included: Jean-Michel Severino, Director General of the Agence Française de Développement (AFD), Dirk Messner, Executive Director of the German Development Institute (DIE), Paul Engel, Director of ECDPM and Richard Shiere, Senior Economist at the African Development Bank (AfDB).

Martin Dinham opened the debate with a recognition that EU development cooperation had improved, in particular with regards to the quality of delivery, project monitoring feedback and greater importance given to results and not only inputs. However, he admitted that more could be done, including the improvement of institutional and geographical coherence. This year is an opportunity for change in the EU with the second Irish referendum on the Lisbon Treaty, European Parliamentary elections and a new European Commission. The EU also has an opportunity to build on its leading role on trade, climate change, peace and security policies, by increasing coherence and putting development at the heart of its external policy. The current economic and financial crisis creates a new challenge as developing countries are hit hard, but it is also becoming more difficult to maintain public support on development issues in donor countries where problems are growing closer to home. As a result, there is a need to reaffirm aid volumes and accelerate disbursements to deal with the effects of the crisis, but there is also a need to demonstrate that all European actors are working together coherently and efficiently towards the MDGs.

The discussion covered five different themes which set out the framework within which the panel considered reform of EU development cooperation should take place:

1. The current global context;
2. The need to define a vision for EU’s role in this context;
3. The resulting policies;
4. The organisation;
5. How to make these changes happen.

Contributions from the audience led to refining some of the ideas that are presented below.
1. The current global context
The world has recently witnessed an acceleration of globalisation, in terms of climate change, location of business, financial crisis, poverty, diseases, conflicts and security. Jean-Michel Severino underlined the importance of a clearer and deeper vision of the EU, defining what role it wants to play in this globalised world. Dirk Messner argued that the only way European countries, as small nation states, can influence these changes is as part of the EU.

2. The need to define a vision for EU’s role in this context
There are many different views of the EU’s role in this context, from a political entity to a single market. This vision will be further influenced by new EU entrants, which have no historical track record in development cooperation and do not view it as a priority. According to Dirk Messner, we need multilateral answers to global problems. He put forward two options to improve consistency: greater integration; and building a strong European cluster with the EC playing the role of a “network manager”. According to Jean-Michel Severino, there is no incentive for member states to favour a multilateral approach as they will always want to ‘plant their flag’ to ensure visibility. There is also some resentment that the European Commission (EC) is thought to ‘represent’ Europe: AFD, KFW and EIB combined are twice as big as the EC’s aid budget. In order to have real consistency between member states, there can either be: a shared vision and a shared method to implement a shared policy; or many entities supplying aid under a shared vision, but contributing in their own way. In Mr Severino’s view, the EU’s role is as a regional player not a global one, bringing coherence and coordination to member states’ development cooperation while not excluding bilateral players: the EU should invest in intelligent policy-making and converging instrument.

3. The resulting policies
The vision will need to be translated into shared policies which will aim at improving coherence and consistency, both between member states and the Commission and among the different areas of intervention of the EU. There seemed to be consensus on the need to appoint a strong Development Commissioner who would be able to ensure the prominence of development issues in the EU’s other external policies on climate change, migration, security, trade. It was also suggested that the High Representative take responsibility for coherence across the external affairs and should be selected on the basis of a strong track record in development to ensure integration of development issues in EU’s external policies.

4. The organisation
Participants argued that the organisation must be shaped according to objectives set in the shared vision for the EU and aim at delivering effective aid, as stressed by Richard Shiere. All discussants agreed that the Code of Conduct on Division of Labour and Complementarity has contributed to the improvement of coordination and European aid effectiveness. However, it was underlined that there are currently no incentives to follow the Code. It was agreed that
European stakeholders’ interventions need to be more coherent and consistent: the Code of Conduct is helpful in this regard but would first need to be implemented at country level. While Dirk Messner pointed out that the current 27+1 approach is expensive in addition to being incoherent, Jean-Michel Severino also warned of the costs of coordination efforts and stressed the importance of striking a balance.

5. How to make these changes happen
In terms of a process to make change happen, Jean-Michel Severino suggested that this debate should be opened to other stakeholders within and outside the EU, including representatives of civil society and the private sector. Paul Engel recalled that Member States and the European Parliament drive the Commission’s agenda, and therefore, they need to continue working on institutional reforms to guide the Commission’s work alongside their vision. Mr Severino pointed out that the current model is based on an historical vision instigated by the UK and France. The Africa, Caribbean and Pacific group of countries and the European Development Fund were set up in order to get the EU to pay for their ex-colonies. Whilst this model might have been right back then, it now needs to be changed.

Simon Maxwell concluded the meeting by focusing on the need to find out which processes will produce better global governance. Cooperation is clearly necessary but its format has yet to be defined. In order to promote this approach, the EU will have to build on trust, incentives, institutions, and networks.
Appendix 1: Model designed by workshop 4
The Evolution of European Development Cooperation: Taking the Change Agenda Forward

28 April 2009

One Whitehall Place, London

Agenda

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<tr>
<th>Time</th>
<th>Item</th>
<th>Speaker/Institution</th>
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<tbody>
<tr>
<td>8:30</td>
<td>Registration, tea &amp; coffee</td>
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<tr>
<td>9:00</td>
<td>Welcome</td>
<td>Simon Maxwell, Director, Overseas Development Institute</td>
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<tr>
<td>9:10</td>
<td>EU Development Cooperation in a changing world</td>
<td>Gareth Thomas, Minister of State for International Development, United Kingdom</td>
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<td>Gunilla Carlsson, Minister for Development Cooperation, Sweden</td>
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<td>9:35</td>
<td>Conclusions from Ermenonville Castle: European Aid Architecture: Opening the Debate</td>
<td>Jean-Michel Debrat, Deputy Director General, Agence française de Développement, France</td>
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<td>9:50</td>
<td>The evolution of EU Development Cooperation: Taking the change agenda forward</td>
<td>Mikaela Gavas, Overseas Development Institute</td>
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<td>10:10</td>
<td>Discussion</td>
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<td>Time</td>
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<td>10:45</td>
<td>Tea &amp; coffee</td>
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<tr>
<td>11:15</td>
<td>Group discussion</td>
<td>Facilitators/Rapporteurs:</td>
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<td>Themes:</td>
<td>1. Alison Evans, Director of Programme, Poverty &amp; Public Policy Group,</td>
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<td>Overseas Development Institute</td>
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<td>2. Dirk Messner, Executive Director, German Development Institute</td>
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<td>3. Louka Katselli, Professor &amp; Former Director of OECD Development Centre</td>
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<td>4. Martin Curwen, Director General for Lending Operations outside Europe,</td>
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<td>European Investment Bank</td>
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<td>5. Pierre Jacquet, Executive Director of the Strategy Department and Chief</td>
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<td>Economist, Agence française de Développement</td>
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<td>13:00</td>
<td>Lunch</td>
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<td>14:00</td>
<td>Presentations from the workshops &amp; discussion</td>
<td>Chair: Martin Dinham, Director General International, Department for International Development</td>
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<tr>
<td>15:30</td>
<td>Tea &amp; coffee</td>
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<td>16:00</td>
<td>Making it happen</td>
<td>Chair: Simon Maxwell</td>
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<td>17:00</td>
<td>Discussants:</td>
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<td>1. Gareth Thomas, Minister of State for International Development, United Kingdom</td>
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<td>2. Jean-Michel Debrat, Deputy Director General, Agence française de Développement, France</td>
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<td>3. Anders Bengtcén, Head of Department, Multilateral Development Cooperation, Sweden</td>
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<td>4. Alexander Baum, Head of EU &amp; ACP Institutional Relations, DG Development, European Commission</td>
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The Evolution of European Development Cooperation: Taking the Change Agenda Forward

29 April 2009
One Whitehall Place, London

Agenda

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<tr>
<th>Time</th>
<th>Session</th>
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<tr>
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<td>Tea &amp; Coffee</td>
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<tr>
<td>10:00</td>
<td>Welcome</td>
<td><strong>Simon Maxwell</strong>, Director of the Overseas Development Institute</td>
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<td>10:15</td>
<td>Panel Debate</td>
<td><strong>Chair</strong>: Simon Maxwell, Director, Overseas Development Institute</td>
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<td></td>
<td><strong>Reinventing and restructuring EU Development Cooperation in a changing world:</strong></td>
<td><strong>Speaker</strong>: Martin Dinham, Director-General International, UK Department for International Development</td>
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|        | **How can development stakeholders and European aid instruments be better organised in the face of current global challenges?** | **Discussants:**
|        |                                | 1. Dirk Messner, Executive Director, German Development Institute (DIE)  |
|        |                                | 2. Jean-Michel Severino, Director General, AFD, France                  |
|        |                                | 3. Paul Engel, Director, ECDPM                                         |
|        |                                | 4. Richard Schiere, Senior Economist, Africa Development Bank           |
| 12:15  | Conclusion                     | **Martin Dinham**, Director-General International, UK Department for International Development & Jean-Michel Severino, Director General, AFD, France |
| 12:30  |                                |                                                                         |
## Annex 2: List of Participants

<table>
<thead>
<tr>
<th>Name &amp; Title</th>
<th>Organisation</th>
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<tbody>
<tr>
<td>Achim Holzenberger, Economic Counsellor</td>
<td>German Embassy, London</td>
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<td>Alexander Baum, Head of EU &amp; ACP Institutional Relations</td>
<td>DG Development, European Commission</td>
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<td>Alison Evans, Director of Programme, Poverty &amp; Public Policy Group</td>
<td>Overseas Development Institute, UK</td>
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<td>Anders Bengtcéén, Head of Department, Multilateral Development Cooperation</td>
<td>Ministry of Foreign Affairs, Sweden</td>
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<td>Anja Reuss, Senior Advisor</td>
<td>Federal Ministry for Economic Cooperation and Development (BMZ), Germany</td>
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<tr>
<td>Anthony Smith, Director, Europe &amp; Donor Relations Division</td>
<td>Department for International Development, UK</td>
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<td>Berhané Cahsai, Professor / Consultant</td>
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<tr>
<td>Dirk Messner, Executive Director</td>
<td>German Development Institute (DIE)</td>
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<tr>
<td>Félix Fernández-Shaw, Development Counsellor</td>
<td>Spanish Permanent Representation to the EU</td>
</tr>
<tr>
<td>Francisco Montalbán, Special Ambassador for Development Policies</td>
<td>Ministry of Foreign Affairs, Spain</td>
</tr>
<tr>
<td>Gareth Thomas, Minister of State for International Development</td>
<td>Department for International Development, UK</td>
</tr>
<tr>
<td>Geraldine Baudienville, Research Fellow</td>
<td>Overseas Development Institute</td>
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<td>Guido Van Hecken, Secretariat of the Development Committee</td>
<td>European Parliament</td>
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<tr>
<td>Gunilla Carlsson, Minister for International Development Cooperation</td>
<td>Ministry of Foreign Affairs, Sweden</td>
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<tr>
<td>Helmut Gauges, Head of Latin America, Caribbean and Strategy Department</td>
<td>KFW Bankengruppe, Germany</td>
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<tr>
<td>Helmut Reisen, Head of Research</td>
<td>OECD Development Centre</td>
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<tr>
<td>Jean-Marc Bellot, Representative to the European Institutions</td>
<td>Agence Française de Développement, France</td>
</tr>
<tr>
<td>Jean-Michel Debrat, Deputy Chief Executive Officer</td>
<td>Agence Française de Développement, France</td>
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<tr>
<td>Jean-Michel Severino, Director General</td>
<td>Agence Française de Développement, France</td>
</tr>
<tr>
<td>Johan Carlsson, Chief of Staff of Swedish Minister for Development Cooperation</td>
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<td>Kevin Gardner, Private Secretary to Minister Gareth Thomas</td>
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<td>Louise Thomas, Head of Policy and Communications Team, Europe Department</td>
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</tr>
<tr>
<td>Louka Katseli, Member of the Greek Parliament and Former Head of the OECD Development Centre</td>
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<tr>
<td>Maia Stead</td>
<td>Overseas Development Institute</td>
</tr>
<tr>
<td>Martin Curwen, Director General for Lending Operations outside Europe</td>
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</tr>
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<td>Martin Dinham, Director General International</td>
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<tr>
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<td>Maryam Teschke-Panah, Development Advisor</td>
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<td>Matthew Rycroft, EU Director</td>
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<tr>
<td>Michael Moore MP, UK Shadow Secretary of State for International Development</td>
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</tr>
<tr>
<td>Mikaela Gavas, EU Project Lead &amp; Research Associate</td>
<td>Overseas Development Institute, UK</td>
</tr>
<tr>
<td>Myles Wickstead, Visiting Professor &amp; former Head of Secretariat to the Commission for Africa</td>
<td>Open University</td>
</tr>
<tr>
<td>Nick Roseveare, Chief Executive</td>
<td>BOND</td>
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<td>United Nations Development Programme</td>
</tr>
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<td>EEPA Representative</td>
</tr>
<tr>
<td>Olivier Consolo, Director</td>
<td>CONCORD</td>
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<td>Paul Valentin, Vice-Chair of BOND and Head of International Department</td>
<td>BOND &amp; Christian Aid</td>
</tr>
<tr>
<td>Peter Dun, Adviser, Bureau of European Policy Advisers (BEPA)</td>
<td>European Commission</td>
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<tr>
<td>Philippe Chedanne, Head of Division, External Relations &amp; Communication Department</td>
<td>Agence Française de Développement, France</td>
</tr>
<tr>
<td>Pierre Jacquet, Executive Director of the Strategy Department and Chief Economist</td>
<td>Agence Française de Développement, France</td>
</tr>
<tr>
<td>Pieter Jan Kleiweg, Head of External Affairs</td>
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</tr>
<tr>
<td>Richard Manning, Former Chairman of the OECD Development Assistance Committee</td>
<td></td>
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<tr>
<td>Richard Schiere, Senior Economist</td>
<td>African Development Bank</td>
</tr>
<tr>
<td>Rutger Hopster, Senior Policy Advisor, Europe Department</td>
<td>Department for International Development, UK</td>
</tr>
<tr>
<td>Simon Maxwell, Director</td>
<td>Overseas Development Institute</td>
</tr>
<tr>
<td>Staffan Carlsson, Swedish Ambassador</td>
<td>Embassy of Sweden</td>
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<tr>
<td>Tamsyn Barton, Head of Europe Department</td>
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Annex 3: The Evolution of EU Development Cooperation – Conference Paper

The Evolution of EU Development Cooperation:
Taking the Change Agenda Forward
Conference Paper
20/04/09
Mikaela Gavas

Overseas Development Institute
111 Westminster Bridge Road
London SE1 7JD
UK
Tel: +44 (0)20 7922 0300 Fax: +44 (0)20 7922 0399
www.odi.org.uk
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Thanks are due to Simon Maxwell, Director of the Overseas Development Institute, for his invaluable comments and editorial contribution. Thanks are also due to Geraldine Baudinville, Research Fellow at the Overseas Development Institute for her input.

Disclaimer: The views presented in this paper are those of the authors and do not necessarily represent the views of ODI.
1. Introduction

This is a momentous year for EU development cooperation.

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

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

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

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

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

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

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

"In the most simple case, the recession will prove to be sharp but short, and will leave untroubled a development model which has been strongly focused on the benefits of rapid globalization. The development model will also prove to be consistent with plans to tackle climate change and other long term challenges. Business-as-usual may need to be modified slightly but will resume in fairly short order. Does this seem likely? At the time of writing, not very.

An alternative is then needed, one that is: principled in its approach to policy, based on sound analytics; and robust in the face of uncertainty. The demands of the current crisis will be considered in this alternative, alongside the long term business of achieving inclusive and sustainable development. To be successful, the alternative will need to engage the public in both North and South, and offer a development "story" with new resonance and new ambition."

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

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

---

1 Overseas Development Institute, March 2009.
3 Eliminating World Poverty: Building Our Common Future, Department for International Development, March 2009
particular mix of principles, policies and programmes, Europe has much unrealised potential.

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

\[4\] A six-point plan for reforming EU aid, Simon Maxwell, Europe’s World, Autumn 2008
3. Continuing challenges to EU development cooperation

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

Table 1: The evolving framework of European development cooperation

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

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

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

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

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

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7 Joint Statement by the Council, the European Parliament and the Commission on European Union Development Policy: "The European Consensus", November 2005
c. Pillar coherence/decision-making

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

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

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>ODA as % of total EU 15 GNI</th>
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<tr>
<td>2006</td>
<td>0.43%</td>
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<td>2007</td>
<td>0.39%</td>
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<td>2008</td>
<td>0.42%</td>
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<td>2010</td>
<td>0.56%</td>
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<tr>
<td>2015</td>
<td>0.70%</td>
<td>13%</td>
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4. Opportunities for change

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

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

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

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

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

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

A. Institutional architecture

A1. Decision-making
In June 2002, in a bid to rationalise Council formations, the European Council decided to dissolve the Development Council and incorporate development cooperation and humanitarian issues into a General Affairs and External Relations Council (GAERC). The former Development Council had a number of strengths. It gave policy momentum and instigated sectoral policies. It provided a formation for ensuring greater complementarity and coordination between Community and Member State policies. It was an essential forum for technical debates or discussion of vexed issues.

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

Under the Lisbon Treaty, the GAERC will be split into two bodies, the General Affairs Council and the Foreign Affairs Council. In which forum will development cooperation be discussed? There are three options:

1. Integrate development cooperation into the Foreign Affairs Council, chaired by the High Representative;
2. Integrate development cooperation into the General Affairs Council, chaired by the rotating presidency;
3. Reinstate a separate Development Council, chaired by the rotating presidency.

Option 1 lends itself to more coherent policy-making where development would be discussed as part of an external relations agenda. One could imagine a discussion on EU-Africa issues that would address all dimensions – development, trade, political and security. The more intensively the Foreign Affairs Council deals with policy coherence, the more the Committee on Development Cooperation (CODEV) as its preparatory body on these matters is obliged to concentrate on policy coherence matters. However, without a strong vision of EU foreign policy based on sustainable development and human security, the status of development cooperation would be put at risk.
Option 2 achieves little for coherence or development cooperation. It would only serve to give the rotating presidency more weight.

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

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

A2. Organisational structure
Many of the Member States have attempted to use organisational restructuring as a mechanism for increasing the effectiveness of their programmes and improving coherence. Because of the uniqueness and peculiarities of the EU, the experience of other countries cannot be applied directly but there are lessons that can be learned.

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

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**Figure 4**

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

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

**What set-up would apply the above principles and aims?**
Examples of national configurations offer the following:
- Integrated Ministry of Foreign Affairs
- Development Cooperation Directorate within the Ministry of Foreign Affairs
- Policy Ministry with separate Implementing Agency
- Autonomous Aid Agency
- Multiple Ministries with separate Implementing Agency
Various configurations are possible, including hybrids of the models above. But, what set-up would best apply to the EU?

**Model 1: DG International Development**

One possibility would be to create a new enlarged DG International Development in the Commission with a broad mandate, managing relations with all developing countries and all aspects of the programme cycle. It would unite geographic desk officers for the ACP, Asia, Latin America and the Neighbourhood with EuropeAid and ECHO. Headed by an International Development Commissioner, it would:

- Formulate policy for all developing countries
- Manage all aspects of the programme cycle in the ACP, Asia, Latin America and the Neighbourhood
- Manage identification, appraisal, implementation, monitoring and evaluation of all development assistance
- Instruct Delegations on all facets of country programming – Country Strategy Papers, Regional Strategy Papers, mid-term reviews, end-term reviews etc.
- Manage the European Development Fund (EDF), the Development Cooperation Instrument (DCI), Humanitarian Aid Instrument (HAI) and the European Neighbourhood and Partnership Instrument\(^6\) (ENPI)
- Lead policy dialogue with third countries

**Model 2: DG Development Policy & Implementation (DPI), DG ECHO & the EEAS**

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

**Model 3: DG Development Policy, Programming & Humanitarian Aid (DG Devecho), DG Implementation (DG EuropeAid), DG Neighbourhood & Enlargement & the EEAS**

A third option would split the political functions and the programming functions of current geographic desks. Development policy-making and programming in Sub-Saharan Africa, the Caribbean, the Pacific, Asia and Latin America would come together in a new DG Devecho, together with ECHO. DG Devecho would be headed by a Development & Humanitarian Aid Commissioner. DG Development would:

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\(^6\) EC assistance is provided under the ENPI to the following countries: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestinian Authority, the Russian Federation, Syria, Tunisia, and Ukraine
- Manage development policy formulation and programming in the ACP, Asia and Latin America
- Manage the DCI, the EDF and the HAI
- Instruct Delegations on country programming
- Lead thematic policy dialogue and participate in political dialogue with partner countries

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

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

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

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

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

Model 2 would facilitate a coherent EU approach towards partner countries but not driven by development concerns. It runs the risk of creating a negative impact on
poverty focus. The programme cycle would be split with less direct links between policy, programming and implementation. The quality of programming would most likely be adversely affected and this will impact implementation. This could lead to rivalry and mixed messages. ECHO would remain separate at the cost of linking relief, rehabilitation and development. The voice of development in the Commission would be weakened and the Development Commissioner would be seen as a mere technician.

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

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

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

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

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

A4. Accountability
The double-hatted arrangement of the High Representative/Commission Vice President which combines in one person Council and Commission responsibilities, moves away from the separation of institutional powers underlying the original Treaties. Accountability of the High Representative and the EEAS to the different institutions will be important:

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

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

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

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

\textsuperscript{11} Draft report on the annual report from the Council to the European Parliament on the main aspects and basic choices of the Common Foreign and Security Policy, Motion for a European Parliament Resolution, Reporteur: Jacek Saryusz-Wolski MEP, 14/3/2008
B. Financial arrangements

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

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

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

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

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

Concerns have been raised, however, in relation to the continuation of the principles
of the Cotonou Partnership Agreement if budgetisation becomes a reality. The ACP
side point in particular to the risk of abandoning co-management (i.e. the synergy of joint EU-ACP financial cooperation – joint programming, joint assessments, joint solutions).\textsuperscript{12} Aid predictability and the ring-fencing of EDF funding for the ACP is another main concern.

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

\textsuperscript{12} Official Journal of the EU, C272/39, 3 November 2005.
6. Making it happen

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

Institutional and budgetary reforms in 2009 and 2010 are an opportunity. But they are also a challenge. They can be no more than a contribution to more effective external actions. Even more important will be a determination among Member States to make the new arrangements work.
## Annex 1: Organisational changes proposed by the Lisbon Treaty

<table>
<thead>
<tr>
<th>Proposal</th>
<th>Role</th>
<th>Benefits</th>
<th>Decisions to be made</th>
</tr>
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</table>
| "Double Hatted" High Representative | - Vice President of Commission  
- Chairs Foreign Affairs Council  
- Conducts CFSP as mandated by the FAC  
- Coordinates all external policy | - Ends duplication between the High Representative and the Commissioner for External Relations  
- Ends the problem of an individual Member State representing the EU with third countries | - Function and structure  
- How the High Representative will work with the President of the Commission, the President of the Council and the Member States  
- Extent of authority over Commission resources |
| External Action Service | - Reports directly to the High Representative  
- To comprise staff from the Commission, Council Secretariat and seconded staff from the Member States  
- Heads of EU Delegations to report directly to the High Representative | - Brings together Council Secretariat and Commission desks to end and duplication  
- Gives the High Representative more staff capacity  
- Should improve external policy coherence  
- Should bring together the full range of EU conflict prevention, crisis management and post-conflict institution-building tools  
- Allows for the creation of single EU missions with ability to coordinate EU policy in country  
- Should support cooperation with the Member States, from whom it should import significant expertise, and consultation and joint-working among the EU's external representatives | - Function and structure  
- The status of the EAS (An 'Office' like OLAF; an 'EU Body/Agency' like the European Environment Agency, or a 'quasi institution' like the Committee of Regions or ECOSOC)  
- The exact number and balance of EAS staff between the Commission, Council Secretariat and the Member States  
- How the EAS will be financed  
- What resources will be available to the EAS  
- Political and management culture  
- Role of the European Parliament in the EAS [The European Parliament will have scrutiny rights over what constitutes the EAS' administrative budget] |
| Split GAERC into General Affairs Council (GAC) and Foreign Affairs Council (FAC) | - FAC to be chaired by High Representative  
- GAC chaired by rotating presidency | - Separates European Council preparation from Foreign Affairs discussions  
- Should ensure coherence of all external actions  
- Should ensure coherence of the EU's message towards third countries | - Development, trade and other external policies to be included in or separated from the FAC - Separate Development Council?  
- What role for Foreign Ministers in the FAC  
- Who to chair the FAC in the absence of the High Representative |
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Annex 4: Speech by Gareth Thomas, UK Minister of State for International Development

Very pleased to be here.
It was excellent to hear the speeches last night that really set the tone for our discussion today.
My thanks to Simon Maxwell, Gunilla Carlsson and Koos Richelle for starting this event with such thought provoking observations.
And to our French colleagues who started this process in December.

This room houses an impressive amount of knowledge and determination on improving the EU’s impact on international development.
Our purpose for today should be:
to reach agreement on some practical steps we can take during 2009;
and to think of ourselves a group of people who will make sure they are taken.

As we look ahead to the European Parliament elections in June;
the appointment of a new European Commission;
the potential final ratification of the Lisbon Treaty;
and the results of the EU’s fundamental budget review,
we observe how crucial this year is for setting the agenda for future EU development cooperation.

These are opportunities for further improvements in effectiveness,
but it goes without saying that they come in the context of severe threats to development.
I do not need to repeat the analysis presented last night and elsewhere that developing countries are suffering profoundly from the impact of the financial crisis.

I was recently in Zambia, where the Luanshya Copper Mine has been closed, threatening the livelihoods of some 100,000 people.
We know too that diamond workers who have lost their jobs in Gujarat are withdrawing their children - girls in particular - from school, as they can no longer afford the cost.
Our efforts to achieve the Millennium Development Goals are now doubly important.
Just one example of our joint approach: the EC and DFID are working together in support of the Indian Government’s efforts to deliver universal elementary education.
This has helped to halve the number of children out of school; recruit an additional 100,000 teachers; and construct more than 75,000 new school buildings.

Maintaining the support for such activities amongst our electorates in Europe is now even more vital and, potentially, even more difficult. So we should applaud the steps that world leaders took at the G20 Summit in London earlier this month.

These included a commitment to make available an additional $850 billion through the International Monetary Fund and multilateral development banks to support developing counties; To provide $250 billion to halt the slow-down in trade finance; And to ensure the economic recovery is green and sustainable.

The EU played a strong role in agreeing a package to deal with the financial crisis inside its borders. We want it to play an equally strong role in addressing the effects of the crisis on poorer countries. The Commission has set out concrete proposals in the ‘April package’ - its annual proposal for action on development. We will be working with our Member State colleagues to ensure this is translated into a significant EU-wide agreement at the Development Ministers’ meeting in May.

As the world’s largest provider of aid; the world’s largest single market; and the most significant trading partner for developing countries; the EU is central to the economic recovery and central to development.

So how can the EU build on the improvements it has made to its ability to reduce poverty in poorer countries? I would like to set out three areas:

**Firstly**, if ratified, the Lisbon Treaty provides opportunities for the EU’s external actions to be much more coherent, making full use of the range of levers at its disposal.

**Secondly**, the Community’s aid should be managed in a much more consistent way for the purpose of poverty reduction, with a strong voice for development in the new Commission.

**Thirdly**, the EU should build on its leadership role in trade, climate change, and peace and security, to bring about lasting change for poor people across the world.
Firstly, on Lisbon.
Of course, we do not yet know whether the Treaty will be ratified and do not want to prejudge this. However, if ratified it does offer opportunities to improve the way the EU interacts with other countries, including the poorest. The creation of a High Representative tasked with implementing policies agreed by the Council of Ministers, and being a member of the Commission, should lead to more effective decision-making. And the establishment of an External Action Service should mean better and more coherent policy advice.

Secondly, on the new Commission.
Despite recent improvements in delivering aid, the current Commission structure creates challenges to a joined up approach for development. The fragmentation across regions and between policy and implementation reduces effectiveness. We would like to see a strong voice for development by bringing together responsibility for programmes in Latin America and Asia together with those in Africa, Caribbean and Pacific – under the auspices of the new Development Commissioner. And we would like to see an acceleration in the process of decentralising decision-making to delegations in developing countries – helping to ensure policies always reflect the needs on the ground.

Thirdly, on wider policies.
The Development Commissioner also needs a strong role in ensuring consistency between the Commission’s development aims and its wider objectives. The G20 agreed a strengthened political commitment against protectionism. We need to build on that commitment and work towards a renewed effort on the Doha Development Agenda. We also need to ensure our Economic Partnership Agreements are flexible enough to allow developing countries to set the pace for opening their markets.

I would like to pause on the role of infrastructure in encouraging trade and overcoming the downturn. Earlier this month, alongside Europe’s Trade Commissioner Cathy Ashton, I attended the North South Corridor conference in Zambia – raising funds to support regional integration and reduce transport costs across Southern and Eastern Africa. The EU, particularly the Commission, has played a great leadership role in providing support for infrastructure.
At the conference, I jointly announced with the EC, World Bank and AfDB 1.2 billion dollars of finance in support of the North South Corridor project. I hope to continue to work with the Commission and other partners to really get this off the ground.

The EU has also been a leader in climate change policy. It has a forward position on reducing greenhouse gas emissions, has set up the Emissions Trading Scheme, and is the largest provider of finance for tackling climate change. Gunilla Carlsson has provided a great deal of personal leadership on adaptation in her Commission on Climate Change and Development. The EU should now identify concrete mechanisms for the international community to generate additional finance.

The EU is known for its work in fragile states, with its global presence and ability to use a range of levers to prevent conflict and build peace. This includes its work in support of peacekeeping missions, election monitoring, and building capacity for regional organisations to maintain stability. But these levers could be much better coordinated to give the EU the greatest possible development impact.

**Conclusion**

Which takes us back to the key issue for this conference: how can the EU best structure itself for maximum impact on the Millennium Development Goals.

Europe makes a difference when we work together. And the EU has the power to make a real contribution to development on a global scale. I hope we can collectively seize this challenge.
The Evolution of EU Development Cooperation: Taking the Change Agenda forward

28 April 2009

Conclusions from Ermenonville: European Aid Architecture – Opening the Debate

Jean-Michel Debrat
Deputy Director General
Agence française de Développement

Conclusions of Ermenonville Seminar – 5 axes of debate

1. The sense of urgency and arguments in favour of European development cooperation
   - Europe world’s largest donor vs. low visibility of European aid
   - Current economic crisis: the risk of both budget contraction and public opinion’s rejection.
   - Risks vs. opportunities to push development issues to the top of the international agenda. What role can Europe play?
     ➔ sense of urgency

2. The political aspects of European development cooperation
   - Dispersion of 27 + 1 vs. the different partners other hand
   - Issues at different levels:
     - policy definition
     - institutional level
     - implementation/evaluation
     - actors

3. Greater coherence for more effective action
   - Policy statements on complementarity, the division of labour etc. come up against operational constraints.
   - Lack of vision that leads to the implementation of inappropriate and redundant structures.
   - Proposals need to be put to the new Commission and the new European parliament in terms of overhauling the existing mechanisms

4. Collaborative practices: using private banking process
   - In view of the number of actors, tools and the complexity of structures, the balance of the European model must be based on the collaborative model
   - Code of Conduct on Division of Labour must be implemented in a practical manner for delegations of funds and co-financing mechanisms and definition of comparative advantages.
5) Europe for Development: A platform to mobilise citizens

- Europe’s citizens are interested in development cooperation and want to be more involved in international solidarity.
- Paris Agenda remains mostly limited to relations between central governments.
- Also include all the other democratic and decentralised actors, society to society cooperation, more emphasis on development education

Thank you very much for your attention!

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Annex 7: Mikaela Gavas - The Evolution of EU Development Cooperation

The Evolution of EU Development Cooperation

Mikaela Gavas

From Chateau d’Ermenonville …

Issues identified:
- Building the case for European development cooperation
- Is there a common vision for EU development cooperation?
- Incoherent development architecture and tools
- The need for a culture of collaboration and practical collaborative mechanisms
- Communicating and raising awareness of EU development cooperation

Continuing challenges

Substantial improvement in EU development cooperation, but problems with:
- Policy coherence
- Institutional coherence
- Pillar coherence & decision-making

Other long-term challenges include …

… to One Whitehall Place

Practical actions:
- Building a common vision for EU development cooperation
- Redesigning the EU’s institutional architecture
- Promoting coherence and practical collaborative mechanisms

… The gap between Member State aid commitments and financial means

percentage of EU15 GNI, actual 2008, forecast 2010, target 2015

Source: OECD DAC figures for 2008
... The share of European Community aid going to low income countries

![Graph showing the share of European Community aid going to low income countries from 2000 to 2007.](image)


... The relative decline of the European Commission as a donor

![Graph showing the relative decline of the European Commission as a donor.](image)

ODA as a percentage of total EU 15 GNI and percentage of total EU 15 ODA managed by European Commission compared

- 0.43% 0.39% 0.42% 0.56% 0.70%
- 2006 actual 2007 actual 2008 actual 2010 target 2013*

*Percentage at end of current Financial Perspectives


... The relevance of the ACP as a group and the desire to treat Africa as a whole

![Map showing the African continent.](image)

A crucial year for change

A development vision for the organisation?

1 July: Swedish Presidency – Contingency plans for Lisbon & Nice scenarios for Commission

4-7 June: European Parliament elections

Oct: Expected date of 2nd Irish referendum on Lisbon

18-19 June: European Council – Election results & possible Commission mandate extension

5-6 Nov: Delayed European Council – Irish referendum results & plans for new Commission

New European Parliament

New European Commission

New EU Treaty?

Fundamental review of the EU budget

- An organisation that promotes coherence of EU external action and instruments as they affect developing countries
- An organisation that offers a consistent approach in all developing countries
- A strengthened voice and high political visibility for development across the EU
- A set-up that gives clear messages and links policy with actions
- A set-up that minimises duplication, reduces transaction costs and cuts red tape
- A development budget focused on reducing poverty in developing countries

Timeline of EU decisions

- An organisation that promotes coherence of EU external action and instruments as they affect developing countries
- An organisation that offers a consistent approach in all developing countries
- A strengthened voice and high political visibility for development across the EU
- A set-up that gives clear messages and links policy with actions
- A set-up that minimises duplication, reduces transaction costs and cuts red tape
- A development budget focused on reducing poverty in developing countries
To what extent does the current EU external relations structure promote the vision?

It’s rather complicated ...

Model 1: ‘DG International Development’

Model 2: ‘DG Development Policy & Implementation’ (DG DPI)

Model 3: ‘DG Development Policy, Programming & Humanitarian Aid’ (DG DEVECHO)

Which model for the vision?

The vision

- Coherence of EU external action and instruments as they affect developing countries
- A consistent approach in all developing countries
- A strong voice and high political visibility for development across the EU
- A set-up that minimises duplication, reduces transaction costs and cuts red tape
- A set-up that gives clear messages and links policy with actions
- A development budget focused on reducing poverty in all developing countries

Current Model 1 Model 2 Model 3

- ✔
- ✔
- ✔
- ✔
- ✔
- ✔
Organisational Coordination

The RELEX Family

Commissioner Level
- High Rep/Commissioner [DG Trade]
- Commissioner [DG Enlargement & Neighbourhood]
- Commissioner [DG Development, DG ECHO]

Director General/Director Level
- DG Trade
- DG Enlargement
- DG Neighbourhood
- DG Development
- DG EuropeAid
- DG ECHO

Making it happen
Annex 8: Letters to Gunilla Carlsson, Swedish Minister for Development Cooperation

Dear Gunilla,

Congratulations on assuming the EU Presidency. If you do one thing before December it should be:

1. Implementation of the EU Code of Conduct. This only needs ‘good will’ coming from the EC delegations and Member States present in partner countries. That’s all, no other political decision, no other decisions coming from Brussels …

2. Ensure a strong political voice for EU development cooperation and the translation of the principles on development in the Lisbon Treaty into practical structures.

3. Make clear to your peers in Europe that there is a huge difference between
   • Coherence for development among EU policies
   • And consistency of European Foreign Policies
   The first one (only, but not alone) will make it possible for Europe to deliver development goals.

4. Promote a true European vision of joint development assistance, including all 27 Member States and the Commission. A useful first step could be to get the Commission to prepare a report on the aggregated actions and inputs of this still ‘accidental’ European system of development policies. Such a report could be discussed in the European Parliament, with the objective of defining what a common European vision and strategy could be.
   Why a new report?
   • Because no one knows what the EU (27+1) actually does in terms of development assistance
   • This is the best way to expose redundancies, shortcomings, and ineffectiveness.

5. As much as possible – fight with your allies (UK, Germany, etc) for the ‘existence’ of a ‘separate’ Development Commissioner. Otherwise Development Cooperation will wither away in ten years time. I also have a question. If the new Commission is going to manage ACP + ASIA + L. AMERICA, don’t you think it will be too much to manage and coordinate? But if you think that the above is not a problem, don’t you think that politically it makes more sense to add the Mediterranean countries?
Also I would like to participate in the European Development Days in October!

6. Ensure that global economic climate, population, trade ... all development issues are one essential and structural policy, which has to define equitable and sustainable partnership between Europe and the Less Developed Countries. And this policy is a responsibility in itself, which has to be assumed by a strong commissioner and organised in an integrative scheme.

7. Sort out the inconsistencies in the EU institutional architecture, in particular the fragmentation in the European Commission, and the overlapping of a number of instruments – in particular in relation to Africa, where the relationship between the Joint Africa – EU Strategy, the Cotonou agreement and the EDF, and the ongoing EPAs (and the different financing instruments: EDF, DCI, ENPI...) is completely unclear. Please ensure policy coherence for DEVELOPMENT!

8. Try and ensure that the member states agree more closely on what the goals of EU aid should be – and by extension what they expect of the European Investment Bank.

9. Establish a high level and broadly-based commission on promoting effective sustainable development through the EC budget and EDF (whether merged or not) in the period of the next Financial Perspective (from 2013). The aim would be to have a robust analysis to influence the key decision needed in 2012. I am part of the group led by Michael G. looking at external leading programmes of the EIB. We are due to report early 2010. Happy to liaise about this if you wish.

10. A strong reaffirmation of the European Consensus on development as a basis for justifying the centrality of development in EU policy agendas AND the basis for global collective action on increasingly shared global challenges, with a clear mandate for the EU to partner 'as one' (this is the One EU agenda) in global fora alongside the UN, the IFIs and the African Union and regional bodies.

11. Reach a concrete plan both on how to implement the Lisbon Treaty to maximise the EU's effectiveness on development, but also on how to survive if the Lisbon Treaty does not enter into force.

12. Nurture and support the space for continued focus on the centrality of principled development policy within the new institutional architecture including – in this debate = civil society actors and parliamentarians in order to ensure supporting consensus in relation to the outcomes.

13. The EU should propose a climate financing package for developing countries that is adequate in scale and effective in shape/model!
14. Increase the dialogue between the EU and Members States with new actors (climate etc, civil society, private sector) and redefine a broader understanding of sustainable development for all. Also be clear in European values included in global development issues.

15. Before handing over to the Spanish presidency please make sure that Member States think more about Brussels, delivering as one on behalf of the EU, and that we coordinate more with one another for EU and EC added value.

16. Engage Southern partners in a serious policy discussion on their priorities. From their point of view, climate change, democracy or human rights on policy coherence are not major priorities. I expect migration management, partnerships, for example, to be much more important.

17. The reforming of the EU development cooperation should be seen / done in the light of its broader role, responsibilities and interest in the reform of the global multilateral architecture. This goes beyond development to key aspects of economics, finance and peace and security. Also, the focus thus far on PCD is on external action. Tremendous scope exists within the Community pillar to influence development, requiring a strong college of commissioners and processes that prioritize development objectives.

18. First of all need an approach to making the EU and China complementary in their aid to Africa.

19. Promote a true political debate and political steer in the creation of the External Action Service, in the case of ratification. The EAS is not a technical/organisational issue, it decides over the course of the EU role with the world for many years. The political debate must be inclusive, in order to develop a EU vision for the EU’s role in the world.

20. See to it that at least 2 senior development experts/officials will be part of the cabinet of the new high representative / vice-president of the commission.

21. Promote the idea of Europe and European development policy, improving its image, so that people see its positive aspects rather than the sometimes cumbersome coordination and institutional ‘chaos’.

22. The following in your presidency:
   - Actual effectiveness at country level
   - Country ownership
   - Avoid protection in banks’ recapitalisation (i.e funds can be channelled to African Banks)
   - Ensure voice as Africa in global governance architecture
23. Champion the case for a powerful single development commissioner responsible for ACP and Asia and Latin America and for development policy, programming and implementation.

24. Team up the at times diverging silos within the EU and initiate fundamental reforms in the complex and ineffective multilateral aid architecture.

25. Change the aspirations for policy coherence for development into robust structures for the long term.

26. Build mechanisms to ensure greater coherence within the Commission on development-related issues, and greater harmonization between the Commission and the member-states.

27. Have EU development cooperation pay more attention to development in the developing countries rather than focus only on EU internal issues.

28. My proposal for you in the busy time through to December would be to improve the transparency of who spends what and where so that at the very least we can understand the level of co-ordination and cooperation. Make it straightforward (if not simple) for citizens, not just politicians and technocrats to understand.

29. Look for a better coherence and co-ordination between the EU Development Agencies including the EC – Development Activities. EU could be the strongest support for developing countries of the world!

30. Move swiftly on the policy coherence front; link a review of the CAP to a serious effort of realising significant resources to address the multiple crises of climate, food, the economy etc.

31. Make sure that EC programming is done by the Commission, with input from the High Rep. and not the other way around.

32. Re-establish a strong EU Presidency leadership on policy coherence for development in these times of crises.

33. To ensure that Development Ministers and other key stakeholders can meet to determine better structures and mechanisms for EC development from 2010.

34. Bring together foreign ministers and development ministers from member states to form a strategic discussion on the role of one development commissioner and his/her interaction with the ‘High Representative’ / the emerging European foreign minister.