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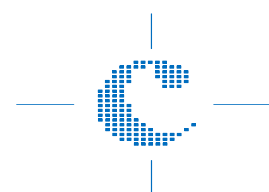
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## **European Development Cooperation Brokering environmental knowledge beyond Lisbon**

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# European Development Cooperation: Brokering environmental knowledge beyond Lisbon

Scoping Study on EU Development Cooperation  
for the Netherlands Environmental  
Assessment Agency (PBL)

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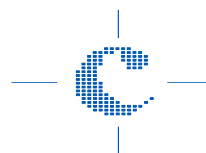
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The views expressed herein are those of the authors only and should not be attributed to PBL or any other institution.

## List of Acronyms

AAP	Annual Action Programme
AECID	Agencia Española de Cooperación Internacional para el Desarrollo
ACP	African Caribbean and Pacific
ASEM	Asia-Europe Meeting
BASIC	Brazil, South Africa, India and China
CEP	Country Environmental Profiles
CESP	Clingendael European Studies Programme
CFSP	Common and Foreign Security Policy
COAFR	Africa working group (Council)
CODEV	Development Cooperation Group (Council)
COHOM	Council Working Group on Human Rights
CONCORD	European NGO Confederation for Relief and Development
COP	Conference of the Parties
COREPER	Committee of Permanent Representatives
CPA	Cotonou Partnership Agreement
CSP	Country Strategy Paper
DAC	Development Assistance Committee
DCI	Development Cooperation Instrument
DFID	UK Department for International Development
DG	Directorate-General
DGIS	Department for International Cooperation of the Netherlands Ministry of Foreign Affairs
EEAS	European External Action Service
EC	European Community
ECDPM	European Centre for Development Policy Management
ECHO	Directorate-General for Humanitarian Aid
ECOFAC	Ecosystèmes Forestiers de l'Afrique Centrale
ECOFIN	Economic and Finance Council
EDC	European Development Cooperation
EDF	European Development Fund
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EIF	European Investment Fund
EIDHR	European Instrument for Democracy and Human Rights
EMP	Environmental Management Programme
ENPI	European Neighbourhood Instrument
ENRTP	Environment, Sustainable Management of Natural Resources, including energy (thematic programme)
ENVIRONET	Network on Environment and Development Cooperation
EP	European Parliament
ETS	Emission Trade Scheme
EU	European Union
EUDC	European Union Development Cooperation
EUROPEAID	Directorate-General for External Cooperation
FAC	Foreign Affairs Council
FLEGT	Forest Law Enforcement, Governance and Trade



GAERC	General Affairs External Relations Council
GAC	General Affairs Council
GBS	General Budget Support
GEEREF	Global Energy Efficiency and Renewable Energy Fund
GEF	Global Environment Facility
GRASP	Great Apes Survival Project
IMF	International Monetary Fund
IPA	Instrument of Pre-Accession
JAES	Joint Africa-EU Strategy
LDC	Least Developed Country
MDG	Millennium Development Goals
MEP	Member of the European Parliament
MIP	Multiannual Indicative Programme
NGO	Non-governmental organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OLIC	Other Low-Income Country
PEP	Poverty Environment Partnership
PCD	Policy Coherence for Development
PCM	Policy Cycle Management
PEFA	Public Expenditure and Financial Accountability
PRSP	Poverty Reduction Strategy Papers
PSC	Politics and Security Committee
QMV	Qualified Majority Voting
QSG	Quality Support Group
REP	Regional Environmental Profiles
ROM	Results-oriented monitoring
RSP	Regional Strategy Paper
RPS	Regulatory Procedure with Scrutiny
SBS	Sectoral Budget Support
SCP/SIP	Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan
SCP	Sustainable Consumption and Production
SCR	Common Service for External Relations
SEA	Strategic Environmental Assessment
SME	Small and medium-sized enterprise
SPS	Sanitary and Phytosanitary Standards
SPSP	Sector Policy Support Programmes
TEU	Treaty on the European Union
TFEU	Treaty on the Functioning of the European Union
TSP	Thematic Strategy Paper
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNGA	United Nations General Assembly
WTO	World Trade Organisation

## Executive Summary

This report provides an overview of the current policy framework of EU Development Cooperation with as a main objective an assessment of how environmental concerns are being mainstreamed. It is timely since it follows the entry into force of the Lisbon Treaty on 1<sup>st</sup> December 2009 and the subsequent changes of the 'playing field' when it comes to EU development cooperation. It is also being published a few months after the Copenhagen negotiations where developing and emerging countries voiced their concerns on climate change.

The integration of environmental issues in the EU's development cooperation merits attention as the EU, European Commission and member states combined, is the world's largest donor providing over 60% of all official development assistance (ODA) but also because other internal and external EU policies are affecting the environment in developing countries. EU policies on the environment, as well as on trade, agriculture and fisheries, among others, have consequences far beyond the Union's borders. It is in that context that knowledge institutes working at the nexus between environmental and development concerns, such as the Netherlands Environmental Assessment Agency (PBL), need to know the playing field in order to feed into key decision-making processes. This report is therefore informative while exploring windows of opportunities that could be used by knowledge brokers such as PBL to bridge the gap between the environment and development policy fields.

Chapter two of this report deals with the EU development cooperation's policy framework which is importantly determined by international commitments to promote sustainable development. The European Consensus on Development defines the eradication of poverty in the context of sustainable development, as the overarching objective of EU development policy. It explicitly commits the Union and its member states to take account of development objectives in formulating any EU policies that are likely to affect developing countries. While the legal commitment to promote this aspect, known as 'Policy Coherence for Development' (PCD), was first introduced in the 1993 Maastricht Treaty, it has been reconfirmed and strengthened in the 2009 Lisbon Treaty. Global sustainable development is now on an equal footing with the other aims of the EU's external action.

As part of the poverty eradication objective, an important element is the pursuit of the Millennium Development Goals (MDGs). Since 2000, progress has been made towards attaining the MDG targets. However, overall, the situation is rather bleak as far as the prospect of achieving the MDGs by 2015 is concerned. Rising food prices, the economic crisis and the acceleration of climate change have all had an adverse effect. The UN has issued a clear warning against the non-achievement of the MDGs by 2015. In addition, compared with other MDGs, MDG 7 on environmental sustainability has received relatively little attention and has, as a result, been labelled by some commentators as the 'forgotten MDG'.

Civil-society organisations and the European Parliament have been critical about the EU's level of commitment to the MDGs. The Commission has been criticised for spending a lot of development assistance in middle-income countries, even though basic needs as reflected in the MDGs are more acute in low-income countries. It has also been suggested that too little is being spent on basic health and education, both of which are key to the attainment of the MDGs. However, it is debatable whether the Commission has a clear comparative advantage in these sectors.

Beyond the policy framework, chapter three deals with the many different actors involved in EU development cooperation and how their role is evolving in a post-Lisbon context. The report scrutinises the roles of the European Commission, the European Parliament, the European Council,

the Council of the European Union and the member states represented in the Council. The decision-making powers of these entities tend to vary, depending on the policy area in question. Development cooperation is a shared competence, with both the European Commission and the member states undertaking their own development programmes. Although there is some coordination, harmonising policies and policy action remains a thorny issue.

The new Lisbon Treaty strengthens the role of the European Parliament, so that it is now a more important target for knowledge brokers. Another significant change resulting from the Lisbon Treaty is the creation of a European External Action Service (EEAS), headed by the new High Representative for Foreign Affairs and Security Policy, Catherine Ashton. The European Union delegations, which represent the EU in partner countries and at international organisations, are part of this new structure. The High Representative and her EEAS will henceforth be involved in the development cooperation project and programme management cycle, together with the European Commissioner for Development.

For the first time, the new European Commission includes a Commissioner for Climate Change, who could potentially also become an important actor in the field of development cooperation, depending on how she interprets her job and on the nature of the understanding reached with the Development Commissioner.

While Policy Coherence for Development is largely a political issue, institutional mechanisms also come into play. PCD involves pulling parties together, which is often difficult in the EU institutions. DG Development does not necessarily work in close collaboration with DG Environment, DG Trade and other DGs. The European Parliament's Committee on Development does not automatically join forces with the Committee on Environment, Public Health and Food Safety. Interest in and knowledge of developmental, environmental and other concerns differ not only between the DGs of the Commission and the Committees in the Parliament, but also among the working groups of the Council, the ministries in member states, etc. External knowledge institutes can play a big role in bridging the gap between environmental policy-makers and practitioners on the one hand, and developmental policy-makers and practitioners on the other.

The key non-EU actors in EU development cooperation are representatives of partner countries. This is not a homogenous group and includes government officials, local authorities, civil-society organisations, the private sector, universities and other research institutes. Traditionally, EU development cooperation has focused on the former European colonies in Africa, the Caribbean and the Pacific. Nowadays, however, it also covers least-developed, low-income and middle-income countries in regions such as Latin America, Asia, the Middle East and Eastern Europe. The capacity of developing countries' stakeholders to address environmental concerns, and their interests in such concerns, are vital factors in promoting sustainable development and pursuing the MDGs.

Chapter four looks at how development cooperation instruments and aid modalities are designed and whether they are fit to mainstream environmental concerns. Cooperation with ACP countries is based on the Cotonou Partnership Agreement and funded for a large part through the European Development Fund. Support for other regions is covered by EU Budget instruments like the Development Cooperation Instrument (DCI) and the European Neighbourhood Instrument. Five thematic programmes have been developed for the DCI, one of which concerns the Environment and Sustainable Management of Natural Resources. Initiatives such as the Global Climate Change Alliance and the Global Energy Efficiency and Renewable Energy Fund are financed from this programme.

General budget support and sectoral budget support are aid modalities that are gaining importance. They work differently from project and programme support and involve donors transferring financial resources to the treasuries of beneficiary countries in support of a national or sector development strategy. While being a favoured approach by the European Commission there is continuing debate regarding conditionalities, misuse and delays in disbursement.

Amongst the findings of this report is that despite the efforts made in this respect, the mainstreaming of environmental concerns into EU development cooperation, policy-wise and instrument-wise, is still weak. There are tools available, such as Country Environmental Profiles linked to EU-partner country strategies and environmental impact assessments that can be made for individual projects. However, only limited use is made of these tools in shaping strategies, programmes and projects. As regards funding for specific environmental programmes and projects, this represents less than 5% of EU's aggregate spending on development cooperation. A new EU strategy on the integration of the environment into development cooperation, which is due to be adopted in 2011 and applied by both the Commission and the member states, might bring some change in this respect.

The issue of climate change – and its high international profile – are likely to have a massive impact on EU development cooperation. Among the questions remaining unanswered after the Copenhagen Summit are not only the volume of climate change funding to developing countries and whether it will be additional to or taken out of existing ODA flows, but also how it can be channelled and spent most effectively. This process is creating momentum not just for 'climate-proofing' development cooperation, but also for 'development-proofing' environmental policies.

Other EU policies affecting developing countries have been scrutinised in Chapter five. These include the Common Agricultural Policy, the Common Fisheries Policy and trade policy. A broad range of policies beyond development and environment merit attention from researchers, policy-makers and practitioners who are concerned about global sustainable development, poverty reduction and the pursuit of the MDGs.

This report concludes by highlighting certain policy windows that may allow the EU to strengthen its role in promoting sustainable development in 2010-2012. Policy windows open when opportunities arise for launching or relaunching policy initiatives. Knowledge brokers working at the nexus between environmental and development concerns could feed into these policy windows. Such knowledge institutes are likely to make a significant contribution to EU development cooperation, now environmental issues are becoming more prominent in the development debate. Policy windows, in random order, include:

*1. A new EU strategy on the integration of environment into development cooperation*

The EU is preparing an EU-wide strategy to integrate environmental concerns into development cooperation, which is to become effective in 2011, with the aim of strengthening environmental mainstreaming. The success of the strategy depends largely on the way in which it is formulated, implemented and monitored. These are three aspects on which knowledge brokers could focus.

*2. UN General Assembly MDG Review Meeting and follow-up*

The international community is due to meet at UN headquarters in New York in September 2010 to review the Millennium Development Goals. Stakeholders regard the meeting and its follow-up as an opportunity to assess progress and to revitalise commitments and public support for the pursuit of the MDGs. Some stakeholders will seek specifically to raise public awareness of the 'forgotten' MDG, i.e. MDG 7, which deals with environmental sustainability.

As the MDGs are central to the development cooperation activities performed by the EU institutions and individual member states, the EU is hoping to play a big part in the review process.

3. *Debate on the post-2015 development framework*

As the target date for the MDGs is 2015, a new development paradigm will be needed for the period beyond 2015. This is expected to lead to considerable debate, in the EU and beyond, in the coming years. If a strong agenda can be agreed, this should affect the future of development cooperation after 2015.

4. *EU Policy Coherence for Development Work Programme 2010-2013*

The EU adopted a Policy Coherence for Development Work Programme for 2010-2013, which is an opportunity for the EU to become more result-oriented and to push PCD efforts in various directions, not just at EU level but also among the member states themselves. The programme covers five priority areas, including climate change and food security.

5. *Reform of the EU Common Agricultural Policy*

A new reform of the Common Agricultural Policy is being prepared and will come into effect in 2014, under the financial framework for 2014-2020. One of the issues at stake is the payment of export subsidies to European farmers, as these affect farmers in developing countries. While the vested interests and the European farming lobby are powerful, the reform could potentially be an opportunity to make the policy more development- and environment-friendly.

6. *Reform of the EU Common Fisheries Policy*

A revised EU Common Fisheries Policy is due to come into force in 2014. The EU has been criticised for the adverse effect the current policy has had on fish stocks and livelihoods in developing countries. This applies particularly to the Fisheries Agreements the EU has signed with non-EU countries.

7. *Review of Strategy on the Sustainable Use of Natural Resources*

The EU Strategy on the Sustainable Use of National Resources was formulated in 2005 and will undergo its first five-yearly review in 2010. The current strategy makes little reference to the impact of EU natural resource policies on developing countries.

8. *Follow-up to the UNFCCC 15th COP, the climate change conference in Copenhagen*

Even if the outcome of the 15th UNFCCC Conference of Parties in Copenhagen was disappointing, it has generated considerable interest in climate change and given the issue of climate change adaptation a prominent place on the international agenda. There is an opportunity to raise the profile of global sustainable development concerns in environmental policy-making. The action taken to follow-up Copenhagen is also likely to affect other policies, including development cooperation. A lot of uncertainty still surrounds the sources of funding and instruments for climate change mitigation and adaptation in developing countries and how they should be put to good use.

9. *New EU Biodiversity Strategy, UN Biodiversity conference COP10*

A new EU biodiversity strategy will come into force by 2011, after the targets set under the current framework expire in 2010. The formulation and implementation of the new strategy forms an opportunity to take global biodiversity concerns into account, instead of focusing on the EU alone. While the new strategy can lead to new EU environmental legislation, it can also potentially include commitments on support for the preservation of ecosystems in developing

countries. The next UN Biodiversity Conference (BDC-COP10) provides an opportunity for the EU to show leadership and push the global biodiversity agenda on the international stage.

#### *10. Preparation for the Rio Summit on Sustainable Development*

The Summit on Sustainable Development, to be held in Rio in 2012 (and the role the EU could play in this connection) is another potential policy window. Issues on the agenda include the green economy in the context of sustainable development, the institutional framework for sustainable development, and a review of current commitments.

If environmental knowledge institutes are to feed effectively into such policy windows, they must be seen to provide added value. Conducting independent, unbiased, high-quality research is an important first step. However, other approaches can also help policy processes to move forward.

There are four complementary modes of engagement:

1. provide research and knowledge products;
2. promote networking;
3. support direct facilitation of dialogue; and
4. build institutional capacities to address asymmetries among stakeholders.

While the four approaches can be complementary, knowledge institutes could opt to focus on just one or two, depending on their own capabilities and the policy processes they wish to target.

# 1. Introduction

EU development cooperation has evolved greatly during the past decade. The European Union (EU) and its member states have explored ways of re-defining their roles in a multipolar world in which the emerging economies are increasingly powerful. In an ever globalising world, a growing number of challenges, such as climate change, global finance, international trade, security and migration, are affecting people all over the globe. These developments are shaping an international cooperation agenda that is no longer geared towards supporting ex-colonies and overseas territories. Instead, it is about reducing poverty in wider geographical area, about spreading good governance, environmental norms, strengthening institutional capacities, delivering effective aid and enhancing local ownership. There is a growing recognition that development can be effectively pursued only if policies on the environment, trade, agriculture and so forth take account of development-related objectives. In short, the EU is taking a more holistic approach to development.

To a certain extent, the Lisbon Treaty acknowledges this by seeking to strengthen the EU's voice and role in the world. It has created the posts of President of the European Council and High Representative for Foreign Affairs and Security Policy, given the Union a single legal personality and expanded the European Parliament's role in new policy fields. At the time this report went to press, uncertainty still surrounded the way in which the EU is planning to implement the Lisbon Treaty and how this will shape the EU's external action. The EU architecture for development cooperation in the post-Lisbon era is therefore under construction.

Today, the EU is the world's leading donor of official development aid. In 2008, the EU supplied €49 billion of official development assistance (ODA) to over 160 countries and territories, representing 60% of the aggregate world ODA. The European Commission delivered 12% of the total EU development aid effort.<sup>1</sup> The remainder was provided by the EU member states. Development cooperation is an activity that is shared between the Union and its member states. While the main focus of this report is on development cooperation as pursued by the EU institutions, it also gives information on the policies of EU member states, where relevant. Presenting a detailed analysis of the policies of all 27 member states would, however, have fallen beyond the scope of this study.

A major recent development is the emergence of donors such as China, India, Brazil, Malaysia, Russia, Thailand, Turkey and Venezuela, which are not part of the old donor groups in the OECD's Development Assistance Committee (DAC). These emerging powers tend to use different aid methods. For instance, China often proposes package deals including not only projects, but also financing, workforce and skills training. China has provided big funding flows for infrastructural works in Africa.<sup>2</sup> Whilst these new methods are not necessarily in line with international commitments on aid effectiveness, ownership or the MDGs, the EU cannot ignore the new donors. Similarly, it needs to take into account the emergence of powerful private donors such as the Bill & Melinda Gates Foundation.

This report was drafted at the request of the Netherlands Environmental Assessment Agency (known in Dutch as 'Planbureau voor de Leefomgeving' and its acronym PBL). The PBL is an environmental knowledge broker that seeks to clarify linkages between different development objectives, including food security, drinking water, land use and biodiversity. The PBL conducts policy evaluations and makes use of integrated approaches to energy provision, agriculture and development challenges. Such approaches can help to reduce poverty and improve living conditions, and at the same time

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<sup>1</sup> European Commission (2009a).

<sup>2</sup> Paulo and Reisen (2009).

tackle environmental challenges such as biodiversity, food security, greenhouse gas emissions and climate change adaptations.

The object of this report is to provide an overview of the EU's development cooperation activities, thus enabling the PBL, and other knowledge brokers working at the nexus between environmental and development concerns, to better target their activities to inform EU policy processes.

For this purpose, the report describes EU development policies, actors and instruments and investigates how other EU policies impact on the EU's development objectives. Based on this analysis, the report presents a number of policy windows for knowledge brokers. Policy windows open when opportunities arise for launching or relaunching policy initiatives in the context of ongoing policy processes. The creation of a new legal instrument or the review of a strategy are two examples of such opportunities. The report also looks at the added value that knowledge brokers like the PBL could bring to policy processes by enhancing the capacity of stakeholders (i.e. the political actors who own the policy process) to achieve progress. Such institutes can, for example, help to frame the policy debate in a new and useful way or answer as yet unanswered questions or perhaps provide new, alternative options for decision-makers.

The structure of the report is as follows. Section 2 describes the policy framework of EU development cooperation, showing the EU's commitment to contribute to poverty eradication and pursue the Millennium Development Goals, in the context of sustainable development. Section 3 examines the actors who are required to deliver on these commitments. EU development cooperation is shaped by a wide range of actors, each of whom has its own role to play. Section 4 goes on to introduce aid instruments and modalities, with special emphasis on how environmental considerations are being mainstreamed in external aid instruments. Section 5 goes beyond development assistance and shows how different internal and external EU policies contribute to, or hinder, the attainment of the EU's development objectives. Finally, Section 6 suggests windows of opportunity that knowledge brokers like the PBL can focus on to influence policy processes.



## 2. EU development cooperation after Lisbon: the policy framework

The first part of the study unveils the policy framework for EU development cooperation (Section 2.1.). It sketches the general European policy commitments made in the area of development cooperation and introduces the EU objectives to '*do more and better*', i.e. how to improve the quality and quantity of development aid (2.2.). These objectives are linked to the Millennium Development Goals (MDGs), which have had a big impact on EU development cooperation (2.3.). This chapter assesses the progress made in relation to the MDGs and provides some clues about the debate beyond 2015 (2.4). The chapter also discusses a key principle of EU development cooperation, 'Policy Coherence for Development', which is designed to ensure that development objectives are taken into account in all external and internal EU policies that are likely to affect developing countries (2.5.).

### 2.1. Towards a European Consensus on Development

The beginnings of the EU development policy date back to 1957, when the Treaty establishing the European Economic Community was adopted. This was the direct result of the aspiration of certain European countries, France in particular, to give preferential European treatment to their former colonies and overseas territories. Following the accession of the United Kingdom in 1973, the geographical scope of EU development cooperation gained a more important Caribbean and Pacific dimension.<sup>3</sup> This led to the creation of a regional grouping of African, Caribbean and Pacific countries (the 'ACP group'), which between the years of 1975 and 2000 signed five-yearly cooperation agreements with Europe. These successive agreements, known as the Lomé Conventions, had the effect of turning ACP-EU relations into 'the most visible and important component' of development cooperation by the EU.<sup>4</sup> Today, ACP-EU relations are governed by the Cotonou Partnership Agreement (CPA) signed in 2000. Compared with previous Lomé Conventions, the CPA is broader in scope. It incorporates development cooperation, economic cooperation and a political dimension.<sup>5</sup> The CPA covers a period of 20 years, until 2020, and contains a clause providing for it to be revised every five years. The first review was concluded in 2005 and a second one is due to be concluded in 2010.

While development cooperation remained part of the EU's domain under the Treaties of Maastricht (1993), Amsterdam (1999) and Nice (2003), what had long been missing was an overall strategy guiding development cooperation by EU institutions in all countries and regions. This situation was remedied in 2000, when the European Development Policy Statement (DPS) was adopted by the European Commission and the Council.<sup>6</sup> It defined an overall policy providing basic guidance to the Commission in developing strategies and programmes to implement its development mandate.

The DPS applied to EU development cooperation as conducted by the European Commission only and was not binding on the EU member states in their bilateral development cooperation activities. Member states decided on their own priorities and approaches, and their policies did not have a common overarching guiding framework. Recognising the inefficiency of individual member states acting on their own without looking at the broader picture, the Maastricht Treaty had already introduced the notion of the '3Cs'. Coordination, Coherence and Complementarity were placed at the

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<sup>3</sup> Cameron (2007).

<sup>4</sup> Arts and Dickson (2004).

<sup>5</sup> For more information on the Cotonou agreement please refer to [www.ecdpm.org/infokit](http://www.ecdpm.org/infokit).

<sup>6</sup> European Commission and Council of the EU (2000).

heart of the EU and its member states' development cooperation. The 3Cs stand for the *coherence* of EU policies; *coordination* between the European Commission and the member states; and *complementarity* between the policies and programmes adopted by the Community and the member states. The vital next step in this process of strengthening coordination between the Commission and the member states was taken in 2005, when the DPS was replaced by a new statement called the European Consensus on Development.

In December 2005, the three main EU institutions, i.e. the Council of Ministers, the European Commission and the European Parliament, agreed on what is known as the European Consensus on Development.<sup>7</sup> This is the first document to define a common vision guiding development cooperation on the part of both the European Commission and the member states. The three institutions renewed their commitment to support efforts to eradicate poverty and achieve the Millennium Development Goals (MDGs) by 2015. The principles of ownership, partnership, political dialogue, participation of civil society, good governance, gender equality and the prevention of state fragility are important elements in this shared vision.

The Lisbon Treaty confirmed and strengthened the EU's commitment to contribute to poverty eradication, which it described as the primary objective of the EU's development policy.<sup>8</sup> As a novelty, the eradication of poverty was now also cited as one of the overall objectives of the EU's external action<sup>9</sup> and became one of the values and aims of the EU at large.<sup>10</sup> Whilst the Lisbon Treaty recognises development policy as being a shared competence, it places the European institutions on an equal footing with the member states. Previously, the EU institutions were supposed to complement the member states' development policies. Since Lisbon, however, the two have been supposed to 'complement and reinforce each other'.<sup>11</sup>

## 2.2. Development aid: doing more and doing it better

The European Consensus on Development reconfirmed the EU's commitment to increase development assistance. The EU's objective is to raise development aid to a level of 0.7% of gross national income (GNI) by 2015, with an intermediate collective target of 0.56% by 2010. A distinction has been made between two groups of member states: the 12 member states that joined the EU after 2002 should strive to reach 0.17% by 2010, while the older members are supposed to attain 0.51% this year. Those countries that already had higher aid levels, such as the Netherlands, have promised to maintain them.<sup>12</sup> Now that the EU member states find themselves in the midst of an economic crisis, the big question is whether the targets are going to prove viable in practice.

Commitments to provide '*better aid*' were also part of the European Consensus on Development. These should be seen in the light of growing criticism, both within the EU and beyond, of the disappointing results of development aid and the international aid effectiveness agenda (see Box 1).

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<sup>7</sup> European Commission (2006a).

<sup>8</sup> TFEU, Article 208.

<sup>9</sup> TEU, Article 21.

<sup>10</sup> TEU, Article 3.

<sup>11</sup> TFEU, Article 208.

<sup>12</sup> European Commission (2006a).

**Box 1: The international aid effectiveness agenda**

Since the 1990s, the global aid system has become excessively complex and fragmented, with a growing number of donors, including emerging countries and private foundations. In an effort to simplify the aid system, reduce transaction costs and improve results, a large number of donors and recipient countries and international organisations signed up to the Paris Declaration on Aid Effectiveness in 2005. The Paris Declaration commits signatories to do more to harmonise, align and monitor development cooperation.

The Accra Agenda for Action (AAA) was adopted in 2008 to speed up the implementation of the Paris Declaration. Among the aims of the agenda are the following:

- making aid more predictable by sharing planned aid information;
- enhancing the use of country systems;
- extending conditionality to the beneficiary's own development objectives (i.e. beyond donors' requirements on how the money is actually spent);
- adapting aid to fragile situations;
- expanding the process of untying aid.<sup>13</sup>

The European Union played an active role in the formulation of the Paris Declaration and the Accra Agenda for Action, and continues to be active in the monitoring processes. Although the statements were signed by both donor and recipient countries, they appear to be largely donor-driven.

In 2007, in an effort to reduce the cost of aid fragmentation, the EU adopted a Code of Conduct on Complementarity and Division of Labour in Development Policy. This seeks to increase complementarity and coordination among EU donors. It introduces several principles for reducing aid fragmentation and improving aid effectiveness, and includes a fast-track initiative for speeding up the division of labour among countries. The idea behind the division of labour is for each (EU) donor to focus its assistance on a limited number of sectors and countries where it can offer the greatest added value and where its activities complement those of other donors. The Code of Conduct requires each EU donor to be active in no more than three sectors in each partner country. It also states that each sector should be supported by at least one and no more than 3-5 EU donors. This is an attempt to avoid the duplication of projects in sectors and to make sure that, if a member state has an expertise in one particular sector, it will act as the lead donor in that sector.

**Box 2: Implementing the aid effectiveness agenda: the example of the Netherlands**

In recent years, the Netherlands has reduced the number of partner countries to 36. Under the Development Cooperation Strategy 2007-2011, the Netherlands is to phase out its support in 10 of these countries.<sup>14</sup> While this may paint a picture of considerable concentration, in practice the Netherlands also provides aid to non-partner countries, notably through the support it gives to Dutch and southern NGOs. In total, Dutch ODA is disbursed to over one hundred countries.<sup>15</sup> Only Germany and Canada provide aid to more countries. Figures from the OECD/DAC Global Development Report 2009 indicate that the 10 leading recipients of aid from the Netherlands in 2005-2006 were Nigeria, Sudan, Indonesia, Tanzania, Ghana, Afghanistan, Bangladesh, Suriname, Uganda and Mozambique.<sup>16</sup>

In terms of thematic focus, the Dutch Development Cooperation Strategy 2007-2011 identifies the following four priorities:

<sup>13</sup> The full texts of the Paris Declaration and the Accra Agenda for Action are available at <http://www.oecd.org/dataoecd/58/16/41202012.pdf>.

<sup>14</sup> Ministry of Foreign Affairs (2007).

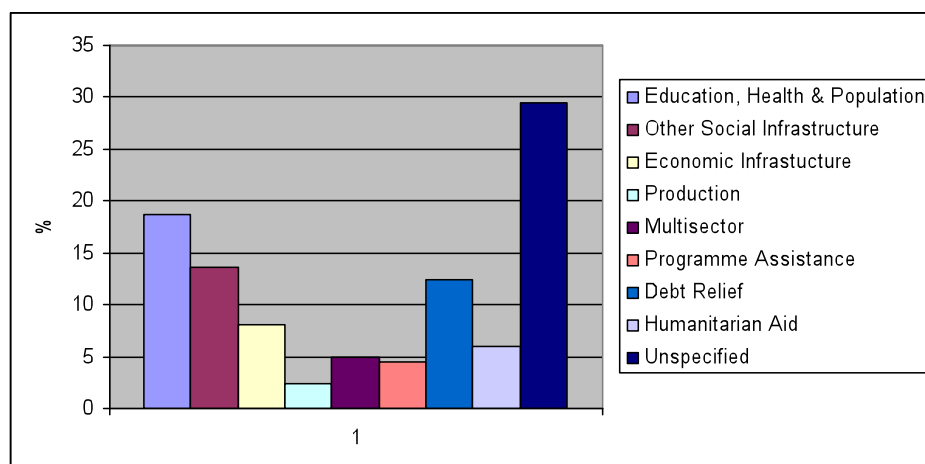
<sup>15</sup> Scientific Council for Government Policy (2010).

<sup>16</sup> OECD (2009).

1. fragility;
2. development and income distribution;
3. gender, sexual and reproductive health and rights;
4. sustainability, climate and energy.

With these priorities as guiding principles, support is spread over a wide range of sectors. The figures from the OECD/DAC Global Development Report 2009 are represented in diagrammatic form in Figure 1 below. The table shows that education and healthcare are the most important sectors.

**Figure 1: Dutch official development assistance (ODA) by sector**



Source: OECD (2009) *Development Cooperation Report 2009*. Paris: OECD/DAC.

A recent report published by the Dutch Scientific Council for Government Policy criticised Dutch development cooperation for a lack of focus in terms of countries and sectors, however. The Council proposed that the Netherlands should focus its support on 10 partner countries and a limited number of sectors.<sup>17</sup>

### 2.3. Will the Millennium Development Goals be achieved by 2015?

The European development policy framework has been influenced by the commitment to achieve the MDGs by 2015.

At the turn of the century, the international community recognised the need to create a new agenda to address the growing disparities and inequalities with the developing world. The first document that responded to the decline in the volume of aid and the negative perceptions of the target countries was published by the OECD-DAC in 1995.<sup>18</sup> It paved the way for the publication of a DAC report entitled 'Shaping the 21st Century', which played a key part in laying the foundations for the Millennium Development Goals (MDGs). As global commitments, they were forged in a series of summits, starting with the 1992 Rio Summit and ending with the UN Millennium Summit in 2000. At the latter summit, 187 UN member states, 147 of which were represented by their heads of state, adopted the Millennium Declaration and pledged to achieve eight MDGs and the related measurable targets and indicators by 2015 (see Box 3).

<sup>17</sup> Scientific Council for Government Policy (2010).

<sup>18</sup> OECD (1995).

**Box 3: The Millennium Development Goals**

MDG 1: Eradicate extreme poverty and hunger  
 MDG 2: Achieve universal primary education  
 MDG 3: Promote gender equality and empower women  
 MDG 4: Reduce child mortality  
 MDG 5: Improve maternal health  
 MDG 6: Combat HIV/AIDS, malaria and other diseases  
 MDG 7: Ensure environmental sustainability  
 MDG 8: Develop a Global Partnership for Development

The MDGs helped to mobilise international aid at a time when global ODA was on the decline in most OECD countries.<sup>19</sup> They also helped beneficiary countries to plan their social, economic and environmental goals.

Some progress has been made since the Millennium Declaration was adopted in 2000. Income poverty has been reduced considerably around the world. Good progress has also been made in promoting gender parity in primary and secondary education and access to safe water supplies.<sup>20</sup> The UN has given a clear warning that it is likely to prove impossible to achieve the MDGs by 2015.<sup>21</sup> Rising food prices, the economic crisis and accelerating climate change have all made it more difficult to attain the MDGs. In fact, the economic crisis is likely to bring a halt to the advances made between 1990 and 2005 in the fight against extreme poverty. It is estimated that between 55 and 90 million more people were living in extreme poverty in 2009 than what was anticipated before the crisis. Similarly, the rise in food prices has reversed the trend in the eradication of hunger, which is now actually on the rise. The prevalence of hunger has risen from 16% in 2006 to 17% in 2008 in developing regions. In addition, the rise in food prices is threatening to undermine the progress that has already been made in improving child mortality, women's rights and maternal health.<sup>22</sup>

Partner countries are trying to combat the economic crisis by adopting restrictive macro-economic policies, but these could jeopardise the gains made to date in relation to the MDGs. Exports are on the decline and public debt is on the rise. The European Parliament forecasts 'an expected increase of 23 million in the unemployment rate, up to 90 million more extreme poor in 2009 alone, life-saving drug treatment for up to 1.7 million HIV sufferers under threat, and between 200,000 and 400,000 more infant deaths per year on average between 2009 and 2015'.<sup>23</sup> The question is how and where EU development cooperation can make a difference.

Box 4 details the progress (or the lack thereof) in relation to MDG 7 on environmental sustainability.

<sup>19</sup> Bourguignon et al. (2008).

<sup>20</sup> DIE, ECDPM, FRIDE and ODI (2010).

<sup>21</sup> United Nations (2009).

<sup>22</sup> Ibid.

<sup>23</sup> European Parliament (2009a).

**Box 4: MDG stocktaking: the environment**

The lack of progress made in relation to MDG 7 is such that it has been qualified by some commentators as 'the forgotten MDG'. A lot remains to be done in terms of reducing biodiversity loss and providing the world's population with sustainable access to drinking water and basic sanitation. Carbon dioxide emissions are increasing, and reached 29 billion metric tons in 2006. At the same time, the 195 parties to the 1987 Montreal Protocol (on Substances That Deplete the Ozone Layer) have made major advances, by bringing about a 97% reduction in the consumption of substances that are harmful to the ozone layer.<sup>24</sup>

As far as biodiversity loss is concerned, only 12% of the planet's land and territorial waters were under some sort of protection in 2008, including less than 1% of the oceans. Regarding access to sanitation, while 1.1 billion people in the developing world gained access to toilets and other forms of improved sanitation from 1990 to 2006, a further 1.4 billion people still need to gain access to such facilities if the 2015 target is to be met. The target set for access to safe drinking water has already been met. Finally, significant progress has been made in reducing to 36% the proportion of the urban population living with shelter deprivations, compared with the 1990 figure of 45%.

This mixed assessment of MDG7 shows a lot still remains to be done. The risk is that the current economic crisis might bring progress to a halt, or worse, send it into reverse.

*Source: United Nations (2009). The Millennium Development Goals Report 2009. New York: United Nations Department of Economic and Social Affairs.*

The EU is a staunch promoter of the MDGs, notably via commitments such as the European Consensus on Development. The primary and overarching objective of EU development cooperation as laid down in the Consensus is the eradication of poverty, in the context of sustainable development, including the pursuit of the MDGs. The financial commitment of devoting 0.7% of GNI to development cooperation by 2015, is intended to help achieve this objective. During the international 2005 review of the MDGs, the EU even proposed extending the EU's ODA target of 0.7% of GNI by 2015 to the other UN states. With Africa lagging behind on the MDGs, the Consensus states that half the increase in EU development aid will be allocated to Africa. To speed up progress on the MDGs, the Consensus gives priority to the least developed and other low-income countries.

In June 2008, the European Council adopted an EU Agenda for Action on MDGs to guide the Commission and member states' actions. Entitled 'The EU as a global partner for pro-poor and pro-growth development',<sup>25</sup> this action plan demonstrates the vigour of the EU's support for the MDGs. It calls on other donors to respect their commitments to scale up aid for development, to improve aid predictability and to find the remaining funding that is needed in order to achieve the MDGs. Regarding MDG 7, the EU has committed itself to helping to finance the funding gap in relation to water and sanitation for Africa, which the Africa Steering Group report estimated as amounting to USD 5.8 billion by 2010. The commitments made in the field of climate change are relatively vague, though: the EU has pledged to 'explore ways to mobilise new financial resources through innovative sources of financing to combat the negative impact of climate change and support developing countries to adapt'. It remains to be seen whether member states will use the EU agenda to strengthen their support of the MDGs. According to the European Commission, most member states have planned actions in the health, education, water and sanitation sectors.<sup>26</sup>

<sup>24</sup> United Nations (2009).

<sup>25</sup> Council of the EU (2008).

<sup>26</sup> European Commission (2009b).

As far as EU development assistance is concerned, external aid managed by the Commission is expected to rise by 17% over the 2009-2013 period. On the basis of the experience gained in 2004-2009, new priorities have been identified for the coming years, in order to strengthen the role of the MDGs.<sup>27</sup> First, the European Commission has proposed that EU action should focus on post-crisis conflict and regions, as well as on fragile states which are the most vulnerable when it comes to achieving the MDGs. Fragile states in sub-Saharan Africa are the furthest from achieving the MDGs by 2015.<sup>28</sup> These countries have been particularly badly affected by the combined fuel, food and financial crises, and their situation has been further exacerbated by their own fragility.<sup>29</sup>

Efforts of the European Commission and the EU member states to improve aid effectiveness should also boost the effectiveness of support for the MDGs. The Commission is planning to make progress in terms of:

- coordinating donor action;
- reducing aid fragmentation;
- lowering the shared overheads;
- better distributing tasks between the Union and other donors.

Rather than creating parallel structures to deliver development aid, the Commission will encourage the use of country systems. This should increase local ownership, transparency and the predictability of aid flows.

Nevertheless, civil-society organisations are critical of the EU's level of commitment to the MDGs. For example, according to an NGO called 2015-Watch, which monitors the implementation of the MDGs, the European Commission scored 53% in 2006 in terms of budget allocation to the MDGs. This can be explained in part by the 'complete lack of concentration on certain MDG targets, including hunger'.<sup>30</sup> EU institutions have also been criticised for spending a large part of the EU's development aid budget in middle-income countries, even though basic needs as reflected by the MDGs are more acute in least- and other low-income countries (LDCs and OLIC). In 2007, EU institutions allocated 44% of their development assistance to LDCs and OLICs, well below the 63% average for all OECD DAC donors that year and the 65% average figure for the EU as a whole.<sup>31</sup> In 2008, the European Institutions spent 42% of their development assistance in LDCs and OLICs.<sup>32</sup>

Although the European Parliament has called on the European Commission to commit at least 20% of its external aid spending to basic health and education, this has not happened. At the moment, less than 7% of the EU's development budget is allocated to these sectors.<sup>33</sup> It is debatable, however, whether the European Parliament's request is in line with the commitments on complementarity and the division of labour. With certain EU member states already quite active in health and educational support in non-EU countries, the European Commission may well create more fragmentation and transaction costs if it steps up its efforts in these areas. As health and education are not an EU competence within the EU itself, it is also debatable whether the European Commission actually has

<sup>27</sup> European Commission (2009c).

<sup>28</sup> European Report on Development (2009).

<sup>29</sup> Ibid.

<sup>30</sup> Alliance 2015 (2008).

<sup>31</sup> The EU average is based on the figures of the European Institutions and 15 EU member states that are member of the OECD DAC.

<sup>32</sup> DIE, ECDPM, FRIDE and ODI (2010).

<sup>33</sup> See <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+IM-PRESS+20090323IPR52378+0+DOC+PDF+V0//EN&language=EN>.



any added value to offer, compared with other (EU and non-EU) donors, in intervening in these sectors abroad.

## 2.4. Beyond 2015: towards more MDG ownership for developing countries?

A series of international summits have been held since 2008, at which countries have renewed their commitments to the MDGs. At a regional level, the UN has launched an MDG Africa Steering Group which formulated recommendations on how to achieve the MDGs in Africa, which is the region lagging behind the most. The recommendations included:

- launching a green revolution to double crop yield;
- financing national education strategies endorsed by the Education for All Fast-Track Initiative;
- increasing investments in emergency obstetric care.

One of the recommendations was to include 'climate-proofing'<sup>34</sup> efforts as a means of achieving the MDGs.<sup>35</sup> Another involved increasing aid predictability by issuing country-to-country schedules, scaling-up aid and materialising the commitments made at Gleneagles,<sup>36</sup> i.e. an ODA increase of USD 25 billion (in 2004 prices) per year by 2010.

The next MDG review summit will be held in New York in September 2010. Although the MDG framework adopted in 2000 specifies the goals, it does not specify how the goals should be achieved. For this reason, the UN Secretary-General argues that the review summit should be an occasion for agreeing on an action agenda to achieve the MDGs, rather than for a radical change in the form and contents of the MDGs themselves.

The EU agreed on a joint position for the review summit, which could be a unique opportunity for the EU – with the backing of its new external relations' structure – to speak with a single voice. It was based on the European Commission's proposed 12-point action plan<sup>37</sup> and includes a confirmation of the EU's commitment to increase ODA levels to 0,7% of GNI by 2015, and specifies measures to increase aid effectiveness, encouraging other donor countries to do the same. The EU indicates it will pay special attention in the coming years to developing countries that are most off-track in terms of the MDGs, including those in situations of conflict and fragility.<sup>38</sup>

There is little debate however in the EU at the moment on the post-2015 framework. Interviews performed for this study suggest that this is because such a debate could draw attention away from 2015 targets and the need to speed up progress towards them. Indeed, it could even present an opportunity for a number of EU member states to avoid having to deliver on their ODA commitments.

<sup>34</sup> 'Climate-proofing' is a shorthand term for identifying risks to a development project, or any other specified natural or human asset, as a consequence of climate variability and change, and ensuring that those risks are reduced to acceptable levels through long-lasting and environmentally sound, economically viable, and socially acceptable changes implemented at one or more of the following stages in the project cycle: planning, design, construction, operation, and decommissioning." Source: Asian Development Bank (2005) <http://www.adb.org/Documents/Reports/Climate-Proofing/climate-proofing-summary.pdf>.

<sup>35</sup> MDG Africa Steering Group (2008).

<sup>36</sup> During the 2005 G8 summit in Gleneagles, the EU proposed doubling its ODA in Africa between 2004 and 2010. See G8 Gleneagles (2005).

<sup>37</sup> European Commission (2010a).

<sup>38</sup> Council of the EU (2010a).



An EU debate on the post-2015 objectives is not likely to get fully underway before 2011, after the MDG review summit

The future debate on the MDGs will probably need to take into account the heterogeneity both of the MDGs and of the countries seeking to achieve them. Indeed, some countries are apparently finding it easier to reach the MDGs than others are. As a result, donors are tending to channel aid to countries where they feel institutions and ownership are strongest.<sup>39</sup>

At present, there are two views on how to move forward with the MDGs after 2015. The first view favours a simplification of the MDGs in order to take country specificities into account and focus on general development objectives.<sup>40</sup> The assumption here is that the MDGs should reflect the aspiration of a population for its own development. This would deflect the criticism that MDGs have thus far been applied in an indiscriminate manner without taking differences between national settings into account. This is known as the 'donor-led reductionist agenda', and involves paying more attention to results than to local needs and local ownership.<sup>41</sup> The first view is all about moving from a top-down towards a bottom-up approach, in which poor people's perception of their own development is the starting point for the debate.<sup>42</sup>

The second view is represented by the 2008 Bourguignon report, which claims that strengthening the monitoring of MDG indicators would give domestic policy-makers and donors a clearer view of whether or not a given country is making progress. The report contains a number of proposals for the future of the MDGs. First, the international community should '*drastically improve*' the coherence of policies on the MDGs. Second, the donor community must continue to meet its ODA commitments and improve delivery mechanisms. Social protection and insurance to mitigate uncertainty in times of economic, energy and food crises must be encouraged. Fragile states, which lag behind the most in terms of MDGs, need to benefit from more flexible development assistance. Finally, the report insists upon a '*special role*' for the EU.

## 2.5. Delivering on Policy Coherence for Development

The overall aim of the development policies pursued by the EU and its member states is to reduce and, in the long term, to eradicate poverty, in the context of sustainable development. However, other EU policies also affect development-related issues.<sup>43</sup> This is where the concept of 'Policy Coherence for Development' (PCD) comes in.

If the EU lowers its agricultural subsidies, this may boost the competitiveness of farmers in Mozambique. If the EU negotiates a new fisheries agreement with Senegal, this may adversely affect fish stocks in Senegalese waters. In other words, a wide spectrum of internal and external EU policies can help or hinder the fight against poverty as well as the promotion of sustainable development. Due to greater globalisation, EU policies are having an increasingly profound impact on developing countries. This is gradually reducing the relative capacity of ODA to promote development and broadening the scope of international cooperation. This trend is clearly illustrated by the climate change agenda, that includes a debate not only on the 'climate-proofing' of development policies, but also on 'development-proofing' of environmental and other policies.

<sup>39</sup> Bourguignon et al. (2008).

<sup>40</sup> Ibid.

<sup>41</sup> Summer (2009).

<sup>42</sup> View defended by R. Chalmers from the UK Institute of Development Studies and quoted in Summer (2009).

<sup>43</sup> European Union (2008).

Because of the interlinkages between policy areas, the objectives of development cooperation can be effectively pursued only if they are factored into other policies that are likely to affect developing countries. This is generally referred to as 'Policy Coherence for Development'.<sup>44</sup>

The challenge is to identify those policy measures which strengthen development-related, environmental and other policy objectives. These objectives are not necessarily incompatible with each other. Mainstreaming development does not have to be at the expense of environmental concerns. Knowledge brokers such as the PBL need to be aware of (potential) synergies, as these win-win situations create windows of opportunities for change. It is also worth noting that linkages between policies are not unilateral. Different policies are intricately linked. One cannot view development-related and environmental policies in isolation, as they are linked to other areas such as migration and trade. For example, migration flows may be affected by climate change.

As one of the three Cs, the 1993 Maastricht Treaty introduced a legal requirement for the European Union to improve the coherence of European policies on the promotion of development. The 2009 Lisbon Treaty strengthens this obligation. The Lisbon Treaty places fostering '*the sustainable economic, social and environmental development of developing countries, with the primary aim of eradicating poverty*' on an equal footing with safeguarding the Union's '*values, fundamental interests, security, independence and integrity*' (article 10(2a)).

There is also a commitment to promote coherence across EU policies in the European Consensus on Development. Article 35 of the Consensus connects the need for Policy Coherence for Development with the Millennium Development Goals, by stating that '*it is important that non-development policies assist developing countries' efforts in achieving the MDGs*'. The European Consensus conveys the commitment of the European Commission, the European Parliament and the Council of the European Union to promote PCD across other Union and national policies.

The European Consensus reiterates the EU's commitment to advance PCD in 12 policy areas adopted by the General Affairs External Relations Council (GAERC) in May 2005. These are trade, environment, climate change, security, agriculture, fisheries, the social dimension of globalisation, employment and decent work, migration, research and innovation, the information society, transport and energy.

In September 2009, the European Commission proposed to adjust PCD to the '*changing political reality*' and to focus more on five priority issues:

1. combating climate change;
2. ensuring global food security;
3. making migration work for development;
4. seeking opportunities to use intellectual property rights for development;
5. promoting security and building peace for development.<sup>45</sup>

Although the five issues are to receive specific attention in terms of target-setting, they are not intended to replace the 12 policy areas referred to above.

This proposal was discussed and adopted by EU development ministers in their November 2009 Council meeting. The ministers decided to focus more pro-actively on these five priority issues,

<sup>44</sup> This is the definition of policy coherence for development given in the *European Consensus on Development*: [http://ec.europa.eu/development/body/publications/docs/consensus\\_en\\_total.pdf](http://ec.europa.eu/development/body/publications/docs/consensus_en_total.pdf).

<sup>45</sup> European Commission (2009d).

although they broadened the fourth issue, i.e. 'intellectual poverty rights', to include 'trade and finance'.<sup>46</sup> This was in line with views expressed by NGOs, which were critical of the Commission for not including trade, an area where they claimed there were still major incoherencies.<sup>47</sup> The ministers agreed on the most urgent needs in relation to these priority issues in the period from 2010 to 2013. While climate change is a priority in itself, biodiversity was mentioned in relation to climate change and food security (see Box 4).

#### **Box 5: Council conclusions on Policy Coherence for Development, November 2009**

In the priority area of **climate change**, the EU agreed to focus its efforts during 2010-2013 on:

- *'The need for a comprehensive approach to climate change, fully integrating interlinked environmental concerns such as loss of biodiversity, degradation of ecosystems, deforestation, desertification and consumption and production patterns and taking into account multilateral environmental agreements;*
- *seeking synergies between climate change, energy and development policies, integrating measures to enhance PCD in this regard in all relevant instruments and mechanisms;*
- *facilitating access of developing countries to low-carbon and climate-resilient technologies, in particular for adaptation;*
- *participation of developing countries, in particular the least developed countries (LDCs) and other poor, climate-vulnerable countries, in the carbon market.'*

In the priority area of **food security**, the EU agreed to focus its efforts during 2010-2013 on:

- *'developing countries' needs and concerns and sustainability in the EU's domestic and external policies, including agriculture, fisheries, biodiversity, trade, climate change and research, with the ultimate goal of achieving food security for all;*
- *the Common Agriculture Policy (CAP) and its impact on developing countries, while acknowledging the positive changes introduced in the CAP since 2000 and drawing lessons from it towards improving food security in developing countries in the framework of dialogues at all levels;*
- *the impact of biofuel production on the environment and on the food and livelihood needs of developing countries.'*

Source: Council of the European Union (2009). *Council Conclusions on Policy Coherence for Development*. Brussels, 18 November 2009.

In order to deliver on its PCD commitments, the Council called upon the Commission to prepare a PCD work programme, in cooperation with member states and in consultation with stakeholders. For this purpose, it set up five inter-service working groups, uniting different DGs around the above-mentioned priority issues. These groups have formulated result indicators, based primarily on the Commission's general work programme for 2010. The Commission presented the PCD work programme on 21 April 2010.<sup>48</sup>

The idea is to translate the PCD commitments made by EU member states not just into EU policies, but also into national policies. A study conducted in 2007 indicated that 23 out of 27 member states referred to Policy Coherence for Development in their national policy documents.<sup>49</sup> In 2009, the

<sup>46</sup> Council of the EU (2009a).

<sup>47</sup> See for example Concord (2009a).

<sup>48</sup> European Commission (2010b).

<sup>49</sup> European Union (2007).

Commission noted further growth in the number of member states strengthening their commitments to PCD in legislation or policy documents.<sup>50</sup>

Some member states have reiterated their overall PCD commitments, whilst others have identified specific focus areas for their PCD work. For example, Sweden has specified six global challenges as its priorities; '*climate change and environmental impact*' is one of these. Austria has decided to focus its PCD efforts on three themes, i.e. the environment and development, as well as food security.

In spite of this, civil-society organisations have regularly questioned the practical willingness of EU institutions and member states to ensure that the interests of developing countries are factored into all policy areas.<sup>51</sup> Cases like a Dutch oil trader who dumped toxic waste in Ivory Coast, and the reinstatement of export subsidies for EU milk producers, have undermined the credibility of the EU and its member states. In order to maintain its international credibility in the coming years, the EU will need to demonstrate that it is willing to deliver on its self-imposed PCD standards. This applies not only to PCD, but also to the commitments enshrined in the EU treaties to integrate environmental protection into all policies. More quantitative data are needed to underpin the debate.

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<sup>50</sup> European Commission (2009e).

<sup>51</sup> See, for example, Concord (2009a).

### 3. Getting to know the actors

In order to effectively play the role of a knowledge broker, it is important to have a good sense of the “playing field”. The institutional organisation of the EU’s development cooperation brings together a wide range of actors. As it is a shared competence, it involves not only EU institutions, but also EU member states and their aid agencies. After introducing the legal basis of EU decision-making, the role played by each actor in the making of EU policy on development cooperation is discussed in light of the post-Lisbon institutional developments.

The various actors described in this section are the European Commission (Section 3.2.), the European Council (3.3.), the new High Representative of Foreign Affairs and Security Policy and the Service to be set up to assist her (3.4.), the European Parliament (3.5.), the EU member states (3.6.) and, finally, international organisations, civil-society organisations and partner countries (3.7.). Special attention is devoted to the changes in the field of external relations instigated by the Treaty of Lisbon.

#### 3.1. An introduction to EU decision-making

Until the Treaty of Lisbon entered into force on 1 December 2009, European decision-making procedures were divided across three pillars:

1. Development cooperation was governed by the ‘co-decision procedure’ and ‘qualified majority voting’ (QMV) in the Council, under the first pillar. Co-decision means that the two co-legislators, i.e. the European Parliament and the Council, are on an equal footing. In other words, neither institution may adopt legislation without the other’s assent.
2. EU development cooperation is also closely related to the EU’s Common and Foreign Security Policy (CFSP), the second pillar. Under the CFSP, decisions were – and still are – adopted in accordance with an intergovernmental procedure in which the European Commission and the European Parliament play only a minor role. Under the CFSP, the Council adopts Common Positions, Joint Actions and Joint Positions on a third country, a region, or a theme of foreign policy. These can have a direct impact on EU development cooperation.
3. Finally, the third pillar concerned police and judicial cooperation in criminal matters. This was also a matter for intergovernmental decision-making by the Council. The role of the European Parliament and the European Commission was relatively limited in this respect.

The Lisbon Treaty did away with the pillar structure, extending the ‘ordinary legislative procedure’ (similar to the old co-decision procedure) to most of the old third pillar procedures (i.e. police and judicial cooperation in criminal matters). As far as EU development cooperation is concerned, there was no major change, as it already fell under the first pillar, i.e. the co-decision procedure, prior to the ratification of the Lisbon Treaty.

From a budget perspective, an important change is the ending of the distinction between compulsory and non-compulsory expenditure. This distinction had previously prevented members of the European Parliament from having a say in decision-making on the budget for structural funds and, more importantly in the context of global sustainable development, on the common agricultural policy. The Lisbon Treaty removed this obstacle and placed the European Parliament on an equal footing with the EU Council in terms of decision-making on expenses, with the exception of foreign policy and defence,

as well as the European Development Fund.<sup>52</sup> Also, in the field of trade, the European Parliament's role has evolved, moving from a simple consultation procedure to the ordinary legislative procedure.<sup>53</sup>

### 3.2. The European Commission: a new team in a new setting

On 10 February 2010, the appointment of a new team of European Commissioners was approved by the European Parliament. A key actor in the Commission when it comes to development cooperation is the Commissioner for Development, Andris Piebalgs, the Commissioner for Energy in the previous Commission. The Vice-President of the Commission and High Representative of the Union for Foreign Affairs and Security Policy (Catherine Ashton), who will be heading the new European External Action Service (EEAS), is also set to play an important role in relation to development cooperation, as is explained below. Other Commissioners involved in the EU's external policies are:

- the Commissioner for International Cooperation, Humanitarian Aid and Crisis Response (Kristalina Georgieva), who heads the Humanitarian Aid Department, DG ECHO,
- the Commissioner for Enlargement and European Neighbourhood Policy (Stefan Füle), who is responsible for DG Enlargement;
- and the Commissioner for Trade (Karel de Gucht), heading DG Trade.

For the first time, the new Commission has both a Commissioner for Environment (Janez Potočnik) and a separate Commissioner for Climate Action (Connie Hedegaard). The latter heads the new DG Climate Action, which is now responsible for the relevant activities formerly performed by DG Environment, the activities formerly performed by the DG External Relations in relation to international negotiations on climate change, and the climate-change activities of the DG Enterprise and Industry.<sup>54</sup>

Other Commissioners may also have a role to play in the EU's relations with developing countries, given that both external and internal policies may affect developing countries and global sustainable development. This applies, for instance, to Commissioners Malmström (Home Affairs) and Reding (Justice, Fundamental Rights and Citizenship) in relation to migration issues.

Before the Lisbon Treaty came into force, there was a geographical split in the Commission's dealings with developing countries. The Development Commissioner, supported by DG Development, was in charge of relations with African, Caribbean and Pacific states, and was also responsible for defining development aid priorities and implementing the EU's commitments to aid effectiveness, donor coordination, etc. DG External Relations, headed by a Commissioner for External Relations, dealt with the programming for Asia, Latin America, the Middle East, South Africa and the Neighbourhood countries included in the European Neighbourhood Policy (ENP).<sup>55</sup> The Commissioner for External Relations was also responsible for the Commission's representations in non-EU countries and at international institutions ('delegations'), as well as for DG EuropeAid, which was in charge of implementing all the Commission's external aid instruments, except for humanitarian aid, which was (and still is) handled by ECHO.

<sup>52</sup> Member states will, however, continue to decide by unanimous vote every five years on the financial framework defining the EU's multiannual priorities. According to Article 312 of the TFEU, the EU's expenditure ceilings will be defined by the 'special legislative procedure'.

<sup>53</sup> TFEU, Article 207.

<sup>54</sup> European Commission (2010c).

<sup>55</sup> The European Neighbourhood Policy concerns Armenia, Azerbaijan, Egypt, Georgia, Israel, Jordan, Lebanon, Moldova, Morocco, Palestine, Tunisia and Ukraine. Algeria, Belarus, Libya and Syria are also considered as neighbourhood countries, but no ENP Action plan has been yet agreed for these countries.

Development cooperation is now organised differently in the post-Lisbon setting. There is no longer a Commissioner for External Relations and DG External Relations will cease to exist when the new European External Action Service (EEAS) becomes operational. Tasks related to development cooperation policies, programming and implementation will be divided between the Commission Services and the EEAS. More information on the EEAS is given in Section 3.4.

The 136 delegations are involved in the entire project management cycle, from the identification of a project to its implementation (see Box 6). Their role has grown in importance since 2000, thanks to devolution, which has given the delegations greater independence in managing and supervising projects. The aim is to speed up implementation, be more responsive to local needs and facilitate coordination between donors in the country. The delegations are also involved in monitoring exercises<sup>56</sup> and evaluations conducted by Headquarters. Under the Lisbon Treaty, the Commission delegations became Union delegations and were placed under the authority of the High Representative, as part of the EEAS. The delegations will be staffed by both EEAS and Commission staff, working in close cooperation with the diplomatic services of the member states.<sup>57</sup> At present, only 54 delegations have been authorised to represent the EU as a whole, though their statements must be approved by the 27 member states in Brussels.<sup>58</sup>

#### **Box 6: Project cycle management**

Aid is programmed and implemented with the aid of a five-step project cycle.<sup>59</sup>

##### **1. Programming**

During the programming phase, Country Strategy Papers (CSPs) are drafted, based on the beneficiary country's national plan for reform and containing the EU's proposals for supporting these reforms. These usually take the form of a policy mix of financial assistance, trade and political dialogue. If the aid programme in question is targeted at a region, such as Mercosur or the Andean Community, Regional Strategy Papers (RSPs) are drafted rather than CSPs. Similarly, Thematic Strategy Papers (TSPs) are drafted for Thematic instruments. Multiannual Indicative Programmes (MIPs) are then derived from the CSPs, detailing the amounts allocated to each sector.

##### **2. Identification**

The feasibility of the projects is assessed during this phase, by means of an ongoing dialogue between the delegation in question and the EU headquarters in Brussels. Partners in the country and other relevant stakeholders are consulted. An identification fiche is prepared. The fiche is presented a first time in the Quality Support Group (QSG).

##### **3. Formulation**

Formulation leads to a financing proposal, which is traditionally referred as an Annual Action Programme (AAP). AAPs are prepared for each country every year. They are made up of various 'Action Fiches' corresponding with the projects that are due to be conducted in the country in that year.

<sup>56</sup> Partner-country monitoring is based on results-oriented monitoring (ROM), which generates information on projects during their lifetime and gives policy-makers 'snapshots' of projects at a given point in time.

<sup>57</sup> The EU delegations will be staffed partly by staff from the EEAS and partly by representatives of other DGs, such as Trade or Development.

<sup>58</sup> Rettman (2010).

<sup>59</sup> An important reference for this section is European Commission (2004)

#### 4. Implementation

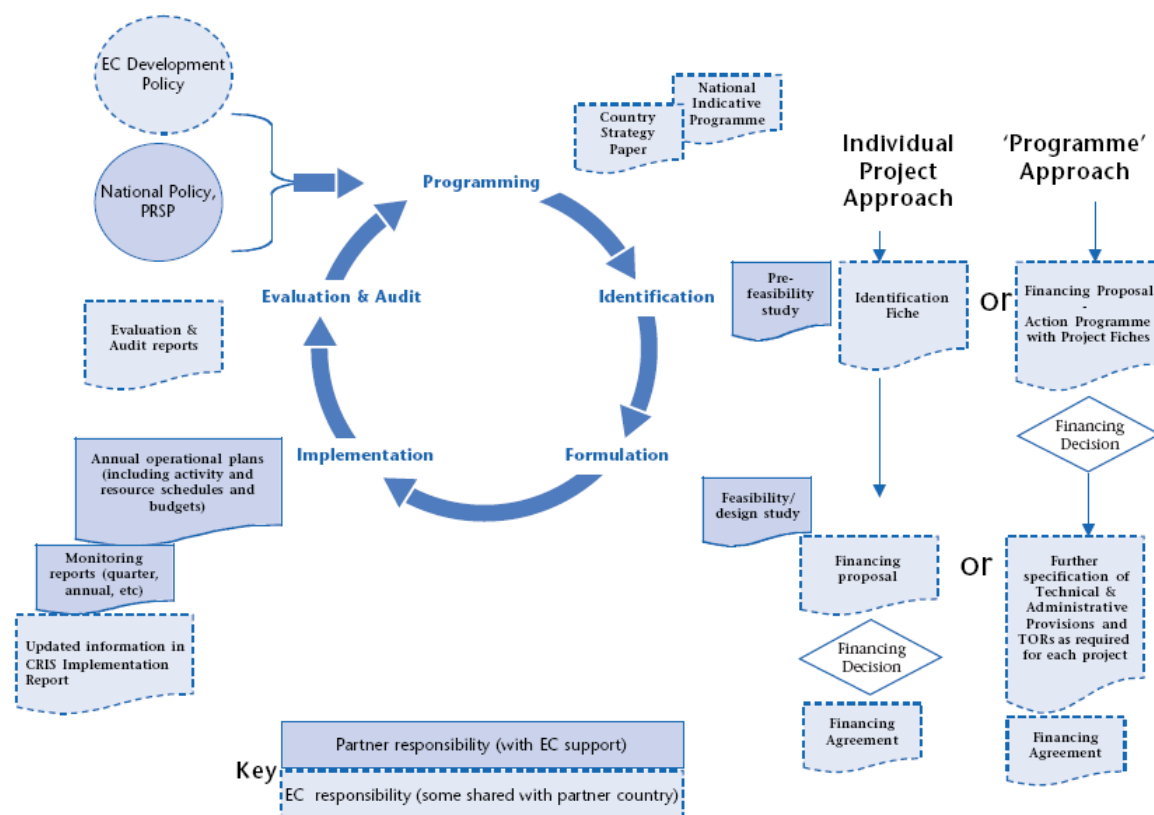
The delegation, the partners and EU Headquarters work on the deployment of resources, materials and personnel. This phase follows the implementation of activities planned in the AAP, results should be delivered, and progress monitored and reviewed. Revisions and adjustments to the execution of the project can be made during the course of the project. Progress reports are delivered.

#### 5. Evaluation and audit

This stage is intended as a means of checking the transparency and accountability of EU spending.

The project cycle is represented diagrammatically in greater detail in Figure 2 below.

**Figure 2: Project cycle management in detail**



Source: European Commission (2004). *Aid Delivery Methods Volume 1: Project Cycle Management Guidelines*. Brussels: European Commission

While the delegations in developing countries are involved in all the steps, they are supported by different Headquarter departments at different stages. The division of responsibilities during the project cycle will be revised following the creation of the European External Action Service.



**DG Environment** is regularly consulted on the integration of environmental considerations into EU development cooperation activities. Its officials take part in 'inter-service consultations'. This is a process in which a Directorate-General formally consults other Directorates-General before any legislative proposal or decision is taken. DG Environment also takes part in relevant inter-service Quality Support Groups (iQSG), such as on the programming of the Commission's Thematic Programme on Environments<sup>60</sup> (ENRTP) managed by EuropeAid. DG Environment furthermore manages one specific aspect of this Thematic Programme, i.e. supporting multilateral environmental agreements such as the Convention on Biodiversity secretariat. The creation of a new DG for Climate Action and the new post of a Climate Action Commissioner will affect the division of competences. For example, the new Climate Action Commissioner will take the lead in international negotiations on climate change on behalf of the Commission in the coming years.

One of the characteristic features of the European Commission is that proposals are adopted collegially. This means that all Commissioners, including the Development Commissioner and the Commissioner for Environment, have a say in all Commission decisions. This is a mechanism for enhancing policy coherence in general, and can foster Policy Coherence for Development in particular.

The Development Commissioner's efforts to promote PCD are supported by a PCD unit in his Directorate-General.<sup>61</sup> This unit coordinates the production of a biannual EU report on PCD. Other tools within the Commission for promoting PCD include the above-mentioned system of inter-service consultation, as well as ex-ante impact assessments of policy proposals. Revised guidelines for impact assessments came into force in January 2009. They call for a more in-depth analysis of the possible ways in which EU policy plans might affect developing countries.<sup>62</sup>

### 3.3. The Councils – for strategic orientations and co-legislation

The **European Council** is composed of heads of state and government, the President of the European Council and the President of the European Commission. It meets at least four times a year to provide a political orientation for strategic EU issues. It gives general directions for the EU's contribution to global sustainable development. In the past, it played a prominent role in providing political orientations for the European Consensus on Development and the Sustainable Development Strategy.

Since 1 December 2009, the European Council has had a permanent President. The President is appointed for a term of 2½ years, which may be extended once.<sup>63</sup> The President, currently Herman van Rompuy, is empowered to convene, chair and drive forward the Council. The President also represents the Union on CFSP issues, without prejudice to the powers of the High Representative.

The Council of the European Union is another central player, since it co-legislates with the European Parliament on the budget and instruments of the EU's external aid by qualified majority voting.<sup>64</sup> The

<sup>60</sup> The object of the iQSG is to ensure that the Commission's main development programming documents are coherent and high in quality. For further information on the iQSG, see: [http://ec.europa.eu/development/how/iqsg/index\\_en.cfm](http://ec.europa.eu/development/how/iqsg/index_en.cfm).

<sup>61</sup> At the time of writing, it is not clear whether this unit will stay within DG Development or will be moved to the future European External Action Service.

<sup>62</sup> European Commission (2009e).

<sup>63</sup> TFEU, Article 207.

<sup>64</sup> Rules on Qualified Majority Voting (QMV) in the Council will be modified from 1 November 2014, in accordance with the terms of the Lisbon Treaty. The 'double-majority' system will apply from this date. This means that a

Council of the EU meets in 10 different sectorally divided configurations, bringing together the competent ministers from the member states. Under the Lisbon Treaty, the former General Affairs and External Relations Council (GAERC) of EU foreign affairs and, when appropriate, development ministers, which played a key role in the EU's development cooperation activities, was split up in two: the Foreign Affairs Council (FAC) presided by the High Representative, and the General Affairs Council (GAC) chaired by the rotating presidency. While the FAC deals with foreign affairs, the GAC ensures that work of all the various Council groupings is coherent, and prepares the European Council meetings and relevant follow-up activities. Development cooperation is dealt within the FAC. It is specifically included on the agenda twice a year, when EU development cooperation ministers meet. Other Council configurations also adopt conclusions on internal and external EU policies that may affect the EU's relations with developing countries. For example, in June 2009, the Environment Council adopted conclusions on improving the integration of environment in the Union's external aid. The funding of development cooperation also falls under the mandate of the EcoFin Council, which consists of EU economics and finance ministers. In March 2009, for instance, the Ecofin Council adopted conclusions on the international funding of climate change efforts.<sup>65</sup>

**National rotating presidencies** can also influence the Council's agenda. The rotating presidency can prioritise, or downplay, development cooperation issues on the EU agenda. Under the Swedish EU Presidency in 2009, there was a strong political will to commit the EU to climate change and development-related priorities. However, the Lisbon Treaty has reduced the influence of rotating presidencies over external relations, given that the High Representative now chairs the Foreign Affairs Council and the European Council (providing overall strategic guidance for external action) is chaired by the EU President. The member states holding the rotating presidency will continue to chair the other Council configurations.<sup>66</sup>

Decision-making in the Council is channelled through the sectorally divided ministerial formations referred to above, plus more than 250 committees and working groups. This complex structure, with few exchanges between the configurations, makes it difficult to ensure coherence. For example, in the second half of 2009, conclusions on climate change were adopted by the environment ministers, the finance ministers and the development ministers, without a great deal of coordination among them.

In theory, overall coherence (including Policy Coherence for Development) is assured by the Coreper. This committee covers all policy areas in preparing for the various council configurations. However, in practice, the member states' officials on the senior (sectoral) committees often have a direct line with the ministers, resulting in the Coreper being bypassed. It can be argued that this does not necessarily lead to incoherence, as member states' positions should ideally be made coherent by the member states themselves, before being brought to the Council. However, a study performed by the Centre for European Policy Studies (CEPS) in 2006 suggested that PCD is not always assured in national positions brought to the Council.<sup>67</sup>

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resolution is passed provided that it has the support of 55% of the member states and that they represent at least 65% of the Union's population. A blocking minority will need four member states. However, the system introduced under the Nice Treaty will continue to apply until 31 October 2014. This means that a decision needs the current minimum of 255 out of 345 weighted votes, representing a majority of member states (i.e. 14 member states in EU 27) and at least 62% of the EU population.

<sup>65</sup> Council of the EU (2009b).

<sup>66</sup> Missirol and Emmanouilidis (2009).

<sup>67</sup> Van Schaik et al. (2006).

In 2006, the Council adopted conclusions outlining plans for strengthening the integration of development concerns into Council decision-making processes. Efforts have been made since then. The results have been mixed, though: almost half the member states claimed in 2009 that Council procedures had not been adequately reviewed to strengthen Policy Coherence for Development.<sup>68</sup>

### 3.4. The High Representative and the EEAS – a new configuration

The Union's High Representative for Foreign Affairs and Security Policy is in charge of the Union's Common Foreign and Security Policy (CFSP) and the Common Security and Defence Policy (CSDP) and also chairs the new Foreign Affairs Council. The High Representative is also vice-president of the European Commission, and is charged with ensuring the consistency of EU external action. As poverty eradication, the promotion of democracy and human rights, and conflict prevention are among the objectives of the EU's external action, the High Representative has a mandate to ensure that the EU's external action take them into account.<sup>69</sup> The Lisbon Treaty requires external and internal EU policies to take account of the Union's development objectives. Arguably, therefore, the High Representative can be seen to have a mandate to promote PCD in the Council and the Commission, in all policies. Although the precise nature of the portfolios has changed, the double-hatted High Representative post may to a certain extent be seen as a merger of two previous posts: the High Representative (the previous incumbent being Javier Solana) and the Commissioner for External Relations (Benita Ferrero-Waldner).

The Lisbon Treaty stipulates that the High Representative is to be assisted by the **European External Action Service (EEAS)** and work in cooperation with the diplomatic services of the member states.<sup>70</sup> The service will be staffed by officials from the current General Secretariat of the Council, the relevant services of the European Commission and officials seconded from the member states' diplomatic services.<sup>71</sup> The Treaty gives little indication of what the EEAS should look like and what it should cover in terms of programming and implementation of EU development aid.

Based on a proposal published by the High Representative in March 2010,<sup>72</sup> the GAC agreed on the broad principles of the organisation and operation of the EEAS in April 2010, which formed the basis for consultations with the European Parliament. While the decision establishing the EEAS officially only needed the backing of the EU member states, the European Parliament did have a say in the matter, as it co-decides with the Council on the financial and staffing rules that need to be revised in order for the EEAS to operate properly. The final agreement that has the backing of the European Parliament, and was adopted by the GAC in July 2010, confirms much of the earlier proposals, while strengthening the accountability of the EEAS to the European Parliament.<sup>73</sup> This implies that the EEAS, will be involved in the allocation and programming of the EU's development assistance, for which it will work under the responsibility of the Commissioner for Development. The key points of the agreement are presented in further detail in Box 7 below.

<sup>68</sup> European Commission (2009e).

<sup>69</sup> European Union (2008a), Article 18.

<sup>70</sup> European Union (2008b), Article 27.

<sup>71</sup> At the time of writing, it is estimated that the combined input of Commission delegations and the Council liaison offices already represents 5,000 staff.

<sup>72</sup> European Union (2010a).

<sup>73</sup> European Union (2010b).

**Box 7: Role of the EEAS in programming of EU external action**

- The EEAS will contribute to the programming and management cycle of *all* geographic financial instruments in the field of external relations, except the European instrument for pre-accession assistance. Hence, there is no geographical split between the EEAS and the Commission. The EEAS will therefore have geographical desks for all the countries and regions of the world, as well as multilateral and thematic desks.
- The EEAS will have particular responsibility for preparing:
  - financial allocation decisions on *geographical* funds (e.g. which countries and regions get how much);
  - Country and Regional Strategy Papers;
  - National and Regional Indicative Programmes.

The Commission Services will be responsible for preparing the programming of the *thematic programmes*, with the exception of the European Instrument for Democracy and Human Rights, the Instrument for Nuclear Safety Cooperation and part of the Instrument for Stability (related to crisis prevention and recovery). The EEAS will not have the authority over the next step of the programming cycle, i.e. implementation. As is the case today, this task is left to the Commission, and EuropeAid in particular. Commission Services, notably DG Development, will also continue to define overall development policies.

- While the EEAS is responsible for *preparing* the three steps of the programming cycle as described above, *final authority* on all the financial instruments remains with the Commission. All proposals are to be submitted to the Commission for approval.
- The Development Commissioner has a special role to play in relation to the tasks performed by the EEAS for the European Development Fund and the Development Cooperation Instrument. The EEAS is required to work under the responsibility of the Development Commissioner's. It is the Development Commissioner who submits proposals to the Commission, in tandem with the High Representative. As for the European Neighbourhood Policy Instrument,<sup>74</sup> this role is played by the Commissioner responsible for Neighbourhood Policy.

Source: Council of the EU. 2010. Council Decision of 26 July 2010 establishing the organisation and functioning of the European External Action Service (2010/427/EU). Official Journal of the European Union L201/30, 4 August 2010

The effect of the new double-hatted High Representative and the future EEAS remains to be seen, though. Some have argued that they will strengthen the status of development objectives in Common Foreign and Security Policy (CFSP) and other external and internal policies. Others fear that their presence will lead to development cooperation being used more as a political instrument (e.g. to “buy” votes in international fora). The capacity for promoting Policy Coherence for Development will also depend partly on the background of EEAS staff. It remains to be seen whether development experts will be employed on the staff of the EEAS, both in Brussels and in the EU delegations in the field.

As regards the new institutional architecture of the EU's external relations, it is clear that there are still many grey areas. To start with, the Treaty does not make clear who should represent the EU externally. President Van Rompuy is to represent the EU on CFSP policy ‘at his level and in that capacity’. HR/VP Ashton will conduct the CFSP, head the EEAS and assure coherence and consistency in the EU's external action. It is quite possible, therefore, that the President of the

<sup>74</sup> The European Neighbourhood Policy Instrument is the instrument used to provide support to the EU's neighbouring countries.

European Council and the High Representative may end up treading on each other's toes when they speak for the EU on the international stage.

As a further point, the drafters of the Lisbon Treaty have made the High Representative accountable both to the European Commission and to the Council of the EU. In the event that the European Parliament dismisses the entire Commission, the High Representative would have to resign from her duties in the European Commission.<sup>75</sup> Whilst she could theoretically remain in function for the Council, doubts would surround the legitimacy of her mandate to conduct the EU's external relations.

### 3.5. The European Parliament: beefing up its role

The **European Parliament** is the directly elected parliamentary institution of the European Union. It currently consists of 751 members, who were elected in June 2009 for a five-year period. Members of the European Parliament (MEPs) are represented by seven different parliamentary groups, with a small number of MEPs not being attached to any of them. The Parliament has 20 sectoral standing committees gathering MEPs from the different parliamentary groups, such as the Development Committee and the Committee on Environment, Public Health and Food Safety.

With the entry into force of the Lisbon Treaty, the European Parliament has a say on all expenditure relating to the EU budget, on an equal footing with the Council. This includes the Common Agricultural Policy (CAP) and structural funds which were previously ratified by member states in the Council. The European Parliament already had a say on the financial instruments used for external action, including development cooperation, and this remains the case. It will be able to exercise this power in the preparation of legislation on the new financial instruments for external action for the period 2014-2020.

The European Parliament has no formal influence over spending on ACP states through the European Development Fund. It can however monitor its use and ask the Commission questions, both directly and jointly with ACP members of parliament, through the ACP-EU Joint Parliamentary Assembly provided for in the Cotonou Agreement. The Fund is separate from the budget, which means that the EP has no control over it. Although this 'democratic deficit' has been criticised by MEPs and others, the Fund has thus far been kept out of the budget. The current regulation for the Fund runs until 2013, and the 'budgetisation' of the Fund afterwards may again be up for discussion.

By exercising its right of scrutiny via the "comitology procedure",<sup>76</sup> the European Parliament (EP) can scrutinise programming documents such as Country, Regional and Thematic Strategy Papers and Annual Action Programmes. In the past, the EP has used this power to ensure that EU aid was in line with ODA requirements and focused on the eradication of poverty. In 2007, for example, it took the view that the Strategy Papers or Annual Action Programmes for Pakistan, Malaysia, Brazil, Mercosur and Regional Asia, as well as the Special Measures for Iraq, were not fully eligible<sup>77</sup> as ODA.<sup>78</sup>

It is important to bear in mind that this right of scrutiny enables the EP to express concerns, but not to enforce its views. Since 2007, the EP has warned the Commission on 12 occasions that it was not

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<sup>75</sup> TEU, Article 17.

<sup>76</sup> This is the system that guarantees the oversight of the delegation of implementation powers of the Council to the Commission.

<sup>77</sup> Certain items of expenditure may or may not qualify as official development assistance. This is decided by the DAC Committee of the OECD, see: <http://www.oecd.org/dataoecd/21/21/34086975.pdf>.

<sup>78</sup> Van Reisen and Haarbrink (2009).

respecting the ODA eligibility requirement. On just three occasions did the European Commission revise or withdraw the draft decision in question.<sup>79</sup>

The EP has argued that it should be given a greater say in the approval of Country, Regional and Thematic Strategy Papers, claiming that the 'regulatory procedure with scrutiny' should apply in these instances. This would allow the EP to block draft programming documents and to request the Commission to present an amended proposal.<sup>80</sup> Such a provision could be included in the new financial instruments for 2014-2020. Whether the EP will be granted this power remains to be seen, however.

Other tools available to the EP for influencing decision-making on development cooperation include passing resolutions, questioning Commissioners either in writing or face to face in Committee meetings or plenary sessions, organising hearings and undertaking field missions.

The EP actively maintains contacts with parliamentarians from non-EU countries, for instance, through the EU-ACP Joint Parliamentary Assembly and the Euro-Mediterranean assembly. An informal EC-UN working group also operates under the aegis of the Foreign Affairs Committee; this group meets every month and also includes MEPs from the Development Committee.

The Lisbon Treaty has given the EP extended powers in relation to the EU's external trade policy, which is closely intertwined with EU development cooperation. The Commission is required to consult and obtain the assent of the EP on trade negotiations.

The EP is also actively involved in the promotion of PCD. An evaluation of PCD mechanisms has shown that the EP's Development Committee produced a growing number of reports on cases of incoherence during 1996-2008. These reports covered topics such as fair trade, fisheries agreements and EPA negotiations.<sup>81</sup> The EP has recently adopted a report on PCD.<sup>82</sup> It includes proposals for strengthening the EP's ability to screen Commission proposals, to see whether they might have a potentially adverse effect on developing countries. In this regard, the Parliament agreed to appoint a standing rapporteur for PCD with the mandate of following up and informing the Parliament of incoherencies of EU policies. The EP also agreed to strengthen inter-committee cooperation. One of the mechanisms used for inter-committee cooperation is to set up temporary special commissions on specific topics that are relevant to developing countries, bringing together MEPs from standing committees for various policy areas. This has already been done in the past, as is illustrated by the special commission on climate change, on which a member of the Committee on Development sat and which was operational from 2007-2008.

### 3.6. Member states: the challenge of coordination and national parliaments

Member states deliver aid through a range of different organisational models.<sup>83</sup> Most EU member states, such as the Netherlands, have opted for the inclusion of a DG for development cooperation as part of their Ministry of Foreign Affairs. An alternative model is that adopted by the United Kingdom, which has established a separate government department for development cooperation, the

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<sup>79</sup> European Parliament (2009b).

<sup>80</sup> Ibid.

<sup>81</sup> European Union (2007).

<sup>82</sup> European Parliament (2010).

<sup>83</sup> Van Reisen and Haarbrink (2009).

Department for International Development (DFID). Other member states, such as France, Germany and Sweden, have established an aid-implementing agency outside the formal governmental structure.

As for institutional mechanisms for promoting PCD, a 2009 survey conducted among member states indicated that a large majority had well-established PCD mechanisms. Member states reported structures such as an inter-departmental unit on climate change (in the United Kingdom), a PCD unit within the Ministry of Foreign Affairs (France and the Netherlands), PCD focal points within line ministries (Hungary and Portugal) and independent national advisory bodies to advise the government on PCD issues (Austria, Czech Republic and Latvia). However, a lack of awareness of development issues on the part of line ministries continues to pose a problem.<sup>84</sup>

Member states' national parliaments are directly involved in development cooperation as they approve the share of the national budget that is devoted to ODA. Public debates in the member states have questioned the added value of having EU institutions provide development assistance alongside the bilateral aid provided by the member states. While old member states have a long tradition of providing development aid, this does not apply equally to the new member states who have joined the EU since 2002. However, the new accession states have been ready to accept both European and international commitments since joining the EU. These countries' governments need to justify to their voters why the EU is undertaking development cooperation with African countries that are not of strategic interest to them.

Under the Lisbon Treaty, national parliaments have seen their role strengthened by two additional protocols: one on the role of national parliaments and another one on the application of the principles of subsidiarity and proportionality. National parliaments now have eight weeks to examine draft EU legislation (this period previously used to be six weeks). They can also ask the Commission to reconsider a piece of legislation by presenting a reasoned opinion to the Council and/or to the European Parliament which has the support of 55% of EU member states and/or a majority of MEPs. This suggests that, in future, national parliaments could play a more significant role in EU development cooperation and scrutinise the relevant goals and instruments more carefully.

EU member states interact with each other not only within the EU, but also within other international organisations and fora such as the G8 or the G20, and in the OECD's Development Assistance Committee (DAC).

### 3.7. International organisations, CSOs and beneficiary countries: developing partnerships

**International organisations** are important partners for the EU in development cooperation. The EU, Commission and member states combined, is in fact the main contributor to the UN, supplying around 38% of the UN's regular budget and funding around 2/5 of UN peacekeeping missions. The EU provides around half of the budgets of UN funds and programmes.

The European Commission in particular has performed a number of projects with UN bodies and organisations. In the field of development cooperation, the UN agencies and bodies are a privileged partner of the Commission, which contributes approximately to €1 billion to UN programmes and

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<sup>84</sup> Ibid.



projects.<sup>85</sup> The introduction of the European Commission-United Nations Financial Administrative Framework Agreement (FAFA) has facilitated the implementation of programmes. The cooperation has also resulted in the conclusions of a number of partnerships with specific UN funds and programmes, like UNDP, FAO, ILO, UNHCR, WHO and WFP.

For example, with UNDP, the 2004 Strategic Partnership commits both organisations to the fight against poverty, the attainment of the MDGs as well as to enhancing aid effectiveness and raising the visibility of their common actions.<sup>86</sup> Four priority areas have been identified: democratic governance, crisis prevention and recovery, poverty reduction as well as environment and energy. In this context, amongst other things, training sessions are organised for officials of both organisations. For example, UNDP and the European Commission organised a joint course on climate change in the Middle East and North Africa in 2009. This course, designed for the Commission's Heads of Delegations and UN Resident Coordinators, was organised as a follow-up to the 2008 high-level review of the UNDP-European Commission Strategic Partnership Agreement. The review had stressed that more needed to be done at the nexus between climate change and development.

The EU also shares certain assessment tools with other international organisations, for instance in the field of budget support, with the Public Expenditure and Financial Accountability (PEFA) assessment. The World Bank, the European Commission and DFID jointly finance the PEFA Programme, which was set up in 2001.<sup>87</sup> The PEFA looks at the soundness of a country's financial system and can urge governments to improve their public finances, for instance by strengthening the role of the Court of Auditors. This is a prerequisite for any EU budget support.<sup>88</sup>

The Commission and member states also regularly work with **civil-society organisations** (CSOs), both in the EU and in partner countries. These CSOs implement some of the projects and programmes that are financed with EU development funds. They also act as advocates, holding governments to account for delivering on their commitments. Apart from keeping a close watch on aid quantities and aid effectiveness, they also flag incoherences. A recent example is the publication of an alternative European report on PCD by a European NGO known as the Confederation For Relief and Development (CONCORD). This report explores the effect of EU policies developed by EU member states and EU institutions on developing countries and makes a number of recommendations for advancing PCD more effectively.<sup>89</sup>

Last but not least, the **beneficiary countries** themselves are also key partners. The EU seeks to meet their needs by aligning cooperation with their own national and sectoral development strategies. Beyond aid, developing countries are also partners in trade, in the fight against terrorism, in addressing climate change etc. Their role is particularly important when dealing with budget support (see section 4.3)

In terms of Policy Coherence for Development, it is worth noting that the 2000 Cotonou Partnership Agreement between the Africa, Caribbean and Pacific (ACP) Group and the EU includes a provision creating a formal opportunity for ACP countries to question the coherence of EU policies. This they can do under a specific article entitled 'Coherence of Community policies and their impact on the implementation of this Agreement'. This article has been invoked on just one occasion to date, on 12 February 2009, at a meeting of the Joint ACP-EU Subcommittee on Trade Cooperation at the request

<sup>85</sup> EuropeAid website, see [http://ec.europa.eu/europeaid/index\\_en.htm](http://ec.europa.eu/europeaid/index_en.htm).

<sup>86</sup> European Commission – United Nations (2009).

<sup>87</sup> More information is available on the PEFA website, <http://www.pefa.org>.

<sup>88</sup> See section 4.3 for an explanation of the role of budget support in EU development cooperation.

<sup>89</sup> Concord (2009a).



of the ACP. The ACP Group asked for information on five Commission initiatives concerning the use of pesticides, nickel-containing substances, fisheries cold chain requirements,<sup>90</sup> the renewable energy directive and the FLEGT licensing system. In reply, the Commission indicated that ACP concerns would be taken into account in the preparation or implementation of these measures.

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<sup>90</sup> Throughout the journey from catch to consumers, the fisheries industry is required to uphold a cold chain to meet quality standards of fisheries products. The cold chain may take various forms, including ice, refrigerated seawater and refrigerated compartments. See UNEP (2000).

## 4. Aid instruments and modalities

This chapter looks at the way EU development cooperation is delivered with the aid of a range of financial instruments and aid modalities. It focuses specifically on instruments used by the EU institutions. There are two types of instruments: geographic and thematic instruments (presented respectively in Section 4.1. and 4.2.). The number of EU instruments has been reduced from more than 35 to 10 under the current financial framework (2007-2013). This is not including the EDF, which is separate from the EU budget.<sup>91</sup> In terms of aid modalities, budget support has been identified by the EU as the preferred option, if conditions allow (4.3.). Challenges related to EU donor coordination hamper the effectiveness of aid (4.4.). To address environmental issues, mainstreaming efforts are undertaken (4.4. and 4.5.)

### 4.1. Geographic instruments

Geographic instruments are the main source of funds for the European Commissions's Country and Regional Programmes and are the legal basis to programme development aid via the Country and Regional Strategy Papers and the Annual Action Programmes. Table 1 shows that geographical instruments include the European Neighbourhood Instrument (ENPI) that covers EU development cooperation in the Eastern and Southern neighbours, the Development and Cooperation Instrument (DCI) which covers Latin America, Asia and Central Asia, and the Gulf region and South Africa, as well as the European Development Fund for 79 countries in Africa, the Caribbean and the Pacific.

**Table 1: Geographical instruments: overview of funding in 2007-2013**

Geographical instrument	European Neighbourhood Instrument (ENPI)	Development Cooperation Instrument (DCI)	European Development Fund (EDF)
<b>Geographical zone</b>	Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Authority, Russia, Syria, Tunisia and Ukraine	Latin America, Asia and Central Asia, and the Gulf region and South Africa	African, Caribbean and Pacific (ACP) countries and the overseas territories of EU member states (79 countries in total)
<b>Total allocated funding 2007-2013</b>	€11.181 billion	€10.057 billion	€22.7 billion

<sup>91</sup> The information presented here has been sourced mainly from the DG EuropeAid website, see [http://ec.europa.eu/europeaid/index\\_en.htm](http://ec.europa.eu/europeaid/index_en.htm).

As indicated earlier, the EDF is separate from the EU budget. It is funded by voluntary contributions from EU member states, has its own financial rules and is controlled by a special committee, the EDF committee, which operates by a weighted voting procedure where voting powers depend on member states' contributions to the EDF. From the 1<sup>st</sup> to the (current) 10<sup>th</sup> EDF, the fund's financial rules have evolved and are increasingly similar to the rules governing regular EU budgetary instruments. The current EDF is the 10th and covers the period until 2013. It is composed of various components, including grants, risk capital and loans to the private sector. Its present legal basis is the Cotonou Partnership Agreement of June 2000, which runs up to and including 2020. The EDF for 2008-2013 contains €22,682 million. The 10 most important contributors are Germany (21%), France (20%), the United Kingdom (15%), Italy (13%), Spain (8%), the Netherlands (5%), Belgium (4%) Sweden (3%), Denmark (2%) and Austria (2%).<sup>92</sup> For the post-2013 period, the member states will have to decide whether the Cotonou Partnership Agreement is to be funded separately from the EU budget, and thus whether an 11th EDF will be created with new voluntary contributions, or whether it will be integrated into the budget.

## 4.2. Thematic instruments

Thematic instruments are 'horizontal instruments' that are open to all developing countries. Specific eligibility conditions are detailed in each of the calls for grant. Thematic instruments include the European Instrument for Democracy and Human Rights. The Development Cooperation Instrument referred to above not only has a geographical component, but also includes the following five thematic programmes:

- Non-State Actors and Local Authorities in Development;
- Food Security;
- Migration and Asylum;
- Investing in People;
- Environment and Sustainable Management of Natural Resources including Energy.

The thematic programme on Environment and Sustainable Management of Natural Resources including energy (ENRTP) is of particular relevance to this report. The total amount earmarked for 2007-2013 is €804 million. This programme is directly linked to MDG 7. It also promotes the implementation of Community initiatives and agreed commitments (including those under Multilateral Environmental Agreements) on the environment and the sustainable management of natural resources; the mainstreaming of the environment into EU policies on non-EU countries, as well as the promotion of EU environmental and energy policies abroad.<sup>93</sup> Two additional initiatives have been launched under the ENRTP. A figure of €50 million has been set aside for the Global Climate Policy Alliance, whilst a further €35.5 million has been reserved for the Global Energy Efficiency and Renewable Energy Fund (GEEREF).

**The Global Climate Change Alliance**, launched by the EU, seeks to establish a dialogue with and to support the poorest and more vulnerable developing countries in terms of their capacity to cope with

<sup>92</sup> European Commission (2007a). Internal Agreement between Representatives of the Governments of the member states, meeting within the Council, on the financing of Community Aid under the multi-annual financial framework for the period 2008-2013 in accordance with the ACP-EC Partnership Agreement and on the allocation of financial assistance for the overseas countries and territories to which part four of the EC Treaty applies. Brussels, 17 July 2006.

<sup>93</sup> European Commission (2007b).

climate change.<sup>94</sup> Dialogue is conducted at a regional level with the ACP states, the African Union, and in the context of the Asia-Europe Meeting (ASEM). The Alliance provides financial and technical support to developing countries. In its Communication of 2007, the European Commission identified five priority areas for dialogue:

1. measures to adapt to climate change (including the financing of pilot projects and innovative solutions as part of the EU's 7th research framework programme and the food security thematic programme);
2. reducing emissions from deforestation in developing countries (in tandem with the Forest Law Enforcement, Governance and Trade (FLEGT) initiative);
3. raising the number of developing countries participating in the Clean Development Mechanism,<sup>95</sup> as part of the Kyoto Protocol;
4. promoting disaster risk reduction by improving climate forecasting and information systems, as well as helping countries to implement the Hyogo framework;<sup>96</sup>
5. integrating climate change into poverty reduction strategies and programmes by taking account of climate change in the mid-term reviews of CSPs and RSPs.

The Alliance is managed by DG Development. An additional €50 million has been earmarked for 2008-2010, plus intra-ACP funding of €40 million under the 10th EDF. Sweden contributed an additional €5.5 million in 2008 and €4.6 million in 2009, and the Czech Republic contributed €0.6 million in 2009.

**The Global Energy Efficiency and Renewable Energy Fund (GEEREF)** is a global risk capital fund that mobilises private investment in energy efficiency and renewable energy in developing countries and economies in transition. It is sponsored both by DG EuropeAid and by DG Environment. Launched in December 2007, it is worth an aggregate investment of €150 million, €80 million of which is financed from the Community budget. Although ACP countries are prioritised, other regions such as Latin America, Asia, North Africa and non-EU Eastern countries are also eligible. The GEEREF establishes public-private partnerships to share risks and cofinance projects. Germany and Norway are participating in the fund, with support from the European Investment Group (EIG) and the European Investment Fund (EIF).<sup>97</sup>

Those instruments will probably be revised during the negotiations on the next multi-annual financial framework 2014-2020, which are likely to start in 2011. Regional groupings or the number of instruments and their objectives will probably be questioned.

#### 4.3. Aid delivery: a preference for budget support

In addition to financing development cooperation projects, the EU, i.e. both the Commission and the member states, has been resorting increasingly to what is known as 'budget support'. This means that the donor channel money directly into the beneficiary country's national budget. This enables donors to reduce the transaction costs that smaller grant projects can engender from a human and material

<sup>94</sup> European Commission (2007c).

<sup>95</sup> The Clean Development Mechanism enables projects in developing countries aimed at reducing or eliminating CO<sub>2</sub> emissions to earn certified emission reduction credits, each of which represents one tonne of CO<sub>2</sub>. Credits can then be sold to industrialised countries, so that they can reach their Kyoto targets. For more information, see <http://cdm.unfccc.int/about/index.html>.

<sup>96</sup> A Framework for Action for 2005-2015 on Building the Resilience of Nations and Communities to Disasters was adopted in Hyogo in Japan in 2005. For further information, see: <http://www.unisdr.org/eng/hfa/hfa.htm>.

<sup>97</sup> More information on the GEEREF is available at <http://www.eif.org/about/geeref.htm>.

resources perspective, and also to disburse funds rapidly. In 2008, budget support represented 39% (€3.68 billion) of the total commitment under the EU budget and the EDF.<sup>98</sup> Under the 10th EDF, the Commission's aim is to increase budget support, both general and sectoral, to 44% of programmable funds, or 25% of all available funding. Former European Commissioner Michel announced in 2008 that he wanted to raise the figure to 50% of programmable funds.<sup>99</sup>

Budget support can be provided in the form of either General Budget Support (GBS) or Sectoral Budget Support (SBS). In 2008, GBS commitments represented 60% of all new budget support operations and were targeted mainly at ACP countries, Laos, Vietnam and Honduras. Total SBS commitments, on the other hand, targeted the social sector in Asia, South Africa and EU's Eastern and Southern neighbours. The sectors covered included justice, legislative support, energy, trade and competitiveness. Traditional sectors like roads, health and education have been prioritised in ACP countries.

Since budget support is based on existing national strategies and reforms, it is seen as a means of aligning aid with national needs and priorities and making use of the beneficiary countries' public financial management structures. It can also strengthen ownership, as it is debated in parliament at the time when the national budget (of which budget support is an integral part) is approved. One of the ongoing debates, nonetheless, is whether budget support is effective enough to achieve the MDGs and in particular to eradicate poverty. According to Alliance 2015, a network of NGOs, not enough attention is paid to democracy and human rights when aid is delivered in the form of budget support.<sup>100</sup>

While, to our knowledge, no budget support is provided for the environment per se, some types of budget support have been linked to environmental objectives. There is a plan, for instance, for budget support to be provided to Mauritius in 2010 for water sanitation, one of the conditions in relation to which is linked to the environment.<sup>101</sup> As a general rule, though, most indicators for monitoring General Budget Support (GBS) are macroeconomic and involve only a small number environmental factors.

Despite the positive aspects noted above, budget support is not universally supported by all EU Member States and there has recently been increased debates about its value. Some EU stakeholders are hesitant about the conditionality of budget support, as well as the risks of fraud and corruption. National parliaments in particular are growing increasingly vocal in their criticisms. Budget support is perceived as not always being the best form of aid and as sometimes containing contradictory messages to the beneficiary country:

*'The combination of the rhetoric of ownership (sometimes practised genuinely) and occasional heavy-handed paternalism gives conflicting signals to the recipient government. We would argue that donors need to be more selective in their aid allocations, using aid in the form of budget support only in countries where relying on ownership seems appropriate. This is not to say that aid has no role in other types of countries, but rather that budget support is not always appropriate. For example, in some post-conflict fragile states there is no state apparatus able to deliver public services.'*<sup>102</sup>

Another problem is delays in disbursement. There are delays in 30% of cases, due to the large amount of paperwork involved. This has the effect of lowering the predictability of aid for beneficiary

<sup>98</sup> EuropeAid (2009).

<sup>99</sup> European Commission (2008a).

<sup>100</sup> Alliance 2015 (2008).

<sup>101</sup> Confidential Interview, DG Environment, Brussels 23 November 2009.

<sup>102</sup> Bourguignon et al. (2008).

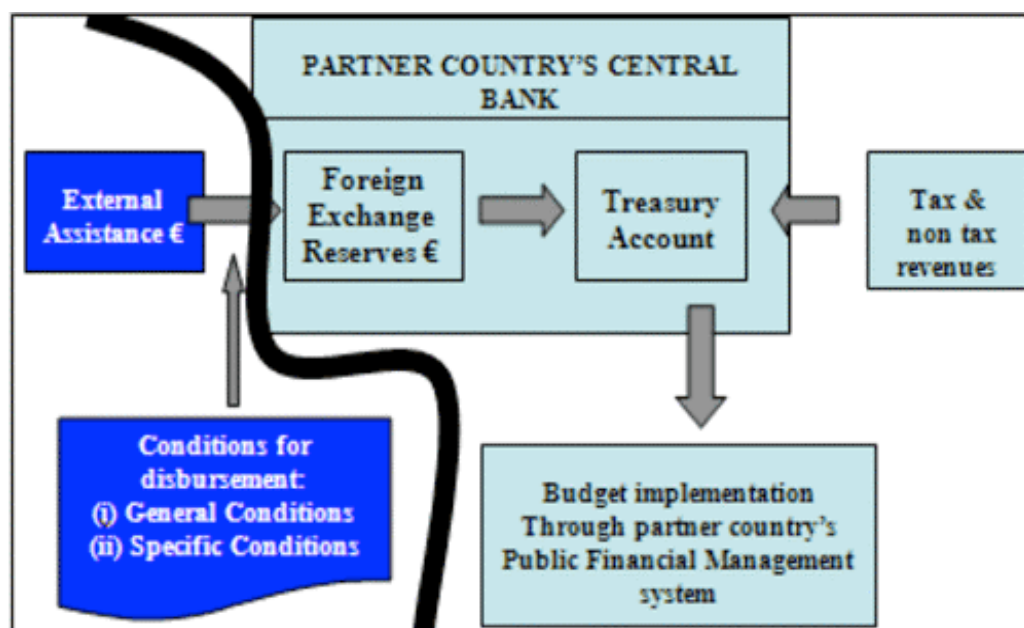
countries.<sup>103</sup> Delays in disbursements are not limited to budget support, though. They are also encountered in aid delivered through programmes and projects.

The launch by the European Commission of MDG contracts for GBS in ACP countries was conceived as a means of improving the predictability of aid.<sup>104</sup> It introduces long-term planning for six years and a guaranteed aid level of 70% of the total commitment, plus a variable performance component of up to 30%. This latter component is made up of two elements:

1. An MDG-based tranche, which means that at least 15% of the total commitment is used to reward MDG-related performance, as well as public financial management.
2. An annual performance tranche.

Up to 15% of GBS may be withheld if the recipient country does not make any progress in terms of reducing poverty, the management of its public finances or macroeconomic stability. This is the first time that a variable tranche has been linked directly to MDG performance. So far, seven MDG contracts have been signed, with Burkina Faso, Ghana, Mali, Mozambique, Rwanda, Uganda, and Zambia. They represent about 50% of all general budget support committed under the national programmes of the 10<sup>th</sup> EDF.<sup>105</sup>

**Figure 1: How budget support is delivered**



Source: EuropeAid website

#### 4.4. Improving EU donor coordination

Despite the commitments made by the EU to improve the effectiveness of aid (see Section 2.2 of this report), the current European aid architecture suffers from weaknesses, which hamper the efficient

<sup>103</sup> European Parliament (2008).

<sup>104</sup> European Commission (2007d).

<sup>105</sup> For further information, see [http://ec.europa.eu/development/how/aid/mdg-contract\\_en.cfm](http://ec.europa.eu/development/how/aid/mdg-contract_en.cfm).

delivery of aid. In 2007, the EU alone funded around 60,000 projects. In the same year, in 108 countries, country-programmable aid was provided by more than ten EU donors.<sup>106</sup>

A recent study published by the European Commission in October 2009, entitled 'Aid Effectiveness: benefits of a European Approach', identifies and quantifies the costs associated with fragmented and donor dominated aid systems.<sup>107</sup> A lack of information is the first problem. European donors and their agencies do not have access to the data they need to evaluate the impact of the various aid modalities and delivery methods. Second, EU development cooperation is still characterised by donor multiplication. This places a need for considerable planning skills on the part of beneficiary countries. The latter spend more time coordinating donor missions and getting through donor procedures than strengthening their planning, budgeting and treasury systems. EU donors tend also to duplicate projects in the same sector. The study shows that there is ample room for creating economies of scale by rationalising projects.<sup>108</sup> The study concludes that, if aid effectiveness principles were actually put in practice, the EU could save between €3 billion and €6 billion on a yearly basis.

The European Commission study also pinpoints the tying of aid and its volatility. The procedures used by EU member states and EU institutions can result in poor long-term planning of aid, which means that the aid may not necessarily help bring about macroeconomic stability in the country in question and assist it to implement reforms. Greater use of country systems by EU member states and the Commission would help reduce the up-front cost of preparation and the time spent on donor coordination.<sup>109</sup> Delays would be reduced and recipient countries might be able to gain more ownership of the process.<sup>110</sup>

Similarly, in 2007, the European Court of Auditors published a special report on the effectiveness of European Commission Technical Assistance in the context of capacity development. Technical assistance, which is defined as '*experts contracted for the transfer of know-how and skills and the creation and strengthening of institutions*', is being used more and more by donors as a means of helping partner countries to build their institutional and governance capacity. The report stated that projects are hindered by delays in design, the unavailability of experts, the lack of donor coordination and the lack of local ownership, as well as the inadequacy of project reporting, monitoring and evaluation.<sup>111</sup>

In response to this report, DG EuropeAid developed a 'Backbone Strategy' to reform technical cooperation. The guiding principle of this strategy is the provision of high-quality technical cooperation in support of country-led programmes, based on partner demand and focused on sustainable results, with a substantial reduction in parallel project implementation units (PIUs).<sup>112</sup> PIUs are dedicated management units set up to support the implementation of aid programmes or projects, usually managed by the donor. The aim of the reduction in PIUs is to foster ownership by the local government and put in place partner-owned project implementation arrangements within existing government structures. This is in line with the indicators of the Paris Declaration, according to which 50% of technical cooperation flows should be implemented through coordinated programmes that are

<sup>106</sup> European Commission (2009f). Country programmable aid is defined as aid that can be programmed at the country level.

<sup>107</sup> European Commission (2009g).

<sup>108</sup> European Commission (2009h).

<sup>109</sup> Country systems typically include, but are not restricted to, national arrangements and procedures for public financial management, accounting, auditing, procurement, results frameworks and monitoring. In the international Paris Declaration on Aid Effectiveness, donors have agreed to use partner country systems as the first option for aid programmes in support of activities managed by the public sector. See OECD (2008).

<sup>110</sup> European Commission (2009h).

<sup>111</sup> European Court of Auditors (2007).

<sup>112</sup> European Commission (2008b).

consistent with national development strategies and which calls for the number of PIUs to be reduced by two thirds by 2010.

The agreement made by EU development ministers in November 2009 to create an operational framework for aid effectiveness is a further step forward on the road to delivering on past commitments.<sup>113</sup> One of the objectives of the framework is to speed up the fast-track initiative of the Code of Conduct on Complementarity and Division of Labour. Certain EU countries have been designated lead facilitators. These include Belgium in Burundi, Italy in Albania, Spain in Bolivia (as a co-lead with Denmark) and Haiti, while the EU delegation is a lead facilitator in Bangladesh (together with the Netherlands), Ethiopia, Nicaragua, Tanzania and Vietnam. The idea is to encourage more EU countries to become leading or supporting facilitators and to help partner countries manage their priorities vis-à-vis donors.

In order to improve EU donor coordination, the European Commission has also developed a system of joint co-financing to harmonise EU member states' activities. Co-financing can also involve other non-EU bilateral donors or international organisations.

Joint co-financing enables the European Commission to delegate the management of funds to another donor, and vice versa. This is known as 'delegated cooperation' and is directly linked to the EU Code of Conduct, which stipulates in guiding principle 4 that the establishment of delegated cooperation or partnership arrangements should be encouraged.

European Commission Delegations (now transformed into Union delegations under the terms of the Lisbon Treaty) have been encouraged to identify larger scale projects, which could be jointly financed with other EU donors, in line with the recipient country's national reform plan. One important principle of delegated cooperation is that the partner country needs to accept this type of management. Before being able to manage such a programme, the member state or international organisation concerned needs to be cleared financially by the Commission. The latter will check whether the potential fund-managing donor meets the requirements.<sup>114</sup>

Joint assistance strategies have been put in place in Zambia, Uganda, Tanzania and Ghana. These are prepared by the partner country in consultation with a group of donors. The aim is to improve coordination and complementarity amongst donors and reduce transaction costs for partner countries. It can provide a framework for stepping up the use of co-financing and delegated cooperation.

There are high disincentives to greater donor coordination and a better division of labour, including the issue of visibility. Progress is hindered by factors such as the desire of member states to 'plant a flag' for accountability purposes (i.e. towards taxpayers), and the vested interests of donors in partner countries and regions. A lack of leadership is another hindrance. Everybody wants to coordinate, but no one wants to be coordinated.<sup>115</sup>

<sup>113</sup> Council of the EU (2009c).

<sup>114</sup> So far, eight EU member state aid agencies have been approved as eligible: the Austrian Development Agency, the Belgian Development Cooperation Agency (BTCCTB), the Agence Française de Développement, the German GTZ and KfW bank, the Dutch Stichting Ontwikkeling Nederlandse Antillen (SONA), the IPAD (Portugal), and Lux-Development. In June 2009, there were 36 delegation agreements for approximately €213 million, including two delegation agreements with the SONA. For more information on delegated cooperation, see European Commission, Guidance on joint co-financing with member states and other bilateral donors, available at [http://ec.europa.eu/europeaid/search/search\\_en.htm?cx=012671185412593073821%3Anewy5lksqwk&cof=FORID%3A11&q=delegated%20cooperation&sa=Search+on+EuropeAid#967](http://ec.europa.eu/europeaid/search/search_en.htm?cx=012671185412593073821%3Anewy5lksqwk&cof=FORID%3A11&q=delegated%20cooperation&sa=Search+on+EuropeAid#967).

<sup>115</sup> DIE, ECDPM, FRIDE and ODI (2010).



#### 4.5. Mainstreaming the environment into development cooperation: the policies

When the EU adopted the European Consensus on Development in 2005, it committed itself to giving priority to initiatives aimed at sustainable management and the preservation of natural resources.<sup>116</sup> At an international level, for instance, the EU supports the enforcement of the United Nations Convention on Biological Diversity, the United Nations Convention to Combat Desertification, by mainstreaming sustainable land management issues effectively into developing countries' strategies, and also the Forest Law Enforcement, Governance and Trade (FLEGT) initiative, the object of which is to combat fight illegal logging.

An important step was taken in 2001, with the publication of a Commission staff working paper detailing how the environment could be integrated with development cooperation.<sup>117</sup> This followed the adoption of an Environment Integration Strategy. Later, the EU also adopted an EU Strategy for Sustainable Development. In 2009, another Commission staff working paper<sup>118</sup> assessed the progress made by European Institutions in integrating the environment into EU development cooperation. The main conclusions were that there was a need:

- to enhance the policy dialogue on environmental issues with partner countries, based on rigorous analysis, leading to increased funding for environment-related actions;
- to achieve better coordination between the European Community (EC) and member states and with other donors;
- to make aid delivery with respect to environmental issues more effective;
- to integrate the environment more effectively into projects and programmes, based on systematic and coordinated environmental impact assessments.

Despite international commitments, the report stressed that the environment still scored low on partner countries' and donors' agendas.<sup>119</sup> The report pointed to a knowledge and information gap about the link between environmental degradation and the prospects for development. Environmental issues remained secondary for countries that need to deal urgently with problems in relation to healthcare, education, poverty, employment, etc. Finally, the report made clear that the environment is only rarely a focus sector of development assistance provided by EU institutions.

As far as **climate change** is concerned, the EU adopted an action plan on climate change in the context of development cooperation in 2003.<sup>120</sup> The action plan identifies four priorities:

- The first priority is to raise the policy profile of climate change. In 2003, the issue of climate change was completely absent from documents like CSPs and RSPs.
- The second and third priorities concern the provision of support to developing countries in the field of adaptation and the mitigation of climate change.
- Finally, the action plan seeks to develop the capacities of developing countries to support the UNFCCC and the Kyoto Protocol.

<sup>116</sup> European Commission (2006a).

<sup>117</sup> European Commission (2001).

<sup>118</sup> European Commission (2009i).

<sup>119</sup> Ibid.

<sup>120</sup> European Commission (2003).

This action plan has not been evaluated to date. It would appear climate change profiling remains rather weak.

In 2009, the European Commission estimated the need for international public funding for climate change in developing countries in the range of €22 billion to €50 billion per annum by 2020.<sup>121</sup> On the basis of its ability to pay and responsibility for emissions, the Commission calculated that the EU share should be 10% and 30%, i.e. between €2 billion and €15 billion per year. These funds are to cover the costs of adapting to climate change in developing countries. In Copenhagen, in the context of the UNFCCC, the EU offered €7.2 billion for the three-year period 2010-2012.

Regarding **biodiversity**, the EU adopted a biodiversity action plan for development cooperation in 2007.<sup>122</sup> Even though a couple of biodiversity projects have been performed,<sup>123</sup> the mid-term evaluation of the implementation of the biodiversity action plan concludes that support for biodiversity and ecosystems in the EU's external aid is weak. The report states that *'on average, annual EU external assistance for biodiversity amounted to about €740 million in 2003-2006, representing 48% of the aid related to global biodiversity [...] These funds amount to less than 1/50th of Community and member states' total annual development aid budgets.'*<sup>124</sup>

#### 4.6. Instruments for mainstreaming environmental concerns

Environmental considerations are mainstreamed in the policy cycle management with the aid of **Country Environmental Profiles (CEP) and Regional Environmental Profiles (REP)**. These have been used for the generation of 2007-2013 CSPs and RSPs. CEPs help to spot and avoid any instances in which a project is likely to have a harmful environmental impact.<sup>125</sup>

<sup>121</sup> European Commission (2009j).

<sup>122</sup> European Commission (2007e).

<sup>123</sup> ECOFAC (Ecosystèmes Forestiers de l'Afrique Centrale) is a regional project in Congo-Brazzaville, Gabon, Cameroon, Equatorial Guinea, Central African Republic, and São Tomé e Príncipe which supports eco-tourism circuits. GRASP (Great Apes Survival Project) is a UNEP project through which the European Commission has been supporting action on pro-poor poverty alleviation and sustainable economic development activities in and around great ape habitats, reducing pressure on natural resources, as well as activities related to environmental peacebuilding and conflict resolution through transboundary cooperation and great ape conservation.

<sup>124</sup> European Commission (2008d).

<sup>125</sup> European Commission (2007f).

**Figure 2: Example of a Country Environmental Profile**

<b>Summary</b>	Brief presentation of the main environmental problems, the main conclusions and recommendations.
<b>State of the environment</b>	A presentation of the state and trends of the environment in relation to development, including an identification of the main environmental problems to solve or avoid. This section addresses the relationship between the environment and the social and economic situation, and more particularly between poverty and environment.
<b>Environmental policies and institutions</b>	A presentation of the main features of the institutional, policy and regulatory framework leading to the identification of weaknesses and constraints on the capacity to address main environmental concerns. This section should include a review of the legislation and procedures regarding impact assessments and a review of the international obligations in the area of environmental protection.
<b>Environment in the main policies and sectors</b>	An identification of links between the main government policies (overall development and reform policies and strategy, such as a PRSP, and sector policies) and environmental sustainability issues, providing indications on the extent of existing environmental mainstreaming with a special attention paid to the "focal sectors" of EC intervention.
<b>Analysis of aid</b>	A description of past and ongoing aid from the EC and other donors in the field of the environment, incorporating lessons learnt from major evaluations. Assessment of opportunities to collaborate with other donors in pursuing common goals and seeking complementarities.
<b>Conclusions and recommendations</b>	Recommendations on how environmental issues can be most effectively addressed in EC co-operation, their relative priority and the implementation challenges. These must particularly relate to potential focal sectors and may include measures such as capacity building and institution strengthening, further analysis and impact assessment or potential indicators to be used in the NIP. These environmental integration measures may go along with recommendations concerning specific actions targeting the environment as a co-operation sector, i.e. having environmental improvements as the main objective.

Source: European Commission (2007). *Environmental Handbook for EC Development Cooperation*.

Article 22(4) of the Development Cooperation Instrument stipulates that projects should be given an appropriate environmental screening. This means that an **environmental impact assessment (EIA)** should be made of environmentally sensitive projects.<sup>126</sup> An EIA screening helps to identify whether a full EIA needs to be conducted at the project formulation stage. It normally results in an Environmental Management Plan (EMP).

**Strategic environmental assessments (SEAs)** are used for Sector Policy Support Programmes (SPSPs). An SEA provides the beneficiary country with useful feedback on how to enhance the environmental dimension of its sector programme. It is used at the time when the SPSP is formulated, and is prepared in consultation with the government concerned. This method can also be used in connection with general budget support.

The problem is that Country Environmental Profiles have only a limited influence on the identification of projects and do not pay any specific attention to climate risks.<sup>127</sup> Climate change could be integrated into the CEPs and REPs for the next programming generation, starting in 2014.

According to a European Commission Staff working paper,<sup>128</sup> policy commitments made under the 2001 Environment Integration Strategy, the EU Strategy for Sustainable Development, the EU Action Plans on Climate Change and Development, and on Forest Law Enforcement, Governance and Trade (FLEGT) as well as the Environment and Natural Resources Thematic Programme (ENRTP), are supported by funding representing approximately 4.3% of the European institutions' external assistance. If calculating more broadly, i.e. taking account of external aid projects related to sustainable rural development, water and sanitation, natural resources and renewable energy, the funding represents 10% of the Union's total external assistance.

<sup>126</sup> Environmental Impact Assessments are also applied to public projects and programme in the EU.

<sup>127</sup> European Commission (2009i).

<sup>128</sup> Ibid.

On the knowledge side, the 2009 Staff working paper suggests bridging the knowledge and ownership gap on the part of developing countries by seeking opportunities to:

- include the environment in policy dialogues with developing countries;
- include environmental policy quality and implementation in aid allocation criteria;
- strengthen the dissemination of research;
- organise more regional reviews of environmental policy quality in order to create peer review pressure.

The working paper demonstrates that there is a need for:

- making better use of environmental integration tools like Strategic Environmental Assessments and Environmental Impact Assessments;
- maintaining an inventory of the application of the European Commission's mainstreaming tools;
- improving collaboration between implementation agencies and various environmental helpdesks;<sup>129</sup> and
- addressing climate change in the Mid-Term Review of the European Commission's Country strategies.

The report claims that strategy papers (i.e. CSPs and RSPs) should be reviewed at mid-term and adjusted where necessary, in line with legal requirements. Such mid-term reviews are crucial given that the programming is multi-annual and that, in many countries and regions of the world, programming will need to be adjusted in the light of major socio-economic developments and in the light of the economic, financial and food crises affecting developing countries.<sup>130</sup>

Other issues that have been flagged as potential means of improving the integration of environmental concerns into EU external aid include a better division of labour and coordination. First of all, there should be better internal EU coordination on environmental issues on the international stage. The new EEAS and the creation of the post of High Representative presents a window of opportunity in this respect. Other initiatives could include the establishment of regular exchange mechanisms between the Commission, member states and agencies working on environmental integration. Finally, joint peer reviews and joint analytical work should be developed.

Following the 2009 assessment report on how the EU is integrating environmental concerns into EU development cooperation, the EU environment ministers adopted a set of conclusions on 26 June 2009.<sup>131</sup> They underlined *inter alia* the importance of:

- strengthening partner countries' ownership of environmental issues;
- supporting the integration of the environment, both as a sector and as a cross-cutting policy issue, in national development strategies,
- improving donor coordination and aid delivery with respect to environmental issues;
- promoting low carbon development as a way of addressing climate change and as a potential opportunity for development.<sup>132</sup>

<sup>129</sup> Environmental helpdesks assist staff of the European Commission and EU member states in mainstreaming environmental issues into development cooperation.

<sup>130</sup> European Commission (2009i).

<sup>131</sup> Council of the EU (2009d).

<sup>132</sup> Ibid.

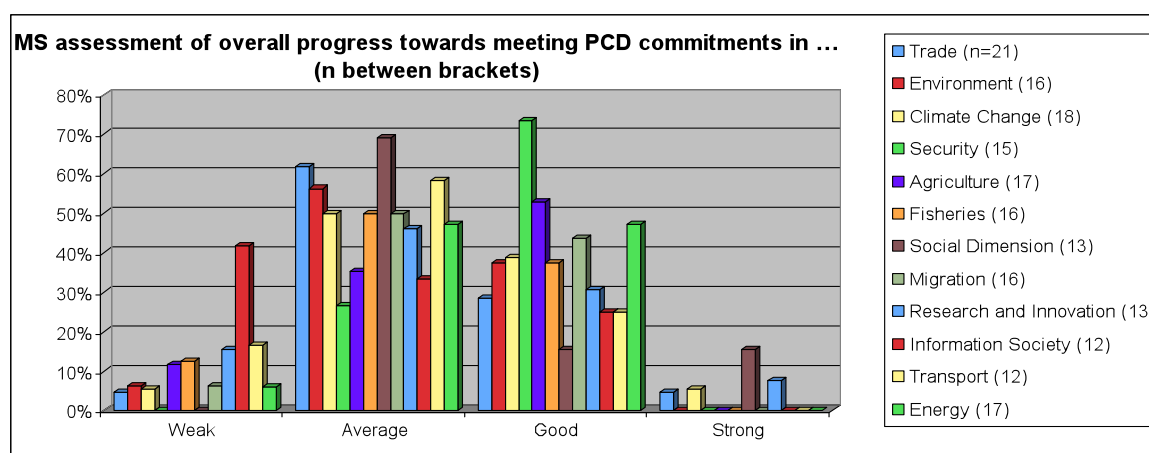
As immediate priorities, the Council asked for updated CEPs to include issues such as climate change, biodiversity loss, deforestation and desertification. Similarly, the Council said that mid-term reviews of CSPs and RSPs should be used strategically as entry points for the full integration of environmental concerns into EU external action. The Council also recommended the joint preparation of a CEP with UNEP/UNDP, the World Bank and other partners as a pilot exercise. In June 2009, the OECD Strategic Environment Assessment Task Force met to discuss this initiative. Finally, the Council also asked the European Commission to present by late 2011 '*an ambitious EU-wide environment integration strategy*' which would take into account the lessons learned from EU development cooperation and the stocktaking of the MDGs and other international conventions to which the EU is committed.

## 5. Beyond aid: the influence of other EU policies on the global sustainable development agenda

The section discusses the progress made on Policy Coherence for Development in the field of climate change (Section 5.1.), environment (5.2.), agriculture (5.3.), energy (5.4.), fisheries (5.5.), and trade (5.6.), as well as the challenges that remain for the future.

The above policy fields are six of the 12 PCD policy areas adopted by the Council in 2005. Figure 8 shows how member states assessed, in 2009, the overall progress made in these areas since 2005.

**Figure 3: Member states' assessment of overall progress in meeting PCD commitments in the 12 policy areas**



Source: European Commission. 2009. *EU 2009 Report Policy Coherence for Development. Report from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions. SEC(2009) 1137. COM(2009) 461. Brussels, 17 September 2009.*

### 5.1. Climate change: no agreement yet

Although vulnerable groups in developing countries are the least important contributors to climate change, they are likely to suffer most from its impact.<sup>133</sup> It is they who have to contend with problems of increasing water scarcity, loss of biodiversity, increased risks of floods and droughts, and higher incidence of storms. Not only that, but they are not sufficiently resilient to cope with them. The climate is a global public good that does not stop at national borders. Hence, EU actions in the area of climate change profoundly affect developing countries. This applies to emission reduction targets, but also more directly, through technical and financial assistance, to climate change mitigation and adaptation measures.

The main EU policy instrument in this area is the Climate and Energy Package agreed upon in December 2008 and for which legislation was formally adopted in April 2009. This Package commits the EU to reducing its overall emissions to at least 20% below 1990 levels by 2020. It also commits the EU to increasing the share of renewables in energy use to 20% by 2020. The centrepiece of the Package is a strengthened and expanded emissions trading system (ETS). The ETS is linked to the Kyoto Protocol's Clean Development Mechanism. This mechanism provides an opportunity for EU member states and –

<sup>133</sup> Klein (2009).

through the ETS – for specific industries to reach their emission reduction targets by financing projects in developing countries. Emissions from sectors not included in the ETS, such as transport and agriculture, will be cut by 10% by 2020 as compared with 2005 levels. The Package also commits the EU to the development of technology for and the safe use of carbon capture and storage so as to further curb global warming.<sup>134</sup>

European civil-society organisations have been critical of the framework that allows EU member states to use emission offsets in non-EU countries to account for up to 70% of their domestic mitigation efforts. They claim that this will hinder the process of creating a low-carbon economy in the EU. They also regard the fact that member states are not under any obligation to earmark the proceeds from the auctioning of ETS emissions permits for climate action in developing countries as a missed opportunity. Finally, European CSOs have pointed to a lack of EU commitment to facilitate technology transfers in favour of a reduction in greenhouse gas emissions.<sup>135</sup>

The EU has made efforts to address climate change threats in its development cooperation activities. Mainstreaming climate change into development programmes has been an objective since 1998. Today, efforts in this area are framed by the EU Action plan on Climate Change and Development and the EU Global Climate Change Alliance. Based on a number of evaluations, a group of European think-tanks recently concluded that, *'while the EU has been one of the pioneers of mainstreaming climate change into policy [...], in practice little visible and tangible progress has been achieved'*.<sup>136</sup>

Apart from support given to address climate change in the EU's development programmes, the EU has undertaken steps to promote political dialogue and cooperation with developing countries on climate change. This is for example reflected in the set up of the Africa EU Climate Change Partnership, as part of the Joint Africa – EU Strategy signed in December 2007. This is also the case with joint political statements such as the Climate Change Declaration at the EU – South Africa Summit in July 2008, the EU – Africa Declaration on Climate Change in November 2008 and the Joint ACP – EU Declaration on Climate Change and Development in 2009.

At a global level, the EU has played an important role in discussions and agreements on climate change. The Earth Summit in Rio was the starting point for the global debate, and it was in Rio that 154 of the world's political leaders signed the United Nations Framework Convention on Climate Change (UNFCCC). A legally binding protocol was subsequently signed in Kyoto in 1997, committing the EU and other industrialised countries to cut their greenhouse gas emissions by over 5% of their 1990 levels by 2012. No emission restrictions were placed on developing countries, including China, India and Brazil. Every year, the EU actively participates in the UN Conference of the Parties (COP) of the UNFCCC, the most recent of these having been held in Copenhagen in December 2009. Among the key issues discussed in Copenhagen, during talks to negotiate a follow-up to the Kyoto Protocol, were emission targets, as well as technical and financial support for developing countries taking climate mitigation and adaptation measures.

The EU position on the negotiations in Copenhagen was adopted by the EU Environment Ministers on 21 October 2009<sup>137</sup> and confirmed by the EU Heads of State at the European Council Meeting on 29-30 October 2009.<sup>138</sup> The EU confirmed its commitment to a 20% reduction in greenhouse gas emissions

<sup>134</sup> For more information on the EU Climate and Energy package, see: [http://ec.europa.eu/environment/climat/climate\\_action.htm](http://ec.europa.eu/environment/climat/climate_action.htm)

<sup>135</sup> Concord (2009b).

<sup>136</sup> DIE, ECDPM, FRIDE AND ODI (2010).

<sup>137</sup> Council of the EU (2009e).

<sup>138</sup> European Council (2009a).

compared with 1990 levels, and expressed a readiness to raise this figure to 30% provided that other developed countries also committed themselves to comparable reductions. The EU called upon fast-growing developing countries, who were exempted from the Kyoto Protocol, also to make mitigation commitments.

As for funding, the EU said that it would contribute its '*fair share*' of the €100 billion that it estimated would be needed each year to finance mitigation and adaptation efforts in developing countries by 2020. The EU stressed that this sum would need to be financed from a combination of developing countries' own resources, the carbon market and international finance. A variety of potential instruments for the delivery of support were suggested, including the Global Environmental Facility and new Climate Investment Fund administered by the World Bank. The EU also proposed setting up a high-level forum to provide a consolidated overview of international sources of finance for climate-related investments. After the start of the negotiations in Copenhagen, and under strong pressure from developing countries' negotiators and civil-society organisations, the European Council committed specific EU 'fast-start' support, pledging an annual sum of €2.4 billion for the period 2010-2012.<sup>139</sup>

The results of the Copenhagen summit have been described as disappointing by both negotiators and commentators. No legal agreement was reached and the commitments outlined in the Copenhagen Accord are only limited. For example, the Accord does not set emission reduction targets or lay down timetables for the disbursement of funds. As for the EU, it failed to speak with one voice during the negotiations, despite the joint position agreed upon beforehand. Furthermore, the EU was sidelined towards the end of the conference, illustrating the changing power structure of international relations, as emerging countries like Brazil, South Africa, India and China (BASIC) gain more influence.<sup>140</sup>

The international community will continue to discuss climate change measures, in the run-up to the next COP in Mexico in November-December 2010 and beyond. Key issues as regards the financing of climate change mitigation and adaptation in developing countries are:

- *Where will the funds come from?*

There are different options regarding the use of domestic resources, private resources and international public support. When funding comes from international public funds, will it be extra cash, or will it crowd out aid to other areas like education and health, as some fear? A lack of clear commitments on financial resources and technology transfers has created substantial mistrust between the EU and developing countries. Development countries insist that climate aid should be additional, whereas donors are already finding it difficult to deliver on their existing ODA commitments, partly as a result of the financial crisis. How will this evolve? Within the EU, burden-sharing between member states still needs to be agreed upon, and this has proved a sensitive issue to date.

- *How will the funds be channelled?*

Recent years have seen the emergence of a multiplicity of instruments for supporting climate change adaptation and mitigation in developing countries. These include global instruments (such as the Global Environment Facility), regional instruments (such as the EU Global Climate Change Alliance) and bilateral instruments (such as the German International Climate Initiative).<sup>141</sup> Will there be a rationalisation of these instruments, or will uncoordinated, incoherence prevail? Disagreements about the institutional setting of global financing instruments also need to be resolved. Some industrialised countries have expressed a preference for funding to be channelled through the World

<sup>139</sup> European Council (2009b).

<sup>140</sup> Mackie et al. (2009).

<sup>141</sup> Corre (2009).



Bank, while developing countries favour the UN, a body in which they have greater decision-making power.

- *How will the funds be programmed?*

Support will only be effective if it not only meets global needs, but also is tailored to the needs of partner countries, and particularly those countries that are most vulnerable to climate change. Will climate change concerns and measures be integrated with development and poverty reduction strategies? Or will a wide range of incoherent policy documents (low-carbon development plans, national adaptation programmes for action,<sup>142</sup> sectoral policies, and so forth) and a lack of proper needs and impact assessments reduce the effect of interventions?

The EU is likely to monitor developments closely, as climate change is one of the PCD priority areas for the period 2010-2012.

To summarise, in the field of climate change, the EU has taken the lead in terms of setting carbon emission reduction targets and has taken a number of initiatives for supporting developing countries. These include the FLEGT action plan, participation in the Clean Development Mechanism and the EU Global Climate Change Alliance. While the EU has pledged €2.4 billion annually for 2010-2012 to support developing countries in this area, it has not made any specific commitments so far in relation to aid levels beyond 2012 or to technological transfers to developing countries. The mainstreaming of climate change into European development cooperation remains weak, although this situation might alter following the adoption of a new environmental mainstreaming strategy later this year. Among the questions that remain unanswered after Copenhagen are not only the volume of climate change funding for developing countries and whether this will be additional to ODA, but also how it can be channelled and spent most effectively. These are major challenges.

#### **Box 8: Outstanding issues for the EU in the area of climate change as identified by the European Commission**

The European Commission has identified the following outstanding issues for the EU in this area:

- *‘to encourage the design of low-carbon development strategies in developing countries, in particular through capacity building;*
- *to develop innovative forms of financing for supporting climate change actions in developing countries, including financial support for LDCs and Small-Island Developing States (SIDS) to tackle adaptation needs;*
- *to support studies and research into the impact of climate change and assist with the dissemination of information and awareness-raising activities in developing countries;*
- *to reduce geographical imbalance in the Clean Development Mechanism (CDM) by increasing LDC access to CDM projects;*
- *to achieve a stronger participation of developing countries in EU and international climate change policies;*
- *to assess the impact of trade policy for environmental goods on climate change.’<sup>143</sup>*

Source: European Commission. 2009. *EU 2009 Report Policy Coherence for Development. Report from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions. SEC(2009) 1137. COM(2009) 461. Brussels, 17 September 2009.*

<sup>142</sup> National adaptation programmes of action (NAPAs) are developed by least-developed countries as part of the UNFCCC. These plans identify priority activities that can help meet the countries' **urgent** and **immediate** needs to adapt to climate change. The NAPAs contain a list of ranked priority adaptation activities and projects, as well as brief profiles of each activity or project. See [http://unfccc.int/national\\_reports/napa/items/2719.php](http://unfccc.int/national_reports/napa/items/2719.php).

<sup>143</sup> European Commission (2009e).

## 5.2. The environment: not a priority?

The gradual degradation of the environment has a profound impact on poor people, as many of them depend directly on natural resources and ecosystems for their livelihoods. They are directly and severely affected by trends such as overfishing, deforestation, land degradation and water pollution.

An EU environmental policy that impacts on developing countries is the Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan (SCP/SIP) adopted in December 2008. The plan lists a number of international activities, such as supporting developing countries to establish policies on sustainable consumption and production (SCP),<sup>144</sup> and continuing efforts to liberalise trade in environmental goods and services under the Doha Development Agenda and in the context of bilateral negotiations.<sup>145</sup>

As part of the efforts to promote SCP within Europe, the EU is planning to promote green public procurement, by making it mandatory for some products and voluntary for others. This will undoubtedly have the effect of making it more difficult for producers in developing countries who are not able to comply with these standards to access the European market.

EU member states have signed up to, and are implementing, a number of Multilateral Environmental Agreements on topics such as climate change, desertification and biological diversity. All EU member states have signed the Convention on Biological Diversity. To further its implementation, the EU adopted a Biodiversity Action Plan in 2006.<sup>146</sup> This Action Plan includes a number of priority actions and contains indicators for monitoring progress, as well as a timetable for evaluations. The 2008 mid-term assessment of the Action Plan pinpointed certain problems affecting its implementation and concluded that the EU was highly unlikely to meet its 2010 target of halting biodiversity decline in the EU. The assessment report also pointed out that biodiversity issues are poorly addressed by European development cooperation (see Section 4.5).

The EU has taken a variety of initiatives to protect forests globally. These include the Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT) referred to above, which was endorsed by the Council in November 2003. The FLEGT action plan includes measures to support governance reforms and capacity-building. One of the plan's key elements is a regulation, adopted by the Council in December 2005, to ensure that timber exported to the EU comes only from legal sources. The legality of timber sources stems from a system of legally binding Voluntary Partnership Agreements that are to be signed with partner countries. So far, agreements have been signed with Ghana and the Republic of Congo, while negotiations with a number of other countries are ongoing.<sup>147</sup> In 2008, the European Commission proposed further measures for combating deforestation and illegal logging. These include a proposal to close the EU borders to all illegal timber imports (through a system of guarantees) and a commitment to argue in international fora for the adoption of a Global Forest Carbon Mechanism to reward countries for emission reductions achieved through reduced deforestation and forest degradation.<sup>148</sup>

<sup>144</sup> Support for CSP policies in developing countries is provided as part of the 'Marrakech process', a global plan for establishing an efficient ten-year framework of programmes on sustainable consumption and production. The European Commission and a number of EU member states, including the UK, Sweden, Germany, Italy, France and Finland, are active members of this process. For further information, see: <http://esa.un.org/marrakechprocess>.

<sup>145</sup> European Commission (2008c).

<sup>146</sup> European Commission (2006b).

<sup>147</sup> European Commission (2009e).

<sup>148</sup> European Commission (2008d).

The EU has taken a number of initiatives to promote international research and knowledge management on environmental issues. Working in collaboration with UNEP, the European Commission created an International Panel for Sustainable Resource Management in 2007. The panel assesses the environmental impacts of renewable and non-renewable resources. The Commission has also worked with the World Bank in creating the Poverty Environment Partnership (PEP), an informal network of multilateral and bilateral development partners as well as NGOs, that now includes a large number of agencies in EU member states among its members.<sup>149</sup> The EU member states and the European Commission are also active in the OECD Network on Environment and Development Co-operation (ENVIRONET). The European Commission and the German Federal Ministry for the Environment are furthermore contributing financially to a study on the economics of ecosystems and biodiversity, which aims to evaluate the cost of biodiversity loss and the associated decline in ecosystem services worldwide.<sup>150</sup>

In sum, despite the efforts made by the EU (for example, to protect forests worldwide and to promote knowledge-building and knowledge-sharing), the process of strengthening environmental policies so that they can help alleviate poverty and assist in the pursuit of the MDGs still faces a number of major challenges. Biodiversity has not been effectively mainstreamed into EU development cooperation. The EU will not meet its 2010 commitments on biodiversity. The adoption of a post-2010 strategy might help to change this situation.

**Box 9: Outstanding issues for the EU in the area of the environment as identified by the European Commission**

- *'Global environmental policy institution: the creation of an efficient UN environment organisation should be supported by a significant representation of developing countries and emerging economies.*
- *Additional resources should be made available for the poorest developing countries to tackle environmental issues. In connection with climate change initiatives, a new financing mechanism should be pursued (such as payment for environmental or ecosystem services or carbon stocking).*
- *Environment-friendly technology transfers to developing countries should be facilitated.*
- *The EU should seek to achieve international agreement on the use of labelling and sustainability schemes for a growing number of natural resources and products. At the same time, it should offer developing countries assistance in limiting the additional cost and offsetting the loss of opportunity.'*

Source: European Commission. 2009. *EU 2009 Report Policy Coherence for Development. Report from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions.* SEC(2009) 1137. COM(2009) 461. Brussels, 17 September 2009.

### 5.3. Agriculture: continuing reform

The European Union is a key trading partner of developing countries. Every year, it imports almost €59 billion worth of agricultural products from developing countries, and also exports agricultural produce to developing countries. The EU agricultural sector is a big contributor to greenhouse gas emissions, which means that it also contributes to climate change, the effects of which are felt far beyond the EU borders.<sup>151</sup> In other words, the EU's agricultural policies have a profound impact on partner countries in the South.

<sup>149</sup> For further information on the Poverty Environment Partnership, see: <http://www.povertyenvironment.net/pep/>.

<sup>150</sup> Stern (2007).

<sup>151</sup> CEPS (2009).

The key EU reference here is the Common Agricultural Policy (CAP). The CAP provides income security for EU farmers, a framework for the management of natural environments in which agricultural activities take place, as well as support for the development of rural communities. In 2007, it represented 43% of the Community budget. Established in 1963, the CAP led to increased agricultural production in Europe during the 1960s and 1970s. It soon became clear that European farmers were producing more than the Community actually consumed. The EU then introduced a system of export subsidies, which resulted in producers being able to export surplus products at prices below world market prices. Some of these exports went to developing countries.<sup>152</sup>

In the 1980s, the EU launched a systematic package of reforms to counter overproduction, adverse environmental effects, and dumping. Major changes were made to the CAP in 1984, 1992, 2000 and 2003.<sup>153</sup> The European Commission reports that, as a result of the reforms, more than 90% of direct payments have now been decoupled from production, thereby reducing the incentive for European farmers to overproduce. As for export subsidies, from 2005 to 2009, the EU halved the export subsidy rate for beef. It abolished the export subsidies for cereals in September 2006 and those for sugar in October 2008. Export subsidies for fruit and vegetables and for wine were also abolished in the wake of reforms of those sectors. The Commission recently announced that, whereas export subsidies and market support represented 100% of the CAP budget in 1980, they now only account for 10% of the budget.<sup>154</sup>

However, the EU continues to be criticised for the adverse effect the CAP has had on farmers in developing countries.<sup>155</sup> As for environmental concerns, commentators argue that, although the CAP includes a number of explicit environmental objectives, only a limited number of steps have been taken to actually deliver on these objectives.<sup>156</sup>

The upcoming CAP reform will be a good opportunity to make the CAP more development-friendly and to 'green' the EU budget. The reform is due to take effect in 2014, under the next European Union multi-annual financial framework. It is already clear that policy-makers will face a strong lobby from European farmers' associations, as is illustrated by the reintroduction of export subsidies for dairy products in January 2009, following their abolition in 2007.

<sup>152</sup> Institute for Agriculture and Trade Policy (2007).

<sup>153</sup> Milk quotas were introduced in 1984, leading to lower production levels. However, as the quotas were set high, production was still higher than consumption and about 10% of the milk output was still exported. These surpluses also continued to be exported with the support of subsidies. So dumping in other countries, including in developing countries, was reduced but not eliminated. In 1992, the prices of various agricultural products were cut. To partly compensate farmers for the lower prices, the Community introduced a system of 'direct payments', based on the area of land planted with certain specified crops. In 2003, the Community started decoupling direct payments from production levels and lowering export subsidies. A new package of adjustments was agreed in 2008, in the spirit of the 2003 reforms.

<sup>154</sup> European Commission (2009e).

<sup>155</sup> Concord (2009a).

<sup>156</sup> Cooper, Hart and Baldock (2009).

**Box 10: Outstanding issues for the EU on agriculture as identified by the European Commission:**

- *'continued efforts to reach a development-friendly WTO Doha agreement, including a significant reduction in trade-distorting support by all countries;*
- *careful monitoring of food security in developed and developing countries;*
- *renewed efforts for development cooperation to support agriculture and rural development in developing countries, through adequate policies based on inclusive consultation processes;*
- *engaging developing countries in research, innovation and the dissemination of results in the field, leading to increased agricultural production and productivity while preserving natural resources and reinforcing the resilience of food systems;*
- *assessment of the impact of climate change mitigation and adaptation measures on sustainable agricultural production in the EU and developing countries.*
- *synergies to be sought between agriculture, climate change, research and environment policies.'*

Source: European Commission. 2009. *EU 2009 Report Policy Coherence for Development. Report from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions.* SEC(2009) 1137. COM(2009) 461. Brussels, 17 September 2009.

## 5.4. Energy and biofuels: an ambitious package

Access to energy is essential for economic growth, poverty reduction and the provision of basic social services. Greater access to energy by the poor is crucial for the attainment of the MDGs. Energy policies also play a key role in reducing the negative impact of energy use, particularly fossil fuels, on the environment.

The overall framework is the Energy Policy for Europe, adopted by the Council in March 2007. This policy commits the EU to the '20-20-20' initiative:

- reducing greenhouse gas emissions by 20%,
- increasing the share of renewables in energy consumption to 20% (as compared with 8.5% today); and
- improving energy efficiency by 20%, all by 2020.

The policy also includes a commitment to support developing countries in promoting a sustainable and secure energy supply and use. Specific policy instruments listed in the relevant communication are:

- the 10th European Development Fund;
- the EU-Africa Partnership on Infrastructure, which covers regional projects on the generation and transmission of electricity;
- the ACP-EU Energy Facility;
- the COOPENER programme and its successor;
- the EUROSOLAR programme for Latin America.<sup>157</sup>

To deliver on the 20-20-20 commitments, the EU Heads of States and the European Parliament reached agreement on a climate change and energy package in December 2008, as was mentioned in Section 5.1. In April 2009, the Council of the European Union adopted a series of regulations, including on:

- a common EU framework for the promotion of energy from renewable sources;
- a revised Emissions Trading System (ETS) for greenhouse gases;

<sup>157</sup> European Commission (2007g).

- an ‘effort-sharing’ decision with binding emissions targets for EU member states in sectors not subject to the EU’s Emissions Trading System (including transport, agriculture and housing);
- the first legally-binding standards for CO<sub>2</sub> emissions from new passenger cars;
- the revision of a directive that will improve air quality and reduce greenhouse gas emissions by means of environmental standards for fuel.<sup>158</sup>

The first item on this list, the ‘Renewable Energy Directive’, sets a binding target of a 20% overall share of renewable energy in 2020 (unevenly divided over the EU member states, depending on each country’s starting point), as well as a 10% share of renewable energy in transport in all member states. This directive is likely to lead to an increase in the demand for biofuels from developing countries. In this context, CSOs have warned about the effects the directive is set to have on land-use changes in non-EU countries and hence on the availability and price of food for the poor. The increasing global demand for biofuels is generally regarded as one of the causes of the recent food crisis.

The 2009 PCD report notes that various member states have taken action to counter the potential adverse effect of biomass production in developing countries (see Box 11).

#### **Box 11: Examples of EU action on biofuels and biomass in developing countries**

*‘While the subject remains a contentious issue in the EU, some member states are active in this field. Germany, for instance, worked on an international certification system for biofuels and biomass, to avoid conflicts of objectives and undesired side effects. Sweden for its part supported the Biofuel Task Force in Tanzania, where modern laws and regulation are being developed in accordance with EU policies, and cooperated with Brazil on bioenergy. France operated a scientific partnership on biofuels with Brazil. Finally, the creation by Germany, Spain, Denmark and Latvia of a dedicated agency to promote renewable energy globally (IRENA) is another important development.’*

Source: European Commission. 2009. *EU 2009 Report Policy Coherence for Development. Report from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions. SEC(2009) 1137. COM(2009) 461. Brussels, 17 September 2009.*

In the 2009 PCD report, the European Commission also lists a number of plans for enhancing dialogue with partner countries on energy policies in general. These include the EU Energy Initiative for Poverty Reduction and Sustainable Development (EUEI), launched in 2002. The report asserts that this initiative ‘has helped raise the profile of energy on the development agenda and offers an important platform for dialogue and coordination’, while recognising that ‘there is still a need to strengthen EUEI funding and increase dialogue with beneficiary countries’.

Another mechanism is the Africa-EU Energy Partnership, one of the mechanisms for the implementation of the Joint Africa-EU Strategy. The Africa-EU Energy Partnership provides a platform for African and European stakeholders to discuss energy issues and policies. To date, there has been little evidence of the Partnership having produced any concrete results. The Commission furthermore reports on energy dialogues with emerging countries like Brazil (e.g. the Energy Chapter in the EU-Brazil Joint Action Plan adopted in December 2008) and China (e.g. the formation of a Euro-China Clean Energy Centre).

To summarise, the EU adopted a Climate Change and Energy Package, including a Renewable Energy Directive, with ambitious targets in 2009. The measures are affecting EU demand for biomass from developing countries. Some member states are working with developing countries to counter the

<sup>158</sup> Council of the EU (2009f).

potential adverse effects on poverty. The EU has a number of mechanisms for dialogue with partner countries on energy policies, but no strong commitments on low carbon technology transfers.

**Box 12: Outstanding issues for the EU in the area of energy as identified by the European Commission:**

- *‘Political dialogue with developing countries on energy efficiency, carbon capture and storage, renewable energy and diversification should be enhanced.*
- *Research policy should assist developing countries in developing efficient, adapted and environmentally friendly technologies, while ensuring that the research results can be acted upon.*
- *Low-carbon technology transfers should be facilitated to allow developing countries to catch up with efficient and clean technologies.*
- *Monitoring mechanisms should be developed at both national and EU levels, to measure the impact on developing countries of energy policies in the EU.*
- *Research activities in developing countries should be enhanced and better linked to development policies, in order to foster the development and uptake of advanced and environmentally friendly technologies adapted to local conditions.*
- *Development policies and programmes should be geared to enabling developing countries willing to engage in the use and production of biofuels, for both domestic and export markets, while closely monitoring the effects on food security and other potential social and environmental consequences.’*

Source: European Commission. 2009. *EU 2009 Report Policy Coherence for Development. Report from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions. SEC(2009) 1137. COM(2009) 461. Brussels, 17 September 2009.*

## 5.5. Fisheries: buying fishing rights

Fishing is an important economic activity that plays a big role in developing countries. More than 30 million people worldwide, 95% of whom live in developing countries, rely directly on fisheries for their livelihoods. A further 10 million people earn income from aquaculture (fish farming). Finally, fish is an important part of the diets of many people in developing countries.<sup>159</sup>

The key tools in the EU Common Fisheries Policy that relate to developing countries are the Fisheries Partnership Agreements (FPAs). These are negotiated by the European Commission on behalf of all EU member states to ensure that the European fleet has access to the waters of developing countries. The Commission negotiated new FPAs in the wake of the reform of the Common Fisheries Policy in 2002 and the publications in July 2004 of the Council Conclusions on FPAs with third countries. The old Fisheries Agreements, which were in fact no more than access arrangements with a financial component, were replaced by broader Fisheries Partnership Agreements with a sustainable fisheries objectives and provisions on political dialogue as well as funding. In June 2009, the EU had 15 FPAs with developing countries, 12 of which were tuna agreements and three of which were mixed agreements covering a number of fish species.<sup>160</sup>

In its latest PCD report, the European Commission points to a number of positive effects on developing countries. The EU’s financial contributions are an important source of income in some countries. In Mauritania and Guinea Bissau, the most striking examples, the contributions represent over 15% of

<sup>159</sup> Ibid.

<sup>160</sup> For further information on the EU Common Fisheries Policy, see: [http://ec.europa.eu/fisheries/cfp\\_en.htm](http://ec.europa.eu/fisheries/cfp_en.htm).

government revenue. Job creation is another important benefit, particularly in the canning industry. The Commission also lists a number of new trade agreements with countries in Africa and the Pacific that contain articles in favour of responsible fishing and solid fisheries policies. In the near future, positive effects are expected from the new regulation on illegal, unreported and unregulated fishing, which entered into force on 1 January 2010.

The Commission's report is rather more critical, however, about the effect of FPAs on European investments in partner countries. Although one of the objectives of FPAs is to create joint ventures, there have been very few such joint ventures. This is due to two factors: the investment climate in the partner countries and the EU tariff peaks for fisheries imports. Questions have also been asked about the effect of the FPAs on environmental sustainability. The FPAs allow EU vessels to fish surplus stocks only, based on scientific advice from and recommendations made by regional fisheries management organisations. However, a lack of capacity among regional organisations has made it difficult to place a figure of the size of surplus fish stocks. Various stakeholders, including NGOs and scientists, have pointed to the continuing practice of overfishing, leading to a collapse in fish stocks and biodiversity degradation.<sup>161</sup>

Another threat to fish stocks is the practice of illegal fishing, for example in West African waters. Although the illegal fishing boats themselves come from all over the world, the bulk of the catch is consumed in EU markets, which are nearby and in which demand is high. Civil-society organisations have urged the EU to assist developing countries in fighting illegal fishing.<sup>162</sup>

In April 2009, the Commission issued a Green Paper to launch a public consultation on the reform of the Common Fisheries Policy, in preparation for the next Multi-Annual Financial Framework. The Green Paper stressed the importance of giving priority to environmental sustainability.<sup>163</sup> After the public debate, the Commission intends to draft a proposal for the Council and the European Parliament, so that the new CFP can take effect from 2014.

In short, under the Common Fisheries Policy, large sums of money are transferred to developing countries in exchange for fishing rights. Although environmental sustainability is one of the objectives of the Fisheries Partnership Agreements, illegal fishing and poor data collection have led to biodiversity degradation.

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<sup>161</sup> Froese, Stern-Pilot and Kesner-Reyes (2008).

<sup>162</sup> European Commission (2009k), forthcoming.

<sup>163</sup> European Commission (2009l).



**Box 13: Outstanding issues for the EU in the area of fisheries as identified by the European Commission:**

- *'reinforce the sustainability of fisheries, in particular by improving stock assessments and by making them more transparent;*
- *improve market access to the EU for fisheries products from developing countries, including by adopting more flexible rules of origin;*
- *support the formulation and implementation of developing countries' fisheries policies;*
- *support and cooperate with developing countries in the fight against illegal, unreported and unregulated fishing;*
- *move towards a regional dimension and enhance the capacities of regional organisations to assess and rebuild fish stocks to a level of productivity allowing harvesting at maximum sustainable yield (MSY) levels.'*

Source: European Commission. 2009.. *EU 2009 Report Policy Coherence for Development. Report from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions. SEC(2009) 1137. COM(2009) 461. Brussels, 17 September 2009.*

## 5.6. Trade: tough negotiations

The EU is the developing countries' principal trading partner. Regardless of the economic crisis, which has resulted in a sharp decline in trade flows, it remains an important source of income for developing countries. For this reason, EU trade policies are key factors in promoting Policy Coherence for Development.

The Lisbon Treaty revised the trade policy tools by clarifying the EU's exclusive competence on all aspects of external trade, including services, intellectual property rights and foreign direct investment.<sup>164</sup> Under the terms of the Treaty, the European Parliament decides together with the Council (using the ordinary legislative procedure) on the rules for implementing trade agreements. The EP's consent is now also formally required for the conclusion of trade agreements. The changes introduced by the Lisbon Treaty could potentially have a big impact on trade agreements.

The EU has a large number of bilateral and regional trade agreements. It is currently negotiating new trade agreements, including a development component, with ACP groupings. While all these Economic Partnership Agreements (EPAs) were supposed to have been concluded by 31 December 2007, the first, between the EU and CARIFORUM<sup>165</sup>, was not signed until October 2008. Interim agreements, mainly covering trade in goods, have been signed with a number of individual ACP countries, the idea being that these will be superseded in due course by full regional EPAs. By definition, it is impossible for one of the objectives of the EPAs, i.e. promoting regional integration, to be achieved if different countries within a region either sign different agreements or fail to sign regional agreements, as is now regularly the case.

The EU uses Sustainability Impact Assessments (SIAs) as a means of assessing the potential environmental and social dimensions of new bilateral and regional agreements, including the impact on biodiversity. The European Union has declared its intention to include environmental standards and

<sup>164</sup> Woolcock (2009). The only exception where member states can have recourse to unanimity voting in the Council is when agreements 'risk prejudicing the Union's linguistic and cultural diversity' or 'seriously disturbing the national organisation of such services and prejudicing the responsibility of member states to deliver them.'

<sup>165</sup> The CARIFORUM is a grouping of the following fifteen Caribbean countries: Antigua & Barbuda, The Bahamas, Barbados, Belize, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Suriname, and Trinidad & Tobago.

obligations in these agreements. One example is the EU-CARIFORUM Economic Partnership Agreement referred to above, which includes a specific environmental dimension.

Under the 'Everything but Arms' initiative, the EU offers least-developed countries free access to the EU for all products except arms. For a broader group of developing countries, the EU has set up a system known as the 'Generalised System of Preferences', providing non-reciprocal preferential access for a number of products. Developing countries that have ratified and effectively implemented 27 specified international conventions in various fields, including sustainable development, can profit from the GSP+ scheme, that offers a number of additional preferences.

Regardless of the policy statements stating the EU's commitment to promoting trade with developing countries in a sustainable manner, the EU has nonetheless come in for considerable criticism from both negotiating partners and civil-society organisations. The EU has been criticised for imposing higher tariffs on processed products than raw materials. Criticisms have also been levelled at the strict rules of origins, which determine where a product comes from and whether it is eligible for preferential treatment.<sup>166</sup> The provisions on intellectual property rights that the EU forces on developing countries are also controversial, as they can have a huge impact on the latter's access to vital products such as medicines.<sup>167</sup> The recent EU Raw Materials Strategy, which seeks to promote European industry access to raw materials, has been criticised for ignoring the effect on environmental degradation.<sup>168</sup> The adverse effect exerted on developing countries by agricultural export subsidies has also been raised as a matter of concern by numerous civil-society organisations, in both the North and the South (see Section 4.3).

There is a trend for EU policy-makers, and also the private sector (e.g. supermarket chains), to set more stringent sanitary and phytosanitary standards. These standards act as a trade barrier preventing producers in developing countries, especially small producers, from gaining access the EU market. These producers either lack the capacity to meet the standards or cannot pay the high cost involved.<sup>169</sup> The EU provides Aid for Trade support to help developing countries and producers meet sanitary and phytosanitary standards.

To summarise, the EU has signed a large number of bilateral and multilateral trade agreements. It is currently in the process of negotiating Economic Partnership Agreements, with major trade components, with ACP countries. The EU has made an effort to make its trade agreements more environment-friendly, by adopting instruments such as environmental impact assessments, environmental standards and the GSP+ system. Among the aspects of the EU trade policy affecting developing countries that have been criticised by civil-society organisations are the rules of origin and the provisions on intellectual property rights.

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<sup>166</sup> See, for example, Concord (2009a).

<sup>167</sup> See, for example, Oxfam International and HAI Europe (2009).

<sup>168</sup> See, for example, Friends of the Earth Europe (2008).

<sup>169</sup> European Commission (2009k), forthcoming.

**Box 14: Outstanding issues for the EU in the area of trade as identified by the European Commission:**

- *'Doha Development Agenda;*
- *EPA negotiations;*
- *revision of the rules of origin;*
- *the importance of intellectual property rights for development.'*

Source: European Commission. 2009. *EU 2009 Report Policy Coherence for Development. Report from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions.* SEC(2009) 1137. COM(2009) 461. Brussels, 17 September 2009.

## 6. Conclusions: windows of opportunity for environmental knowledge brokers

This chapter summarises the findings of the preceding chapters (Section 6.1.) and identifies a selected number of policy windows that bring opportunities to strengthen the EU's role in promoting sustainable development and poverty reduction (6.2.). Finally, the chapter describes how knowledge brokers working on the interface between environmental and development concerns could feed into these policy windows (6.3.).

### 6.1. To summarise: EU policies, actors and instruments

The European Union wants to play a leading role on the world stage, foster sustainable development and combat world poverty. The EU, its member states and the European Commission combined, is the world's largest aid donor, providing over 60% of the all official development assistance (ODA). At the same time, development – and hence the poor in developing countries – is also affected by other EU policies, both external and internal. EU policies on the environment, trade, agriculture and fisheries, among others, have consequences far beyond the Union's borders. Globalisation and other global challenges such as climate change are boosting these effects. Knowledge institutes working at the nexus between environmental and development concerns, such as the Netherlands Environmental Assessment Agency (PBL), need to be aware of the important role played by the EU in this respect.

The commitment to promote sustainable development around the world is enshrined in the EU's policy framework. The European Consensus on Development defines the eradication of poverty in the context of sustainable development, including the pursuit of the MDGs, as the overarching objective of European development policy. It explicitly commits the Union and its member states to take account of development objectives in formulating policies that are likely to affect developing countries. While the legal commitment to promote this aspect, known as 'Policy Coherence for Development' (PCD), was first introduced in the 1993 Maastricht Treaty, it has been reconfirmed and strengthened in the 2009 Lisbon Treaty. Global sustainable development is now on an equal footing with other aims of the EU's external action.

Key EU actors in EU development cooperation are the European Commission, the European Parliament, the European Council, the Council of the European Union and the member states represented in the Council. The decision-making powers of these entities tends to vary, depending on the policy area in question. Development cooperation is a shared competence, with both the European Commission and the member states undertaking their own development programmes. Although there is some coordination, harmonising policies and policy action remains a thorny issue. The new Lisbon Treaty strengthens the role of the European Parliament, so that it is now a more important target for knowledge brokers.

Another significant change resulting from the Lisbon Treaty is the creation of a European External Action Service (EEAS), headed by the new High Representative for Foreign Affairs and Security Policy, Catherine Ashton. The European Union delegations, which represent the EU in partner countries and at international organisations, are part of this new structure. The High Representative and her EEAS will henceforth be involved in the development cooperation project and programme management cycle, together with the European Commissioner for Development. For the first time, the new European Commission includes a Commissioner for Climate Change, who could potentially also become an

important actor in the field of development cooperation, depending on how she interprets her job and on the nature of the understanding reached with the Development Commissioner.

While Policy Coherence for Development is largely a political issue, institutional mechanisms also come into play. PCD involves pulling parties together, which is often difficult in the EU institutions. DG Development does not necessarily work in close collaboration with DG Environment, DG Trade and other DGs. The European Parliament's Committee on Development does not automatically join forces with the Committee on Environment, Public Health and Food Safety. Interest in and knowledge of developmental, environmental and other concerns differs not only between the DGs of the Commission and the Committees in the Parliament, but also among the working groups of the Council, the ministries in member states, etc. External knowledge institutes can play a big role in bridging the gap between environmental policy-makers and practitioners on the one hand, and developmental policy-makers and practitioners on the other.

The key non-EU actors in EU development cooperation are representatives of partner countries. This is not a homogenous group and includes government officials, local authorities, civil-society organisations, the private sector, universities and other research institutes. Traditionally, EU development cooperation has focused on the former European colonies in Africa, the Caribbean and the Pacific. Nowadays, however, it also covers least-developed, low-income and middle-income countries in regions such as Latin America, Asia, the Middle East and Eastern Europe. The capacity of developing countries' stakeholders to address environmental concerns, and their interests in such concerns, are vital factors in promoting sustainable development and pursuing the MDGs.

EU development cooperation is provided by a range of instruments. Cooperation with ACP countries is based on the Cotonou Partnership Agreement and funded for a large part through the European Development Fund. Support for other regions is covered by EU Budget instruments like the Development Cooperation Instrument (DCI), the European Instrument for Human Rights and the Instrument for Stability. Five thematic programmes have been developed for the DCI, one of which concerns the Environment and Sustainable Management of Natural Resources. Initiatives such as the Global Climate Change Alliance and the Global Energy Efficiency and Renewable Energy Fund are financed from this programme.

General budget support and sectoral budget support are aid modalities that are gaining importance. They work differently from project and programme support and involve donors transferring financial resources to the treasuries of beneficiary countries in support of a national or sector development strategy.

All the financial instruments described above cover the period to 2013. New instruments will be created for the next Financial Framework, which runs from 2014 to 2020.

Despite the efforts made in this respect, the mainstreaming of environmental concerns into EU development cooperation is weak. There are tools available, such as Country Environmental Profiles linked to EU-partner country strategies and environmental impact assessments that can be made for individual projects. As we mentioned in Chapter 4, however, only limited use is made of these tools in shaping strategies, programmes and projects. As regards funding for specific environmental programmes and projects, this represents less than 5% of EU's aggregate spending on development cooperation. A new EU strategy on the integration of the environment into development cooperation, which is due to be adopted in 2011 and applied by both the Commission and the member states, might bring some change in this respect.

The issue of climate change – and its high international profile – are likely to have a massive impact on EU development cooperation. Among the questions remaining unanswered after the Copenhagen Summit are not only the volume of climate change funding to developing countries and whether it will be additional to or taken out of existing ODA flows, but also how it can be channelled and spent most effectively. This process is creating momentum not just for ‘climate-proofing’ development cooperation, but also for ‘development-proofing’ environmental policies.

Other EU policies affect developing countries, of course. These include the Common Agricultural Policy, the Common Fisheries Policy and trade policy. A broad range of policies beyond development and environment therefore merit attention from researchers, policy-makers and practitioners who are concerned about global sustainable development, poverty reduction and the pursuit of the MDGs.

## 6.2. Policy windows – where the traction is

At different points in time, policy windows bring opportunities to strengthen the EU’s role in promoting sustainable development and poverty reduction. The previous chapters have shown that the windows of opportunity in 2010-2012 include, in random order:

### 1. *A new EU strategy on the integration of environment into development cooperation*

As indicated in Chapter 4, the EU is preparing an EU-wide strategy to integrate environmental concerns into development cooperation. The EU aims to use this strategy, which is planned to become effective in 2011, to strengthen environmental mainstreaming. This is an area in which it has not been very successful so far. The strategy is intended to guide the development-related interventions undertaken by the EU and the member states. National and regional stakeholders in partner countries and regions are set to play a crucial role in this respect, as the strategy can be successfully implemented only if they insist that environmental concerns are properly factored into development assistance programmes. The success of the strategy depends largely on the way in which it is formulated, implemented and monitored. These are three aspects on which knowledge brokers could focus.

### 2. *UN General Assembly MDG Review Meeting and follow-up*

The international community is due to meet at UN headquarters in New York in September 2010 to review the Millennium Development Goals. As mentioned in Chapter 2, stakeholders regard this as an opportunity to assess progress and to revitalise commitments and public support for the pursuit of the MDGs by adopting a global plan of action. Some stakeholders will seek specifically to raise public awareness of the ‘forgotten’ MDG, i.e. MDG 7, which deals with environmental sustainability. As the MDGs are central to the development cooperation activities performed by the EU institutions and individual member states, the EU is hoping to play a big part in the review process.<sup>170</sup>

### 3. *Debate on the post-2015 development framework*

As the target date for the MDGs is 2015, a new development paradigm will be needed for the period beyond 2015. This is expected to lead to considerable debate, in the EU and beyond, in the coming years. If a strong agenda can be agreed, this should affect the future of development cooperation after 2015.

<sup>170</sup> To prepare for this high-level meeting, the European Commission presented a twelve-point EU action plan in support of the MDGs on 21 April 2010. See European Commission (2010b).

#### 4. *EU Policy Coherence for Development Work Programme 2010-2013*

As mentioned in Chapter 2, the EU has produced a Policy Coherence for Development Work Programme for 2010-2013.<sup>171</sup> This is an opportunity for the EU to become more result-oriented and to push PCD efforts in various directions, not just at EU level but also among the member states themselves. The programme covers five priority areas, including climate change and food security.

#### 5. *Reform of the EU Common Agricultural Policy*

A new reform of the Common Agricultural Policy is being prepared and will come into effect in 2014, under the financial framework for 2014-2020.<sup>172</sup> As discussed in Chapter 5, one of the issues at stake is the payment of export subsidies to European farmers, as these affect farmers in developing countries. While the vested interests and the European farming lobby are powerful, the reform could potentially be an opportunity to make the policy more development-friendly and environment-friendly.

#### 6. *Reform of the EU Common Fisheries Policy*

A revised EU Common Fisheries Policy is due to come into force in 2014.<sup>173</sup> The EU has been criticised for the adverse effect the current policy has had on fish stocks and livelihoods in developing countries. This applies particularly to the Fisheries Agreements the EU has signed with non-EU countries.

#### 7. *Review of Strategy on the Sustainable Use of Natural Resources*

The EU Strategy on the Sustainable Use of Natural Resources was formulated in 2005 and will undergo its first five-yearly review in 2010. The current strategy makes little reference to the impact of EU natural resource policies on developing countries. Except for agriculture and fisheries, most natural resource policy areas do not fall under exclusive EU competence. This implies that the successful implementation of the strategy depends heavily on the national policies pursued by individual member states.

#### 8. *Follow-up to the UNFCCC 15th COP, the climate change conference in Copenhagen*

Even if the outcome of the 15th UNFCCC Conference of Parties in Copenhagen was disappointing, it has generated considerable interest in climate change and given the issue of climate change adaptation a prominent place on the international agenda. In other words, there is a big policy window. There is an opportunity to raise the profile of global sustainable development concerns in environmental policy-making. The action taken to follow-up Copenhagen is also likely to affect other policies, including development cooperation. A lot of uncertainty still surrounds the sources of funding and instruments for climate change mitigation and adaptation in developing countries and how they should be put to good use.

#### 9. *New EU Biodiversity Strategy, UN Biodiversity conference COP10*

A new EU biodiversity strategy will come into force by 2011, after the targets set under the current framework expire in 2010.<sup>174</sup> The formulation and implementation of the new strategy

<sup>171</sup> European Commission (2010c).

<sup>172</sup> The Commission is expected to issue a publication on the reform of the Common Agricultural Policy in the autumn of 2010. A legislative proposal is expected to be published in mid-2011.

<sup>173</sup> The Commission published a Green Paper on the reform of the Common Fisheries Policy in April 2009. This provided the basis for a public consultation process, which concluded with a report published by the Commission in March 2010. The Commission is expected to present an impact assessment report in the autumn of 2010. After further consultations with stakeholders, the Commission will present a proposal for a new basic framework regulation to the Council and the Parliament in 2011.

<sup>174</sup> The European Commission organised a consultation process on a new EU biodiversity strategy in 2009.

forms an opportunity to take global biodiversity concerns into account, instead of focusing on the EU alone. While the new strategy can lead to new EU environmental legislation, it can also potentially include commitments on support for the preservation of ecosystems in developing countries. The next UN Biodiversity Conference (BDC-COP10) provides an opportunity for the EU to show leadership and push the global biodiversity agenda on the international stage. In the Council Conclusions of March 2010, EU environment ministers called on the Commission to present the new EU strategy as soon as possible after COP10, and to ensure that the strategy takes account of the results of the conference. The ministers have set an ambitious agenda: the objective is to halt the loss of biodiversity and the degradation of ecosystems services in the EU by 2020 and to restore them as far as feasible, and at the same time to step up the role played by the EU in averting global biodiversity loss.

#### *10. Preparation for the Rio Summit on Sustainable Development*

The Summit on Sustainable Development, to be held in Rio in 2012 (and the role the EU could play in this connection) is another potential policy window. Issues on the agenda include the green economy in the context of sustainable development, the institutional framework for sustainable development, and a review of current commitments.

### **6.3. Added value: what knowledge brokers can bring to EU development cooperation**

Knowledge brokers working at the interface between environmental and development concerns could feed into these policy windows. Such knowledge institutes are likely to contribute considerably to the field of EU development cooperation now environmental issues have become more prominent in the development debate. For an environmental knowledge broker to feed effectively into policy windows, it must be seen to provide added value. The ability to conduct independent, unbiased and high-quality research that can inform stakeholders is a vital first step in the right direction. However, other approaches can also help to move policy processes forward. Four complementary modes of engagement are:

1. publishing research and knowledge products;
2. promoting networking;
3. supporting the direct facilitation of dialogue;
4. building institutional capacities to address asymmetries between stakeholders.

First, research and knowledge products can improve the knowledge base of stakeholders. Among the products involved are *ex-ante* analyses of policy options from a sustainable development angle. At EU level, these analyses could be linked to policy proposals and priorities presented in communications issued by the European Commission, non-papers by member states or opinions expressed by the European Parliament. Other deliverables could include *ex-post* impact assessments of existing policies and explorations of trends influencing global sustainable development. Analyses need to be performed against the background of the EU Policy Coherence for Development Work Programme, which sets objectives, targets and indicators for EU policies affecting sustainable global development. The quality, relevance, timing, format of products and the dissemination channels used are all elements that will influence the impact of analyses. Possible research questions for the various policy windows are listed in the table below.



**Table 2: Policy windows and related research questions**

<b>Policy window</b>	<b>Research questions</b>
1. New EU strategy on integration of environment with development cooperation	<ul style="list-style-type: none"> <li>• What action needs to be taken to ensure that environmental issues are better integrated in EU donors' and national development strategies?</li> <li>• What lessons, as learned by the EU member states, the Commission or partner countries, can inform the strategy?</li> </ul>
2. UN General Assembly MDG Review Meeting and follow-up	<ul style="list-style-type: none"> <li>• What progress has been made on the MDGs and what impact have environmental challenges and policies had on the current state of play?</li> <li>• How can the EU and other UN member states and regions speed up progress on the attainment of the MDGs by 2015?</li> </ul>
3. Debate on the post-2015 development framework	<ul style="list-style-type: none"> <li>• What future aid scenarios could be envisaged post-2015 to promote sustainable global development most effectively, possibly building on the report published by the Dutch Scientific Council for Government Policy?</li> </ul>
4. EU Policy Coherence for Development Work Programme 2010-2013	<ul style="list-style-type: none"> <li>• What are the strengths and weaknesses of the approach proposed in the Work Programme (in terms of policies, targets and indicators) for promoting global sustainable development?</li> <li>• What policies and practices are needed if the Work Programme is to achieve its aims?</li> </ul>
5. Reform of the EU Common Agricultural Policy	<ul style="list-style-type: none"> <li>• What impact will this policy (<i>ex-post</i>) and the reform proposals (<i>ex-ante</i>) have on global sustainable development, and on developing countries in particular?</li> </ul>
6. Reform of the EU Common Fisheries Policy	<ul style="list-style-type: none"> <li>• What impact will this policy (<i>ex-post</i>) and the reform proposals (<i>ex-ante</i>) have on global sustainable development, and on developing countries in particular?</li> </ul>
7. Review of the strategy on the sustainable use of natural resources	<ul style="list-style-type: none"> <li>• What impact will EU and member state policies on natural resources have on global sustainable development, and on developing countries in particular?</li> <li>• How can the strategy and its implementation be improved?</li> </ul>
8. Follow-up of the 15th UNFCCC COP, climate change conference in Copenhagen	<ul style="list-style-type: none"> <li>• What impact will climate change have on the livelihoods of the most vulnerable people in developing countries?</li> <li>• How can climate change concerns be better mainstreamed into EU development cooperation and partner countries' development strategies?</li> <li>• How can EU environmental and other policies contribute to climate change mitigation and adaptation in developing countries?</li> </ul>
9. New EU Biodiversity Strategy: UN COP10 conference	<ul style="list-style-type: none"> <li>• What are the current biodiversity trends and how do they affect poverty and the EU's development objectives?</li> <li>• How can biodiversity considerations be better addressed through EU development cooperation and partner countries' development strategies?</li> <li>• How can EU environmental and other policies most effectively address global biodiversity concerns?</li> </ul>

Policy window	Research questions
	<ul style="list-style-type: none"> <li>• How can synergies be created between the climate change and biodiversity agendas at international, regional and national levels (e.g. UNFCCC, CBD and Rio+20)?</li> </ul>
10 Preparations for the 2012 Earth Summit in Rio	<ul style="list-style-type: none"> <li>• How have the EU and other regions and countries delivered on their commitments in relation to global sustainable development, and what have been the results of these activities?</li> <li>• What policies and practices (both EU and non-EU) could boost efforts to bring about sustainable global development (e.g. a green economy, halting biodiversity loss, water and energy security, addressing climate change)</li> <li>• What position should the EU take on a global governance architecture for sustainable development and what role could developing countries play in such a system?</li> </ul>

Second, knowledge brokers can participate in and, where necessary, help to create strategic networks, platforms and alliances of actors in policy processes. These may be both within and across groups of policy-makers, practitioners and researchers from the North and the South. Knowledge brokers can create added value by bridging the gap between environmental and development-oriented experts who inject global sustainable development concerns into debates where these are absent.

Third, the direct facilitation of dialogue can help to move policy processes forward. This can be done by organising or facilitating meetings of stakeholders. Organising workshops at which stakeholders can exchange ideas in an informal manner outside official settings can be particularly useful. Although official stakeholders such as EU member state representatives meet often, there are not many unofficial settings where they can speak off the record and exchange views informally. While such informal discussions amongst stakeholders (who could possibly be invited to speak on their own behalf, rather than presenting the official view of the institution they represent) are not intended to lead to immediate decisions, they can contribute to smoother and better informed decision-making processes.

Fourth, knowledge institutions can reduce asymmetries between stakeholders by working with and strengthening the capacities of stakeholders in partner countries. Moreover, working with research institutes from the South will help knowledge brokers in the EU to obtain additional data on developing countries and regions.

While the four approaches can be complementary, knowledge brokers could opt to focus on just one or two, depending on their own capabilities and the particular policy processes involved. In doing so, they can link up and collaborate with other knowledge institutes, so as to strengthen their efforts and avoid duplication.

Strong partnerships within the EU are also keys to success. Knowledge brokers can ensure that their work has the maximum impact by teaming up with other institutes in the EU. Joint products from several member states find an audience in Brussels and across member states more easily than products emanating from a single national institution. Partnerships between development policy-oriented institutes

and environmental policy-oriented institutes can be particularly productive.<sup>175</sup> It is important to forge links with existing knowledge-generating and transfer mechanisms in the field of EU development cooperation. A number of examples are given in Box 15.

**Box 15: Examples of knowledge-transfer mechanisms relevant to European development cooperation**

- There are various mechanisms for monitoring EU development cooperation, including a **bi-annual Policy Coherence for Development Report**. These PCD reports (the next one is due to be published in 2011) are based on questionnaires completed by member states. In the 2009 report, this information was complemented by country case studies assessing the impact of EU policies on the ground in specific areas.<sup>176</sup>
- **Evaluations of European development cooperation**. EU evaluations are commissioned by a unit of EuropeAid. EU member states conduct their own evaluations.<sup>177</sup>
- **European Report on Development**. The first European Report on Development was published, with special emphasis on the issue of fragility, in 2009. The objective is to adopt a European perspective on development issues in the international arena, boost the EU's global visibility, help shape the international agenda and feed the internal EU debate on development. The European Report on Development is produced by a multidisciplinary team based at the Robert Schuman Centre of the European University Institute, which also consults a broad network of scholars in both developed and developing countries. The 2010 European Report on Development focuses on poverty, inequality and social protection, with special emphasis on sub-Saharan Africa.<sup>178</sup>
- **European Development Days**. The European Development Days are an annual event hosted jointly by the European Commission and the EU Presidency. A large number of people from the development community attend the European Development Days. The aim is to provide opportunities to share knowledge and foster partnerships. The first European Development Days were organised in 2006. The next one will be organised in Brussels in December 2010.
- **Capacity4Dev**: Capacity4dev.eu is a new online platform, hosted by EuropeAid, that supports the European Commission's efforts to make technical cooperation more effective. The platform is an open forum at which officials from EU and national institutions, development practitioners, partner countries, other donors, academics and civil-society representatives can share ideas and knowledge.

<sup>175</sup> Examples of leading European development policy-oriented research institutes include the **German Development Institute** (Deutsches Institut für Entwicklungspolitik, DIE, <http://www.die-gdi.de>), the **Overseas Development Institute** in the UK (ODI, <http://www.odi.org.uk>) and the **International Institute for Environment and Development** (IIED, <http://www.iied.org>), also in the UK. These institutes in one way or another contribute to thinking on mainstreaming environmental concerns (e.g. climate change) into development policy. An institute with a specific EU focus is the **European Centre for Development Policy Management** (ECDPM, [www.ecdpm.org](http://www.ecdpm.org)) in the Netherlands. A more comprehensive list of European development research institutes can be found on the website of the **European Association of Development Research and Training Institutes** (EADI, <http://www.eadi.org>).

<sup>176</sup> European Commission (2009e).

<sup>177</sup> The database can be consulted at: [http://ec.europa.eu/comm/dg/aidco/ms\\_ec\\_evaluations\\_inventory/evaluationsview.cfm?key=988](http://ec.europa.eu/comm/dg/aidco/ms_ec_evaluations_inventory/evaluationsview.cfm?key=988)

<sup>178</sup> European Commission (2009m).

## Annex 1: Methodology

The study consisted of three stages:

- the launch stage, resulting in a project proposal. The project proposal presented the study team's understanding of the request received from the Netherlands Environmental Assessment Agency.
- the inception stage, resulting in an inception note. The inception note refined a number of key concepts, the study questions and the methodology.
- the data collection, analysis and reporting stage, resulting in the study report.

The study questions, as specified in the inception note, are presented in the table below.

**Table 1: Study questions**

	Question	Associated questions this implies
1	What are the key features of European development cooperation policy?	<ul style="list-style-type: none"> <li>• Who are the key actors in EU development cooperation policy?</li> <li>• What role do the actors play and how are they interrelated?</li> <li>• What are the key priorities of EU development cooperation?</li> <li>• What are the main current trends and debates?</li> <li>• What instruments are used?</li> </ul>
2	What is the current status of the EU debate on the Millennium Development Goals, thus far and beyond 2015?	<ul style="list-style-type: none"> <li>• What role do the MDGs play in EU development cooperation?</li> <li>• Where does the EU stand in the debate on the post-MDG period?</li> <li>• What are the relevant issues in the run-up to and after 2015?</li> </ul>
3	How do EU development policies relate to other EU policies that impact on developing countries, particularly in the area of the three themes of the MDGs, biodiversity, and climate change?	<ul style="list-style-type: none"> <li>• What mechanisms have been put in place for EU policies to enhance PCD?</li> <li>• What progress has been made in promoting PCD, particularly in relation to the three priority themes?</li> <li>• What are the main challenges (including the entry into force of the Lisbon Treaty and the post-Copenhagen process)?</li> </ul>
4	What windows of opportunity are there for PBL in the period up to 2012?	<ul style="list-style-type: none"> <li>• What are key European questions and processes affecting developing countries in relation to which PBL could play a role?</li> <li>• How and when could PBL play a role?</li> <li>• What knowledge networks and institutions are relevant partners for PBL?</li> </ul>

The information required for answering the study questions was obtained by means of a desk review and nine semi-structured interviews. Furthermore, two sessions with staff from the Netherlands Environmental Assessment Agency were organized in the course of the study, to ensure relevance and appropriation of the findings for the agency.

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