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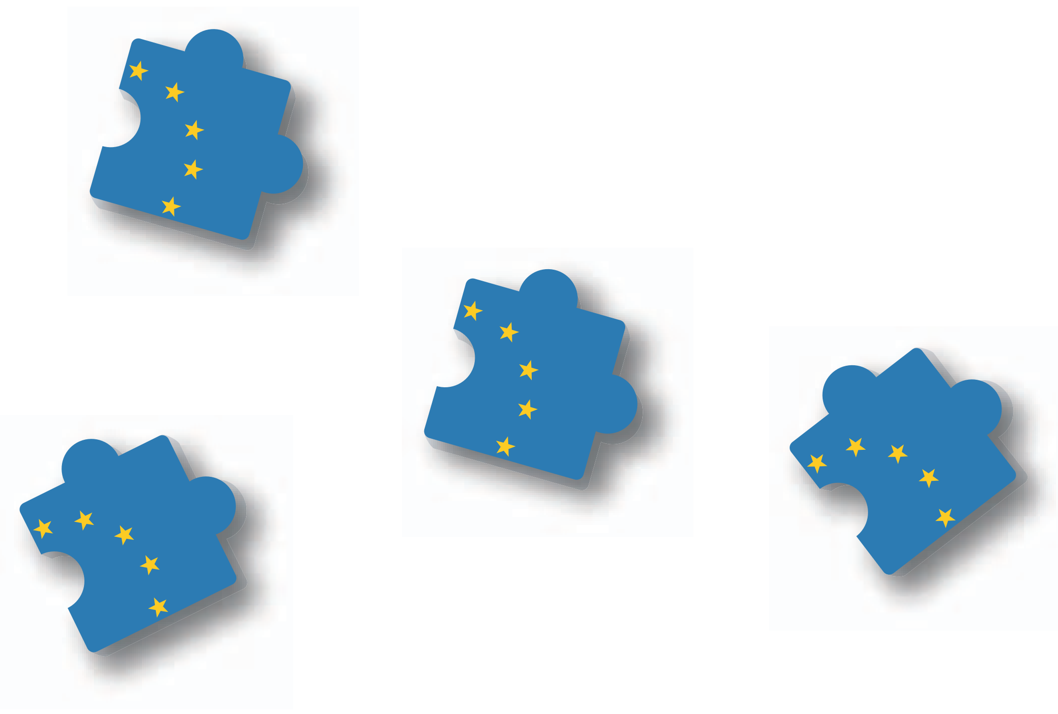
A development perspective

The European Community's External Actions



The European Community's External Actions

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by Anders Berlin and Nils Resare

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Foreword

The desire of the EU to play a more prominent role on the international scene is reflected in all policy areas and not least in development cooperation. More than half of world official development assistance (ODA) is contributed by the member states of the European Union (bilateral programmes and the Community assistance combined). The European Commission, which is responsible for managing the Community's assistance on behalf of the member states, provides 9–10 billion euros per year—some 20 percent of total European development assistance or around 10 percent of world ODA.

A central theme in Sweden's government bill on "Shared Responsibility – Swedish Policy for Global Development" is that bilateral and multilateral cooperation should be integrated and that Sweden should increasingly act in collaboration with the EU and multilateral institutions. The bill also states that the Swedish Government shall continue to play a leading role in efforts to improve the quality and effectiveness of the Community development cooperation.

In several areas of work the Community has undoubtedly definite comparative advantages and serves as an important complement to our bilateral cooperation. The Community development programmes have often been criticised for being slow and ineffective but reforms have been undertaken and are starting to show results. Whatever the case may be, Community assistance is a vital part of Sweden's own development cooperation. It is our responsibility and obligation to contribute to the achievement of results and effective performance.

Nevertheless, relatively few Swedish development professionals seem to be more than vaguely familiar with the Community's assistance. It is obvious that in order to be able to exert influence and engage in policy discussions with the Commission in Council working groups and other forums it is necessary to understand the rather complex set-up of the Commission, the role of the member states, the decision-making processes and the powers at play. This book has been written to contribute to such understanding and to spur an interest in the Community's assistance, primarily among Swedish development professionals in Sida, the Ministry for Foreign Affairs, Swedish embassies, as well as NGO's and consultants interested in working with the European Community.

The Community assistance would be described in different ways by different people. This book represents one picture of the way the Community assistance works; there may be other interpretations depending on the frame of reference of the observer. The main author, Anders Berlin, is a Sida professional who served as a national expert in the Commission (Directorate General External Relations) in 2002–2004. Nils Resare, a development journalist, has contributed some case studies to illustrate how the Community's external action can work in practice. Finally, it should be pointed out that the views expressed in the text are those of the authors and do not necessarily reflect the official views of the Swedish Government or Sida.

The text was completed in mid-2005. As the EU and Community assistance are undergoing constant evolution, facts, figures and processes will change in the course of the coming months and years. Nevertheless, it is our hope that this book will continue to contribute to an understanding of Community assistance for the next couple of years.

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Multilateral Coordination

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Acronyms

ACP	Africa, the Caribbean and the Pacific
ALA	Asia and Latin America
APRODEV	Association of the 17 development and humanitarian aid organisations in Europe, which work closely together with the World Council of Churches
ASEAN	Association of Southeast Asian Nations
ASEM	Asia–Europe Meeting
CAP	Common Agricultural Policy
CARDS	Community Assistance for Reconstruction, Development and Stabilisation (Balkans)
CFP	Common Fisheries Policy
CFSP	Common Foreign and Security Policy
CONCORD	European NGO Confederation for Relief and Development
COREPER	Committee of Permanent Representatives
CRIS	Common RELEX Information System
CSP	Country Strategy Paper
DAC	Development Assistance Committee (OECD)
DCECI	Development Cooperation and Economic Cooperation Instrument
DEVGEN	Working Party on Development Cooperation
DG	Directorate-General
DG DEV	Directorate-General for Development
DG ECFIN	Directorate-General for Economic and Financial Affairs
EBA	Everything But Arms
EC	European Community
ECHO	European Community Humanitarian Office
ECSC	European Coal and Steel Community
EDF	European Development Fund
EEC	European Economic Community
EIB	European Investment Bank
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
EP	European Parliament
EPA	Economic Partnership Agreement
ESPD	European Security and Defence Policy
EU	European Union
EUR	Euro
EuropeAid	The European Community's aid implementation agency
Eurostep	Network of 15 major NGOs from 12 European countries

FP	Financial Perspective
FPA	Fisheries Partnership Agreement
FTA	Free trade area
GAERC	General Affairs and External Relations Council
GBP	Gross domestic product
GNP	Gross national product
GNI	Gross national income
GSP	Generalized System of Preferences
HIPC	Heavily-indebted poor countries
IDEAS	International trade, Development, Economic governance, Advisory Services
IPA	Pre-Accession Instrument
IQSG	Inter-service Quality Support Group
LAC	Latin America and the Caribbean
LDC	Least developed country
MDG	Millennium Development Goal
MEDA	Middle East and North Africa Programme
MEP	Member of the European Parliament
MFA	Ministry for Foreign Affairs (Sweden)
Mercosur	Mercado Común del Sur (Southern Common Market, cooperation between Argentina, Brazil, Paraguay and Uruguay)
MTR	Mid-term Review
NGO	Non-governmental organisation
NIP	National Indicative Programme
OA	Official assistance
OCT	Overseas Countries and Territories
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PCA	Partnership and Cooperation Agreement
Phare	Programme for Eastern Europe's emerging economies
PRSP	Poverty Reduction Strategy Paper
QMV	Qualfied majority voting
QSG	Quality Support Group
RELEX	External relations (Relations extérieures)
RSP	Regional Strategy Paper
SAA	Stabilisation and Association Agreement
SAARC	South Asian Association for Regional Cooperation
SADC	Southern African Development Community
SAK	Swedish Committee for Afghanistan
SAP	Stabilisation and Association Process

SEK	Swedish kronor
Sida	Swedish International Development Cooperation Agency
STABEX	Funds to mitigate losses from exports
SWAp	Sector-Wide Approach
Tacis	Programme for the republics of the former Soviet Union
TDCA	EU–South Africa Trade, Development and Cooperation Agreement
UN	United Nations
UNDP	United Nations Development Programme
WMD	Weapons of mass destruction
WTO	World Trade Organization

Glossary

ACP Group

The group of 77 African, Caribbean and Pacific states signatories to the 2000 Cotonou Agreement. This agreement provides for joint ACP–EU institutions: a Council of Ministers, which meets annually and brings together representatives of the signatory governments and the European Commission; a Committee of Ambassadors bringing together in Brussels representatives of the signatories at ambassadorial level; and the joint Parliamentary Assembly which meets twice a year and includes representatives of the parliaments of each of the ACP states and an equal number of members of the European Parliament. These institutions are supported by a secretariat based in Brussels and financed by a contribution from the European Community.

Council of the European Union (normally called the Council)

Located in Brussels, this European Community institution (formerly called the Council of Ministers) is the forum for the member states in the overall governance of the EU, and has the right of decision on policy (although this is shared increasingly with the European Parliament). One of the member states takes the Council Presidency, a responsibility which rotates every six months. It works through different working parties, including one on Development. Member states send relevant ministers to the six monthly meetings. The Council also has a Secretariat which manages the business of the various permanent working parties dealing with different topics.

Court of Auditors

Located in Luxembourg, this Court has oversight over the European Community's spending, It controls the way EU money is spent and should ensure that the money is spent legally, in a cost-effective way and for the purpose intended. This includes looking at the value for money of the European Community policies implemented.

European Commission

This is the executive body of the EC and the EU. It has the right to propose policy and is responsible for the implementation and management of the Community's programmes. The College of 25 commissioners is the Board of the Commission, appointed for five years. Different terms are usually known by the Commission President's name—thus, Delors I and Delors II, Santer, Prodi and now Barroso.

European Community (EC)
Formed by the 1992 Treaty on European Union (the Maastricht Treaty), replacing the European Economic Community (EEC).

European Communities
The collective term for the European Community, the former European Coal and Steel Community (ECSC) and the European Atomic Energy Community (Euratom). The European Commission serves all three entities.

European Council
Comprises the EU heads of state and the President of the European Commission. Its meetings, twice formally (normally in June and December) and twice informally each year, punctuate the political life of the European Union. Its role is to define the political guidelines of the EU (including by treaty) and to arbitrate on difficult issues.

European Court of Justice
Located in Luxembourg, this Court checks compliance with European Community law, including on human rights.

European Economic Community (EEC)
Founded by the Treaty of Rome (1957) by Belgium, France, Germany, Italy, Luxembourg and the Netherlands. Successive enlargements brought in Denmark, Ireland and the United Kingdom (1973), Greece (1981), Portugal and Spain (1986), Austria, Finland and Sweden (1995), and Estonia, Lithuania, Slovenia, Slovakia, Cyprus, Malta, Hungary, Poland, the Czech Republic and Latvia (2004).

European Investment Bank (EIB)
This financing institution, set up by the Treaty of Rome, is not formally a Community institution. Its principal objective is to contribute to the economic and social cohesion of the Union, but funds are also set aside to contribute to the European Union's development aid and cooperation policies in developing countries by means of concessional lending.

European Parliament
Plenary sessions are held in Strasbourg. This institution has been granted further powers of consultation and co-decision with the Council of Ministers. Members are directly elected by European voters and have been particularly concerned with overseeing the European

Community budget. The Parliament has a President, elected by the members, who work through committees—one being the Committee on Development—which meet in Brussels.

European Union (EU)

The EU, formed in 1992 by the Treaty of Maastricht, is formally the association of the member states and the Community institutions established on three "pillars" (*see below*).

Institutions of the European Community

These are the Council of Ministers, the European Parliament, the European Commission, the Court of Auditors and the Court of Justice, established by the Treaty of Rome.

Official assistance (OA)

Official assistance consists of flows that meet all the tests of ODA but are directed to countries on Part II of the DAC List of Aid Recipients.

Official development assistance (ODA)

Official development assistance is defined as those flows to countries on Part I of the Development Assistance Committee (DAC) List of Aid Recipients which are provided by official agencies, including state and local governments, or by their executive agencies. It should be transactions which

1) are administered with the promotion of the economic development and welfare of developing countries as its main objective and
2) are concessional in character and incorporate a grant element of at least 25 percent.

Official languages

Within the Commission, there are three working languages, English, French and German. The Community has 20 official languages. All formal proposals of the Commission are made in the official languages.

Pillars of the European Union

The 1992 Maastricht Treaty established the three pillars of the EU. These three pillars, which form the basic structure of the European Union, are:

1) the Community dimension, comprising the arrangements set out in the European Community (EC), the European Coal and Steel Community (ECSC) and the European Atomic Energy Community (Euratom) treaties (i.e. Union citizenship, Community policies, Economic and Monetary Union, etc.) (the first pillar);

2) the Common Foreign and Security Policy, which comes under Title V of the EU Treaty (the second pillar); and
3) police and judicial cooperation in criminal matters, which comes under Title VI of the EU Treaty (the third pillar).

President of the European Commission

The 1997 Treaty of Amsterdam strengthened the role and position of the President of the European Commission. The governments of the member states currently designate the person they intend to appoint as President by common accord and the choice then has to be approved by the European Parliament. The governments then designate the persons they intend to appoint as members of the Commission, in agreement with the new President. The President lays down the broad policy lines to be followed by the Commission in its work. He also decides on the allocation of portfolios among the 24 commissioners and any reshuffling of portfolios during the Commission's term of office. Each commissioner is responsible for one or more Directorates-General, managed by a Director-General, a permanent official.

Qualified majority voting

A specified minimum number of votes required for a proposal to be adopted in the Council. Until 1 May 2004, the minimum number of votes required to reach a qualified majority was 62 out of the total of 87 (i.e. 71.3 percent). For a six-month period from 1 May 2004, when new member states joined the EU, transitional arrangements applied. From 1 November 2004, a qualified majority is reached if (a) a majority of member states (in some cases a two-thirds majority) approve and (b) 72.3 percent of the total votes are cast in favour (roughly the same share as under the previous system). In addition, a member state may ask for confirmation that the votes in favour represent at least 62 percent of the total population of the EU. If this is found not to be the case, the decision is not adopted. However, in some particularly sensitive areas such as the Common Foreign and Security Policy, taxation, asylum and immigration policy, Council decisions have to be unanimous.

RELEX Family

This includes the directorates-general for External Relations, Development, Trade and Enlargement, along with EuropeAid and the European Community Humanitarian Office (ECHO), that is the services responsible for implementing development and humanitarian assistance, respectively. Thus, while the trade instruments are exclusively under the competence of the European Community, aid instruments are implemented alongside the bilateral aid programmes of the member states. The DG for Economic and Financial Affairs (DG ECFIN) is responsible for macroeconomic policy, macro-financial assistance and budget support.

Treaties

The Treaty of Rome (1957) established the European Economic Community. The Treaty of Maastricht (1992), which established the EU, formally included development cooperation in the objectives. The treaties of Amsterdam (1997) and Nice (2001) have further refined the attention to development issues. The EU Treaty often referred to is a compilation of all the treaties, amended and updated to incorporate the successive changes introduced.

Chapter 1

The European Community: A global actor

THE EUROPEAN COMMUNITY (EC) IS A GLOBAL ACTOR. Through trade, political dialogue, and external assistance it plays an ever more important role abroad. The European Union (EU) represents more than half of world official development assistance (ODA), and the European Commission itself provides around 10 percent of total world ODA. Furthermore the European Union is the main trading partner of most developing countries and has programmes in all developing countries.

THE EU'S EXTERNAL ACTIONS have tremendous potential to influence the lives of the millions of people living in poverty around the world. Yet the European Community is perceived as a relatively timid giant in development cooperation, with the ability to integrate development issues into a wider international agenda but not always making use of its unique toolbox.

THE DESIRE TO PLAY A MORE prominent role on the international scene is reflected in all policy areas, not least in development cooperation. With this aspiration comes a responsibility to be transparent and do the right thing. There are good reasons for everyone, including the Swedish Government and the Swedish public, to see that this responsibility is carried out.

Community assistance accounts for not less than 20 percent of total European development assistance and the EC spending amounts to approximately 9–10 billion euros (EUR) per year.

Furthermore, the European Union (EU) is the main trading partner of most developing countries and has programmes in all developing countries. If member states' positions are coordinated, the EU is a powerful stakeholder in the Group of Eight industrialised countries (G8), the World Trade Organization (WTO), the International Monetary Fund (IMF), the World Bank and the United Nations (UN). The EU's external actions have tremendous potential to influence the lives of the millions of people living in poverty around the world. If it plays its cards right, the EU as a group could constitute a sound balance to other dominant powers in the field of external relations.

Yet the European Community is perceived as a relatively timid giant in development cooperation, with the ability to integrate development issues into a wider international agenda but not always making use of its unique toolbox.

With the aspiration to play a more prominent role in development cooperation comes a responsibility to be transparent and do the right thing. There are good reasons for everyone, including the Swedish Government and the Swedish public, to see that this responsibility is carried out.

There has certainly been criticism of the Community's many development assistance programmes, slow disbursements, bureaucratic procedures, programmes that are not sufficiently poverty-oriented and so on. Many of these observations have been true. However, things have changed, and compared to when Sweden became a member in 1995 Community development assistance has improved greatly, not least thanks to the reforms Sweden and other member states pressed through in the late 1990s (*for more detail, see chapter 6*).

Yet another donor in Europe

With the gradual development of the EU, Europeans also created an additional donor, the European Commission, which today manages the Community assistance. Member states contribute around 9 billion EUR annually to the development assistance programmes that are managed by the European Commission. So why should there be an additional donor, considering the many different donor activities, procedures and policies that already burden the developing countries? Guidance is given by the EU Treaty. The treaty requests that the Community's development cooperation be complementary to the development cooperation provided by the member states. The term "complementarity" implies that the Community's development assistance needs to focus on different aspects of development from those the member states focus on, or at least find areas where the Community has an advantage compared to the member states.

Adding value

What are the specific areas where the Community development assistance can add value to individual member states' efforts, as asked for in the treaties? The communication from 2000 on the European Community's Development Policy (COM 2000/212) identified six areas where the Community could add value. For some of these areas it is easy to argue that the European Community is better placed than member states to engage in development activities, but not for all.

One obvious area for the Community engagement is trade and development, where the Commission possesses exclusive competence. Another area where the European Community may have a comparative advantage is regional integration and cooperation. The history of the European Union project suggests that the European Community is well placed to assist with the establishment of zones of free trade and regional economic integration. A third area of possible comparative advantage is institutional capacity-building. Building democracy and democratic institutions is important for developing countries. Are these reasons enough to justify a common European development assistance programme?

EU coordination

It could also be argued that there is a value added in letting the Commission coordinate member states' development cooperation.

One clear characteristic of the European Commission is its distinctive role as a communal body where it increasingly takes on the responsibility of encouraging member states' actions and coordinating the EUs development programmes. However, there is no Community legal instrument that is binding on the member states in the field of development cooperation. Again, guidance can be found in the treaties, and specifically the Maastricht Treaty where the principles of the so-called three Cs are emphasised.

The three Cs refer to coordination, complementarity and coherence. The Treaty says that the three Cs should guide Community assistance and the relations between the Commission and the member states. This means that all European donors should coordinate their development assistance; they should divide the areas and try to complement each other rather than compete. Finally, they should ensure coherence with other European policy areas such as trade, agriculture and fisheries so that policies in these areas also work towards the objective of poverty reduction. The achievement of the three Cs needs all the member states' goodwill and efforts, and the natural driving force in this work could be the European Commission.

A large share to middle-income countries

Why is so much Community assistance allocated to middle-income countries? More than half, or 52 percent, of the Community development assistance goes to middle-income countries. Explanations can be found in the colonial history of Europe and in the recent development of the Union's neighbourhood.

It is also a fact that widespread poverty exists in many middle-income countries, and that the Union has long experience with many of them and a broad range of policy instruments to hand. Since no single member state has the same range of policy instruments at its disposal, there can be no doubt that the European Community has a comparative advantage in pursuing cooperation with these countries.

Sweden's interest—and obligations

Why should Sweden maintain an interest in the design and implementation of Community assistance programmes? The simple answer is that Sweden contributes around 150–200 million EUR a year to the Community's assistance programmes and therefore has a natural stake in the Commission's development cooperation.

Furthermore, every donor is striving to make its development aid more effective and to achieve an optimal mix of bilateral and multilateral aid. Clearly, aid through the European Commission has a number of advantages, for example, by offering economies of scale and reducing the administrative burden for national governments.

In Sweden's government bill on "Shared Responsibility – Swedish Policy for Global Development" of 2003 the comparative advantage of the European Community in certain areas is acknowledged. However, at the same time concerns are expressed with regard to the effectiveness of aid delivery. The need for continued reform is stressed. Sweden also raises concerns about the coherence of EU policies, especially in trade and agriculture.

Sweden has an obligation to get European Community aid right. It is a responsibility towards the world's poor and towards Swedish citizens. To initiate a broad and honest debate in Sweden and elsewhere about the Community's advantages in delivering aid is an indispensable step towards taking on this responsibility.

From colonialism to development assistance

THE PROVISION OF ASSISTANCE to poor countries was hardly the reason why the foundations of the EU were laid in Rome in 1957, but the signing of the Treaty of Rome planted the seed of what was to become one of the world's largest development assistance programmes, with projects in most low- and middle-income countries.

In 1957, much of Africa was still under colonial rule, and several European countries had important economic interests, particularly south of the Sahara, that needed protecting.

During the treaty negotiations, France, the largest of the colonial powers, tried to persuade the other five original members to include the colonies in the new cooperation plans. This would allow France to shift onto the new organisation some of the responsibility for its colonies, which had become difficult to manage, especially given the prolonged wars of liberation that were raging in countries like Algeria and Viet Nam.

However, France's attempts were in vain. After lengthy discussion, the EU's six pioneer countries agreed instead on a compromise which gave non-European regions with relations to the European Economic Community (EEC as it then was) their own chapter in the Treaty of Rome.

1957 The seed of what is to become the EU is sown in Rome

1963 The Yaoundé Convention is signed in Yaoundé, the capital of Cameroon.

1971 Trade benefits are extended to Kenya, Tanzania, Uganda and Mauritius.

1973 The UK joins the EEC and 20 or so of its former colonies are invited to enter into similar agreements as those enjoyed by the countries covered by the Yaoundé Convention.

1975 The Yaoundé Convention is renamed and new agreements are signed in the Togoan capital of Lomé (the Lomé Conventions).

1976 Agreements are signed with Morocco, Algeria and Tunisia on trade and assistance.

1977 Agreements are signed with Egypt, Jordan, Syria and Lebanon on trade and assistance.

1986 The EEC increases its assistance to Latin America as Spain and Portugal join the community.

1993 The EU and the EC are formally created with the coming into force of the Maastricht Treaty, and development cooperation is given a legal grounding.

1995 Assistance to Africa and the republics of the former Soviet Union is greatly increased through an agreement made in Cannes and the Barcelona Declaration.

2000 The Lomé Conventions are replaced by a new agreement signed in Cotonou, the capital of Benin.

As a result, trade barriers were lowered and the former colonies received development assistance. The money was, however, placed outside the regular budget in a separate fund dubbed the European Development Fund (EDF). The EDF was given its own decision-making structure.

Elements of this colonial organisation are still present to this day. Almost all countries in receipt of assistance from the EDF are former European colonies in Africa, the Caribbean and the Pacific (the ACP countries). Today, the partnership extends to 77 countries.

New winds

EEC development assistance changed in the 1960s. The winds of political change were blowing in Europe and many colonies were winning their independence as the old colonial system of rule came under widespread critical scrutiny. The EEC needed to find new ways of working with the colonies. At the same time, however, there was a degree of mutual dependence. The EEC states needed labour and cheap commodities from the colonies, and there were a great many substantial European investments in the colonies that needed protecting.

For their part, the newly formed African states were in danger of finding themselves in dire economic straits without Europe. Colonialism had rendered them very dependent on industrial products from the West and, moreover, they needed a market for their raw materials and agricultural produce.

Consequently, representatives of the EEC and 188 young African nations congregated in

Yaoundé, the capital of Cameroon, on 20 July 1963. Here they agreed on a package of measures that would ease trade for the ACP countries as well as on the provision of development assistance.

In theory, this would enable the newly independent nations to break free of their colonial legacy without losing the benefits they had obtained through the Treaty of Rome. Most of the assistance funds ended up in the francophone parts of Africa.

As more and more African countries liberated themselves, the Yaoundé Convention was revised accordingly.

The number of partnership states linked to the EEC increased further in 1973 on the accession of the United Kingdom (UK), which had two dozen or so Asian and ACP former colonies in its Commonwealth. Initially, these countries were also offered trade benefits, but it was not until 1975 that the partnership was formalised in an agreement signed in the Togoan capital of Lomé, which lifted all export duties on goods (with the exception of meat and grain) from the ACP countries to the European market.

Many new countries

The Lomé Convention also contained regulations on assistance to industry and infrastructure. In the 1970s and 1980s, a number of new countries joined the partnership, and low-income countries outside the ACP obtained trade agreements as well. Nevertheless, the main thrust of the EEC's development cooperation was, until the 1980s, towards the former colonies.

It was not until 1986, when Spain and Portugal joined the EEC, that the partnerships with the low-income countries in Asia and Latin America were formalised by what is commonly known as the ALA Regulation.

Assistance doubled

In the 1990s the European Community's development cooperation expanded in earnest. Between 1988 and 1998, assistance to developing countries more than doubled, partly as a result of the fall of the Berlin Wall and the economic crisis dogging the former communist countries. There was a desperate need for help, and the EU contributed extensive humanitarian aid to the former Soviet republics and Eastern Europe.

Meanwhile there was serious concern over developments south of the Mediterranean. Economies were stagnating and populations were surging. The need to forge closer ties with the Eastern bloc and the Southern Mediterranean region found wide acceptance in the EU.

Poor countries in Africa, Asia and Latin America also called for greater assistance from the rich world. Powerful voices in the EU also wanted to retain the links with the former colonies. In consequence, development assistance to the ALA and ACP countries rose sharply, making the European Commission one of the world's largest providers of development assistance.

Chapter 2

Many actors, many interests

THE SHIFT OF GEOGRAPHIC EMPHASIS in development cooperation over the years partly reflects the different perspectives brought by each new entrant to the EU. The many voices of Europe are heard in the European Parliament and in the Council of Ministers where the battles are fought over the directions of European Community development assistance. Moreover, the European Commission consists of several actors driving the development cooperation in different directions: there is the Directorate-General for External Relations, the Directorate-General for Development, the Directorate-General for Trade, the Directorate-General for Enlargement, the European Community Humanitarian Office (ECHO) and finally EuropeAid. Given the many strong stakeholders, the geographic scope of the Community assistance is fairly comprehensive.

THE GEOGRAPHIC DIVERSITY also reflects the changing role of development policy over time, from an aid relationship with ex-colonies to increased global trade and efforts to promote peace and stability in the neighbouring countries. The relationship with developing countries now encompasses political, commercial and humanitarian dimensions around the globe, and this has resulted in complex structures of objectives that will be outlined in this chapter. The first part of the chapter provides the reader with a "road map" to the different programmes around the world. It starts with general policies and then moves on to focus on development cooperation. The second part of the chapter discusses the policy outcome of different EU initiatives and the fact that not all EU policies always work towards the same goal.

Making laws and formulating policies

The three main actors making European laws are the European Commission, the Council of Ministers and the European Parliament.

The European Commission is responsible for initiating policy formulation as well as for the implementation of development assistance. However, this policy formulation and management role is carried out within a constantly evolving governance framework.

Historically, the Council of Ministers, where the member states are represented, has had the prime responsibility for deciding on policies, since the member states provide the resources for the general Commission budget (and the European

Box 1

EUROPEAN LEGISLATION

Treaties are the founding legal acts of the European Community and the EU. They contain the basic provisions on the European Community's objectives, organisation and modus operandi, and the bulk of its economic law.

Regulations are general legislative measures which are binding and take effect directly in the national legal order without the need for national implementation measures.

Directives are binding for a member state as to the result to be achieved but require integration into national law before becoming effective.

Decisions are measures of an individual nature and are fully binding on those to whom they are addressed.

Conclusions, communications, declarations, recommendations, resolutions and **opinions** are rules of conduct which have no legally binding force. They are used as persuasive guides to the interpretation of other measures adopted by the EU or the member states.

Development Fund, EDF). In recent treaties the elected European Parliament has been granted expanded powers of co-decision on policy and budgetary matters with the Council of Ministers. The Parliament also has the power to supervise the executive and oversee the budget.

It is also worth mentioning the Court of Auditors, an important institutional actor in the overall governance structure. It has an autonomous position and defined powers of oversight, including examining the value for money of EU activities. Furthermore, the European Court of Justice has a role in overseeing compliance with the treaties (*for a more detailed discussion about the decision-making process see chapter 4*).

In EU lawmaking the following broad categories can be distinguished: treaties; regulations; directives; decisions; communications; conclusions; resolutions; declarations; opinions; and recommendations (*see box 1*). In this chapter the focus will be on regulations and communications, which are the key laws in development policies (directives and decisions do not really exist in the area of development cooperation). Furthermore there are the international agreements which have been signed in the name of development and other related policies, such as trade.

Development cooperation becomes a Community objective

On the very highest level of policies there are the treaties. Despite the extensive evolution of the development programme since the 1960s, development cooperation was not formally included in the objectives of the European Community (EC) before the Maastricht Treaty of 1992 which established the EC and the EU.

Article 177 of the treaty states that Community policy in the sphere of development cooperation shall foster:

- the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- the smooth and gradual integration of the developing countries into the world economy; and
- the campaign against poverty in the developing countries.

The Community policy shall also contribute to the general objective of developing and consolidating democracy and the rule of law and to that of promoting respect for human rights and fundamental freedoms.

Although in one sense this is the most important policy declaration for development cooperation, its general and inclusive character makes it rather toothless.

The development policy of the European Community

The single most important policy document for the EU's development cooperation is the European Community's Development Policy of 10 November 2000, which came in the form of a communication (COM 2000/212) (*see box 1*). Communications provide guidance on different regions of the world and different themes. This creates a problem since many of the geographic regulations emphasise slightly different things from those the Communication on Development Policy emphasises. As a consequence, different geographic directorates within the European Commission tend to give the Communication on Development Policy different weight and relevance. Nevertheless the communication is the most coherent policy document which is applicable to all Community development cooperation and for that reason a natural starting point in listing the policies.

The Community's Development Policy is grounded in article 177 of the Maastricht Treaty and is based on the formulations of the treaty. Its core message is that it confines EC development aid to a limited number of specific areas. The areas of intervention are selected on the basis of their contribution to reducing poverty and areas where the Community has a comparative advantage over the member states in acting. They are:

- the link between trade and development;
- support for regional integration and cooperation;
- support for macroeconomic policies;
- transport;
- food security and sustainable rural development; and
- institutional capacity-building, particularly in the areas of good governance and the rule of law.

The communication also specifies the importance of the Commission continuing its support to the social sectors (health and education), particularly with a view to ensuring equitable access to social services. The Development Policy should apply to the development cooperation in all the regions that are discussed in this chapter. A new development policy is under way and will come into play in 2005–2006.

The Development Policy of November 2000 sets as its main objective to reduce and eventually eradicate poverty. To follow up on this policy statement and align its objectives with international efforts, the European Commission has committed itself to focus its development assistance on assisting developing countries to achieve the Millennium Development Goals (MDGs).

Although poverty reduction and the MDGs play an important role in the Community's development cooperation, there are also other objectives, for example, promoting peace and security, and supporting institution-building and trade-related technical assistance.

The geographic programmes

Relations with third countries are formalised in agreements, for example, association agreements in which the EU with its 25 members constitutes one party and the developing country concerned constitutes the other. A prominent characteristic of these agreements, compared to Swedish development cooperation, is that they include several policy areas. In an EU agreement there are almost always three areas mentioned:

a) development cooperation;

b) political dialogue; and

c) trade.

These key areas are often interlinked and cross-referenced in the agreement. From a development point of view the advantage of this mixture is to have support from two other policy areas in achieving development objectives. The disadvantage is the potential conflict of interests and the cases where development cooperation is subordinated to other policies.

The specific areas of interaction between the EU and the developing countries depend on a number of factors related to the country concerned: national income, the incidence of poverty, export and import structures, geographic proximity to the European Union, research capacity and so on. The challenge for the EU is to provide the right mix of policies and instruments in each context. Building on the various association and cooperation agreements and on its involvement in several policy areas, the Union is uniquely able to apply an effective mix of cooperation instruments in every instance.

By 2003 the Community had established cooperation programmes with approximately 160 countries in six regions.

The following programmes can be distinguished:

- the European Development Fund for the African, Caribbean and Pacific countries, called ACP;
- the Programme for South Africa;
- the external assistance to Asia and Latin America, called ALA;
- the support to Mediterranean and Middle East countries, called MEDA;
- the technical assistance programme for the Eastern Europe and Central Asia, called Tacis;
- the Community Assistance for Reconstruction, Development and Stabilisation in the Balkans, called CARDS; and
- the Pre-Accession programme for the Eastern European countries, called Phare.

Each programme has its own regulation, that is, a legal document that governs the cooperation with the region. For Asia and Latin America there is one common regulation. As the regulations are not always up to date with the actual implementation, there are also a number of complementary governing documents. Moreover, horizontally, that is across the regions, there are a number of programmes focusing on specific concerns, such as a sustainable environment, gender, democracy and human rights.

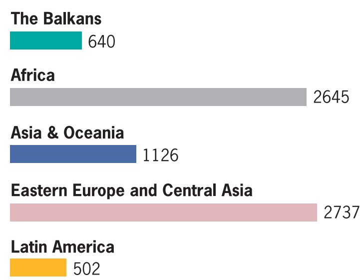
The political dialogue often has an important influence in the planning and design of the development programmes.

In addition to the political dialogue and the geographic regulations, the Commission develops country strategy papers (CSPs) where individual country programmes are spelled out in some detail (*see also the discussion of the CSPs and national indicative programmes in chapter 3*).

Figure 1 shows the allocation of funds to the different regions.

FIGURE 1

European Community assistance: disbursed, by region, 2003 (million EUR)



Funds for the Mediterranean and Middle East are split into the categories for Africa and Asia in order to construct figures per continent.

Africa, the Caribbean and the Pacific

The framework for dialogue between Africa and Europe is a rather recent construction, at least in its present form. Four ministerial meetings have taken place, the most recent in April 2005, between the European Union and the African Union. Particular topics on the agenda have been peace and security, governance, trade and regional integration, and key development issues.

The present cooperation agreement between the EU and the

ACP countries was signed in Cotonou in 2000 and is consequently called the Cotonou Agreement. This is the guiding document for the cooperation between the EU and the ACP countries, many of them former European colonies.

In accordance with the European Community's development policy, the overriding objective in the agreement is to reduce and eventually eradicate poverty. The agreement is also consistent with the objectives of sustainable development and the gradual integration of the ACP countries into the world economy. The cooperation is financed through the EDF.

Trade relations between the EU and ACP countries are also governed by the Cotonou Agreement, including the new trading arrangements and economic partnership agreements (EPAs). The first protocol of the Cotonou Agreement is funded by the Ninth EDF which became operational in April 2003.

The Cotonou Agreement is designed to maintain a long-term perspective and covers a period of 20 years. In many respects it reflects modern thinking in development cooperation. While similar principles apply to the Cotonou Agreement as did to the Lomé Conventions (the previous agreement), there are some important innovations.

- Poverty reduction is confirmed as a key objective within the context of the objectives and strategies agreed at the international level (United Nations).
- There is a greater emphasis on good governance and political dialogue.
- The role of civil society, the private sector and other non-state actors is reinforced.
- The agreement introduces an innovative economic and trade cooperation framework.
- It includes rationalisation of financial instruments and a new system of "rolling programming".
- It promotes participatory approaches and partner country "ownership".
- It involves civil society in consultations on reforms and policies.
- It creates an investment facility to support the development of the private sector.
- The agreement decentralises administrative and in some cases financial responsibilities towards the local level with the aim of making the cooperation more effective.

South Africa

Although South Africa is a member of the ACP group, its financial aid allocation is not made under the EDF but comes under the general European Commission budget. South Africa is also a member of the Southern African Development Community (SADC) and participates in some EU-financed regional programmes. The EU–South Africa Trade, Development and Cooperation Agreement (TDCA) was signed in Pretoria on 11 October 1999. This agreement covers a wide range of areas, including provisions on a free trade area (FTA), development assistance, social and cultural cooperation, and a framework for political dialogue.

Latin America

The EU's relations with Latin American countries have been developed at a bi-regional level, that is, European Union–Latin America. At the highest level, the strategic direction of EU–Latin American relations is set by means of institutionalised

Box 2

A EUROPEAN COMMUNITY COUNTRY STRATEGY: TANZANIA

The most important allocation on the country level is the country strategy paper (CSP) and the national indicative programme (NIP). The strategy includes analysis of the country's needs and performance and the NIP is the allocation of funds to different projects and programmes.

The CSP/NIP for Tanzania was signed on 14 March 2002, amounting to 355 million EUR. Poverty reduction is the overarching goal of the strategy. The support is divided between focal sectors and non-focal sectors. Focal sectors are transport and basic education combined with the provision of general budget support. Institutional capacity-building at local level and further decentralisation of decision making are defined as non-focal sectors of support.

To ensure the coherence of Community aid, close cooperation with the donor community, particularly EU member states, is emphasised in the strategy.

Focal areas

- Infrastructure, e.g. roads (40 percent of the overall "envelope")
- Macro support (34 percent of the overall envelope)
- Basic education (15 percent of the overall envelope)

Non-focal areas

- Governance (11 percent of the overall envelope) political dialogue. The EU has developed a strategic partnership with the Latin American and Caribbean (LAC) countries as a group, which commenced with the first summit meeting between the heads of state and government of both regions in Rio de Janeiro, Brazil, in 1999; the group was consequently called the Rio Group. Since then, two EU–LAC summits have been held, in Spain in 2002 and in Mexico in 2004. The meeting in Spain focused on the enhancement of multilateralism and the meeting in Mexico on social cohesion in Latin America.

Dialogues within this broader relationship are ongoing, including specific sub-regions such as the Mercado Común del Sur (Southern Common Market, Mercosur), the Andean Community and Central America. Common ground in the political dialogue may translate into concrete actions, including in the field of development assistance. A full range of cooperation agreements have been concluded based on development cooperation, institutionalised political dialogue and the strengthening of trade relations.

The financial instrument is the ALA Regulation, which is one of the the oldest existing regulations in Community development cooperation dating back to 1992. The specific development cooperation objectives in the ALA Regulation stress both development cooperation and economic cooperation. The latter often implies support to private-sector development, which often includes ingredients of mutual interest to both regions.

On the level of "soft law" there are three communications regarding EU–Latin American and Caribbean relations with the following objectives:

- the development of a strategic partnership;
- consolidation of the rule of law;
- the promotion of both sustainable development and regional integration; and
- encouragement of the political dialogue between the respective civil societies.

For historical reasons Spain and Portugal are especially keen to deepen the cooperation between the EU and Latin America.

Asia

Asia is an important partner for the EU, economically, politically and culturally. The EU's dialogue with its Asian partners on global and regional security issues is seen as crucial for Europe's own security. Asia is also home to two-thirds of the world's poor and food security, health care and access to basic services are still pressing concerns being addressed by the European Community development assistance.

There are three major groupings in the dialogue and cooperation between Europe and Asia—the Association of Southeast Asian Nations (ASEAN), the Asia–Europe Meeting (ASEM) and the South Asian Association for Regional Cooperation (SAARC). The EU political dialogue with ASEAN encompasses ten South-East Asian countries; ASEM is an informal cooperation process and includes developed nations such as Japan and South Korea. The third group, SAARC, includes seven Asian countries.

The financial instrument for development cooperation with all Asian countries mentioned above is the ALA Regulation from 1992 (*for further details, see under Latin America above*).

The most recent policy framework for relations with South-East Asia is the Communication on a New Partnership with South-East Asia from 2003, setting out a comprehensive strategy for future EU relations with the region. The communication identifies the following six strategic priorities:

- supporting regional stability and the fight against terrorism;
- promoting human rights, democratic principles and good governance;
- mainstreaming justice and home affairs issues;
- injecting a new dynamism into regional trade and investment relations;
- continuing to support the development of less prosperous countries; and
- intensifying dialogue and cooperation in specific policy areas.

The Euro-Mediterranean Partnership

After 20 years of bilateral trade and development cooperation, the conference of the EU and the Mediterranean countries in Barcelona in 1995 marked the start of a new partnership, called the Barcelona Process or the Euro-Mediterranean Partnership. In 1995 the 15 member states and the ten Mediterranean partners adopted the Barcelona Declaration with the intention of establishing a common Euro-Mediterranean area of peace and stability. The development policy from 2000 sets out the strategic framework of the EU towards the Mediterranean region.

The objective of the Barcelona Declaration is to make significant and measurable progress towards promoting the core values embraced by the EU and its member states:

- to respect human rights and promote democracy, good governance, transparency and the rule of law;
- to encourage and assist the Mediterranean partners with the process of achieving free trade with the EU and among themselves, in making the economic transition, and in attracting investment to the region; and
- to strengthen cooperation in the field of justice and home affairs, and to pursue the dialogue between cultures and civilisations in order to fight intolerance and racism.

The key financial instrument for development activities here is the MEDA II Regulation (2000). As of 2004 the European Neighbourhood Policy (ENP) has become a complementary policy framework for EU–Mediterranean relations aimed at giving additional impetus to bilateral relations.

Box 3

AN ASSOCIATION AGREEMENT: JORDAN

The Euro-Mediterranean Association Agreement with Jordan was signed on 24 November 1997. It entered into force on 1 May 2002, and replaces the Co-operation Agreement of 1977. The association agreement is part of the bilateral track of the Euro-Mediterranean Partnership, which provides a comprehensive framework for the economic, political and social dimensions of the EU–Jordan partnership. The main aims of the association agreement are to create a free trade area between the EU and Jordan over a period of 12 years and to help increase economic growth for the business community.

Development and economic cooperation under the association agreement aims at supporting Jordan's own efforts to achieve sustainable economic and social development. It focuses primarily on sectors that are suffering from internal difficulties or are affected by the overall process of liberalization, and areas likely to bring the economies of the parties closer together to foster growth and employment. The approximation of laws, for instance in the fields of competition and consumer protection, will facilitate economic cooperation and economic operators' access to each other's markets.

Consequently there are three governing policies for the Euro-Mediterranean relation: the Barcelona Declaration, the MEDA Regulation and the European Neighbourhood Policy. In addition, most Mediterranean countries have negotiated an association agreement with the EU based on these polices. The objective of "poverty alleviation" is present in these policy declarations but faces tough competition from other interests of the Union, such as trade and the control of migration. The development cooperation is spelled out in country strategies taking guidance from the respective association agreements.

Eastern Europe and Central Asia

The enlargement in May 2004 brought the EU much closer to the countries of Eastern Europe. The European Neighbourhood Policy presented by the European Commission in 2004 aims to reinforce ties with neighbouring countries through an array of new forms of cooperation and assistance, for example, the European Neighbourhood and Partnership Instrument (*see also chapter 6*), and action plans.

There is as yet almost no regional framework and forum for political dialogue. Despite a few isolated positive examples, regional cooperation in Central Asia remains stagnant. The EU is particularly concerned about the lack of regional cooperation in key areas such as energy, water and border disputes.

Box 4

THE NEIGHBOURS: A NEW INSTRUMENT

With the Communication on Wider Europe (2003), the European Commission put forward a new policy of the enlarged European Union towards its "new neighbours", in particular Russia, the newly independent states of the former Soviet Union and the ten Mediterranean countries. The communication suggested that the Union should work with its neighbours to address common "neighbourhood" challenges. A new instrument is in the making and the Commission has issued a specific communication entitled "Paving the Way for a New Neighbourhood Instrument" (2004).

The communication set out a two-phase approach: for the period 2004–2006, coordination will take place between the existing cross-funding instruments, in particular CARDS, MEDA, Phare and Tacis. The single New Neighbourhood instrument will start to operate as of 2007.

In the absence of a regional framework there are various individual agreements called partnership and cooperation agreements (PCAs). PCAs are now in force with ten of the East European and Central Asian countries. They are legal frameworks, based on respect for democratic principles and human rights, setting out the political, economic and trade relationship between the EU and its partner countries. Each PCA is a ten-year bilateral treaty signed and ratified by the EU and the individual state. The action plans that are envisaged will help fulfil the provisions in the PCA in areas identified for development cooperation.

The main financial instrument for development assistance with the countries of Eastern Europe and Central Asia is the Tacis programme. This includes programmes in a variety of areas such as nuclear safety, cross-border cooperation and regional cooperation. The Tacis Regulation (2000) emphasises the importance of assisting countries to transform to a market economy and of mitigating the social consequences of transition.

Development cooperation in the region is guided by the Regional Strategy for Central Asia for the period 2002–2006, which was approved by the Commission in October 2002. The strategy paper identifies democratic transition, human rights, security problems, socio-economic problems and poverty, border disputes and access to world markets as the main development problems in the region. There are also seven individual country strategies for the region.

The Balkans

The EU's fundamental aim for the cooperation with South-Eastern Europe is to expand the area of peace, stability and freedom established by the EU and to help create a region where military conflict is unlikely. For the last decade, the EU has been at the forefront of efforts to make this aim a reality. The European Commission is by far the single largest donor to the Western Balkans.

The Stabilisation and Association Process (SAP) is the EU's policy framework for the countries of the Western Balkans. The SAP supports the development of this area and its preparation for future EU membership by combining three main instruments: stabilisation and association agreements (SAAs), autonomous trade measures, and substantial financial assistance.

In May 2003, the communication on "The Western Balkans and European Integration" proposed to enrich the EU policy towards the region with elements taken from the enlargement process, with the purpose of reinforcing the ultimate goal of extending EU membership to the Western Balkans.

Development assistance is based on the CARDS programme. As the countries gradually integrate into the Stabilisation and Association Process, the focus of EU assistance is increasingly on the reforms and institution-building that are necessary if these countries are to meet the obligations in the SAAs. Country strategies and multi-annual programmes are being drafted accordingly.

The candidate countries

The last Community assistance programme is Phare, currently covering ten countries—eight of the new member states plus Bulgaria and Romania. The main objective of this programme is to strengthen public administration and institutions to enable them to function effectively inside the European Union as well as to promote convergence with the extensive EU legislation (the *acquis communautaire*). The Phare programme is not important from a development cooperation perspective but is important to mention since it is competing for resources with other external action programmes. The programme is not discussed to any greater detail in this report.

Box 5

THE NORTHERN DIMENSION

In October 2003 the Council endorsed the second Northern Dimension Action Plan. The area comprises the Baltic Sea region, the Arctic Sea region and north-west Russia. It addresses the specific challenges of those regions and aims to increase cooperation between the member states, the applicant countries and Russia.

The Northern Dimension is implemented within the framework of the Europe agreements with the Baltic states, the partnership and cooperation agreement with Russia, and the European Economic Area regulations. Cooperation under the Northern Dimension includes the environment, nuclear safety, energy cooperation, Kaliningrad, infrastructure, business cooperation, justice and home affairs, social development and others.

From regional scope to sectoral focus

Given the extensive geographic scope of the Community's assistance there is a need to concentrate Community efforts on specific thematic areas. The European Commission cannot do everything. The development policy from 2000 referred to at the beginning of this chapter identifies six areas where the European Community may have a comparative advantage compared to the member states.

One area mentioned in the development policy is trade and development. The Community can certainly add value here, mainly because of its exclusive competence in trade matters. It has a tremendous advantage in being able to offer trade capacity-building, which is often the major focus of the regional programmes. But, as seen in Cancún, it is much more difficult for the Community to assist the poor countries where overall trade policies are concerned. The Community is the largest trading partner and market for most developing countries and is able to offer a mixture of coherent policies: market opportunities, capacity-building for international trade negotiations, trade promotion schemes, and so on. The Everything But Arms (EBA) initiative is a good example but, despite progress, much more needs to be done.

Another area identified in the development policy is regional integration and cooperation. The history of the European Union project suggests that the European Community is very well placed to assist with the establishment of zones of free trade and regional economic integration. The history of this region may be very different from that of the developing world, but the principles and challenges are very similar.

A third area of possible comparative advantage is institutional capacity-building. Building democracy and democratic institutions is important for developing countries. The European Commission is also often perceived as a more neutral broker than bilateral donors. As such, it has been able to send election monitors into situations where individual governments could not operate with the same freedom. In addition, bilateral sanctions against poorly performing governments are in general less effective than multilateral sanctions; the European Community, on the other hand, has been able to impose sanctions representing the entire EU. To be really effective, the Commission may need to build up more capacity in these politically sensitive areas; it could represent a growing and important niche for the EU.

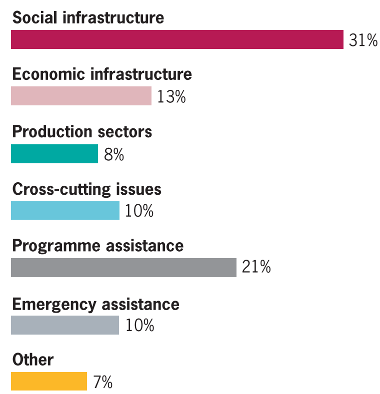
The three other focal areas are food security and sustainable rural development, transport and support for macroeconomic policies.

In practice it has been difficult for the Community to limit its interventions to the six selected areas. New initiatives and political priorities have come on board along the way, not to mention the fact that objectives in the geographic regulations are sometimes incompatible.

The disbursements of Community aid to different sectors support this observation (ODA only). Aid to social infrastructure is the largest budget item, amounting to 31 percent of total Community development assistance in 2003 (*see figure 2*), even though social infrastructure was not identified as a focal area for Community aid in the development policy of 2000. The second-largest expenditure item is programme assistance and the third economic infrastructure, where roads are the major area of intervention for the Community.

FIGURE 2

The distribution of European Community assistance by sector, disbursements, 2003



The need for policy coherence

Given the fact that the EU applies different policies towards a single country, and that these policies are not always coordinated, the danger of conflicting interests is obvious. Coherence among EU policies should therefore be assured at different levels. Since this report is concerned with development policies, they are the focus (naturally, one could instead choose trade policy as the focus and discuss how other EU policies cohere with trade policy).
In the many different relations between the EU and developing countries it is rarely established which objective should be the overriding one and thus be given highest priority, for example, promoting European trade or promoting sustainable development in East Asia.

The formal mandate to assess the coherence of policies can be found in different documents, including the 1992 Maastricht Treaty, which states that the Community shall take account of the way in which all its policies impact on developing countries. The communication from 2000 on the Reform of the Management of External Assistance states that the principle of coherence with other EU policies requires attention and, furthermore, that the linkages between external assistance and other Community policies, such as fisheries, agriculture, commerce, conflict prevention, food security and migration policy, need to be examined.

The references above give a rather clear signal to the European Commission to deal with policy coherence, placing development policies at the centre.

Development and foreign policy

The interaction between foreign and security policy and international development is a major nexus. In order to alleviate poverty, it is essential that political, military and economic instruments support peace and security in some of the poorest parts of the world.

The post of EU Foreign Minister proposed by the EU Constitution would bring together many of the external policies in one hand (*see chapter 6*). He or she would work closely with development and trade counterparts both in the Commission and among the member states and would, ideally, be able to better coordinate the external policies of the EU.

Many development activities contribute to security as well as development, and there is a need to be proactive when preventing future conflicts. However, it is important to avoid creating a hierarchy of policy areas where development policy, or trade or other policies, become subservient to the Common Foreign and Security Policy (CFSP). For example, if the response to challenges such as terrorism does not distinguish between security and development concerns, the development agenda may be diluted by foreign policy concerns. These worries have been expressed by some observers following the boost in spending on the Union's neighbouring countries (*see chapter 3*).

Development and trade

The interdependence between trade and development is obvious. Adequate trade policies can increase growth and development between nations and regions, while restrictive trade policies can hamper development.

Europe accounts for 20 percent of world trade, and is the world's biggest importer and second-biggest exporter of agricultural products. The EC is uniquely placed to promote development in the poor countries with favourable trade policies towards them. Since 2000, the relation between trade and development has been one of six declared priority areas for Community development cooperation.

A number of development-oriented trade agreements giving preferential treatment have been made. The favourable terms

Tsunami prompts the EU to ease trade barriers

THE TSUNAMI DISASTER in the Indian Ocean triggered a lightning response from the EU, which gave huge amounts of money to the countries affected in the form of humanitarian and reconstruction aid. However, these countries' ability to pick themselves up quickly was restricted by a long series of trade barriers that precluded exports to the crucial EU market.

Many people therefore welcomed the EU's decision on a wide-ranging trade facilitation package for these countries. According to the plan issued by the Directorate General for Trade (DG Trade), most of the duties were to be removed on 1 April 2005, a move that is expected to boost their exports to the EU by 3 billion EUR per year.

Although duty levels are regulated by the WTO, the EU claims to be prepared to support WTO initiatives that are designed to facilitate trade for the countries affected.

The country that gains most from the EU's plans is Sri Lanka, which, according to DG Trade, will be offered "one of the most generous trade agreements ever", whereby duties will be lifted in toto from 90 percent of the country's total exports to the EU. This also applies to Sri Lanka's important textile and clothing exports, which in the 1990s accounted for 75 percent of the country's export revenue. Since the WTO's quota system for textiles and clothing expired in December 2004, the industry has been under severe threat, giving the plans announced by the EU even greater urgency.

However, the EU does not intend to stop at trade facilitation for Sri Lanka. The Commission is also planning to use its trade-related development assistance to bolster the country's export industry.

One of the implications of this is that the country's exporters will be helped to meet EU regulations on hygiene and food safety, a hurdle which food exporters are often unable to clear even if duty barriers are lifted.

EU delegates in Sri Lanka are also analysing industrial sectors affected by the Union's anti-dumping duties, and wherever Sri Lankan export goods are affected the total removal of these duties will be considered.

If DG Trade honours its commitments to Sri Lanka, it could become one of the first tangible signs that EC development cooperation and trade policy are both pulling in the same direction.

Even before the tsunami struck, the Commission had allocated considerable sums to help rebuild the country after the ceasefire of 2002, and contributed generously to measures designed to maintain national peace.

The Commission has also long been investing heavily in the development and modernisation of the country's agricultural industry and has provided humanitarian aid to communities in need.

Assistance allocated by the Commission after the tsunami

Humanitarian aid through ECHO: 100 million EUR
Reconstruction package: 350 million EUR
(In 2004, the Commission invested 61 million EUR in Sri Lanka)

This article was written before the Commission had introduced its trade facilitation package. It has therefore not been possible to check whether all its intentions have actually been fulfilled.

are mainly associated with the exports of the developing countries.

The EBA initiative grants duty-free and quota-free access for all exports (except armaments) originating from the least developed countries (LDCs). Only imports of fresh bananas, rice and sugar are not fully liberalised immediately. However, several studies have shown that the direct impact of this initiative has been negligible. A majority of products from the poorest countries were already theoretically eligible for duty-free access to Europe's markets under other trade rules. Furthermore, the lucrative opportunity of enhanced duty-free access for sugar, rice and banana exports was postponed for a number of years to satisfy European commercial interests.

The Cotonou Agreement includes principles for new trade arrangements between the EU and the ACP countries. The parties agreed to progressively remove barriers to trade and enhance cooperation in all areas relevant to trade. The objective is to enable the ACP states to play a full part in international trade with the understanding that increased trade would advance poverty eradication and sustainable development in the ACP countries.

To this end the ACP and the EU began negotiations on economic partnership agreements in September 2002. The negotiations are to be concluded by December 2007.

EPAs are based on four main principles: partnership, regional integration, development, and compatibility with the rules of the World Trade Organization (WTO). However, a serious point of concern is their ability to contribute to the general objective of the ACP–EU partnership—poverty eradication.

The agreements may not be the panacea countries are expecting. Since they stipulate the reciprocal opening up of markets and a rather firm timetable for trade liberalisation, there is a risk that European exporters producing on a large scale will drive African producers out of competition. The same concerns apply to the negotiations with the Mediterranean countries and countries across Central and South America.

The Euro-Mediterranean cooperation supports the creation of a Euro-Mediterranean free trade zone by 2010. As a result priority is being given to support for sectoral reforms, notably in those sectors which need to increase their international competitiveness. This may be regarded as an example of coherent policy where trade and development policy support each other's objectives.

The EU's Generalized System of Preferences (GSP) is a system of special trade terms through which Europe gives improved access to its markets for poor countries. It grants products imported from the 178 GSP beneficiary countries either duty-free access or a tariff reduction depending on which of the GSP arrangements the country enjoys. The GSP is implemented in ten-year cycles for which general guidelines are drawn up. The present cycle began in 1995 and will expire on 31 December 2005.

These three initiatives—the EBA, the EPAs and the GSP—are intended to be coherent with development policies; however, trade preference schemes seem to have generated limited economic success in terms of increasing the trade shares of developing countries.

There seem to be a number of factors hampering the effectiveness of trade preferences: insecure market access; excessively stringent rules of origin; poor understanding or awareness of the preferences available; and a number of non-trade related conditions, like poor infrastructure. Rules of origin are particularly difficult. Countries that are fully entitled to trade preferences have not been able to use them because they have sourced inputs from overseas. For example, shirts produced in the Maldives are burdened with high taxes when sold in the EU because the fabric comes from China. These conditions are cancelling out the benefits of the system in order to protect European manufacturers.

Moreover, the strengthening of multilateral rules in the context of the WTO has important implications for the conduct of EU trade policy. It implies that the EU may not be able to give preferential treatment to some of its development partners. Trade preferences for particular groups of countries run counter to one of the central pillars of international trade standards, namely the principle of non-discrimination which requires importers to accord all suppliers the same treatment as the most-favoured nation among the suppliers. This may have profound implications for the GSP which is currently under negotiation.

Other obstacles for exporters from developing countries are the standards and the sanitary and phytosanitary measures the Union requires before goods can be imported by member states. These obstacles are also non-trade barriers and have to do mainly with the protection of consumers in Europe. The measures can be justified for various reasons and will be difficult to change to the advantage of the developing countries.

Development and agriculture

Many of the world's poor depend directly on agriculture for their livelihoods. In low-income countries the agricultural sector is often the primary engine of economic growth. Agriculture is by far the largest employer in these countries, employing 68 percent of the labour force and producing 24 percent of gross domestic product (GDP). In middle-income countries the share is lower but agriculture still accounts for one-quarter of total employment.

The Common Agricultural Policy (CAP) was created to increase the production of food in Europe. One indirect effect of the subsidies was the undermining of food production and food security in other countries, not least the developing countries. High tariffs closed the European market to external competition and large subsidies for production led to the dumping of surplus production on world markets (*see, for example, the study on the dairy industry in the Dominican Republic that accompanies this chapter*). Lack of access to European markets and competition with subsidised European exports threaten the livelihoods of millions of poor farmers throughout the world.

The proposal in the EU's most recent review of the CAP would reduce intervention (support) prices and increase reliance on decoupled payments, that is, financial support for farmers that is independent of levels of production and type of products. This causes less trade distortion than other forms of support. In theory there should be no more incentives for overproduction of European agricultural goods that could then be exported outside Europe. However, it is far from certain that this proposal will actually be adopted. A recent agreement between France and Germany fixed the total budget of the CAP up to and including 2013 close to its current level in real terms. Furthermore the reform introduces the possibility for member states to complement CAP measures with direct assistance to national agriculture, without requiring prior clearance from the Commission, thus opening the door to a potential overall increase of subsidies to EU farmers.

Development and fisheries

Coastal fishing is an essential source of income and protein for the poor in many countries. The EU has concluded fishery agreements with some 20 developing countries, primarily on the coast of West Africa, which grant EU fleets fishing rights in the partner countries' 200-mile zone in return for payments and development aid. High quotas, inadequate supervision and breaches of the agreements have since led to overfishing in several instances, weakened an important source of livelihood for the poor in some areas and hindered local development. Nevertheless these agreements have also brought some benefits for the partner country, mostly in terms of a cheque to the government.

In December 2002 the Commission issued a communication on an Integrated Framework for Fisheries Partnership Agreements (FPAs) as part of its proposals to reform the Common Fisheries Policy (CFP). The Commission proposed that bilateral fisheries relations should move gradually from access agreements to partnership agreements, with a view to contributing to responsible and sustainable fishing in the interest of both parties. In this way the Commission aimed to increase coherence between the CFP and other European Community external policies, in particular its development policy.

Development and migration

Migration and development is an area of growing interest. There has been much debate on the negative impacts of migration on development, and vice versa. On the one hand, it is argued that underdevelopment is a cause of migration, and on the other that migration causes developing countries to lose their highly-skilled nationals. While there is a measure of truth in both claims, properly managed international migration holds enormous potential for the development of countries.

It is clear that remittances sent home by migrant workers have become an important source of external funding for developing countries that far exceeds official development assistance. In 2003, over 80 billion EUR was remitted by migrants, helping to sustain the economies of many developing countries.

The Community's development policy addresses the root causes of migratory flows and also how to reduce or prevent forced migration, both South–North and South–South. In its conclusions of May 2003 the Council emphasised the potential for greater synergy between migration and development policies. Areas mentioned by the Council included capacity-building to combat trafficking of human beings, the improvement of legislation on and the management of legal migration and asylum, and the facilitation of a sustainable return of migrants through programmes which accommodate both the returnee and the developing country of origin.

In June 2003 the Commission proposed a new follow-up instrument for cooperation with third countries in the area of migration and asylum. This new budget line, which provides 250 million EUR in funding over the years 2004–2008, was adopted by the European Parliament and the Council in December 2003.

Development and drugs

The production of drugs can be a significant obstacle to development. In the recent past, efforts in the fight against drugs have been focused on Colombia and Afghanistan—two countries which are the main sources of coca and heroin in the world and whose political, economic and social development prospects are seriously hampered by pervasive drug cultivation, production and trafficking.

In 2001 the Commission launched a modified strategy for alternative development in Colombia that supports the Peace Laboratories project, which expands the traditional notion of alternative development by placing a stronger emphasis on strengthening governance and providing infrastructure. In Bolivia and Peru several alternative development projects are being implemented, and a Drugs Monitoring Centre is being established in Venezuela. For the Andean region as a whole, a precursor control programme is under way, while an initiative to address the problems caused by new drugs is under study.

Comparison with Swedish development cooperation

The differences between the European Community's external action and the Swedish development cooperation are obvious. The Commission has a variety of policy areas and financial instruments at its disposal and they are mixed and shaken in each and every agreement. The advantages are clear: so long as it works towards one objective it is a powerful tool for poverty reduction. On the other hand if the many objectives are unclear, or even contradictory, then the outcome is highly uncertain and poverty reduction may be hampered.

In the Community's broad portfolio of external assistance it is clear that other foreign policy concerns are interfering with the goal of poverty reduction, especially in the neighbourhood of the European Union where stability and free trade are high priorities of the Union.

Swedish development cooperation is uncomplicated and straightforward compared to Community assistance. Policy areas such as trade and political dialogue carry much less weight in Swedish agreements than in Community agreements. Since these policy concerns are at "arm's length" from the development programmes there is less interference from objectives other than that of poverty reduction in the design of Swedish development cooperation. On the other hand there are also fewer gains to be made from having different, mutually reinforcing objectives.

In the specific area of development cooperation the general development policies for Sweden and the Community do not differ very much, while the implementation of the cooperation programmes especially in non-African countries, can differ substantially. The Commission's programming methodology changed at the beginning of 2000 and many of the ingredients in the methodology are similar to what other member states are doing today and they may even be more advanced.

For example, the Commission is now producing more country strategies than any member state. Adherence to the Millennium Development Goals has been publicly established and in several areas the European Commission seems to be in the forefront of policy making, for example, in budget support, the use of performance indicators, and the harmonisation of procedures and coordination of policies.

So, while the European Commission has substantially upgraded its policy making for development cooperation, the challenge is now implementation on the ground. Here much remains to be done.

It is also important to remind the reader that the final responsibility for the design of the development programmes, and certainly the interference of other foreign policy concerns, rests with member states, not the European Commission.

The dumping of milk powder on the Dominican Republic

IN DECEMBER 2002, the British organisation Oxfam exposed how the Danish–Swedish dairy company Arla was exporting large amounts of powdered milk to the Dominican Republic. The price of this milk powder was so low that it caused irreparable damage to parts of the domestic dairy industry, so much so that over the past 20 years Oxfam believes that some 10,000 farmers have been forced into unemployment.

The exports were a direct result of the CAP, which has been subsidising EU farmers for years, causing a surplus of a wide range of agricultural products in the process. In Denmark's case it has generated vast quantities of excess milk. Two-thirds of Denmark's entire production therefore has to be exported, and the surplus milk is shipped to different countries around the world, including the Dominican Republic. In 2000, it was the EU's fifth-largest importer of dairy products.

Arla was not only having its milk powder subsidised by the CAP; the company was also receiving separate subsidies from the EU for the export of its surplus milk. Consequently, the price could be reduced so low that Dominican farmers were being forced to compete with prices 25 percent lower than their own and were no longer able to sell their own products.

In 1995, the Dominican Republic joined the WTO, and the country's import regulations changed accordingly. The importing of milk powder was now to be governed by a multi-tariff quota system, by which the country was able to increase its imports considerably.

The result of this was that the consumption of milk products in the Dominican Republic tripled in the 1990s, reaching 352 million litres in 2000, and this while local production went into stagnation.

According to Oxfam, some 30,000 Dominican farmers were involved in milk production in 2002, most of them running small-scale operations that generated very little income. The organisation attributes their severe difficulties largely to the EU's agricultural policy and subsidised exports.

However, the EU's involvement in the Dominican Republic can hardly be called consistent: while the CAP creates unemployment and poverty, the EU also tries to help the country by providing development assistance.

In the 1990s, the EU's development cooperation programme put several million euros into developing the rural areas of the Dominican Republic, and part of this money was earmarked specifically for supporting dairy production.

Oxfam's report sparked off a major debate about the EU's agricultural support in Sweden. Swedish dairy farmers both defended and attacked the export subsidy system, and one of those to end up in the firing line was the dairy group Arla.

The Arla management defended their actions by arguing that "they had to think of the farmers at home", for whom life, according to Chairman Lars Lamberg's comments to news reporters, was by no means a bed of roses. Arla had to think commercially.

Oxfam argued that European dairy farmers hardly deserve much pity, given the fact that EU taxpayers support their industry with an annual 16 billion EUR. This means that each European cow is subsidised to the tune of 15 Swedish kronor (SEK) a day, which is more than what half of the world's population has to live on per day.

Chapter 3

Funding and allocating the Community assistance

GIVEN THE EU'S INVOLVEMENT in many parts of the world and the broad range of objectives and instruments, the Community's development assistance is today a global affair.

Community assistance is important, not least because of its size. The EU—that is, Community aid and the bilateral assistance provided by the member states combined—accounts for more than half of all official development assistance (ODA) worldwide, including roughly half of all humanitarian aid. The European Commission handles almost one-fifth of these funds on the behalf of the Community. The Commission spends the money worldwide and many regions are benefiting from at least some Community assistance. A large part goes to the neighbouring countries of the Union.

THE TWO MAJOR FINANCIAL MECHANISMS are discussed at the beginning of this chapter. The second part of the chapter is mainly concerned with the spending pattern of Community aid, as well as that of the member states. The debate about supporting middle-income countries rather than low-income countries is referred to at the end of the chapter.

The budget of the European Commission

The general budget is proposed by the European Commission and negotiated in the Council but decided upon by the European Parliament. In doing this the European Parliament has the power to alter the regional distribution of the funds to a certain extent.

Total Commission expenditure in 2003 amounted to 102 billion EUR. Of this large amount 45 percent was allocated to agricultural subsidies to European farmers and 33 percent to regional funds supporting poor regions within the European Union. Around 8–9 percent was allocated to "External Actions", including pre-accession aid to candidate countries. The EU budget is financed through contributions by the EU member states up to a ceiling

Box 6

TOTAL FINANCING OF THE EU BUDGET

In the last few years the EU's annual expenditure has only amounted to 1 percent of the member states' GNI (it was 0.98 percent in 2004). The ceiling of 1.24 percent has never actually been attained. In December 2003, six member states that are net contributors to the Union budget (Austria, France, Germany, the Netherlands, Sweden and the United Kingdom) requested that future EU expenditure should be capped at the present level and should in no way exceed 1 percent of total GNI. Nevertheless, in February 2004 the Commission proposed an average ceiling for the future EU budget of 1.14 percent of GNI.

Some critics say that limiting the budget to 1 percent of GNI could have serious consequences for the funds allocated to external relations and development assistance because these are not priority areas for many EU policy makers. Sweden argues that reform of the CAP would release funds for more pressing needs. Naturally, other members of the Union oppose that.

presently fixed at 1.24 percent of the gross national income (GNI) of the member states.

In 2003 about 9 billion EUR of assistance was provided through the European Commission. A little more than two-thirds counts as ODA. The rest is classified as official assistance (OA) and goes to accession states or other countries not eligible for ODA under the Organisation for Economic Co-operation and Development (OECD) rules (*see box 7*).

As a comparison Sweden spent around 2 billion EUR (19 billion SEK) on development assistance (ODA) in 2003, including its contribution to the European Community's assistance. The contribution to the European Community was around 5 percent of total Swedish spending on development assistance in 2003. In the next few years it will increase to 150–200 million EUR, corresponding to approximately 7–10 percent of total Swedish assistance.

Two funding mechanisms

The Community development assistance (ODA) is financed through two mechanisms.

First, there is the European Development Fund (EDF), which is replenished from time to time by member states' contributions. The EDF finances development activities in the African, Caribbean and Pacific (ACP) countries; the support amounted to 2.4 billion EUR in 2003, which corresponds to 38 percent of total Community assistance.

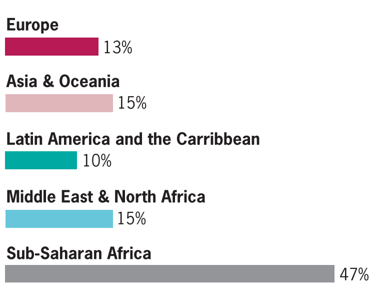
Second, there is the general Commission budget which allocates development assistance to all other regions than ACP. It amounts to approximately 3.9 billion EUR and it accounts for 62 percent of total Community assistance.

The European Community funding mechanisms for development cooperation have evolved over time. In the 1960s the EDF was the main funding mechanism. These funds were channelled outside the general Commission budget. With the growth of other programmes in the 1970s and 1980s the share of funds for development cooperation in the general budget increased, mainly due to the expansion of programmes in Asia, Latin America, Central Asia and the Balkans. Today assistance, including OA, through the general budget is more than twice the size of the EDF budget.

The amount set aside for development assistance in the general budget is decided at seven-year intervals in budget frameworks

FIGURE 3

The regional allocation of European Community aid, disbursements, 2003



The Mediterranean countries are included in the category for the Middle East and North Africa.

called financial perspectives (FPs). A new set of FPs for the years 2007–2013 is being prepared and negotiated at the time of writing (2005).

The general budget and the European Development Fund

To get an overview of total development assistance from the European Community, the general budget and the EDF have to be considered together. They add up to around 6 billion EUR of ODA. The respective regional shares are shown in figure 3.

The flows to Europe fluctuate more than flows to other regions. Europe's relative share is therefore variable, which affects the shares of the others.

The EDF: Assistance to Africa, the Caribbean and the Pacific

The special funding mechanism for Africa, the Caribbean and the Pacific is the EDF. It is important to note that very little of the spending from the general budget goes to Africa. Member states make separate supplementary contributions to the EDF, a multi-annual programme established in 1975 to support developing countries in the ACP region, primarily former colonies of EU member states. Although a heading has been reserved for the EDF in the general Community budget since 1993, the EDF does not come under the general budget. The member states determine the EDF budget in the Council by agreements that are subsequently ratified by the national parliament of each member state. Each EDF is concluded for a period of around five years.

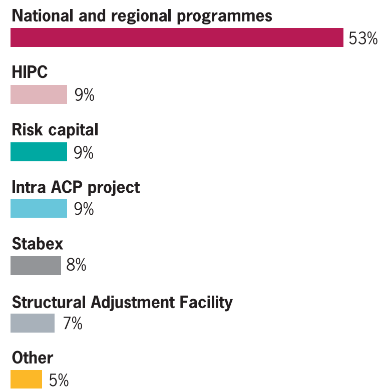
The current EDF is the ninth. For the period 2001–2006, 13.5 billion EUR has been allocated. In addition, the unexpended balances from previous EDFs—a total of 9.9 billion EUR—were carried over to the ninth EDF. Moreover, the contribution of the European Investment Bank (EIB) comes to 1.7 billion EUR, adding up to a total of 25 billion EUR for the ninth EDF. The Directorate-General (DG) for Development and EuropeAid manage these funds, except for emergency aid.

Disbursements from the EDF in 2003 amounted to 2.4 billion EUR. Figure 4 shows the distribution of these funds by programme area.

"National and regional programmes" is by far the largest item in the EDF, accounting for 53 percent of expenditure in 2003. It consists mostly of traditional development projects and programmes. HIPC (heavily-indebted poor countries) includes

FIGURE 4

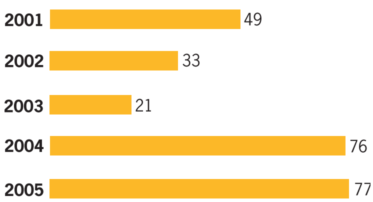
The distribution of funds from the EDF, by programme area, 2003 (disbursements)



HIPC=Heavily-indebted poor countries.

FIGURE 5

Swedish contribution to the EDF, 2001–2005 (million EUR)



Source: Ministry for Foreign Affairs. 2005 is an estimate.

funds for debt relief, and risk capital is to promote investments in the ACP countries. It is mainly managed by the EIB. Intra-ACP projects are aimed at strengthening regional cooperation, and STABEX funds are to counter export losses. Finally the Structural Adjustment Facility supports reforms in different policy areas.

The Swedish contribution to the EDF is only 2.7 percent of the total contribution by member states to the EDF, a share which is based on the economic size of Sweden relative to other member states. Figure 5 gives details.

Because of the rigidity of the Swedish public expenditure framework, the Swedish contribution to the EDF varies over time. The yearly disbursements have been adjusted in order not to jeopardise Sweden's financial stability, especially in 2003, when funds were both backlogged to 2002 and moved forward to 2004.

Development assistance through the general Commission budget

As already mentioned, the other major financial mechanism is the general Commission budget which allocates funds for assistance to all regions except the ACP countries—to Latin America, Asia, the Mediterranean, Eastern Europe and Central Asia, and the Balkans. Moreover the budget includes headings for a

Box 7

DEFINITIONS OF ODA AND OA ESTABLISHED BY THE OECD DEVELOPMENT ASSISTANCE COMMITTEE

Official development assistance (ODA)

Official development assistance is defined as those flows to countries on Part I of the Development Assistance Committee (DAC) List of Aid Recipients which are provided by official agencies, including state and local governments, or by their executive agencies. It should be transactions which

1) are administered with the promotion of the economic development and welfare of developing countries as its main objective and
2) are concessional in character and incorporate a grant element of at least 25 percent.

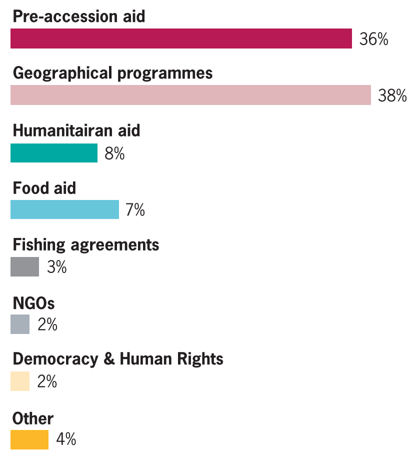
Official assistance (OA)

Official assistance consists of flows that meet all the tests of ODA but are directed to countries on Part II of the DAC List of Aid Recipients (*see appendix 3*).

number of horizontal issues such as Democracy and Human Rights, Environment and Tropical Forest, Co-financing of Non-Governmental Organisations and more. The External Actions budget head also includes assistance to pre-accession countries. These accounts are mainly managed by the DG for External Relations, the DG for Enlargement and EuropeAid. Under this heading there is a mixture of development-oriented activities (ODA) and activities considered as official assistance (OA), for instance, support to the pre-accession countries, the financing of fishing agreements, support to banana growers in former European colonies and so on.

FIGURE 6

Breakdown of the budget line for external aid from the European Commission general budget, 2003



Assistance to neighbouring countries and future EU members

A question often raised is why such a large part of the external finance goes to middle-income countries rather than low-income countries. The answer is that pre-accession funds account for a significant portion of the Union's external finance. In order to assist candidate countries to carry out the reforms required for membership, the Union provides financial assistance as part of its Pre-Accession Strategy. The Phare programme applies to the acceding and candidate countries from Central and Eastern Europe.

Eight of the ten countries which were previously eligible for the Phare programme are now, since May 2004, member states of the Union. Although 2003 was the final programming year for pre-accession assistance to these countries, contracting is envisaged to continue until 2005 and payment of funds until 2006.

Pre-accession aid will be substantially increased to the remaining candidate countries, Bulgaria and Romania, which together have been allocated some 4.5 billion EUR in pre-accession aid for the period 2004–2006. Turkey is due to receive 1.0 billion EUR in pre-accession aid over the same period.

Thus a substantial part of the external aid budget goes to middle-income countries in the Union's neighbourhood. This assistance is classified as official assistance, not official development assistance.

Community assistance to Asia, Latin America, the Mediterranean, Eastern Europe and Central Asia, and the Balkans

Community cooperation programmes with the developing countries of Asia grew moderately until 2000, averaging some 410 million EUR per year in the period 1996–2000, as against 360 million EUR per year in 1991–95. Some 80 percent of these aid flows goes to the lowest-income countries in Asia (32 percent for the least developed countries, 48 percent for other low-income countries). In addition, new programmes of mutually beneficial economic cooperation have been introduced since 1992 with a view to strengthening economic relations between Europe and Asia. Overall, the Commission and the member states together account for some 30 percent of global ODA flows going to Asia, while 50 percent of flows come from Japan and 9 percent from the USA.

Cooperation and association agreements signed by the EU with Latin America include new perspectives for economic, industrial, scientific, technical and environmental cooperation, as well as the fight against drugs. Development cooperation is financed in two forms: by financial and technical support, and economic cooperation. In 2003 approximately 500 million EUR was disbursed to Latin America.

In November 2000 a new Community regulation was adopted for the Mediterranean countries, MEDA II, for the period 2000–2006. The funding of the new programme amounted to 5.35 billion EUR. The main areas of intervention and the objectives are directly derived from the 1995 Barcelona Declaration (*see the previous chapter*).

The Tacis programme provides grant-financed technical assistance to 12 countries of Eastern Europe and Central Asia. Between 1991 and 1999, 4.2 billion EUR was committed through the Tacis programme; an additional 3.1 billion EUR will be committed for the period 2000–2006. Mongolia was also covered by the Tacis programme from 1991 to 2003, but is now covered by the ALA programme.

A priority for the EU is to promote stability and peace in the Western Balkans, not only on humanitarian grounds but also because the region's conflicts may threaten the wider objective of security and prosperity across Europe. Since 1991 the European Union has committed, through various assistance programmes, 6.8 billion EUR to the Western Balkans. The wider objective is to support the participation of the countries of the Western Balkans in the Stabilisation and Association Process (SAP) which in the long term is expected to offer these countries the prospect of full integration into EU structures. Through the programme 4.6 billion EUR will be provided to this region in the period 2000–2006 for investments and institution-building.

The regional distribution of Community cooperation is heavily influenced by foreign policy objectives. Of the flows from the general Commission budget, 36 percent goes to pre-accession countries. If the Mediterranean and Middle East, the Balkans and Eastern Europe, and Central Asia, that is all "neighbouring" countries to the Union, are added, the percentage amounts to 61 percent of the budget. A mere 11 percent of the external aid budget is allocated to Asia and Latin America. This makes the European Commission the biggest provider of OA in the OECD Development Assistance Committee (DAC).

Since a large number of Community instruments are supporting a mixture of objectives, not only poverty reduction, it is difficult to assess the effects on poverty in isolation. In line with the process of modernisation throughout the organisation, the funding mechanisms above require realignment with clear and relevant objectives, and must be attuned with the EU's aspiration to a role as a global player. A first step towards such a new structure is taken by the proposed new Financial Perspective in which an attempt is made to separate foreign policy goals, development goals and others (*see chapter 5*).

Community assistance is normally provided in the form of grants. The Community makes comparatively little use of loans. The EIB commonly takes the leading role in providing loans to middle-income countries.

The Swedish contribution

Total Community development expenditure through the general budget (ODA) amounted to 3.9 billion EUR in 2003. Sweden's contribution is relatively small: 86 million EUR or 2.2 percent in 2003 (*see figure 7*).

The Swedish contribution shows an even distribution from 2001 to 2005, mainly because the Swedish contribution to development assistance in the general budget and the EDF is simply a deduction from Sweden's total contribution to the EU (which amounts to 2.7 percent of the Community budget) and is based on the relative economic size of Sweden compared with other member states.

FIGURE 7

The Swedish contribution to the European Community external aid budget, 2003 (million EUR)

Source: Ministry for Foreign Affairs. 2005 is an estimate.

The strategic allocation of funds

The Commission drafts the budget and proposes regional allocations. The European Parliament then decides on the final allocations and may use its right to alter allocations (but not to suggest new budget items). From the overall regional "envelopes" there is a process for allocating funds to the different countries. This process starts with the drafting of country strategy papers (CSPs) for individual countries. The first generation of CSPs and regional strategy papers (RSPs) was drafted in 2001. Today there are around 160 CSPs covering eight regions. The preparation of the CSPs is mainly a responsibility of the Commission with some influence from the member states at country level (through their embassies) as well as in the managing committees (*see chapter 5*).

The present CSPs and RSPs describe how the Commission's external assistance is to be implemented in the period 2002–2007 (applicable time period depending on the region). In 2005/2006, preparations will start for the next generation of Community country strategies. The ambition is to have a more participatory

Box 8

THE EUROPEAN COMMUNITY HUMANITARIAN OFFICE (ECHO)

The European Union has a long-standing commitment to help victims in need of humanitarian aid. A special office has been created to this end, the European Community Humanitarian Office, ECHO.

The office is separate from the other EU institutions working with development assistance. It is led by a director general but works in close cooperation with the DG for Development and its Commissioner.

The regulation governing ECHO defines its role as follows:

- to save and preserve life during emergencies and their immediate aftermath in man-made or natural disasters;
- to provide assistance and relief to people affected by longer-lasting crises such as civil wars;
- to assist refugees or displaced persons and help them resettle if they return home; and
- to ensure preparedness for natural disasters by setting up early-warning systems.

Funds for ECHO's activities are drawn from both the general budget and the EDF. ECHO's responses to humanitarian crises in 2003 amounted to 600 million EUR. Of this, 586 million EUR was financed through the Commission's budget and 14.1 million EUR was drawn from the EDF. Due to sudden and unforeseen crises, as well as the worsening of existing ones, the initial budget of 441.7 million EUR was supplemented on a number of occasions.

Approximately 800 financing agreements were signed in 2003. The budget implementation rate was close to 100 percent.

approach to the drafting process whereby various stakeholders will be invited to discuss the Community's proposal, the volume of funds and the focus of the assistance. The process of drafting the CSPs provides a good opportunity to influence Community aid (*see chapter 4*).

The specific breakdown of funds for different purposes is found in the national indicative programme (NIP), which often forms part of the CSP. There is a rational allocation model in place, although it is doubtful if it plays a very decisive role. An elaborate methodology has been developed for the ACP countries, where the country resource allocation is made on the basis of needs and performance. Needs are assessed on the basis of per capita income, population size, social indicators and so on. Performance is assessed according to progress with institutional reforms, use of resources, effective implementation of current operations and so on. Although this model exists, the road to the NIP is not always obvious and in many cases the final outcome is simply built on previous years' budgets and programmes.

A common approach for all countries receiving Community ODA is being discussed in the Council, based on a proposal by the Commission. It is similar to the system in use for the ACP countries but is somewhat simplified. A system such as this would respond to the parliamentary criticisms of the lack of poverty orientation in the Commission's country allocation system. Previously the geographic directorates in DG External Relations were reluctant to use such a model, partly because the desired outcome has not been achieved.

Very large volumes of aid, a rigid administration of funds and limited absorption capacity in partner countries have made the rate of disbursement of Community assistance slow. The time gap between a commitment and the subsequent implementation and disbursement can be quite long.

Dormant commitments and the slow disbursement rate were already problems in the 1990s. The reform launched in 2000 (*see chapter 6*) envisaged a specific initiative to screen all commitments made prior to 1995 and all dormant commitments dating from 1995–97. Work is being undertaken to improve efficiency. Progress has been made and the stock of open commitments has been reduced, but this issue will remain a challenge for the Commission and will continue to threaten the poor public image of the Commission aid for some time to come (*for further details about measures taken see chapter 5*).

The limited role of the European Parliament

The existing set-up of two separate financing mechanisms (the general budget and the EDF) is not undisputed. The Parliament is keen to gain some control over the EDF funds, while some member states defend the use of a separate channel. There are ongoing discussions about how to integrate the funds for the ACP countries into the general budget (called the "budgetisation" of the EDF), but there will be at least a tenth EDF before any streamlining of the budget process takes place. This means that the two parallel financing mechanisms will remain until at least 2013.

In 2002 the Parliament intervened in the planning of development assistance and urged the Commission to allocate at least 35 percent of the aid funds to social sectors in the poorest countries. Since the Development Policy from 2000 stipulated six other priority areas for Community assistance, there had been no systematic allocation to the social sectors. The attempts by the European Parliament to impose input targets on the Commission could even be counterproductive: for instance, they could run counter to the objective of country "ownership". Many partner countries see the Community as having a comparative advantage in transport or infrastructure but not in the social sectors favoured by the Parliament.

The political pressure to move Community development assistance more into the social sectors caused some stir and demonstrated the Parliament's interest in Community assistance. This incident raises the issue of how the European Parliament and the Council of Ministers can take a more strategic approach in their direction and oversight of the aid programme. The Commission may have to pay more attention to the policy dialogue attached to the CSP process, especially with regard to the involvement of the Council and the Parliament, which are not invited to discuss the final country allocations.

Poverty reduction versus other objectives

The Community development assistance has been criticised by many—member states as well as non-governmental organisations (NGOs)—for not being sufficiently oriented towards poverty. The reform of external aid at the beginning of 2000 partly addressed this criticism, and Community aid to the poorest countries has since increased.

As already mentioned, poverty reduction is stated as the primary aim in the Community's development policy statement from 2000. Some member states, members of the European Parliament (MEPs) and NGOs have expressed concern that, while extreme poverty is concentrated in sub-Saharan Africa and South Asia (as measured against the Millennium Development Goals, MDGs), Community spending in these areas has fallen relative to the funding going to middle-income countries in other regions. The critics fear that the poverty reduction objective is giving way to other foreign policy objectives. There is no doubt that support to the neighbours of the Union has been rising.

As figure 8 shows, there is a clear difference in spending patterns between the European Commission, the member states taken together, and Sweden. Sweden has the highest percentage allocation of aid to Africa south of the Sahara. The Commission spends more than a quarter of its external aid on Europe, while Sweden and other member states spend on average a mere 10 percent of their aid on the European neighbourhood.

The differences in allocations become even more evident when we examine the distribution of aid by income group (*see figure 9*). While Sweden allocated 68 percent of its aid to low-income countries, the average among member states was 54 percent. The European Commission allocated 46 percent to the same group. Consequently the Commission allocated 52 percent to middle-income countries, while Sweden allocated only 33 percent to this group of countries.

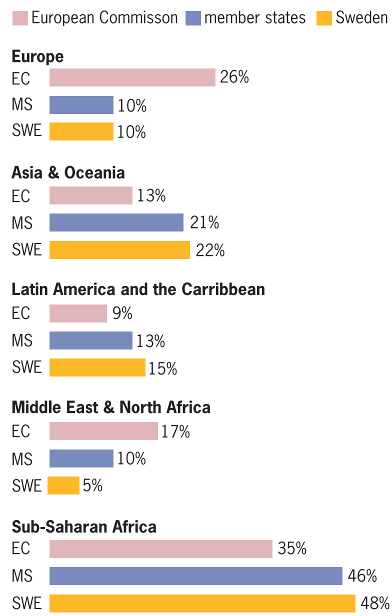
Figure 10, which shows Community aid per capita in five countries, may illustrate some of the distributional choices made in Community development assistance. However, it should be emphasised that this is based on one specific year (2003) and may be different for other years.

The change in orientation of Community aid started in the mid-1990s, when the states of the former Federation of Yugoslavia first appeared in the top ten list of recipients. By the beginning of 2000 the Balkans region dominated the list of the top ten aid recipients. The next most important group is the neighbouring countries of the Mediterranean (Morocco, Egypt, Tunisia and Turkey). However, the funds flowing to the European Union's neighbours seem to be largely additional, with no apparent squeeze on the EDF programme, which is directed to most of the poorest countries.

The support to middle-income countries has been questioned from time to time. The primary use of grants may be questioned, arguing that loans might be more appropriate instruments in

FIGURE 8

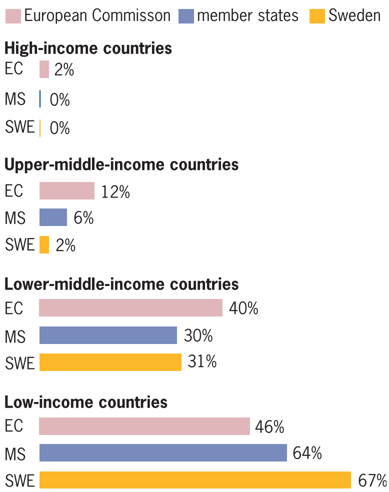
The regional distribution of aid: a comparison of the European Commission's assistance, total aid from member states, and Swedish development cooperation funding, 2002 (% of disbursements)



Member state assistance includes Swedish development cooperation, numbers are for ODA only.

FIGURE 9

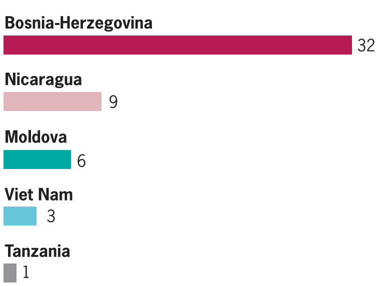
Allocation of aid by income group (commitments, 2002)



Member state assistance includes Swedish development cooperation.

FIGURE 10

Community aid per capita, 2003 (EUR)



these "richer" countries. A counter-argument is that there are in fact more poor people in middle-income countries than in low-income countries. Other arguments refer to the role of the middle-income countries in contributing to global "goods" or "bads", their strategic role in poor regions and so on. Since the Community has a long history of close relations with many middle-income countries and a broad range of policy instruments at its disposal, it may have a comparative advantage in assisting them.

The member states will undoubtedly want to ensure a stable and secure neighbourhood, and funding for that purpose will be provided. It is therefore important to create a clear framework, with distinguishable objectives and separate funding instruments for the different purposes. Such a reform would greatly facilitate the understanding of the criteria for the allocation of Community assistance.

There is an ongoing debate about these issues, not least in connection with the new Financial Perspective for 2007–2013.

The push for more funds and greater effectiveness

The Commission unquestionably plays a broader role than a bilateral donor can ever do, thanks to its unique position and weight within the European Union. Most importantly, the Commission plays a central role in political and trade negotiations on behalf of the EU. This can create a supportive framework for the effective use of ODA. The Commission may also be instrumental in influencing and pushing member states to coordinate their development efforts and to increase disbursements. The total amount of EU development assistance has been falling since 1994–95 and in 2003 the combined EU members had a weighted average share of ODA in GNI of only 0.34 percent.

The Commission encouraged member states to increase their ODA contributions at a European Council meeting in Barcelona in March 2002. Only four member states (Denmark, the Netherlands, Sweden and Luxembourg) are presently at or above the UN target of 0.7 percent of GNI, while many are close to the EU weighted average of 0.34 percent. At the Monterrey Conference in 2002 the (then) 15 EU member states reiterated their commitment made at Barcelona to increase their ODA spending to 0.39 percent of their combined GNI by 2006 and 0.51 by 2010. The aim is then to reach 0.7 percent as an EU average in 2015 (for the 15 member states before the 2004 enlargement). The new member states aim at 0.17 percent by 2010 and 0.33 percent by 2015.

Other Commission initiatives with respect to the member states concern the untying of aid to the least developed countries. It has already succeeded in untying aid to the ACP countries, and has been discussing further untying for other least developed countries (LDCs). The Commission has been helpful in the international discussions regarding debt relief and is a major financial contributor to the HIPC initiative.

Administrative costs

One might assume a positive relationship between administrative costs and staffing, on the one hand, and the quality of output on the other. In reality this correlation is difficult to establish since an aggregate measure such as "quality of output" is difficult to attain. However, it is still interesting to compare national aid bureaucracies and the European Commission. Table 1 gives some details from four member states from 2001–2002.

Germany has the most staff-intensive development cooperation in Europe. The European Commission has a very low rate of staff to dollar disbursed; only Austria has a lower rate in Europe. Sweden is close to the average ratio. A high ratio of staff costs to dollar disbursed may imply expensive development cooperation, while a low ratio may be regarded as inexpensive. However, to really assess efficiency one needs to compare the costs with the impact of the aid delivered, but such assessments have rarely been carried out on a more aggregate level.

TABLE 1
Selected indicators of European development cooperation

	Admininstrative expenditures (% of total ODA)	Total staff in Development Cooperation	Staff per USD 10 million disbursed
EC	1.8	3,539	5.7
Germany	7.6	7,275	23.5
UK	9.3	2,850	9.3
Sweden	5.8	915	7.5
Austria	5.4	120	3.0

Total staff includes expatriates in the field, local employees in the field and staff at headquarters.

Chapter 4

The power game

IN SOME QUARTERS THE EU IS SEEN as a single, undemocratic body, unaccountable and unresponsive to the national interests of member states. In fact, the EU consists of a number of different institutions that carry out activities on behalf of the member states. The Union can only act within the limits of the powers granted to it by the treaties, to which the member states have agreed. The member states decide which areas of policy should be in the hands of the European Community and which should not.

IT IS GENUINELY INTRIGUING to understand how decisions are taken, how proposals are adopted and where and how to find entry points to influence the decision-making process. The power game in the European Union is all about finding support, and particularly finding support from the right ally. From a Swedish perspective the highly politicised environment poses a great challenge to decision makers and officials.

THE FIRST PART OF THIS CHAPTER presents the main actors and a guide to their respective roles in the decision-making process. A second step is to consider how to influence the decisions. In chapter 5, different strategies for entering the power game are discussed.

A decision is taken, a policy adopted

There are many ways a decision can be made and there are several players who want to take part in the process leading up to the decision, or the "adoption" of a proposal, in the area of development policy. A short version of the route a decision may take can look as follows. An initiative is taken by the European Commission, often in collaboration with the member state holding the Presidency. The Council (25 foreign or development ministers) asks the European Commission to prepare the question. The relevant directorate-general takes on the task and starts preparing a proposal with the aim of presenting one that can be accepted by all 25 countries. The Commission then sends the proposal to the Parliament for comment (except in the case of the European Development Fund (EDF) which is not influenced by the Parliament). Simultaneously the Council prepares a common position on the proposal. Comments are then integrated into the proposal by the Commission. Depending on the decision procedure, the Council then approves the law.

FIGURE 11

The road to an EC decision

Naturally, the adoption of a proposal may take detours along the way. The following sections describe the main detours, the different steps in the decision-making process and the main actors.

A common perception of the European Union is that it is an inefficient, over-bureaucratic institutional set-up which is very slow in its delivery of services. One explanation for this perception is the many turns and twists a proposal may take before gaining final approval. It is necessary to understand that compared to the institutional set-up in many member states more actors are engaged in the process, the legal framework is more complex and a wider range of political agendas enter the debate. Such are the characteristics of the EU. To a great extent they are the same for many multilateral organisations. Below the main actors in the Union, their powers, the procedures they need to respect and the strategies they apply are presented.

Decision making with respect to development cooperation involves the following European institutions:

- the European Commission;
- the European Parliament;
- the Council of the European Union;
- the Court of Auditors; and
- the Court of Justice.

The European Commission

The Commission may be seen as the engine in European matters. It drafts proposals for new European laws and policies which it presents to the European Parliament and the Council. It is responsible for the practical execution of many of the EU actions. It represents Community interests and sees to it that European treaties and European law are properly implemented.

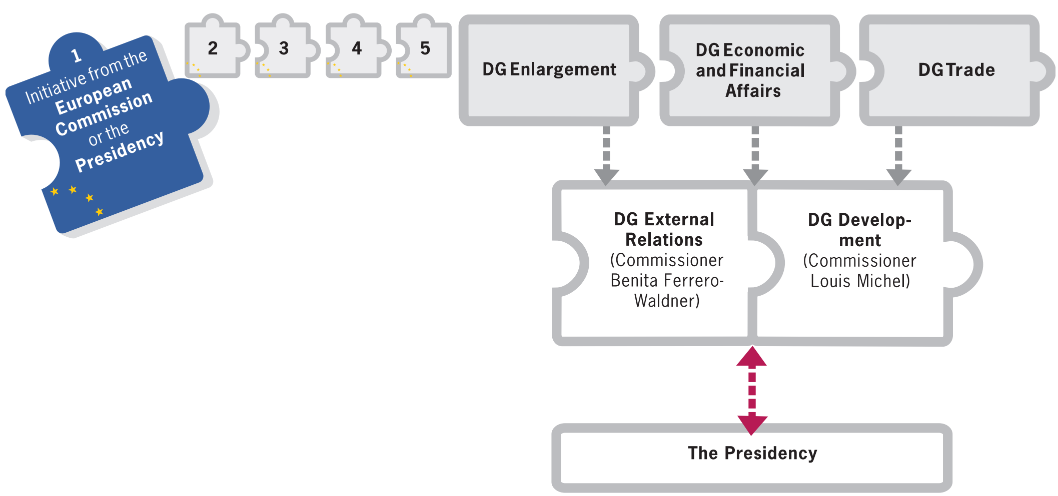
The European Commission is made up of 24 directorates-general (DGs). A DG resembles a national ministry in structure and there exist DGs for the usual policy areas. A commissioner is appointed for each. The College of Commissioners meets once a week to discuss and take decisions collectively, not unlike a national government. The European Commission consists of 25 commissioners (including the President). The President of the Commission is chosen by the governments of the member states and must be approved by the European Parliament. The other members are nominated by the member governments in consultation with the incoming president and must also be accepted by the European Parliament. The Commission is appointed for a five-year term; it can be dismissed by the Parliament. It is backed by a civil service of 20,000 staff, mainly located in Brussels and Luxembourg.

The Commission is instrumental in formulating Community development policy as well as for its implementation. Usually close cooperation develops between the Presidency and the Commission when a new proposal is being launched. The major actors within the Commission are DG External Relations and DG Deveopment, but other DGs such as DG Enlargement, DG Economic and Financial affairs (ECFIN) and DG Trade may participate in the design of the proposal.

The Presidency chairs all the meetings and sets the agenda (in the Council). The Commission and the Council Secretariat provide the Presidency with the institutional memory from previous presidencies and prepare the documents to be tabled. Proposals are launched in the Council and preparations continue with discussions among the member states. Usually the Commission is asked to continue the preparation taking into account comments from the member states, for example, to the effect that alternatives should be investigated, the text should be revised, or some ideas should be better "anchored". In the

FIGURE 12

The launching of a proposal by the Commission



more detailed preparation of the proposal the Commission may consult its implementation agency Europe Aid and its delegations around the world.

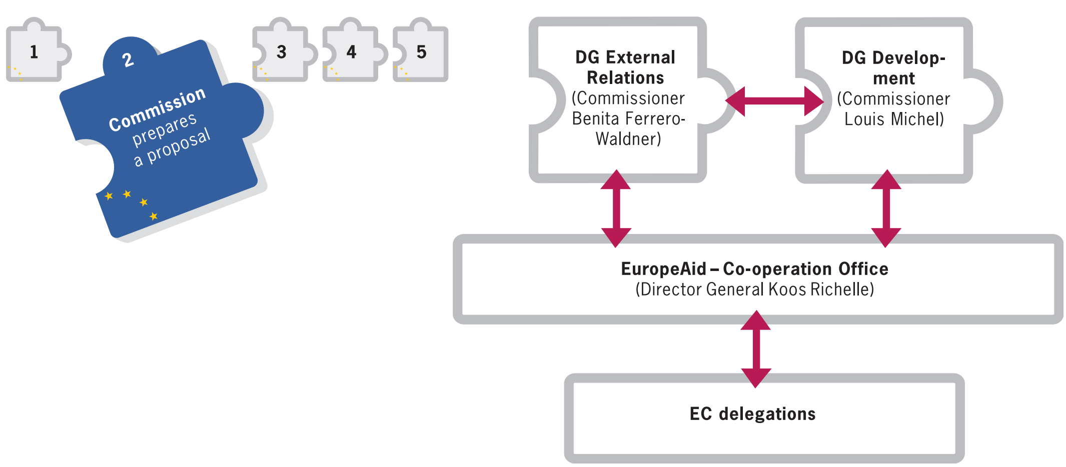
Only with a unanimous vote can the member states force the Commission to redesign a proposal. This very rarely happens; normally the Commission listens and takes note of the Council's views.

Development cooperation is largely the work of the European Commission's various DGs. Figure 12 is an attempt to represent the important anchor points of the Commission's aid organisation. The key DGs in foreign policy and development assistance are DG External Relations and DG Development. DG External Relations is responsible for foreign policy matters and for a major part of the development cooperation with Asia, Latin America, Eastern Europe and Central Asia, and the Balkans, altogether some 80 countries. DG Development, on the other hand, has the prime responsibility for general development policy and for cooperation with Africa, the Caribbean and the Pacific, adding up to 77 countries. The commissioners for these two DGs work closely together within the group of external relations (RELEX) commissioners established by the College of Commissioners. In this group there are also the commissioners for DG Enlargement and DG Trade.

Furthermore, there is an implementing agency called

FIGURE 13

The process of elaborating a proposal in the Commission



EuropeAid to which the DGs delegate funds for development cooperation. EuropeAid is responsible for implementation of the assistance in all regions except the Balkans, which is the responsibility of DG Enlargement. The implementation of external assistance at country level is organised through the EC delegations. There are around 130 delegations around the world with a staff of 2 750 (*see figure 13*).

ECHO, the European Community Humanitarian Office, is a separate directorate but with same Commissioner as DG Development.

Depending on the scope of the proposal concerned, many of the actors in the Commission want to take part in the preparation of new development policies. To respond to the need for Commission-wide consultation over many Commission proposals, an "interservice consultation" system was set up in the 1990s whereby draft documents are sent to all relevant DGs for comment.

In 2000, the Prodi Commission gave a clear mandate to DG Development to initiate and lead the policy process. However, in reality many policies also emerge from DG External Relations, especially concerning regional responsibilities. In practice, general development policies are often joint efforts of DG Development, DG External Relations and EuropeAid, based on the initiatives of DG Development.

The European Parliament

The European Parliament (EP) is the democratic forum for debate. It oversees the activities of the EU institutions and takes a part in the legislative process. The Parliament is composed of 732 members (MEPs) directly elected in the member states every five years. They sit not in national blocks but in eight political groups which reflect the political ideology of the national party to which each member belongs.

The EP has gained influence in policy making concerning development decisions through the co-decision procedure, which was introduced in 1993. The EP must agree to important international agreements such as trade or association agreements between the EU and third countries. All development projects and programmes are based on regulations which need the EP's approval. Over the years the EP has made important thematic contributions to shape and define relations with partner countries, for example, promoting human rights policy in external aid. Its powers include the approval of the annual budget with respect to development policy, which comes under the budget heading External Aid. Parliamentary scrutiny can lead to the amounts for specific purposes being altered, and can thus influence the final allocation of funds. It can also, to a certain extent, alter the content in policy frameworks attached to the funds. Like national parliaments, the EP has set up committees to deal with particular issues, such as foreign affairs, the budget, development, and the environment. European citizens can submit petitions directly to the European Parliament through the Committee on Petitions.

The process of presenting and adopting a proposal involving the Parliament can be described as follows. The Commission submits a proposal to the Parliament. The EP Committee on Development is instructed to draw up a report and appoints a rapporteur (a member of the committee who is entrusted with the task of drafting the committee's report). Other committees, such as the Committee on Trade, may also be asked to deliver opinions. The rapporteur drafts a report. The political groups in the Parliament examine the report from their political standpoints. Finally, the report is discussed in plenary session.

Box 9

CONSULTATION, ASSENT OR CO-DECISION

The rules and procedures for EU decision making are laid down in the treaties. Every European law is based on a specific treaty article, referred to as the "legal basis" of the legislation.

There are three main procedures for enacting new EU laws:

- consultation;
- assent; and
- co-decision.

The main difference between them is the way the Parliament interacts with the Council.

Under the **consultation procedure**, the Parliament merely gives its opinion.

The **assent procedure** implies that the Council has to obtain the Parliament's assent before a decision is taken. The procedureis the same as in the case of consultation, except that the Parliament cannot amend a proposal: it must either accept or reject it.

Under the **co-decision** procedure, the Parliament genuinely shares power with the Council.

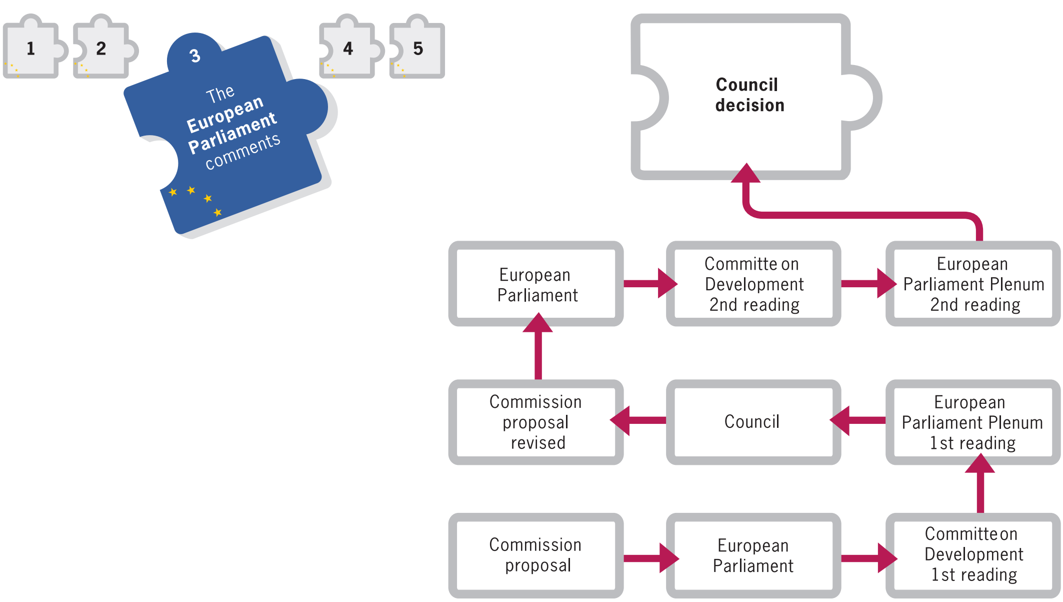
Amendments to the report may be tabled by the responsible committee, the political groups or a number of MEPs. The Parliament then votes on the report. If approved, it is thereby adopted as the official Parliamentary position. The report usually suggests changes to the Commission's proposal in the form of amendments. This is called the first reading. The Council of Ministers then either approves the Parliament's amendments—in which case the legislative proposal is adopted—or modifies them.

If a modification is suggested by the Council, the Parliament needs to respond. This is called the second reading. On the basis of a recommendation by the Committee on Development, the European Parliament delivers an opinion at second reading: it may approve, reject or amend the Council position by an absolute majority. The Commission often takes account of the Parliament's amendments and forwards an amended proposal to the Council. The Council normally adopts the proposal by a qualified majority: it can only modify it by a unanimous vote. Attempts are always made to have an agreement in place between the Parliament and the Council at first reading.

In the event of disagreement between the Parliament and the Council, a conciliation committee made up of the members of

FIGURE 14

The European Parliament's part in a decision



the Council, the Presidency (normally), and a delegation from the Parliament meets for a maximum of six weeks. The EP delegation, which reflects the composition of the Parliament, is chaired by one of its vice-presidents. It always includes the Parliament's rapporteur. In the vast majority of cases an agreement is reached in the form of a joint text.

It is important to stress that this procedure take place only when there is a proposal for new legislation. Communications, declarations and other "soft laws" do not need the approval of the European Parliament. However, there may be informal consultations with the Parliament when important policy documents which are not laws are being drafted.

The European Council

The European Council is the highest decision-making body in the European Union. This is why its meetings are called "summits". Summits involve the participation of heads of state and government—the presidents and prime ministers of all the EU member states—and the President of the European Commission. The European Council meets, in principle, four times a year, twice formally and twice informally, to agree on

Box 10

THE ACP–EU JOINT PARLIAMENTARY ASSEMBLY

The ACP–EU Joint Parliamentary Assembly was created with the purpose of bringing together the elected representatives of the EU—the MEPs—and the elected representatives of the African, Caribbean and Pacific countries' parliaments. The representatives of the 77 ACP states which, under the Cotonou Agreement, must be members of Parliament, meet their 77 EP counterparts in plenary session for one week twice a year. The Joint Parliamentary Assembly meets alternately in an ACP country and an EU country.

The Joint Parliamentary Assembly has attempted to reinforce successive ACP–EU Conventions by drafting numerous proposals, e.g.:

- the upgrading of the role of women in the development process;
- the integration of environment policy in development projects;
- the promotion of trade as a tool for development, particularly by way of the economic partnership agreements provided for in the Cotonou Agreement; and
- the drawing up of rural development programmes and micro-projects tailored to the needs of specific communities.

Box 11

THE ORIENTATION DEBATE

The orientation debate is one of the more important discussions to take place in the Council. This is the occasion when ministers for development and foreign affairs focus on enhancing the effectiveness of the EU's external relations. The outcome is a set of conclusions, an instruction to the European Commission on where the focus should be the next year.

The orientation debate in November 2004 focused its discussion on two specific issues: meeting the Millennium Development Goals; and EU leadership for achieving effective multilateralism.

overall EU policy and review progress. Development cooperation issues are rarely on the agenda; however, some decisions may have an indirect impact on development cooperation, for example, the level of agricultural subsidies to European farmers, an issue on which there has been lively debate in recent summits.

The Council of the European Union

The Council is made up of government ministers from the 25 member states. It meets regularly to take decisions and to pass European laws in different policy areas such as transport, agriculture, foreign affairs, development and so on. It is the forum in which the representatives of the governments of the member states can assert their interests and reach compromises. Since 2002, efforts have been made to simplify the groupings in the Council and reduce the number of working formations to nine. Consequently the informal Development Council has been combined with the Council of ministers for foreign affairs, called the General Affairs and External Relations Council (GAERC). The integration was also designed to promote coherence in external policies. In principle the development cooperation ministers meet four times a year, twice formally and twice informally.

The most common voting procedure in the Council is qualified majority voting (QMV). This means that, for a proposal to be adopted, the support of a qualified majority is needed (*see the Glossary*). However, decisions are almost always reached by consensus.

COREPER and the working groups

In Brussels, each member state has a permanent representation to the EU that represents it and advocates its national interests.

The head of the representation is his or her country's ambassador to the EU. The ambassadors meet weekly in the Committee of Permanent Representatives (COREPER), the role of which is to prepare the work of the Council. COREPER is assisted by a number of working groups, made up of officials from the national administrations. In between the working group and the ambassadors are the assistants to the ambassadors, Antici, who prepare the agenda the day before COREPER meetings (*see figure 15*).

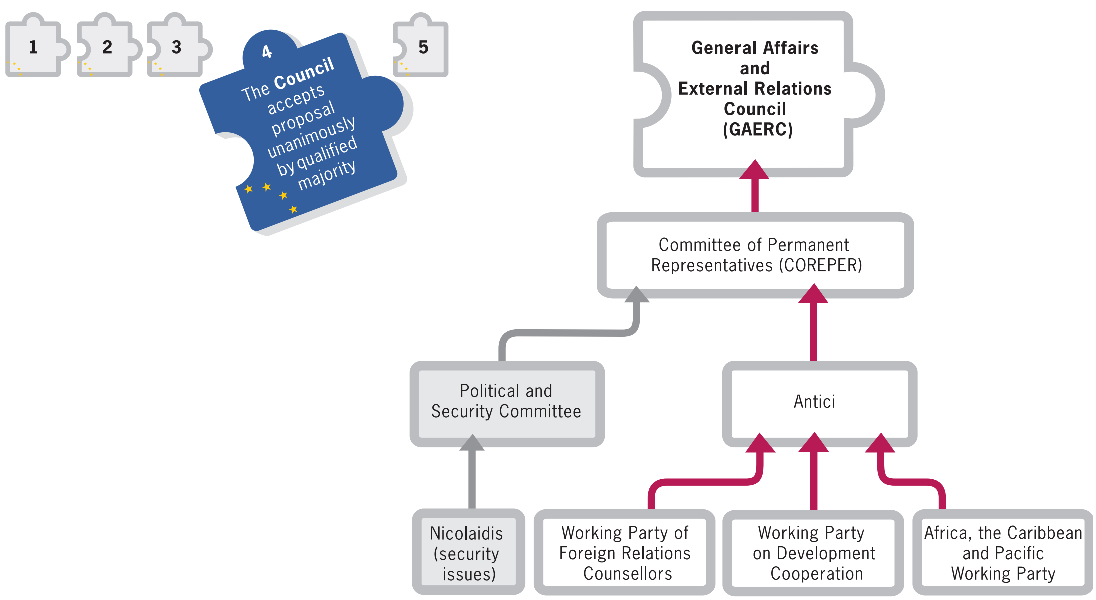
The Presidency of the European Union

The Presidency rotates among the member states every six months. The Presidency of the Council plays a vital part in the organisation of the Council's work, notably as the driving force in the legislative and political decision-making process. Member states present a list of priorities they want to pursue during their presidency. The member state presiding over the Council usually has to take a consensual stance in negotiations. It has to organise and chair all meetings, from ministerial meetings to working groups, and work out compromises with the aim of resolving any disagreements.

An important task for the Presidency is to prepare the agenda for the work in the Council. In setting the agenda the Presidency works closely with the Commission to decide which issues should be put on the table.

FIGURE 15

The process at the Council stage

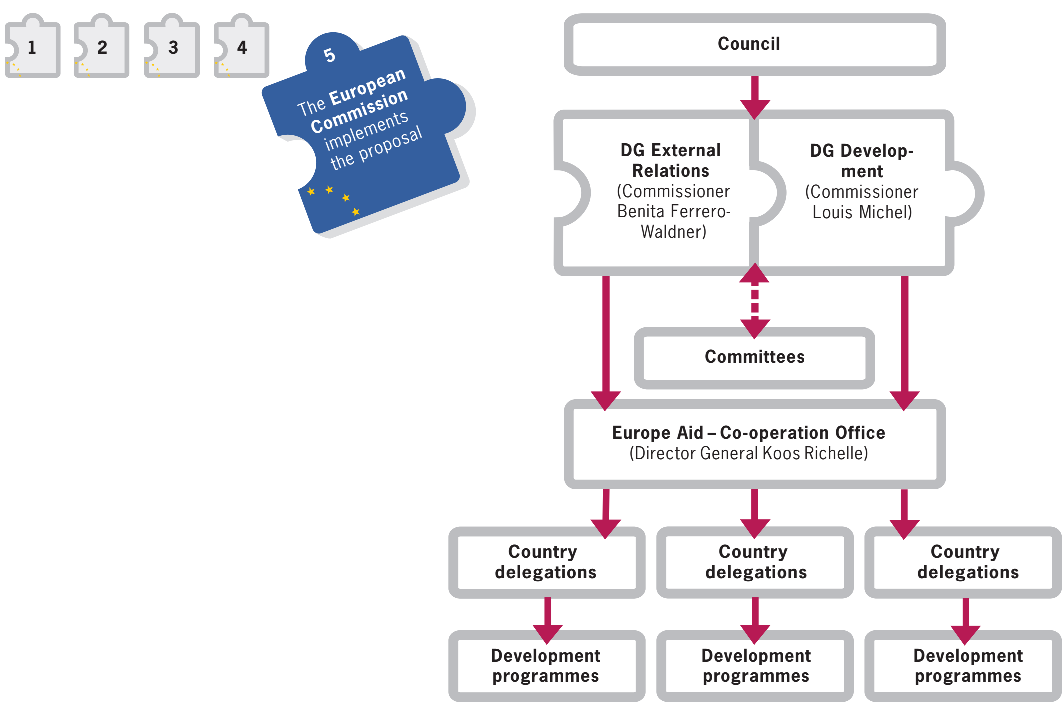


The Court of Auditors and the European Court of Justice

The Court of Auditors, an independent EU institution which has its seat in Luxembourg, is the body that controls the way EU money is spent. The funds available to the EU must be used legally, in a cost-effective way and for the purpose intended. There is an annual audit which is an important check of the way in which funds have been spent, not least in the area of development cooperation, which is a major budget item in the Community. If the Court finds no irregularities in the revenue it has received and expenditure made it declares the execution of the Commission budget to be "in a lawful and regular manner".

The Court of Justice ensures that Community law is followed in practice and implemented in line with the treaties. It settles disputes over how the EU treaties and legislation are to be interpreted, to ensure that EU law is understood in the same way everywhere. National tribunals must ask the Court when they

FIGURE 16
Implementation of the decision



are in doubt about how to apply EU law. Individuals can bring proceedings against EU institutions before the Court. The Court is composed of 15 independent judges and it also has its seat in Luxembourg.

Box 12

COUNCIL WORKING GROUPS OF IMPORTANCE FOR THE DEVELOPMENT OF POOR COUNTRIES

- Working Party of Foreign Relations Counsellors
- United Nations Working Party
- Working Party on Human Rights
- Working Party on Central and Southeast Europe
- Working Party on Eastern Europe and Central Asia
- Working Party on the Western Balkans Region
- Ad hoc Working Group on the Middle East Peace Process
- Middle East/Gulf Working Group
- Mashreq/Maghreb Working Party
- Africa Working Party
- ACP Working Party
- Working Party on Latin America
- Working Party on Asia
- Working Party on Trade Questions
- Working Party on the Generalised System of Preferences
- Working Party on Development Cooperation
- Working Party on Preparation for International Development Conferences
- Working Party on Food Aid
- Working Party on Commodities
- High Level Working Group on Asylum and Migration
- Horizontal Working Party on Drugs
- Working Party on International Environmental Issues

Trade or development assistance? A case involving cotton

ON 9 MARCH 2004, an unusual letter lands on the table in Ireland's government offices. It is addressed to Tom Kitt, the Minister of State for Overseas Development, who at the time is in charge of Community development policy during Ireland's presidency of the EU. It will soon set off a flurry of activity among Commission bureaucrats, politicians of varying ranks and a whole host of national government officials. This article traces how the matter was handled at different levels until a final decision was taken.

The letter is signed by four trade ministers from West Africa and deals with EU subsidies to Spanish and Greek cotton farmers. The Africans are demanding an end to the subsidies, complaining that they prevent West African cotton farmers from selling their harvests on the world market. The four ministers also argue that as long as the EU's cotton farmers receive support, their African counterparts should be entitled to compensation for lost sales. What the letter is not, it transpires, is a demand for more development assistance.

The letter touches several EU nerves. EU farming subsidies occasionally present a direct barrier to development for the poorest countries and, although the issue has already been raised on more than one occasion, including at the WTO conference in Cancún, no conclusive decision has ever been taken.

As holder of the EU Presidency, Ireland is now duty bound to act and tease out a compromise that all 15 member states can accept. Meanwhile the Commission has been tasked with preparing reports and conducting an inquiry into the matter, which also ends up on the agendas of different working groups set up within the Council of Ministers.

In Sweden, the question falls to three separate officials, two at the Ministry for Foreign Affairs (MFA) and one at the Ministry of Agriculture.

Sara Aulin from the Department for Global Development at the MFA is one of them. Her job is to draw up a political standpoint on development policy as regards the cotton question.

She also has to make sure that Swedish policy is coherent, and manages to find a common Swedish line with the agriculture and trade officials. Since the matter does not touch upon any other sensitive points of domestic policy, things proceed fairly quickly.

Frequent contacts

Sara Aulin's next job is to contact officials from other member states to ascertain at what level in their respective government administrations the actual policy is drawn up and who is responsible for the analysis work.

During this phase of the process, the different national officials remain in close and frequent contact. They meet at informal meetings in Brussels and remain in touch by e-mail and phone.

Existing personal contacts prove an immense help. And it is only when other allies have been found that a matter like this can be pursued with any success by a "small" country like Sweden.

"You have to be clear in your mind about what is the most important thing to accomplish," says Sara Aulin. "If you take too hard a line on all points, there's a real danger that you'll achieve nothing at all."

The main responsibility of the officials is to draw up reports and analyse the possible consequences of the different policy options available. The final line is then decided upon by the political leaders of each country.

In the case of the cotton question, a key role is played by the informal Agricultural Trade and Development Network, which meets twice a year to find links between agricultural, trade and development policies. Although the network takes no decisions as such, it creates invaluable alliances ahead of future resolutions.

Out of this network eventually crystallises the "Friends of Cotton" group, charged with helping the countries take part and actively pursue the cotton question.

At ministerial level, the so-called like-minded nations (Sweden, the UK, Denmark, Germany and the Netherlands) also discuss the feasibility of writing a joint letter to the European Commission recommending the total abolition of the cotton subsidies. However, the countries fail to agree despite their otherwise convergent attitudes towards development issues. The problem lies with agriculture: the relevant minister in one of the countries believes that the move will harm its own national interests and is unable to find common cause with the development minister.

Work progresses in the EU Council working groups in accordance with procedure. Officials from across the EU board try to hammer out texts that the ministers can eventually shake hands on.

The issues are bounced back and forth for a while ahead of the forthcoming GAERC meeting, and a number of subsidiary decisions are taken. The aim is to have the groundwork done before the meeting and, with only a few exceptions, the ministers discuss the points at issue.

Back in the working groups, Sweden is keen to make sure that the EU countries do not try to buy their way out of the sensitive issue of subsidies to European cotton farmers.

In charge of the negotiation work in Brussels is Maria Sargren at Sweden's representation to the EU, who is fed with regular written and verbal instructions from the EU unit of the MFA's Department for Global Development.

At the same time, Sweden is giving backing to International trade, Development, Economic governance, Advisory Services (IDEAS), an independent organisation committed to supporting the four countries in their trade negotiations.

A constant dialogue is also being pursued with other representatives of civil society. The issue is discussed on the trade side by a Swedish reference group comprising private organisations and Swedish trade unions set up ahead of the WTO talks.

Critical discussions

However, the most critical discussions on the cotton question take place around agriculture in connection with the EU's review of its agricultural policy. To ease conditions for African and other cotton producers, an attempt is made to reform the subsidy programme for EU growers.

After lengthy negotiations, the countries are finally able to agree on retaining the subsidies but having them less closely geared to production levels than previously. Many countries declare the problem now dealt with, given that cotton will no longer be produced at the expense of developing countries.

However, the African trade ministers are of a different view. As long as the subsidies are tied to production levels, they reason, trade opportunities for the African farmers will remain hampered.

A study by the British Overseas Development Institute adds grist to the African trade ministers' mill. According to the institute's calculations, the new subsidy system will not serve to reduce European production at all. The African countries will continue to find it hard to hold their own.

Parliament involved

While the agriculture talks are going on, the cotton question finds its way to the European Parliament. The MEPs for their part give it only limited attention, however, since the body responsible for subsidies to West African countries, the EDF, lies outside the MEPs' sphere of decision. The cotton question devolves to the Committee on Agriculture and Rural Development (AGRI), and only then in respect of the narrow context of the EU's internal market.

On the other hand, a resolution is taken by the ACP–EU Joint Parliamentary Assembly, which reaches agreement following a conference in Addis Ababa in February 2004 on drawing up a viable solution for the African cotton producers. According to this resolution, the EU will try to eliminate all forms of subsidy tied to production and other forms of trade-distorting subsidies that cause problems for the ACP countries' cotton producers. Moreover, the farmers will receive compensation for as long as the subsidies remain in place.

But the Parliament's cooperation body carries little weight in this context, and the Council finds it harder to agree on anything that resembles what the African ministers are asking for.

One reason for this is the objections raised by Greece. The passage of the issue through the EU mill coincides with a general election in Greece; the question is highly politically charged and proves controversial, as the EU's production-linked subsidies have boosted the country's cotton production.

Other EU countries which do not have a cotton industry also insist on retaining the subsidies. For them, a decision on cotton could have a knock-on effect on the subsidies their own farmers receive, such as for the production of sugar.

Ahead of the decisive GAERC meeting on 27 April 2004, the disunity is palpable. In Swedish minds, all hope of removing the subsidies seems lost, especially since the Netherlands and Germany have started to take an increasingly passive role in the negotiations. So the only countries left to endorse Sweden's line are the UK and Denmark, but their combined weight will be insufficient in the event of a vote. Together, they decide to find compromises. They want written word that the Commission will investigate how EU subsidies actually impact on the African countries and a draft document on the importance of further discussions on the level of subsidies for the EU's cotton growers.

They find their wish granted when the Council Chairman, Tom Kitt, presents the Council's definitive conclusions on the issue.

The most tangible outcome of the Council's efforts is, however, that financial support will be offered to the four African countries for, among other measures, the diversification of agriculture. This is a point on which all member countries concur.

And yet the African trade ministers have said explicitly all along that this is not an issue of financial assistance. All they want is to be able to compete on equal terms.

Chapter 5

Sweden and the European Community: Reciprocal influence

AS SEEN IN THE PREVIOUS CHAPTER the European Union consists of five different institutions that carry out activities on behalf of the member states. The member states decide collectively which areas of policy should be in the hands of the European Community and which should not. While member states possess the formal power to take decisions in the Council, the structure of the power game is complex and the play sophisticated. It is not always obvious who has the power, nor where the decision-making process is leading. Certainly big member states can drive the decision-making process almost on their own, while for a small country like Sweden it is more difficult. Moreover the fact that the Commission has been given the right to propose initiatives to the Council and the Parliament has given the Commission a clear advantage and a prominent role in the formulation of policies. This is sometimes difficult for the member states to counterbalance.

THIS CHAPTER DISCUSSES ways and means of taking part in the decision-making process, not least in the informal channels available.

Can the Community influence Swedish development policy?

Article 177 of the Maastricht Treaty states: "Community policy in the sphere of development cooperation, which shall be complementary to the policies pursued by the member states, shall foster…". Complementarity implies that Community development cooperation shall be additional to and add value to individual member states' development activities. It also implies that the Community and the member states shall coordinate their development policies.

The principle on which responsibilities are divided between the Commission and the member states in the area of development cooperation is called "shared competence". Development cooperation thus differs from policy areas such as trade where the Commission has the exclusive right to make laws that are applicable to all member states. It also differs from those policy areas where lawmaking is entirely in the hands of member states. The policy area of development assistance is thus found between these two extremes. In practical terms the concept of "shared competence" means that Sweden has a say with respect to policies for Community development assistance but the Community policies do not really influence Swedish development policies.

No laws (directives) passed in this area are binding on a member state; member states, through their participation in the Council, take decisions on the laws (regulations) that only govern Community development assistance. A regulation is often the result of the approval of a budget line by the Parliament, which in turn has its origin in an initiative taken by the Commssion. It may be argued that Council resolutions and conclusions that the member states adopt in the area of development policy should be applicable to the entire European Union, that is to all member states, in addition to the European Commission.

However, they are not legally binding and are therefore often ignored by member states, including Sweden. But, even if Swedish development cooperation is not formally influenced by policies designed in Brussels, the many opportunities for informal contact, discussion and exchange of ideas with other European donor countries surely affect Swedish development cooperation from time to time.

The principles of the three Cs

As the European Commission cannot influence national development aid policies by legally binding initiatives, the Commission must rely on voluntary commitments by the member states. Here the Commission may act in the same way as any multilateral organisation that is trying to coordinate its members with respect to the direction of their development aid. For this purpose the Maastricht Treaty established the principle of the "three Cs"—coherence, complementarity and coordination—and the treaty encourages the Commission and member states to make progress in these areas.

In terms of the first C, coherence, the European Union can offer countries and regions a unique combination of instruments, such as aid, trade and political dialogue, as described in chapter 2. In this area the development-oriented directorates-general (DGs) in the European Commission have a difficult job in convincing first the DGs that represent other European interests such as agriculture or fisheries, and second some of the member states whose electorate is benefiting from these policies. The principle of coherence is maintained in the proposed European Constitution and the European Commission will have to strengthen its efforts to achieve coherence in the future, with the support of member states.

On the second C, complementarity, work has not advanced much since the signing of the Maastricht Treaty. The Commission and the member states need to go much further in ensuring that their development efforts are not duplicated. This means that member states should not engage in every issue but should coordinate their interventions and decide on a reasonable division of labour. The Commission could engage the member states in such discussion at country level. A modest attempt was made in 2004: the Commission has drafted a "Donor Atlas" to map out the development activities of the 25 member states.

Finally, the third C, coordination. The Commission could play an important role in encouraging the coordination and alignment of member states' development cooperation policies and practices. The problems in this field are obvious. Recipient countries raise the concern that too many donors act without coordination, which leads to inefficiency as well as a significant financial and human resource burden on recipient governments. A Harmonisation Task Force was set up by the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) in 2000 to improve aid effectiveness by simplifying and harmonising donor policies, procedures and practices.

Not long after the Harmonisation Task Force was set up, the EU prepared for the International Conference on Financing for Development in Monterrey, Mexico, in 2002, and committed itself to enhance the harmonisation of procedures and coordination of policies. Work has continued, involving the Commission, member states and partner countries. The Commission has taken on a coordinating role, not least in the two high-level meetings on coordination, harmonisation and aid effectiveness which took place in Rome in 2003 and in Paris in 2005. In Paris the Luxembourg Presidency spoke on behalf of all member states, making a collective commitment to coordination. The Presidency promised to increase the funds channelled through partner government systems, budget support and sector-wide approaches, and to reduce the number of uncoordinated missions.

A prerequisite for effective coordination at country level is to have more staff in the field. With the management reform

Box 13

SUBSIDIARITY

The subsidiarity principle is intended to ensure that decisions are taken as closely as possible to the citizen. Specifically, it is the principle whereby the Union does not take action (except in the areas which fall within its exclusive competence) unless it will be more effective than action taken at national, regional or local level. Constant checks are made as to whether action at Community level is justified in the light of the possibilities available at national, regional or local level.

Subsidiarity is closely connected to the principles of proportionality and necessity, which require that any action by the Union should not go beyond what is necessary to achieve the objectives of the EU Treaty.

of the Community's assistance, a large number of staff have been transferred from Brussels to European Community (EC) delegations around the world, enabling the EC to better take on this central role (*see more about the reform in chapter 6*).

In these three areas some progress has been made. Gradually the European Commission is finding its role, inducing member states to take part voluntarily in European development initiatives.

How Sweden influences Community development policy

The ways and means by which Sweden can influence the policies and design of the Community assistance are more straightforward and are embedded in European laws.

Sweden is represented in the Council by the Swedish Government and in the European Parliament by Swedish members of the European Parliament (MEPs). They represent Swedish political parties but work in political constellations with other MEPs. There are a number of Swedish officials employed in the European Commission, and on the highest level there is the Swedish Commissioner, who takes part in the work of the College of Commissioners, led by the President of the Commission. However, the role of Swedish officials is not to represent Sweden. Any Commission official, regardless of nationality, is expected be loyal to the objectives of the Commission.

The power base of the European Parliament is more narrow than that of the Council when it comes to deciding on development policies. The highest level of policy making in the Council is the General Affairs and External Relations Council (GAERC), where Swedish development ministers meet the ministers of other member states to discuss the Community's development cooperation. The outcome of the meetings is embodied in Council decisions, resolutions or conclusions, which are public documents.

The road from working group to the Council

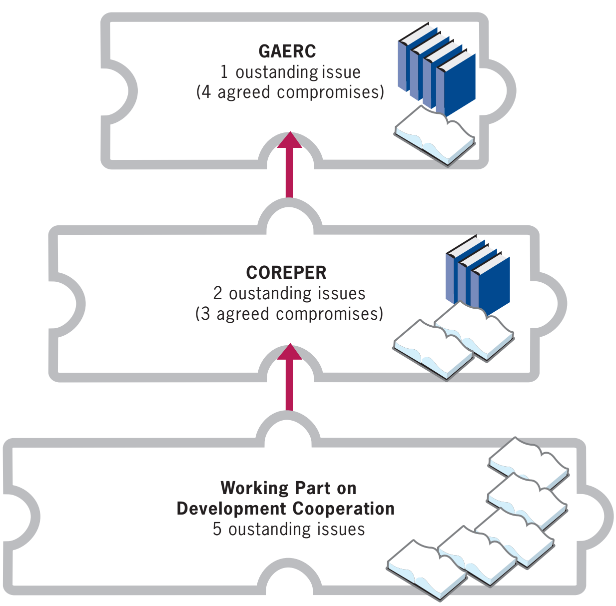
In the Council there are over 200 working groups; 20 of them relate to development cooperation. Most central for preparing development issues is the Working Party on Development Cooperation (DEVGEN). There are also a number of geographic working groups as well as thematic groups. It is unusual for a question to be prepared in several groups before being brought up for decision at ministerial level, but this does occur from time to time.

Before the agenda is set for the ministerial meetings, there is a long and sometimes cumbersome process of preparing the items in order to minimise discussions and negotiations in the Council itself. The work usually starts in any of the development-oriented working groups. This is the first level where Sweden can promote its particular view.

The Swedish representative in the working group is most commonly a person working at the Swedish Permanent Representation to the EU in Brussels. The Council Secretariat submits the agenda for the working group meeting to both the Ministry for Foreign Affairs (MFA) in Stockholm and the Swedish Permanent Representation in Brussels. Before the meeting takes place the Swedish representative receives a written instruction stating the Swedish position. While formal negotiations take place in the working groups, informal consultations outside the meetings also influence negotiations. The Commission always provides expertise and the Presidency tries to design an attainable compromise. If the Presidency has done sufficient groundwork, support for the proposal may already be in place. Outstanding issues are passed on to the next level, the

FIGURE 17

Resolving five issues in the Council



Committee of Permanent Representatives (COREPER). The day before a COREPER meeting, the Antici Group meets informally to prepare for COREPER.

At every level there are attempts to reduce the number of outstanding issues. Efforts are now mobilised to reach an agreement and again instructions are given by the MFA in Stockholm. Now the preparations may engage senior staff and the political level in positioning Sweden before the discussion. The ambassadors meet to try to resolve outstanding disagreements. If there are still some unresolved issues they may be passed on to the ministers for development cooperation who meet in the GAERC.

In the GAERC, the ministers for development cooperation meet twice a year formally and (*normally*) twice a year informally. Informally means that no decisions can be taken. It is, however, important to remember that, while the ministers for development cooperation meet in the GAERC four times a year, the representatives in the working groups and the ambassadors in COREPER meet regularly every week. The bulk of the work is consequently carried out in these two groups.

Usually the agenda for the GAERC includes a number of issues that have already been agreed, which are called A items. There are also a number of B items which need the attention of the ministers. These items are discussed during the meeting and resolved or sent back to relevant working group.

While preparing for the GAERC, the Swedish MFA consults the Swedish Parliament (Riksdag) to get the mandate for a Swedish position in the negotiations with other member states in Brussels. Normally such consultation takes place one week before the ministers meet in Brussels. For every item on the agenda the MFA has prepared a Swedish position which is presented to the EU Committee (EU-nämnden) in the Swedish Parliament. With the mandate for a Swedish position from the Swedish Parliament, the minister then goes to Brussels to negotiate an agreement in the GAERC.

If agreement cannot be reached in the Council, voting can be proposed. Voting can only take place at the ministerial level (in the GAERC); qualified majority voting applies.

Sweden's participation in the decision making

Besides being represented at different levels in decision making in the Council, the member states also send experts to various committees set up by the European Commission. These committees, which bring in expertise from the policy areas concerned, seek to ensure that the Commission remains open to the concerns of those who will be affected by the new legislation. The Commission regularly consults these committees of experts before drawing up a new proposal for legislation.

There are a number of financial regulations governing development assistance in different parts of the world. These regulations specify the scope of the implementing powers granted to the Commission and how the Commission is to use them, and provide for the Commission to be assisted by a committee with member state representation. These committees are administered by the Commission. While the Council is responsible for adopting development policies and principles, the committees are more concerned with the implementation of the Community's development cooperation. Their responsibility often includes discussing country strategies and major programme proposals.

The status of the committee is very important. In a "regulatory" committee the member states have some legal power to stop Commission proposals, while in other committees they only have an advisory role (*see box 14*).

Since the reform of the Community external assistance in 2000 a new responsibility has been given to the committees—the country strategy papers. These represent a very strategic mechanism for the allocation of Community aid, which was previously entirely in the hands of the European Commission. The member states therefore demanded this reorientation and took great interest in it.

Box 14

COMMITTEES WORKING WITH THE EUROPEAN COMMISSION

- Advisory committees: they give their opinions to the Commission, which must take account of them. This procedure is generally used when the matters under discussion are not very politically sensitive.
- Management committees: where the measures adopted by the Commission are not consistent with the committee's opinion, the Commission must communicate them to the Council which can then take a different decision.
- Regulatory committees: the Commission can only adopt implementing measures if it obtains the approval of the member states meeting within the committee. If this approval is not forthcoming, the proposed measure is referred back to the Council.

Box 15

COMMITTEES SET UP WITHIN THE COMMISSION

When a legislative text (a regulation which is binding on the member states) has been adopted, it lays down general principles to be respected. More precise directions for implementing the measures prescribed may be added. In this case, the text provides for a committee to be set up within the Commission to take the appropriate decisions. These committees are made up of officials nominated by the member states and chaired by the Commission. They are generally governed by rules established by the 28 June 1999 Council decision known as the Comitology Decision. There are about 300 committees. Those that are most central for development cooperation are listed here.

- The EDF Committee (Africa, the Caribbean and the Pacific)
- The ALA Committee (Asia and Latin America)
- The Tacis Committee (Eastern Europe and Central Asia)
- The CARDS Committee (The Balkans)
- The MED Committee (Partner countries south and east of the Mediterranean)
- The Phare Committee
- The Humanitarian Aid Committee
- The Committee for Food Security and Food Aid
- The NGO Committee
- The Committee of Human Rights and Democracy

Given the importance of country allocations it is somewhat surprising that neither the Council nor the European Parliament can influence this process. Although the member states have gained some influence, they enter the stage very late, with limited room for manoeuvre. Of around 700 proposals concerned with development assistance discussed in the committees in 2003, only one was rejected, while 12 were sent back to be redrafted.

Council conclusions or resolutions adopted by the ministers for development cooperation are recommendations that are often directed to the European Commission. Surprisingly, there seems to be no rigorous system in place to follow up on these recommendations. It is therefore possible for the Commission to more or less neglect some Council conclusions and resolutions. A more systematic way of following up on the recommendations would be a first step to monitoring and influencing the actions of the Commission.

Another grouping that meets regularly in an informal way is the directors-general. Their meetings have been led by the Commission, more specifically by DG Development, and some very progressive initiatives have been started in this group. All member states are usually present.

Using the Presidency to launch new ideas

As mentioned above, member states take turn in holding the Presidency of the European Union, for periods of six months. Holding the Presidency involves frequent negotiations and the search for compromises in various policy areas. It provides a valuable platform for the country holding the Presidency to launch its own initiatives and represents one of the best chances for a member state to influence EU policies.

A well-known strategy is to plant a proposal one year before taking on the Presidency. A key ally is always the European Commission with its right to initiate new proposals. A member state that is preparing for the Presidency will find it easier to access the Commission. Support can be sought at various levels of the Commission. In addition to having the Commission on its side, the member state also needs to ensure the support of at

Box 16

SIDA'S INFLUENCE ON EUROPEAN COMMUNITY DEVELOPMENT POLICIES

The Swedish International Development Cooperation Agency (Sida) is the major implementing agency of Swedish development assistance. The Swedish MFA and Sida staff share the responsibilities related to Community development assistance. Naturally, Sida is engaged more in the implementation of the European Community assistance and the MFA in general policies. There is a constant dialogue between the two bureaucracies about Sweden's positions on important development issues.

There are three major ways for Sida to influence Community development policy:

- through Sida's work in the expert committees;
- through Sida's work in advisory, managing and regulatory committees; and
- through Sida's presence at country level, maintaining a dialogue with EC delegations.

Sida also influences Community development policies by submitting views and opinions on policy proposals by the Commission, at the request of the MFA.

least a couple of other member states. If this groundwork is carried out well, the member state, together with the European Commission, can launch the proposal when taking up the Presidency. However, there may still be a long way to go before the proposal is realised.

A member state may also try to convince the incumbent Presidency to launch an initiative; this can be an effective way of entering the arena, especially if it is powerful member.

Sweden held the Presidency during the first half of 2001. In the field of development cooperation Sweden emphasised the importance of keeping poverty reduction at the centre of the agenda for Community assistance. During its Presidency Sweden also tried to contribute to consistent and cohesive EU action in the United Nations. The following member states will hold the Presidency in the next few years:

TABLE 2
The EU Presidency 2005–2009

Country	Period	Year
UK	July–December	2005
Finland	January–June	2006
Austria	July–December	2006
Germany	January–June	2007
Portugal	July–December	2007
Slovenia	January–June	2008
France	July–December	2008
Czech Republic	January–June	2009
Sweden	July–December	2009

The European Constitution, which is undergoing the process of ratification during 2005–2006, proposes to change this system by creating a permanent post of President of the European Council, to be elected by the European Council for two and a half years, renewable once. The constitution also introduces a new system of “equal rotation” for the Presidency of the Council. Under this proposal, the Presidency of the various configurations of the Council, apart from the Foreign Affairs Council, will be held by a team of three member states. Each state will chair Council meetings for a six-month period with the assistance of the two other member states on the basis of a common programme.

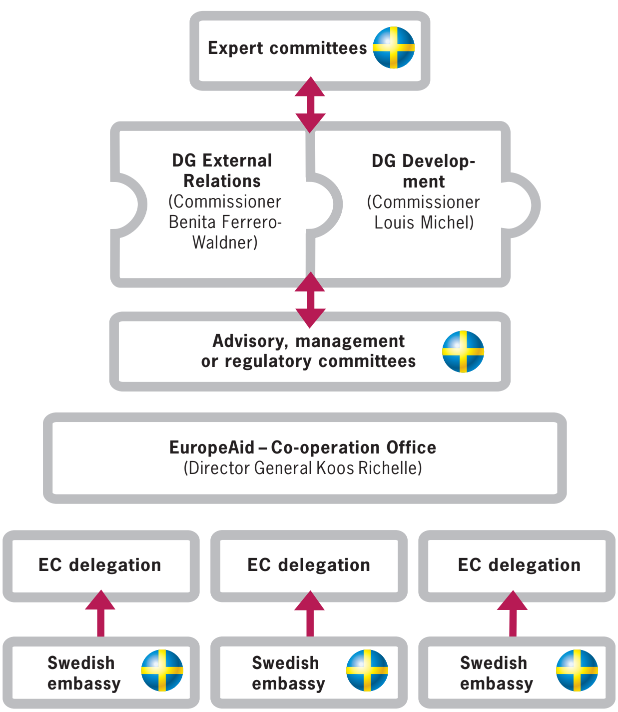
Swedish influence in partner countries

Another feature of the reform of Community external assistance was to enhance the capacity of the Commission's delegations around the world. This has now been accomplished; some delegations have tripled the number of their staff in the last couple of years. More powers have also been delegated to the delegations, for example, to draft the country strategy papers and consult local stakeholders, including other member states. The record is ambiguous as to whether such consultation has actually taken place everywhere but there is a clear change in policy. Many member states see the delegations as dialogue partners and important entry points for influence.

This is also true in specific areas of intervention where in recent years Sweden, often through the Swedish International Development Cooperation Agency (Sida), has worked closely with the Commission and its delegations. Budget support and the Sector-Wide Approach (SWAp) are areas where Community aid is now in the forefront in terms of design and implementation,

FIGURE 18

Entry points for Swedish influence on the European Commission



especially in an African context. The design of these instruments does not differ much from the design of the Swedish equivalents.

Influencing policy through the European Parliament

Sweden has 14 seats in the European Parliament; a handful of Swedish MEPs are participating in the development debate. The co-decision rule makes the European Parliament a full partner to the Council in the decision-making process, and the EP can consequently influence policies. However, since the Parliament is constrained to be reactive rather than proactive its position is not as strong as that of the Council and the Commission in lawmaking (the Commission drafts the proposal and in the end it is the Council that takes the decision). Nevertheless, the Parliament is able to hamper the process thanks to the co-decision rule. This is important for the empowerment of the MEPs. Concerned parties, for example, the public, Swedish non-governmental organisations (NGOs), and the Swedish Government, try to influence and build alliances with the MEPs in respect to certain questions. The key opportunity for the Parliament to influence the Community's development policies is when the general budget is approved; this decision is completely in the hands of the Parliament.

Informal influence

Success in the formal EU settings depends, as elsewhere, on the ability to present convincing arguments and make one's voice heard. Informal interaction is somewhat different. There are a number of strategies a member state can apply in taking a proposal from a working group to the ministerial meeting. Broadly-based support can be sought in informal meetings, at luncheons, or by means of letters, telephone calls, e-mails, targeting key people at receptions and so on. Naturally, this strategy requires a solid network, which is probably the most valuable asset in Brussels.

A first step is therefore to build a network of contacts. It is important to target individuals in the relevant DGs who can then be approached when the time comes. Contacts with the Commission are important for several reasons. First, it tables the majority of new initiatives. Influencing them at an early stage is much easier than convincing 24 member states in the Council. It is also important to be well informed in order to be able to prepare positions and arguments long before the debate.

Box 17

TEN EXAMPLES OF HOW TO INFLUENCE EC DEVELOPMENT COOPERATION

1. Influence the European Commission before a proposal is tabled.
2. Liaise with other member states.
3. Contact MEPs.
4. Publish own reports regarding the policy area concerned.
5. Influence Commission delegations in the field.
6. Promote the recruitment of Swedish citizens to the Commission, either as regular staff or as experts, consultants or advisers.
7. Promote the nominations of Swedish citizens for management positions in the Commission.
8. Join up with other member states, specifically big ones, such as the UK, Germany or France.
9. Maintain contacts with the Court of Auditors.
10. Advocate the cause outside the Council and the Commission, e.g. through the media.

Finally, contacts with the Commission also provide opportunities to anchor Swedish ideas before launching or debating them in a broader context.

The second strategy to gain influence is to approach like-minded member states and pursue proposals together. Sweden is a relatively small member state and therefore dependent on finding allies. It is particularly important to find support from more powerful member states, such as the UK, Germany or France. If time and resources are limited, it may also be a good strategy to work through a big member state, which may have more resources.

Influence by civil society

Even though many member states' governments have enhanced their communication with civil society regarding important policy matters, there is no easy way for an NGO to influence the decision-making process. Many NGOs have therefore organised themselves in larger groups or networks (e.g. Eurostep, CONCORD or Aprodev). Swedish NGOs are often affiliated to a European organisation. Lobbying can involve requesting meetings with policy makers, presenting position papers and calling on the media to put pressure on the politicians. In Brussels an almost daily event is demonstrations by different interest groups, although this method is not often used by development-friendly NGOs.

Sweden pushed for EU country strategies

IN MAY 2000 the European Commission presented a reform plan for the Community's heavily criticised development cooperation programme. One of the measures put forward was the introduction of what it called "country strategies".

It was a great step forward, and for a long time the Commission had opposed it. But several years of pressure from the member states finally paid off. It was time for a new order.

The changes had been made possible thanks to the publication of several damning reports in the 1990s exposing the inefficiency of and deficiencies in the organisation of external assistance. The Commission had no coherent descriptions of its assistance programme to different countries and there was not even an archive listing previously financed projects. On top of this, Jacques Santer's Commission had been forced to resign after allegations that its ECHO and MEDA programmes were riddled with corruption and nepotism.

The idea of the country strategies was to give the member states a better overview of what the Commission was doing and to force the Commission to make systematic analyses of each beneficiary country's situation. Only then, and on the basis of these analyses, would it decide which assistance projects were the most suitable. The money could then be channelled with much greater precision to the areas where it could be of greatest benefit.

On Sweden's part, the introduction of the country strategies was seen as something of a victory. Even at the time of Swedish accession, in 1995, Sida and the MFA had reacted against the Commission's methods and had taken upon themselves the laborious task of making the Commission introduce country strategies of the kind that was already being used by Sweden and other countries.

A memorandum from 1995 records what Eva Nauckhoff, head of Sida's newly established EU Division, set out what Sweden needed to do to compel the EU to introduce country strategies. One of her tactics was to offer the Commission expert advice from Sida to get "a dialogue on country strategies" rolling.

The memorandum also reflects a particular Swedish concern over the organisation of the Commission's external assistance to Asia and Latin America (ALA), in that there were no financial parameters and no prioritised sectors, and over the Commission's insistence on upholding its "pragmatic" and "flexible" procedures.

Sweden offers help

To promote a change, Sweden offered the Commission help in preparing guidelines on how the strategies could be drawn up.

The Commission accepted. Consultant Krister Eduards was engaged to take on the task, and for two years he helped the Commission produce material explaining the structure of the country strategy process as applied by Sweden and by the World Bank and the UN Development Programme (UNDP).

It was also completely evident to the MFA that the EU's working methods could not continue as they were. Under the leadership of Gunilla

Törnqvist of the MFA, a government committee drew up a plan for how to pursue the issue. Monthly meetings were held with Sida and a representative of the Swedish NGO Diakonia.

However, the MFA and Sida were unable to change the Commission's working methods on their own. As Sweden was a new, untried EU member and had far too few votes in the different committees, it solicited support from some like-minded countries—the United Kingdom, Germany, Denmark, Finland and the Netherlands—the combined force of which would be able to put much more pressure on the Commission than individual lobbying. They got the ball rolling in the European Development Fund (EDF) committee, where there was already a certain sympathy towards the idea of country strategies.

Slow process

The common line was discussed on a number of occasions, including just prior to a general meeting of the EDF committee in 1996, during which the above countries reached agreement on what the country strategies should include. This procedure was then applied by Sweden to the other committees to win the support of the member states.

But, even with six countries acting in unison, things proceeded slowly and, while the Commission may well have been prepared to introduce strategies for the African, Caribbean and Pacific (ACP) countries, it was not prepared to give the member states any influence over them. It wanted the strategies to be perceived as its own vision on how external assistance should be provided.

As Eva Nauckhoff wrote in a memorandum from 1996: "The Commission heeded our points of view with remarkable antipathy, and was unable to come to any agreement with the member states on a proper follow-up of the strategies."

Despite the opposition, Sweden continued to pile on the pressure. At a meeting of the MED committee in 1997, the Commission attempted to parry the Swedish attack by suggesting that Sweden set up a meeting on country strategies. Sweden called the Commission's bluff and arranged a meeting in June 1998 at Sida in Stockholm. The attendance was relatively good. The Commission sent representatives from effectively all important directorates general, while all the member states, with the exception of Luxembourg, sent delegates.

The meeting was informal and was to give no tangible results. But, to judge by Eva Nauckhoff's report, small advances were made nonetheless.

"The atmosphere during the meeting was open and the mood upbeat. Sweden was praised for its initiative. The prospects of pursuing the matter in a constructive manner are therefore judged to be good." One year later, this meeting was followed up by a conference in Berlin, the background facts and figures for which had been prepared by Krister Eduards.

Growing support

By this time, the Commission had started to relent. At the same time, Sweden had also managed to win the support of some of the Mediterranean member states.

The resignation of Santer's Commission in the same year following the allegations of fraud and mismanagement made by an independent parliamentary committee no doubt precipitated the reforms.

According to the Committee of Independent Experts, which included Swedish Auditor General Inga-Britt Ahlenius, large sums of money from the EU's humanitarian aid budget were not properly accounted for. Fraud was rife; to take one example, employees on the ECHO programme had arranged an air service for themselves worth a quarter of a million euros. And even though the commissioner in charge of the ECHO and MEDA programmes, Spaniard Manuel Marin, was aware of what was going on, he elected to remain passive.

The Commission was also accused of having failed to act on a case of fraud and nepotism involving aid to the Mediterranean states, in which millions of euros from the MEDA programme had been channelled to a firm that had awarded itself highly lucrative contracts.

Following these revelations, the newly appointed Commission under Romano Prodi naturally sought to restore order to the assistance programme.

Support from Finland

Finland, which was the holder of the EU Presidency at the time, was also on Sweden's side, and during the Cotonou Agreement talks a decision was taken to introduce country strategies along the lines of the Swedish model.

Today, Sweden sees the use of country strategies as having greatly improved the EU's external assistance. However, there is a general consensus that much more can be done to improve efficiency, not least to achieve better coordination with other donors.

Chapter 6

Future trends in external actions

EUROPEAN DEVELOPMENT COOPERATION has undergone significant changes since the late 1990s, and more changes are under way, with many benefits still to be achieved. The first half of this chapter will discuss the reforms that started in the late 1990s and dominated the Community's development assistance during the first years of the new millennium.

JUST AS THESE REFORMS ARE MATERIALISING, the next wave of change is on the horizon, driven by a combination of factors. The proposed reforms for the coming years are the subject of the second part of this chapter.

The first wave of reform

In the late 1990s a number of scandals shocked the Commission, the Parliament and the member states. Irregularities were discovered at different levels, in different areas, in different directorates-general (DGs). The external action programmes were no exception. In 1999 the Santer Commission had to resign. Romano Prodi took over as President and put together a new College of Commissioners in 1999. On 16 May 2000, the Commission launched a reform of the management of external assistance in response to pressure from the member states and the European Parliament.

The most important objectives of the reform were:

1. to improve the quality of projects and programmes;
2. to reduce the time needed for implementation; and
3. to simplify tendering and contractual procedures for the delivery of aid.

The reform had to address the challenge of a portfolio with many different programmes, different regions, different routines and an incoherent institutional structure. Several measures were taken. The establishment of different quality support groups, improved financial management and, more particularly, the transfer of more staff to European Community delegations (deconcentration) were core elements of the reform. In the first years, 2000–2002, the emphasis was on the establishment of well-functioning programming procedures. The push to move officials from Brussels to the field took place in 2003–2004.

At the same time the "Kinnock" reform was introduced. Neil Kinnock was Vice-President of the European Commission under Romano Prodi and had general responsibility for Commission staff and administration. He introduced a massive reform package to induce staff to be more result-oriented and efficient. The package was finally approved in 2004 and a more result-oriented reward system is now in place. All DGs are to be more focused on their objectives, including those responsible for development assistance.

The new institutional set-up

The creation of a specific implementation agency, EuropeAid, in 2000 was a necessary step to increase the efficiency of the delivery of aid. Since 1 January 2001, the geographic directorates-general (DG External Relations and DG Development) have been given the responsibility for programming and strategy, while EuropeAid has the responsibility for the remainder of the project cycle (from identification of projects to ex post facto evaluation). This reorganisation has led to a transfer of staff and responsibilities, primarily from DG Development to EuropeAid.

New ways of programming Community aid

In 2000 the first task was to make the programming and allocation mechanisms more transparent and systematic. Country strategy papers (CSPs) and regional strategy papers (RSPs) were introduced—a strategic tool that had been vigorously promoted by Sweden and a few other member states (*see page 97*). Country strategies were not a completely unknown concept. Many of the member states, including Sweden, had already introduced CSPs in development administration. However, this was the first time the Commission set up a systematic, Commission-wide strategic framework for its relations with third countries covering both development assistance and other relevant Community policies.

Following the CSPs and RSPs, an Inter-service Quality Support Group (IQSG) was created. Its main task has been to screen and assess draft country and regional strategy papers and propose necessary improvements in order to ensure quality. The Community has produced CSPs and RSPs for all its partner countries, which means some 160 Community country strategies and eight Community regional strategies. This is a huge improvement compared to before the reform.

Country strategy evaluations carried out by the Evaluation Unit at EuropeAid show that the adoption of the standard framework for CSPs has brought an improvement in the relevance of Community strategies and programmes to the fight against poverty. The dialogue with partner countries, including civil society, has improved and the supply-driven approach is giving way to a more concerted one. Sectoral programmes are gradually replacing the project approach.

The same country strategy evaluations also show that the Commission still has difficulty in analysing the implications of poor governance for the design of programmes and projects. The expected results and impact cited in programming documents are often too ambitious. An over-optimistic assessment of partner countries' capacity and willingness to implement programmes is also common. Furthermore, the results of the evaluations show that implementation is delayed by lengthy administrative procedures, while management is hampered by limited use of proper reporting, input and output monitoring systems, and evaluations.

The results also show that coordination and complementarity with the programmes of member states and other donors have improved since the adoption of country strategy papers and the increase in the numbers of Commission staff in the field. The next generation of CSPs and RSPs is being prepared in 2005–2006.

The Mid-term Review (MTR) of CSPs is an important follow-up of the programming work. The years 2003 and 2004 saw the completion of MTRs of all strategy papers with a view to maintaining relevance and enhancing responsiveness to situations as they evolve. In a further effort to improve coherence and complementarity, the Commission has prepared country fact files, a tool which will also promote donor coordination.

EuropeAid has put in place various quality support measures, for example, a quality support group for screening project proposals, with the aim of ensuring that work is of good quality and that procedural requirements are fulfilled.

Transfer of staff to delegations around the world

"Deconcentration" of the management of external aid to the delegations of the Commission was a key element of the reform. The principle is that what can be better managed and decided in the partner country should be done there and not in Brussels. By the end of 2004 the number of staff at Commission delegations had increased by close to 1,600 and almost all delegations had been forced to move offices or extend their accommodation. Telecommunications systems have been installed worldwide to enable delegations to operate under the same conditions as their colleagues in Brussels.

At the end of 2003 an internal Commission evaluation recorded some positive feedback and showed that deconcentration had resulted in improvements in both the speed and quality of delivery of external assistance. Aid management responsibilities had to a great extent been transferred to delegations, leaving Brussels with more strategic and supportive responsibilities. At the beginning of 2005 EuropeAid was reorganised in order to focus on support to, monitoring of and guidance for the delegations, rather than programme implementation.

However, one consequence of the transfer of responsibilities to the field is an unclear division of labour between EuropeAid and DG Development. There is also an ambiguous division of responsibilities between DG External Relations and DG Development. The current institutional structure and division of labour therefore sometimes cause confusion and unease among staff. This will hopefully be resolved by the next wave of reform.

Improved financial management

Dormant commitments and a low disbursement rate have been persistent problems that have damaged the image of Community assistance. Slow disbursements were a problem already in the 1990s. The reform in May 2000 envisaged a specific initiative to screen all commitments made prior to 1995 and all dormant commitments dating from 1995–97. Today the situation is greatly improved and the total stock of open commitments has been reduced substantially. To further improve efficiency EuropeAid established a Finance Guide for external actions financed from the general budget. Finally, a new Financial Regulation was adopted by the Council; it came into use on 1 January 2003.

The reform also provided for some harmonisation of budget lines. A modest reduction has taken place. However, the Parliament did not accept many of the Commission's proposals and work was discontinued for a time. The proposal for the new Financial Perspective for 2007–2013 which is part of the package for the future reform is now the focus for this debate (*see below in this chapter*).

During 2002, EuropeAid integrated numerous information systems into one single system, called CRIS (the Common RELEX Information System). As of January 2003, the management of all programmes financed from the general budget is supported by one single management system. CRIS contains not only financial data but also non-financial information of relevance to implementation. Data provided by the system are still of uneven quality and more work is needed to create a well-functioning system.

The focus of the reform so far has been on inputs; few efforts have been made to improve the quality of outputs. Effects are by nature harder to assess, but efforts should now shift towards finding out whether poverty alleviation has been improved by the reform. However, a new set of institutionally-oriented reforms are now under way, and it will therefore be difficult to say anything about the impact of the first wave.

The second wave of reforms

Just as the previous reforms are coming into place, a new set of reforms are to be introduced. The new wave of reforms is partly a consequence of enlargement and a desire to give the EU a stronger platform internationally. Thus, the proposed reforms embrace a wider agenda than the one launched in 2000.

The design of the EU's external actions is high on the European agenda after the successful completion of enlargement in 2004. Much of the discussion revolves around the proposed constitution. The design of an EU Constitution and the debate about new instruments for the EU's external actions reflect the desire of the EU to become a more prominent and influential actor on the global scene. In the proposed EU Constitution, all external actions of the EU are found under the same title—Title V. This is intended to simplify structures and enhance consistency and coherence.

In order to enable to EU to play a more united international role, the constitution proposes the creation of a new post of Foreign Affairs Minister. This would enable the Union to speak with one voice in different international forums. The proposed Foreign Minister would serve as Vice-President of the Commission but would also work directly with member states on foreign policy issues, particularly those related to the Common Foreign and Security Policy (CFSP). He or she would consequently have a foot in both the Commission and the Council. The proposal says that the Foreign Minister would be responsible for a European External Action Service, a secretariat composed of officials from the Council, the Commission and seconded staff from the member states. The External Action

Service would make use of the Commission's delegations present in almost every country of the world.

Development policy and humanitarian aid are found under the same Title V. In the proposed constitution there are two intergovernmental areas—the CFSP and the European Security and Defence Policy (ESDP). Development and economic cooperation, and humanitarian aid remain areas of shared competence between the Commission and the member states. To summarise, the following important proposals for development cooperation are found in the proposed new constitution.

- The Community's development cooperation continues to focus on the eradication of poverty. A distinction is made between development cooperation on the one hand and economic, financial and technical cooperation on the other. The principle of coherence is maintained.
- The specific nature of humanitarian aid is introduced in the Constitutional Treaty.
- The role of the European Parliament in external relations is strengthened. The co-decision procedure is extended.
- The process of negotiating international agreements is clearly set out: the Commission or the Foreign Minister negotiates; the Council and the Parliament decide jointly whether to accept the outcome.

Since it is highly uncertain whether the constitution will be adopted in its present form, there is a real risk that some of the proposals will not be realised. On the other hand it is not unlikely that some proposals will reappear in one form or another. The discussion about a "new" External Action Service will continue to concern policy makers in Europe.

More detailed information about changes in the external aid budget will be spelled out in the new Financial Perspective for the years 2007–2013, which in principle has already been adopted.

A new long-term budget

Long-term budgets have existed since 1988 as a central planning tool for the Union. The Community development assistance, like all Community expenditure apart from the European Development Fund (EDF), is decided in seven-year frameworks entitled financial perspectives (FPs).

The current FP comes to an end on 31 December 2006. Since the discussions about the new Community external actions—broadly set down in the proposed constitution—are running in parallel with the proposals about the new external financing instruments in the new FP, there is a need to maintain an overview and flexibility in the process. The new FP must allow for proposals made in the constitution, which is not yet approved. A new FP for the years 2007–2013 has been proposed and at the time of writing (2005) all aspects of the EU budget are being negotiated.

The Commission started working on the FP in 2003 by establishing a high-level working group of commissioners with the task of identifying the major orientation for future policy priorities.

A first communication published in February 2004 promoted the idea of abandoning the present geographic approach in favour of a thematic approach, reducing the number of instruments to a maximum of six. This radical overhaul had the consequence that a new legal framework also had to be established to govern the new instruments.

The outcome of the internal Commission work came in two parts: a second communication on the financial perspectives was published in July 2004, and four legal bases for new financial instruments were published in September. This package is the basis on which the new Financial Perspective is currently (2005) being discussed in the Council and the Parliament.

The outcome of the negotiations on the new FP will take the form of an "Inter-institutional Agreement" between the Commission, the Council and the Parliament. In the future, under the new constitution, a legal process will lead to the adoption of a law on the multi-annual financial framework of the EU.

The new financial instruments

Today there are around 30 programmes and 90 budget lines governing the external actions of the Union. The need to rationalise these instruments is obvious. According to the present proposal for the new Financial Perspective, external actions would be organised around six main cooperation instruments, three of them with a geographic focus and three with a thematic focus.

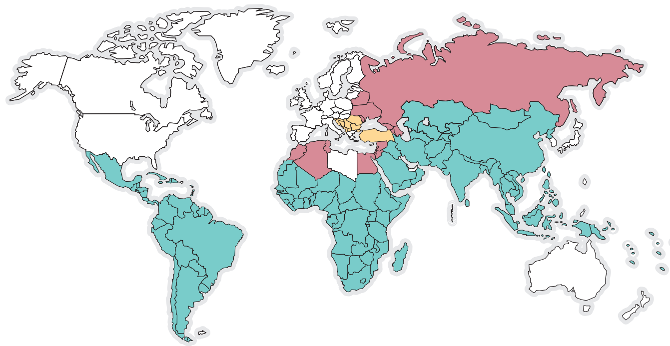
The three geographic instruments are:

- **The Pre-Accession Instrument (IPA)**
  The IPA will finance cooperation with candidate countries: Turkey and Croatia will be the only two official candidate

FIGURE 19

The three geographic instruments

- Pre-Accession Instrument (IPA)
- The European Neighbourhood and Partnership Instrument (ENPI)
- Development Cooperation and Economic Cooperation Instrument (DCECI)



countries left after the accession of Romania and Bulgaria in 2007. Potential candidate countries are all the Western Balkan countries (except Croatia) that are currently covered by the Community Assistance for Reconstruction, Development and Stabilisation (CARDS) programme.

- **The European Neighbourhood and Partnership Instrument (ENPI)**

  In addition to the ten Mediterranean partners, the following new neighbours of the enlarged EU will benefit from the ENPI: Russia, Belarus, Moldova, Ukraine, Azerbaijan, Armenia and Georgia. Of the 17 countries covered by the ENPI, 12 are classified as developing countries according to the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) list (January 2003).

  In certain aspects of its content the ENPI will be similar to the Community's development and economic cooperation approach. However, the first objective is to bring these countries closer to the Union. The focus is on economic and institutional transition, good governance, democratisation and security. Poverty reduction is approached from the angle of the social consequences of transition, not unlike the wording in the present agreements.

- **The Development Cooperation and Economic Cooperation Instrument (DCECI)**

  The geographic coverage of this instrument is defined by default: all countries, territories and regions that will not receive assistance under the IPA or the ENPI will fall under this instrument.

According to the July 2004 communication, the instrument should include the African, Caribbean and Pacific (ACP) countries, Asia, Latin America, Central Asia and other newly independent states, the Gulf Countries, the Middle East, and the OECD countries (the USA, Japan, Australia, Canada etc.).

The instrument will cover a wide range of issues related to development and economic cooperation, from traditional aid projects to rapid and integrated response to post-crisis transitional needs.

Security issues, such as the fight against trafficking, crime and terrorism and nuclear safety issues, are mentioned in the July communication but are not included in the list of possible measures in the legal basis. However, the last item on that list is "any other area appropriate for achieving the objectives of the Treaty".

It is not likely that the EDF will be integrated into the general Commission budget at this time. Maintaining the support to the ACP countries outside the Commission budget may reduce the importance of the DCECI.

The three thematic instruments are:

- **The Stability Instrument**

  The purpose is to deliver a rapid and effective response to crises and instability through a single financing instrument. The aim is also to develop international peacekeeping capacities in partnership with regional organisations like the Peace Facility for Africa. The instrument builds on the value-added demonstrated by the Rapid Reaction Mechanism. The instrument is seen as a transitory measure before normal cooperation can resume through one of the geographic instruments.

  It is important to note that the Stability Instrument is a European Community instrument managed by the Commission while the CFSP and the ESDP are intergovernmental instruments under the control of the Council. These instruments, as well as their budgets, are kept separate.

- **The Humanitarian Aid Instrument**

  The Commission proposes to maintain the present format of EU humanitarian assistance, which is regarded as sufficiently well defined in terms of scope and objectives and performs well in terms of delivery. (The present legal basis is maintained.) Nevertheless, as partof the simplification and rationalisation process, food aid activities and the humanitarian aspects of aid to uprooted people will be integrated into this instrument.

- **The Macro-Financial Assistance Instrument**
  The present legal basis is maintained. This instrument is only used for supporting economic transition in middle-income countries such as the Balkan, Central and East European and Mediterranean countries.

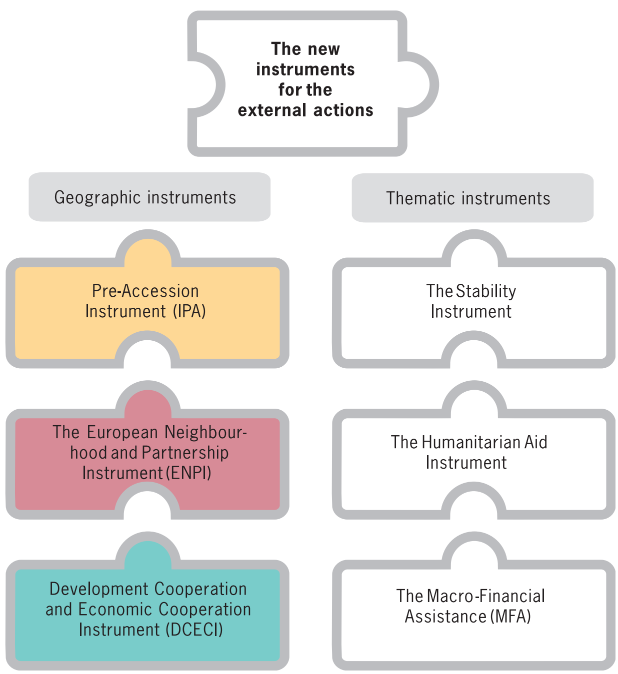
The optimal mixture of different instruments for each country will be analysed and identified in the country strategy papers or country action plans.

The case of Georgia

Georgia is presently part of the Tacis programme together with 11 other countries of Eastern Europe and Central Asia. With the 2004 enlargement, Georgia came closer to the Union, as did several other Tacis countries, and these countries are now considered neighbours. The countries of the Tacis programme will in future be divided into two categories. The new neighbours (seven countries) will fall under the ENPI and the Central Asian countries (five countries) will fall under the DCECI.

FIGURE 20

The new instruments for external actions



According to the United Nations Development Programme (UNDP) *Human Development Report* 2004, Georgia occupies 97th place out of 177, between Sri Lanka and the Dominican Republic. Gross national product (GNP) per capita is very low—equivalent to that of Zimbabwe, Lesotho or Viet Nam—and poverty is widespread. So Georgia, together with other neighbouring countries such as Moldova, Azerbaijan and Armenia, is classified among the low-income countries.

In 2003 a new CSP for Georgia was prepared together with a new National Indicative Programme (NIP) for 2004–2006.

Table 3 is an attempt to show how the present flows of assistance would be classified under the new instruments for external actions provided for in the new Financial Perspective.

TABLE 3
The old system and the new instruments for external actions: the case of Georgia

Purposes and programmes 2004–2006	Existing instruments in use	Future instruments to be used
24 million EUR for the NIP: rule of law, good governance, human rights and democracy, fight against poverty, and conflict prevention	Tacis national allocations (managed by DG External Relations and EuropeAid)	ENPI National Action Plan (managed by DG External Relations and EuropeAid)
5–10 million EUR for macro-financial assistance	Macro-financial assistance (managed by DG Economic and Financial Affairs	Macro-financial assistance (managed by DG Economic and Financial Affairs)
5 million EUR for regional programmes	Tacis regional allocation (managed by DG External Relations and EuropeAid)	ENPI Regional programme Cross border cooperation (managed by DG External Relations and EuropeAid)
5 million EUR for a food security programme	Food Security thematic budget line (Managed by DG DEV and EuropeAid)	No thematic programme on food security foreseen in the ENPI
4.5 million EUR from the Rapid Reaction Mechanism	The Rapid Reaction Mechanism	The Stability Instrument
4 million EUR humanitarian aid package	Humanitarian assistance (managed by ECHO)	Humanitarian assistance (managed by ECHO)

A new set of planning tools

For each geographic or thematic programme, a multi-annual strategy (seven years maximum) will be established. In the case of geographic programmes it will be composed of a strategy paper for the whole region and a series of NIPs for each country. The multi-annual strategy will indicate a multi-annual allocation for each country on the basis of an assessment of needs and performance. For the thematic programmes, multi-annual strategies will also be established in which indicative multi-annual allocations for each thematic priority will be defined.

Once the various strategies have been established, financial decisions will be taken in the form of annual programmes of action in conformity with the strategies. In exceptional cases, it may be possible to adopt measures outside the multi-annual strategy called "specific measures".

The consultation process with member states

A very important question is that of consultation in the programming of Community assistance, that is, who will have the opportunity to influence the process and hence the outcome.

A committee with member state representation will be established for the DCECI and the following responsibilities will be discussed before specific measures are adopted;

- regional multi-annual strategies;
- country strategies;
- multi-annual thematic strategies; and
- specific measures adopted (if costs are over 15 million EUR).

On the other hand, the committee will not be consulted about the annual plans of action: it will only be informed. Just as under the former system, the European Parliament is not to be consulted on any of the proposed strategy papers (no mention is made of the European Parliament in the proposed DCECI regulation except as a recipient of the annual report). The partner and beneficiary countries and their civil societies are to be consulted "when possible". Civil society is consulted on thematic programming if "judged appropriate".

A new development policy

A new development policy is in the making at the time of writing (2005). The current policy was adopted in 2000 and developments since then have made the drafting of a new policy absolutely necessary. There are three main reasons why the Council, the Commission and the European Parliament (informally) should review the new statement on development policy:

- an accelerated globalisation process which includes not only trade and economic matters but also all the other global issues such as the environment, health, migration and security;
- the new political priorities of an enlarged EU, in particular the EU's Neighbourhood Policy, the European Security Strategy (*see below*), and the proposed Constitutional Treaty; and
- the emergence of a more robust international consensus reflected in the UN's Millennium Declaration and Millennium Development Goals (MDGs); the commitments made at Monterrey regarding the financing for development, and at Doha regarding trade and at Johannesburg regarding sustainable development; and the conclusions reached at Rome and Paris with respect to the effectiveness, harmonisation and coordination of aid.

In addition, the outcome of the UN Millennium Summit Plus 5 Review in September 2005 may have a bearing on European Community development policy.

A key question is how to define the overall objective of "poverty reduction". If understood in a multidimensional sense it may include areas such as security and migration, which is an extension of the concept of poverty reduction and will have certain consequences for the geographic programmes. Other areas to be addressed are trade and development, and the environment and development.

Issues for further scrutiny

Given the many proposed changes that are to occur simultaneously and the fact that the processes are going on in parallel, there are several issues that need more consideration.

Instruments precede policy – a backwards method

There is no clear relation between the policy areas defined in the proposed Development Policy and the instruments proposed in the new Financial Perspective. The fact that the instruments are being designed before the new development policy is agreed may seem to be a backwards way of working.

The instruments include many different objectives
Development cooperation and economic cooperation are included in the same instrument—the DCECI—without any clear distinction being made. Developing countries are grouped together with countries in transition and OECD countries. In the Stability Instrument there is a mixture of civilian and military interventions, and thus of DAC and non-DAC activities. The ENPI focuses on strengthening the relations (mainly economic) between the Union and its neighbours but will be applied to low-income developing countries like Georgia, Armenia and Azerbaijan which are in need of traditional development assistance. There are potential overlaps between the Stability Instrument and the DCECI (human rights, rehabilitation, post-crisis interventions and so on).

The role of the European Parliament is limited
Apart from ex post facto control on expenditures, participation in the decision on the annual budget and co-decision on two of the four legal bases proposed by the Commission, the Parliament will have no specific role in developing the external assistance strategies or in programming.

The allocation of funds
An outstanding issue is the final allocation of funds to the different instruments. There are indications that the shares of the ENPI, the Stability Instrument and the IPA will increase over time compared to the funds allocated to the DCECI. Whether this means that funds will be reallocated from development assistance, or whether the funds for first group of purposes will be additional, is difficult to assess.

Challenges to the Council and the European Parliament

In addition there are a number of issues to which viable solutions need to be found before the new Financial Perspective comes into effect but where negotiations seem to be deadlocked.

First, there are 90 budget lines and around 30 programmes that need to converge to a minimal number of budget lines to match the six new instruments. The process of transforming 90 budget lines into more general instruments involves challenging specific interests and stakeholders. This is a difficult process which involves comprehensive discussions between the member states, the European Parliament and the Commission.

A second challenge is the future of the EDF instrument, the development funding for Africa, the Pacific and the Caribbean. The communication on the new Financial Perspective suggests that the EDF should be integrated into the DCECI.

It is generally acknowledged that the value and importance of the DCECI as a general instrument for development would be greatly enhanced by the integration of the EDF countries—the "budgetisation" of the EDF. The advantages of such integration are obvious: Commission procedures would be harmonised across regions and all development cooperation countries treated the same.

In addition, the EDF programme has important qualities which could benefit other parts of the Community development cooperation, for example, a strong emphasis on the principles of partnership, ownership and participation, and a clear focus on poverty reduction.

Certain member states strongly oppose the abolition of the EDF; others are lobbying hard for the integration. A decisive factor will be whether the member states will have to pay more or less if the EDF is integrated into the general budget. The ACP countries are quite hesitant about the idea of integration and are asking for guarantees of the maintenance and predictability of funds.

A third challenge is how the thematic budget lines will be divided between the different regions. Today the funds are distributed according to needs. With the new system an allocation mechanism needs to be established which will distribute funds between the different regions in advance.

New trends: the security agenda

The political will to strengthen the security and defence aspects of EU foreign policy is best demonstrated by some decisions taken recently by the Council of Ministers.

The first European Security Strategy, approved by the European Council in December 2003, outlines the nature of the new global threats emerging in the post-Cold War environment and particularly after the events of 11 September 2001. Among the key threats are terrorism, weapons of mass destruction (WMD), regional conflicts, state failure and organised crime. Little is said about root causes and the underlying injustices that create and perpetuate insecurity.

The Council is making rapid progress in implementing the security strategy. At the General Affairs and External Relations

Council (GAERC) meeting in November 2004 member states took the decisions to increase both civilian and military capabilities for crisis management. The Council also adopted an action plan to support peace and security in Africa. This action plan identifies practical ways to support African organisations in building autonomous conflict prevention and conflict management capacities.

More evidence of the importance given to security issues in the EU's external policies has surfaced in the last two years, for example, the creation of the Peace Facility for Africa and the transfer of 250 million EUR to that instrument from the EDF, and the increase of the budget allocated to the Rapid Reaction Mechanism. Two other examples are the increase in the CFSP budget and the adoption of a regulation establishing a programme for financial and technical assistance to third countries in the areas of migration and asylum, with 250 million EUR allocated for the period 2004–2008.

Changes in the EU's approach are illustrative of a general tendency in the international community to consider security as a precondition for development. Already in the 1980s, good governance and later democracy were introduced as important exante conditions for giving development assistance It is quite obvious that in its proposals on future FPs the Commission is trying to accommodate these new objectives in the proposed set-up. At policy level, the Commission will also have to accommodate the security agenda into the review of the new development policy statement that is under preparation. There is also pressure from certain EU member states for the DAC criteria to be reviewed in order to integrate security concerns.

The European Commission in Kenya: A major donor with a low profile

THE EUROPEAN COMMISSION opened its first field office in Kenya in 1976. Today, it is one of the largest donors in the country by virtue of the enormous sums it provides for budget support, health care assistance and roads.

Yet the Commission has long maintained a low profile in Kenya as regards cooperation with the other parts of the donor community; moreover, the Commission's delegation has never managed to forge as close relations with the Kenyan Government as its size would warrant.

But recently things have begun to change. Community officials are starting to take part in donor meetings more frequently—something to which the current head of the office attaches great importance. They now have personnel in most of the groups that discuss coordination between donor and state.

Commission too passive

Maria Stridsman, Swedish development cooperation counsellor in Kenya, welcomes the decision by the Commission to increase its participation in issues of coordination and harmonisation, although she wishes that it could be even more active.

"The Commission's size as a donor would mean that it could use its weight to achieve more," she says. "It's not as if they dig their heels in, it's just that Sida and Britain's Department for International Development (DFID) have had a heavier burden to bear."

For a long time, the field office has not had enough staff to deal with the task in hand; hence, it is thought, its low profile. And, although employee numbers may have risen in recent years, office workers are still overwhelmed by heavy workloads. Some even have responsibility for several sectors at the same time.

The reform of the Commission's assistance policy will, however, increase staff numbers at the delegations. This process is currently under way in Kenya.

At the same time, a greater share of decision-making responsibility will be delegated to the field offices and the Commission will take more of a leading role in the cooperation between the government and the donor community.

Anna-Carin Kandimaa has been seconded from Sida as a health official to the Commission's Kenya delegation for the past year. According to her, developments are progressing in the right direction, but there are still too few personnel in relation to the large number of projects in which the Commission is involved. "Even from day one the Kenya office didn't have enough people," she says.

The delegation of responsibility to the field office is also yet to be concluded, and Community staff in Brussels are still taking decisions on a great many matters impinging on the field work in Kenya. For instance, the office may not act autonomously on projects implemented with money from the budget lines; it may express its opinions, but there is no saying that Brussels officials will pay it any heed.

"We have a certain measure of autonomy at the office," she admits. "But Brussels still has to approve projects that exceed certain ceilings and any changes we want to make to ongoing projects."

Decentralisation necessary

According to Kandimaa, everyone in the field office in Kenya agrees that further decentralisation would make the delivery of development assistance more efficient. Under the present system, although it is possible for a delegation to advise the Commission against carrying out a particular project, it is still up to the Commission to decide. This means that office workers may find themselves having to administrate a project that they consider inappropriate or misguided.

Brussels officials also do a certain amount of administrative work that concerns Kenya. Petty things still have to be sent back to Brussels for authorisation.

"Surely the head of the delegation should have the power, say, to prolong or terminate a project," she says.

Anna-Carin Kandimaa points out, however, that the "deconcentration" of recent years has provided the field personnel with a greater "helicopter" view of the entire project portfolio. They also have more responsibility for donor coordination.

The future of EU development assistance: Four interviews

ANDERS WIJKMAN

Member of the European Parliament—Committee on Development, Substitute (Christian Democrats)

1. **What do you think the Community can do to speed up the process towards achieving the MDGs in the coming years?**
   Our message must be that the MDGs are to be fully comprehensive. We have to take a holistic approach, and this is what the Commission hopes to do. A paper is to be released on this. There are probably also huge synergistic gains to be made by taking such a holistic approach to the MDGs and not, as is common in the UN, organising the work vertically, issue by issue.

2. **How do you think the enlargement of the EU will influence the volume and direction of Community assistance?**
   I believe that the new members can contribute with what they have learned from their own transformation. They have much to teach us in this respect.

3. **How do you think other EU policies can support EC development policies in the future?**
   It's vital that coherence issues are articulated clearly, especially when it comes to agricultural policy. There will always be conflicts with trade interests, but I think the Everything But Arms (EBA) initiative is a step in the right direction. The dumping of farming surpluses is a calamity. Eliminating export subsidies is a step in the right direction. Coordination and complementarity between the member states' policies and assistance and those of the EU are also important. But this issue has just been raised.

4. **How do you think the new Financial Perspective will improve efficiency in the delivery of Community development assistance?**
   I don't know.

5. **How do you think the regional allocation of Community assistance will change in the future?**
   The EU cannot target its assistance and cooperation to certain countries only. It has to be active across the globe. What is needed, however, is a concentration of effort onto the poorest regions, mainly in sub-Saharan Africa and parts of Asia. We also need to draw up different types of strategy for each country. In the poorest countries, this will be guided by the MDGs; in middle-income countries, good governance, anti-corruption, research, information technology and environmental technology could be appropriate areas to prioritise.

BERNARD PETIT

Director of Development Policies,
Directorate-General for
Development Cooperation,
European Commission

1. What do you think the Community can do to speed up the process towards achieving the MDGs in the coming years?

The European Union has developed a leading role in the fight against poverty by becoming the biggest donor in the world (55 percent of total world ODA) and being the main trading partner of most developing countries. The support the Union can give to achieving the MDGs is therefore crucial. The European Commission has an essential role to play and must be an engine in the debate at European level and unite the EU member states around a common vision for progress towards the MDGs. As an important step, the Commission received a specific mandate from the Council to prepare a package of policy proposals (communications) that could form the basis for the European position at the High Level Forum on the MDGs that will take place in September 2005 in New York.

2. How do you think the enlargement of the EU will influence the volume and direction of Community assistance?

The enlargement of the EU has considerably strengthened the voice of Europe in the world, particularly in terms of expressing solidarity vis-à-vis the poorest regions in the world. By joining the EU, the new member states accepted the rules of the Community (the *acquis communautaire*), including the financial obligations concerning development aid that were decided at the European Council in Barcelona in 2002 (ODA to reach 0.39 percent of GNI by 2006) in preparation for the package that Europe brought to the table at the Financing for Development conference in Monterrey. However, the new member states have to be given sufficient time to structure and develop their policies for external assistance, including the volume of their financial aid. This is why the Commission, in its forthcoming proposal to the Council concerning ODA targets for 2010, will propose specific targets for the new member states.

In addition to contributing to an increase in the volume of financial assistance, the enlarged Union will benefit greatly from the experience that the new member states bring.

3. How do you think other EU policies can support EC development policies in the future?

The European Community understood at a very early stage that development policy is more than just pouring money into projects. Our partnership agreements with the ACP countries (the Cotonou Agreement, and previously the Lomé Conventions) always had this unique quality of combining development cooperation with trade policy and political cooperation on a wide range of policies. The idea that non-aid policies should be consistent with our development policy objectives is enshrined in the treaties and is part of the new Constitutional Treaty for Europe. In relation to the MDGs, the Commission has identified 11 policy areas it considers particularly relevant, and where future efforts can and will be made to assist developing countries in achieving their goals. These are trade, the environment, security, agriculture, fisheries, the social dimension of globalisation, migration, research and innovation, the information society, transport, and energy.

It is obvious that policy coherence does not come for free. Some of these policies have a strong domestic orientation, where EU interests do not necessarily run parallel to the interests of developing countries.

4. How do you think the new Financial Perspective will improve efficiency in the delivery of Community development assistance?

The reform of Community external assistance that was initiated in 2000 has already led to a significant improvement in the quality and efficiency of Community aid. This is evidenced by the considerable increase in annual payments (approaching 7 billion EUR) and the significant reduction in the time it takes to implement projects and programmes. The new method for multi-annual programming in the form of country strategy papers and the alignment of these to the partner countries' own policy agendas (poverty reduction strategy papers) have greatly improved the concentration and strategic focus of the aid. The considerable efforts undertaken to improve the coordination and harmonisation of Community aid with that of other donors, the evolution in the nature of aid towards budgetary assistance, and the focus on results have also led to significant improvements in efficiency and quality. This progress has been recognised by the Council, the European Parliament and the Development Assistance Committee of the OECD.

5. How do you think the regional allocation of Community assistance will change in the future?

It is very difficult to assess at this stage how the regional allocations, which are primarily the responsibility of the Council and the European Parliament to decide in their capacity as budgetary authority, will evolve in the future. At the end of the day, the regional allocations are the result of political decisions and reflect trade-offs between different interests of member states.

RUTH JACOBY

FOTO: PAVEL FLAO

Director General for International Development Cooperation, Ministry for Foreign Affairs, Sweden

1. What do you think the Community can do to speed up the process towards achieving the MDGs in the coming years?

Pursue energetically the ongoing reforms of EC development cooperation aimed at improving effectiveness, achieving results, increasing field orientation and presence (and delegation of authority), and enhancing harmonisation with other donors and alignment to partner countries' systems and priorities. Furthermore, the European Community can strongly encourage the member states to do likewise in their respective bilateral development assistance programmes, and put pressure on member states to increase the volume and quality of their aid.

2. How do you think the enlargement of the EU will influence the volume and direction of Community assistance?

Enlargement will in due time lead to an increase of EC assistance. Many of the new member states start from a non-existent or very low level of engagement in development cooperation, but eventually they are expected to live up to the EU *acquis* in this area as well. Several of them are already making good progress.

As to the direction of Community assistance, I do not believe that it will be significantly influenced by the new member states. Their own experience of the transition to democracy and a market economy will, however, contribute to enriching the quality of EC assistance.

3. How do you think other EU policies can support EC development policies in the future?

By ensuring greater coherence between the various EC policy areas.

4. How do you think the new Financial Perspective will improve efficiency in the delivery of Community development assistance?

The simplified budget structure of the new Financial Perspective will hopefully promote a more effective allocation of resources, greater policy coherence and better oversight. But this is not guaranteed; it does not follow automatically. These goals must continue to be pursued vigorously.

5. How do you think the regional allocation of Community assistance will change in the future?

If we mean development assistance, I would hope that EC aid will be focused increasingly on the poorest countries and on contributing to their attainment of the MDGs. It can, however, be expected that the EC will also direct substantial funds to other countries and regions (e.g. the new "neighbourhood") and for other reasons (e.g. stability). Such funds should not, however, be seen primarily as development assistance.

SIMON STOCKER

Director of Eurostep, a network of 14 major NGOs from 12 European countries

1. **What do you think the Community can do to speed up the process towards achieving the MDGs in the coming years?**
   The Community cannot do so much unless the member states' respective governments take bold and decisive action. This includes substantive increases in aid to meet the needs, including an immediate doubling of aid in response to the Millennium Project findings, faster action on eliminating trade-distorting agricultural subsidies, and the cancellation of unsustainable debt.

2. **How do you think the enlargement of the EU will influence the volume and direction of Community assistance?**
   It doesn't need to have a dramatic impact on volume. There will be increased aid from the ten new members, but this will take time. It should not be used by the 15 to slow down their own increases.

3. **How do you think other EU policies can support EC development policies in the future?**
   By ensuring that the commitment to coherence and consistency is fully implemented and that the European Constitution's provisions for development policy, the principal framework for all developing countries, are rigorously respected. More can also be done to ensure that the mechanisms for assessing how Community aid is seeking to achieve agreed objectives—including gender equality and other cross-cutting issues, as well as the MDGs—are properly reflected in programming, implementation and evaluation.

4. **How do you think the new Financial Perspective will improve efficiency in the delivery of Community development assistance?**
   This will only happen if the proposed reforms of the financial regulations include an instrument that is specifically focused on development. This means that the current proposals, which include an instrument outside the near neighbourhood policy that combines cooperation with developing countries (with development aid) with cooperation with non-developing countries, should be rejected.

5. **How do you think the regional allocation of Community assistance will change in the future?**
   There needs to be an increase in aid provision for developing countries in Asia in particular, but not at the expense of the ACP countries. These also need increased provision, which should be provided under EDF 10. Budgetisation of the EDF should only be accepted if there is a clear, enforceable ring-fencing of the budget for the ACP countries.

Chapter 7

Participation by Swedish NGOs and companies

THE EUROPEAN COMMISSION'S EIGHT assistance programmes offer considerable opportunities for private organisations, consultants and so on, and they are constantly engaging external partners of one type or another. The total sum of money being spent is enormous.

FEW SWEDISH non-governmental organisations (NGOs) receive financing from the EU external assistance programme. The same seems to be the case for Swedish consultants.

THIS CHAPTER LOOKS AT the opportunities that are open to Swedish interests and at how the few successful ones have proceeded.

Non-governmental organisations

After a decade of EU membership, only three Swedish NGOs currently receive much of their financing from one or other of the EU's budget lines. Most of the money goes to major organisations from the EU's largest member states.

This is partly because very few Swedish organisations have cared to apply for money, as the general tendency is still not to regard the EU as a natural partner.

Granted, through the years a number of Swedish organisations have tried to obtain project funding from the European Commission. Although the applications have often been well prepared, many have been rejected. This has discouraged some from even bothering to apply for more money in the first place.

There is no denying that competition for EU funding is tough, especially within the budget line that goes under the name NGO Co-financing. In 2003, 1,500 applications were made to this budget line, but despite the fact that half were considered good or very good, only 200 grants were approved.

A number of development and humanitarian NGOs in Sweden are wholly dependent on funding from Sida and public donations.

"If there's a good supply of national money, finding other financiers isn't that urgent," says Magnus Falklöf, adviser in EU financing at CONCORD (the European NGO Confederation for Relief and Development).

Yet there is still reason for Swedish NGOs to take an interest in Community assistance. As Magnus Falklöf warns, one should not forget the importance of securing funding from a number of different donors; this is especially true given the instability of the stock market and the fluctuations in the income received by some NGOs on their financial investments.

There are several ways of applying for grants from the EU.

EuropeAid alone manages seven thematic and six geographic budget lines. For example, the Swedish World Shops Association (fair trade) and Network South Africa have obtained most of their budgets from the Information Initiative for Democracy and Human Rights budget line.

Another possible tactic identified by Falklöf is to team up with organisations from other member states to form consortia. The Commission prioritises such partnerships, even more so if one or more of the constituent organisations comes from the new member states. Partnerships with experienced organisations can also be a boon. But, as Falklöf points out, the composition of the consortium must always be relevant.

Furthermore, it should be easier in future to apply for funding from the Commission programmes. Several processes are currently under way to simplify applications. One such idea in the pipeline is to allow organisations to make preliminary applications that will require less time to prepare and process.

Another proposal is to allow organisations to apply for partnerships not unlike those found in Sida's framework organisation system. It is these partners that then have exclusive authorisation to apply for grants from the budget line.

Increased competition

Meanwhile, there are also plans in the European Commission to open the NGO Co-financing budget line to international competition. Discussion is also going on as to whether organisations are to be able to engage in a procurement process similar to that which development assistance consultants can participate in.

But, whatever the form and content of the regulations, Swedish organisations are showing little interest and a generally EU-sceptical frame of mind, and this, as Falklöf points out, is deterring some of them from applying. Only eight organisations applied for grants from NGO Co-financing in 2003. Even so, Falklöf can still detect the presence of a burgeoning interest in 2004. Since then, the Commission has received 20 applications in which Swedish NGOs are involved.

One of them is the Swedish Committee for Afghanistan (SAK), which has managed to obtain more financial support from the EU than any other organisation. SAK's collaboration with the EU began back in 1994, when Sweden was involved in membership talks, and today, the European Commission provides about one-sixth of its budget (45 million SEK, 2004).

Håkan Josefsson, one of the SAK officials, was with the organisation when the first application was submitted. The process was instigated by SAK's Pakistan office in Peshawar, where the manager there had developed a close relationship with the local director of the EU assistance programme. After a period of dialogue SAK received a proposal to apply.

"The EU's local director thought it appropriate that we apply for money from a budget line that had been made available for refugee projects in Asia," says Josefsson. "The proposal from the Commission sparked off an internal discussion at SAK. There was concern that a major EU project would commit the organisation too much, and that it had taken on more than it could chew. In the end they decided to try anyway."

Over the years, SAK has had to put more resources into the field office to honour its partnership commitments with the EU. This has proved time-consuming and people have been deeply concerned that money might not be forthcoming. However, even though it has also entailed a certain amount of extra work, there are no regrets about the decision to apply.

Since SAK received its first grant from the Commission, the EU's budget lines have been revised. Despite this, grants are still being paid out from both thematic and geographic budget lines.

"As we understand it, the partnership with the EU is to be conducted chiefly from the local office," says Håkan Josefsson. "That's where the capacity is meant to be and where things are to be discussed with the EU's site manager."

In this way, SAK has usually been forewarned about whether or not it would be worth the time and effort to write an application, and does not usually bother to unless it has received a positive signal from the EU first.

According to Josefsson, SAK's relationship with the EU has been relatively problem-free. But a certain amount of liquidity is needed, since the money can sometimes be slow in coming. It is also important to adhere to the agreements. "They want everything properly documented and sent in on time," he says. "They're totally uncompromising on that. It's like having to fulfil a business contract."

Back in the mid-1990s, SAK became a partner of the European Community Humanitarian Aid Office (ECHO), which means that the organisation can be asked to assist on emergency relief work in Afghanistan (after, say, an earthquake) at very short notice. Since 2000, SAK has taken on four such projects from

ECHO. "We don't take on the most urgent projects that mean you have to get things moving with only a few hours' notice," says Josefsson. "We don't have the training for that. Projects dealing with structural or organisational expansion during the first month, on the other hand, we take, for instance, increasing capacity at our medical centres."

Tips

- CONCORD has a useful guide on its web site (http://www.concord.se) for private organisations wishing to apply for EU financing. It also organises courses and seminars for interested parties and provides help and advice.
- All calls for proposals, which provide important information on forthcoming funding opportunities, are published on the EuropeAid web site (http://www.eu.int/comm/europeaid).

Consultants and other companies

Excellent business opportunities are opening up for Swedish development assistance consultants and providers who have a foot in the door of the Community external aid programme. The Commission has a constant need for expert consultants and reliable suppliers. However, the assistance procedure does not allow companies to take their own initiatives on projects: all decisions and proposals are the sole remit of the Commission.

To date, however, it has proved difficult for Swedish companies to win tenders from the Commission's assistance programme. Many also do not even bother to try since they consider the regulations too confusing and the risk of failure too high.

According to Lena Rooth, expert at the Swedish Trade Council, Swedish companies remain relatively cool to the idea of EU assistance.

"Many of them think it's not worth the bother, as the margins are too small," she explains. "Competition is much tougher outside Sweden."

Most of the companies that have submitted proposals since Sweden joined the EU in 1995 have not been successful.

Having said this, there are no reliable statistics available on how Swedish consultants have fared in this context. The data available only register the main company in a consortium, and consultants are not included.

To increase the success rate for Swedish companies, the

Ministry for Foreign Affairs (MFA) and the Swedish Trade Council have provided help including annual support packages running to six-figure sums of money to help Swedish companies in their dealings with the international competition. For example, a tender cost support package, which is a guarantee given to companies that have been invited to submit a tender, has been available since 1999, providing rejected companies with a refund of 35 percent of the cost of the work put into it. The Swedish Trade Council and the MFA also arrange courses for consultants and suppliers interested in EU development assistance. They may also receive tips and advice free of charge from the Council's and the Ministry's export promoters.

However, this support has so far been fruitless, possibly because many Swedish consultants have their main focus on Swedish development assistance. As Lena Rooth says, less effort is generally required to win national tenders than EU ones.

What, then, can an organisation do to win EU contracts?

Lena Rooth's main piece of advice is to start working in the field out in a beneficiary country, preferably in one of which it has experience or with which it is already working. It is here, rather than in Brussels, that the decisions are taken given the current decentralised structure of the EU's assistance programme. It is in the beneficiary country that companies should be focusing their networking efforts and identifying projects already under way. The Swedish ambassadors can often help with contacts and network-building.

In some countries that are included in the EU development assistance programme, decisions are delegated to the local authorities; in such cases contacts should thus also be sought there.

Rooth also recommends companies to seek out alliances with other companies from the EU member states. In forming such consortia it is possible to piece together a suitable mix of competences to become competitive.

To this end, the Swedish Trade Council arranges a number of meetings between entrepreneurs and company representatives from different countries. It is also possible to obtain a Business Opportunity Grant to identify such partners.

This strategy of forming consortia can also make small companies or private experts relevant in an EU context, but to clinch a contract a player generally needs sufficient capacity and experience of similar projects.

The Swedish consultant ÅF has won a handful of tenders over the years from the European Commission's development assistance programme, most recently an infrastructure project in Serbia worth 2.7 million EUR. But ÅF is not satisfied. Only a small proportion of the company's total turnover of 2 billion kronor-plus is Community money. According to Roland Mårtensson at ÅF, winning tenders is difficult in the EU: small mistakes, large enough to entail disqualification from the entire procurement procedure, are easy to make.

"The European Commission is a bit more complicated and confusing than other international financing institutions," he says. "It also has a whole set of regulations that are not easy to grasp."

Mårtensson advises smaller companies against entering procurement processes in the EU's development assistance programme. One of the problems is that it takes a long time for the money to be paid, and it can prove a lengthy and difficult hassle.

ÅF's strategy for success in the future is to work more closely with other international companies and to learn the regulations better. They also plan to concentrate solely on those projects for which they can claim to be qualified.

The procurement process

The Commission publishes information about forthcoming procurement through different channels. The Commission publishes a brief advance notice. All such notices are also collated and published by 31 March each year with information on all procurements expected for the year.

Tenders are to be submitted no earlier than 30 days after the advance notice; usually it takes longer.

Tenders are available for viewing on the EuropeAid web site (http://europa.eu.int/comm/europeaid/index_en.htm).

Notification of interest (restricted tenders only) is an important part of the procurement process and the company's marketing efforts. A well-written statement can place a company on a shortlist for tender submissions. Once the Commission has made its selection, a list of between four and eight shortlisted companies is published on the web site. The Commission then sends procurement instructions to these companies. In the event of an open tender, there is no such shortlist and the companies write their tenders directly instead. More companies usually respond to an open tender than to a restricted one.

The shortlisted companies are invited to submit a tender. This involves a great deal of work and takes several months. At this point, contract instructions are sent to the invited companies.

Tips

- The Swedish Trade Council guide for the European Commission's external assistance can be found at http://www.upphandlingsguide.swedishtrade.se.
- There are numerous officials in Brussels at the Trade Council and at Sweden's Permanent Representation to the EU who can answer inquiries and help companies with research and analysis. Regular seminars are also organised to bring them into contact with consultants from other countries.
- Procurement news from the Swedish Trade Council can be found at http://www.upphandlingsnytt.swedishtrade.se.

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http://europa.eu.int/scadplus/leg/en/s05030.htm

http://ue.eu.int/en/summ.htm

http://europa.eu.int/comm/index_en.htm

http://www.europarl.eu.int/home/default_en.htm

http://www.concordeurope.org/

http://www.oneworld.org/eurostep/

http://www.oneworld.org/ecdpm/

Appendix 2.
Interviews conducted in Stockholm and Brussels

Sara Aulin, Ministry for Foreign Affairs, Sweden
Jose Baiges, European Commission, DG External Relations
Louise Bonbeck, Ministry for Foreign Affairs, Sweden
Åse Ellen Botha, Swedish Trade Council
Sigfrid Deminger, Sida
Sean Doyle, European Commission, DG External Relations
Magnus Falklöf, Swedish CONCORD
Mattias Frumerie, Permanent Representation of Sweden to the EU, in Brussels
Michael Green, European Commission, DG External Relations
Linn Harkess, Permanent Representation of Sweden to the EU, in Brussels
Ruth Jacoby, Director General for International Development Cooperation, Ministry for Foreign Affairs, Sweden
Håkan Josefsson, Swedish Committee for Afghanistan
Anna-Carin Kandimaa, European Commission Delegation to Kenya
Erik Korsgren, Sida
Katrine Larsen, Sida
Elisabeth Lewin, Sida
Camilla Lindström, Sida
Roland Mårtensson, ÅF
Eva Nauckhoff, Sida
Åsa Palmgren, Ministry for Foreign Affairs, Sweden
Bernard Petit, European Commission, Director of Development Policies, DG Development
Lena Rooth, Swedish Trade Council
True Schedvin, European Commission, EuropeAid
Karine Sohet, Aprodev
Hans Stausboll, European Commission, EuropeAid
Simon Stocker, Eurostep
Maria Stridsman, Embassy of Sweden, Kenya
Cecilia Thorfinn, European Commission, DG Development
Gunilla Törnqvist, Ministry for Foreign Affairs, Sweden
Anders Wijkman, Member of the European Parliament

Appendix 3.
DAC List of Aid Recipients as at January 2003

Developing countries and territories (official development assistance)

Least developed countries (LDCs)

Afghanistan
Angola
Bangladesh
Benin
Bhutan
Burkina Faso
Burundi
Cambodia
Cape Verde
Central African Republic
Chad
Comoros
Congo, Dem.Rep.
Djibouti
Equatorial Guinea
Eritrea
Ethiopia
Gambia
Guinea
Guinea-Bissau
Haiti
Kiribati
Laos
Lesotho
Liberia
Madagascar
Malawi
Maldives
Mali
Mauritania
Mozambique
Myanmar
Nepal
Niger
Rwanda
Samoa
Sao Tome and Principe
Senegal
Sierra Leone
Solomon Islands
Somalia
Sudan
Tanzania
Timor-Leste
Togo
Tuvalu
Uganda
Vanuatu
Yemen
Zambia

Other low-income countries (other LICs)
(per capita GNI <745 USD in 2001)

*Armenia
*Azerbaijan
Cameroon
Congo. Rep.
Côte d'Ivoire
*Georgia
Ghana
India
Indonesia
Kenya
People's Democratic Republic of Korea
*Kyrgyz Rep.
Moldova
Mongolia
Nicaragua
Nigeria
Pakistan
Papua New Guinea
*Tajikistan
*Uzbekistan
Viet Nam
Zimbabwe

Lower middle income countries (LMICs)
(per capita GNI 746–2 975 USD in 2001)

*Albania	Iraq	Philippines
Algeria	Jamaica	Serbia and Montenegro
Belize	Jordan	South Africa
Bolivia	*Kazakhstan	Sri Lanka
Bosnia and Herzegovina	Macedonia (former Yugoslav Republic)	St Vincent and the Grenadines
China	Marshall Islands	Suriname
Colombia	Micronesia, Federated States	Swaziland
Cuba	Morocco	Syria
Dominican Republic	Namibia	Thailand
Ecuador	Niue	**Tokelau
Egypt	Palestine, Administered Areas	Tonga
El Salvador	Paraguay	Tunisia
Fiji	Peru	Turkey
Guatemala		*Turkmenistan
Guyana		**Wallis and Futuna Islands
Honduras		
Iran		

Upper middle-income countries (UMICs)
(per capita GNI 2 976–9 205 USD in 2001)

Botswana	Dominica	**Mayotte
Brazil	Gabon	Nauru
Chile	Grenada	Panama
Cook Islands	Lebanon	**St Helena
Costa Rica	Malaysia	St Lucia
Croatia	Mauritius	Venezuela

Threshold for World Bank loan eligibility (5 185 USD in 2001)

**Anguilla	Oman	**Turks and Caicos Islands
Antigua and Barbuda	Palua	Uruguay
Argentina	Saudi Arabia	
Barbados	Seychelles	
Mexico	St Kitts and Nevis	
**Montserrat	Trinidad and Tobago	

High income countries (HICs)
(per capita GNI >9 206 USD in 2001)

Bahrain

Countries and territories in transition (Official Aid)

Central and Eastern European Countries and New Independent States of the former Soviet Unions (CEECs/NIS)

*Belarus	*Hungary	*Romania
*Bulgaria	*Latvia	*Russia
*Czech Republic	*Lithuania	*Slovak Republic
*Estonia	*Poland	*Ukraine

More Advanced Developing Countries and Territories

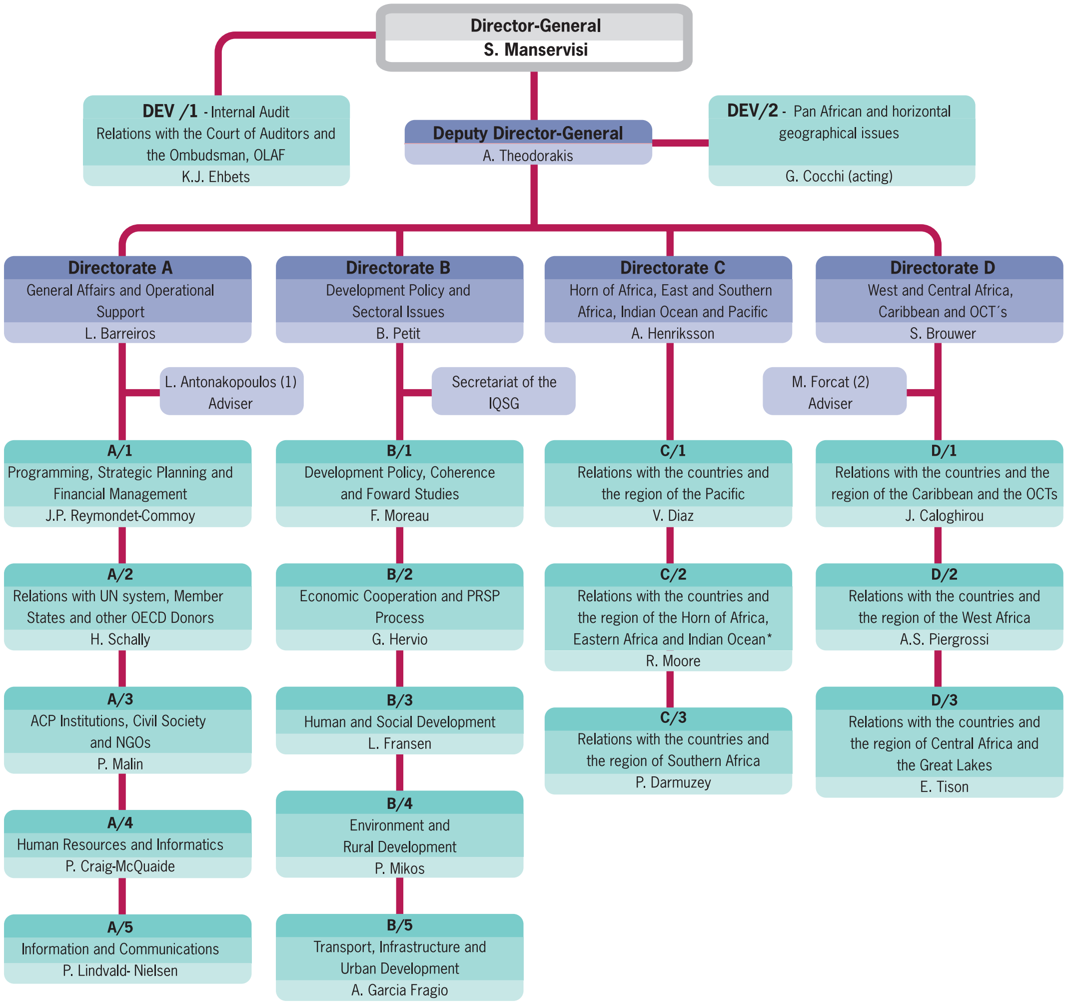
**Aruba	**Gibraltar	**Netherlands Antilles
Bahamas	**Hong Kong	**New Caledonia
**Bermuda	China	Qatar
Brunei	Israel	Singapore
**Cayman Islands	Korea	Slovenia
Chinese Taipei	Kuwait	United Arab Emirates
Cyprus	Libya	**Virgin Islands
**Falkland Islands	Macao	
**French Polynesia	Malta	

* Central and Eastern European Countries and New Independent States of the Former Sovjet Union CEECS/NIC

** Territory

Appendix 4.
Organisation charts for three key players

Organigramme DG Development 2005



(1) Seconded to Greece
(2) Seconded to the FAO -
* incl. COMESA

IQSG – Inter-service Quality Support Group
PRSP – Poverty Reduction Strategy Paper
OCT – Overseas Countries and Territories

Organigramme DG External Relations 2005

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Assistant
Petros Mavromichalis

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- **I/2** Financial and Budgetary matters, relations with Court of Auditors
  Mark Johnston
- **I/3** Information Technology Resources
  Michael Keymolen
- **I/4** Inter Institutional Relations
  Reinhold Hack
- **I/5** Information and communication

Directorate K
External Service
Thierry De Saint Maurice

- **K/1** External Service Staff Movements, Protocol affairs, Administration
  Chantal Graykowski
- **K/2** Rights and Obligations
  Stefan Huber
- **K/3** Infrastructures in delegation
  Giuseppe Rosin
- **K/4** Budget
  Maria Merla
- **K/5** Local staff
  Agnès Demassieux
- **K/6** Career Development, Training
  Anette Mandler
- **K/7** Protection of Delegations

Medical Adviser

Adviser ex-post control
Daniel Van Der Spree

Deputy Director-General DGA - 1
CFSP, Multilateral relations and North America, East Asia, Australia, New Zealand, EEA, EFTA
Karel Kovanda

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- **A/1** European correspondent, Coordination and CFSP analysis, G8
  David Tirr
- **A/2** Legal and institutional matters, CFSP Joint Actions, Sanctions, Kimberley Process
  Florika Fink-Hooijer
- **A/3** Security and Stability, Counter-Terrorism, Non-Proliferation and Disarmament
  Lars-Erik Lundin
- **A/4** Conflict prevention, EC contribution to crisis management,CFSP/ ESDP with respect to ACP countries
  Maria McLoughlin

Directorate B
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- Adviser (external competencies)
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- Adviser representative to the Council of Europe
  Michel Caillouet
- **B/1** Human rights and democratization
  Rolf Tlmans
- **B/2** United Nations, Treaties office
  Giancarlo Chevallard
- **B/3** OSCE and Council of Europe
  Gilbert Dubois

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- **C/1** - United States, Canada
  Gunnar Wiegand
- **C/2** - Japan, Korea, Australia, New Zealand
  Seamus Gillespie
- **C/3** EEA , EFTA, San Marino, Andorra, Monaco
  Matthias Brinkmann

Principal adviser regional cooperation

Directorate D
European neighbourhood policy coordination
Rutger Wissels

- **D/1** ENP General Coordination
  Alistair Mac Donald
- **D/2** ENP Sector Coordination
  Andreas Herdina

Camar – Competition of Agriculture and Management of Agricultural Resources
PSC – Political and Security Committee
EEA – European Economic Area
EFTA – European Free Trade Area
ASEM – Asia–Europe Meeting

Principal Adviser
Commission representative to the PSC
Stefano Sannino

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Adviser Camar
Willy Wijns

Principal Adviser
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- **L/1** Inspection of delegations — Joannes Ter Haar
- **L/2** Forward studies — Helmut Steinel
- **L/3** Coordination and analysis — Sean Doyle

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- **G/4** Mercosur, Chile — Laurence Argimon-Pistre

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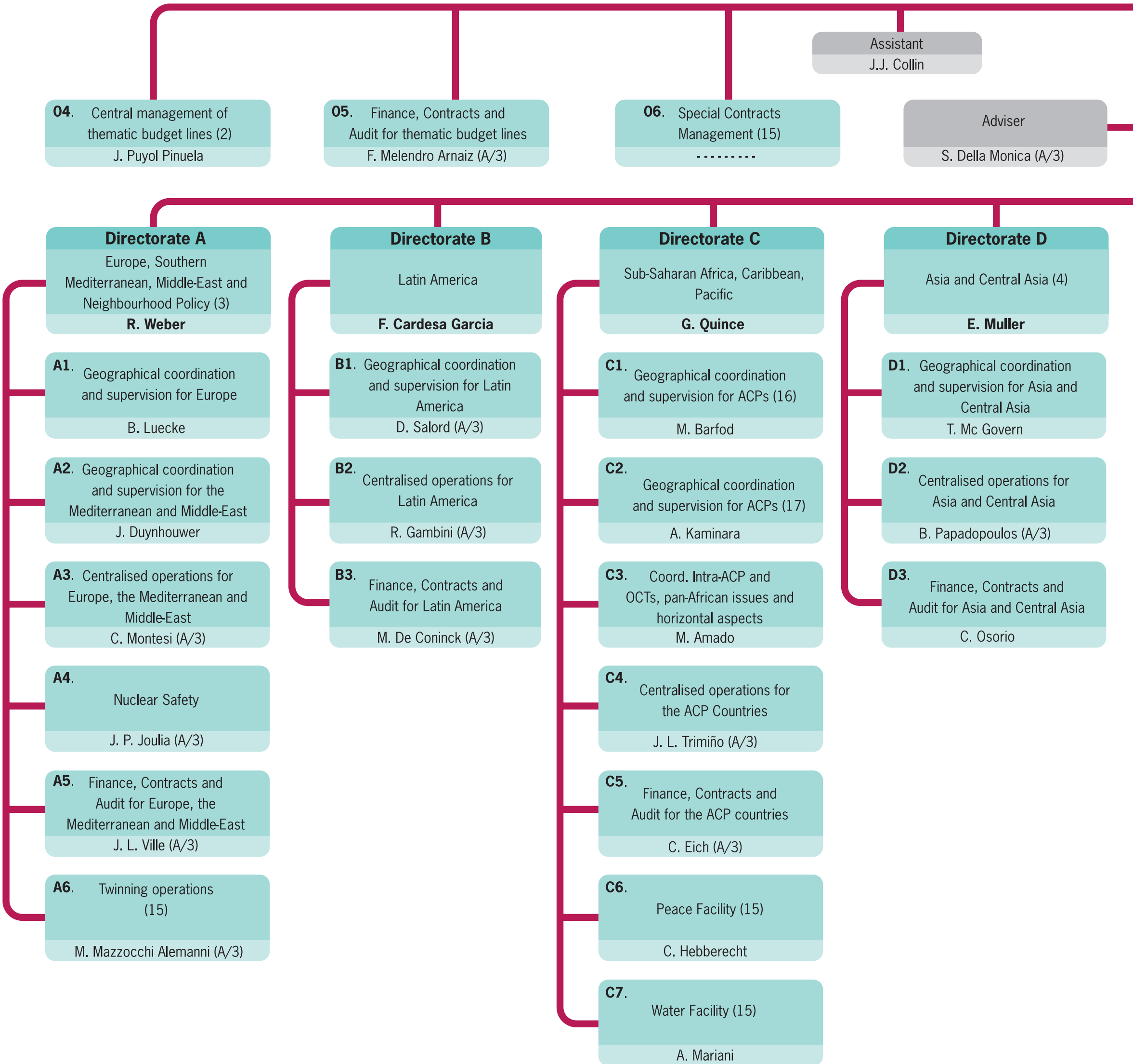
- **H/4** Pakistan, Afghanistan, Sri Lanka, Bangladesh, Maldives — Julian Wilson
- **H/5** South-East Asia — Pierre Amilhat

Organisation chart for EuropeAid Co-operation Office (16 March 2005)



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Deputy Director-General (1)
H. Richardson

Assistant
E. Toledano Laredo
H. Stausboll

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- **02.** Internal audit capability — O. Scott-Larsen (A/3)
- **03.** Evaluation — J. L. Chomel (A/3)

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- Adviser - Culture — F. Nizery (A/3)
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- **E2.** Business, trade and regional integration (7) — J. ten Bloemendal (A/3)
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- **G2.** Coordination of ICS and methodology for ex-post controls and auditing — J. Reis Conde
- **G3.** Human resources — M. Levêque
- **G4.** Training and knowledge management — G. Van Bilzen
- **G5.** Information systems and office technology — W. Beurms (A/3)
- **G6.** Documents management and office infrastructures — M. Kagel
- **G7.** Individual experts (15) — C. Theodorou-Kalogirou (A/3)

THE EUROPEAN COMMUNITY is increasingly becoming a global actor. Through trade, political dialogue and external assistance it plays an ever more important role abroad. The European Union provides more than half of world official development assistance and is the main trading partner of most developing countries. The EU's external actions have tremendous potential to influence the lives of the millions of people living in poverty around the world. If it plays its cards right, the EU could constitute a sound balance to other dominant powers in the field of external relations.

THE DESIRE TO PLAY a more prominent role on the international scene is reflected in all policy areas, not least in the development cooperation of the European Commission. With these aspirations comes a responsibility to be an effective development partner. As a member of the EU, and in view of its profound engagement and extensive experience in development issues, Sweden has the obligation, responsibility and ambition to be an constructive supporter of the European Commission.

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.

Sida

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