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Development policy

The European Union as a multilateral and bilateral donor

Maurizio Carbone

Introduction

The European Union (EU) is generally considered a unique case in international development in that it combines the characteristics of a bilateral donor—it provides direct assistance to developing countries through a substantial programme managed by the European Commission—with that of a multilateral agency—it embodies the efforts of its member states, which, however, carry out their policies autonomously. Taking together these two dimensions makes the EU the largest donor in international development: in 2007 it accounted for more than half of the world’s aid (DAC 2007, 2009). Nevertheless, as a consequence of the failure to co-ordinate and divide tasks among the various actors, the EU has generally punched below its weight. Since the early 2000s this situation has shown some signs of change: the ‘common’ commitment on quantity and quality of aid, the ambitious agenda on policy coherence, the adoption of the European Consensus on Development, give a clear indication that a new season has started in EU development policy. All these changes have serious implications on the role that the EU wants to play in the international arena.

The paper is divided into three sections. The first section discusses the EU as a bilateral donor, focusing in particular on the relations with a privileged group of countries in Africa, the Caribbean and the Pacific (ACP). The second section analyses the EU as a multilateral donor, concentrating on the various new initiatives to improve the quality and quantity of foreign aid as well as the ambitious agenda on policy coherence for development. The third section examines the complex system of governance that regulates EU development policy, in particular looking at the question of whether the EU is a leader or a follower in international development.

The EU as a bilateral donor

In contrast to most EU policies, development policy is as old as the EU itself (Holland 2002). The Treaty of Rome contained provisions on the relations between the then six member states and their colonies in Africa. Since then, the activities and responsibilities of the EU have
significantly changed. The amount of money managed at the EU level has progressively increased, going from about 7% in the 1970s, to more than 20% in the late 1990s, though as a result of the changes introduced in the mid-2000s it is destined to decrease (Carbone 2005). However, over the past 50 years, development policy has progressed in a piecemeal way, with the EU reacting to events rather than following a coherent plan, setting up new programmes without adapting existing mechanisms for delivery (Lister 1997, 1998). This section identifies three main phases.

In the first phase (from the late 1950s to the mid-1980s), EU development policy was limited in both geographical and policy scopes, but was very progressive. The debate between regionalists, which stressed the need to maintain close links with (former) colonies, and globalists, which placed more emphasis on poverty eradication, characterized this period. The development chapter in the Treaty of Rome and the two Yaoundé Conventions—including the establishment of the European Development Fund (EDF) and a system of reciprocal trade preferences with a limited number of countries in Africa—sanctioned the victory of the regionalists. Following the accession of the United Kingdom in 1973, the adoption of the Lomé Convention with the heterogeneous ACP group was a compromise between the two camps (Grilli 1993). The Lomé Convention was considered the most comprehensive, innovative and ambitious agreement for North-South development. It set up a predictable aid flow over a period of five years, based on the individual needs of recipient countries. It established a system of non-reciprocal trade preferences, which allowed all goods coming from the ACP countries to enter the EU free of any tariff or quota restrictions. It instituted two separate systems for compensating countries in case of significant losses in their exports of commodities (Stabex system) or minerals (Sysmin system). It was based on equality between the two parties, which was supported by the establishment of various joint EU-ACP institutions. Relations with other developing regions were minimal. A small aid programme was initiated with countries in Asia and Latin America (ALA) and in the Mediterranean. In the early 1970s the EU launched a Generalised System of Preferences (GSP) to extend trade privileges to non-ACP developing countries (Carbone 2005).

In the second phase (from the late 1980s to the end of the 1990s), EU development policy broadened both its geographical and policy scopes. This was a decade of profound transformations: in the international arena, with the end of the Cold War and globalization; in the EU, with two enlargement rounds and the adoption of the Treaty of Maastricht; and in the field of international development, with the advent of the Washington Consensus as the dominant development model. All these events significantly affected the evolution of EU development policy. Not only did the share of resources going to ACP countries decrease substantially but also the nature of development policy itself changed. According to Karagiannis (2004), EU development policy progressively shifted from a relationship that involved mutual engagement and obligations between the ACP and the EU (characterized by the exceptionality of the relationship, common past, and efficiency subordinated to responsibility), into a more disengaged affiliation (characterized by global responsibility, irrelevance of the colonial past, and responsibility subordinated to efficiency). Conditionality—both economic (which involved the implementation of macroeconomic policies such as structural adjustment, liberalization and privatization programmes) and political (which involved the promotion of democracy, rule of law and human rights)—became the accepted norm. As a result of these changes, some observers noted a shift from representing a model for North-South relations into a symbol of the EU’s will to show its presence in the international arena (Arts and Dickson 2004). These trends were strengthened by the Treaty of Maastricht, which set in motion the Common Foreign and Security Policy (CFSP). Not only were large amounts of money transferred to Eastern Europe in view of the enlargement (Poland and Hungary Assistance for Restructuring their
Economies—PHARE programme) and to the former Soviet countries (Technical Assistance to the Commonwealth of Independent States—TACIS programme), but new emphasis was also given to the Mediterranean, with the adoption of the Euro-Mediterranean Partnership in 1995. The EU’s development presence in Asia increased, but still remained below the needs of the region (Bretherton and Vogler 2006).

The resulting overstretched and fragmented development policy led to significant criticism. Various member states started threatening to repatriate their share of the EU’s foreign aid programme. The most visible case was the United Kingdom, where the Secretary for Development, Claire Short, eloquently stated: ‘The EU is the worst development agency in the world’ (cited in Carbone 2007a). At the academic level, a debate started on the added value of a development policy conducted at the EU level. Holland (2002) took an optimistic view, arguing that EU development policy plays a fundamental role in the process of European integration and contributes to the EU’s global role. The EU does have a distinctive approach, different from that of the member states, which rests on the following elements: equality between EU and ACP; bottom-up philosophy in aid delivery; effectiveness of collective efforts, especially in cases of emergency aid. Arts and Dickson advanced a more sceptical view, arguing that several factors had contributed to generating ‘a policy which is neither unique nor successful’, and ‘a symbolic gesture … primarily useful to demonstrate its breadth of commitment to, and relationship with, the South’ (Arts and Dickson 2004: 3).

The third stage started in the early 2000s, when not only were a number of reforms introduced to make EU development policy more poverty-oriented and more efficient, but also, as cogently argued by Hadfield (2007), the EU in Janus-faced fashion incorporated oppositional dynamics (i.e. trade liberalization and security concerns), with the result that development policy could be seen as part of the EU’s foreign policy. An important initiative of this period is the Everything But Arms (EBA) regulation, adopted in May 2001, granting duty-free and quota-free access to the EU market for the least developed countries (LDCs), covering all goods except arms and ammunitions. The season of reforms that started in May 2000 involved both the management and the contents of the policy. A new body, EuropeAid, in charge of all phases of the policy cycle except planning (which rests with the directorate-general (DG) of Development and DG RELEX) was set up. More management responsibilities were devolved to the external delegations. Aid commitment and disbursement was conditioned on the agreement of Country Strategy Papers (CSPs). As for the content of the policy, a development policy statement (DPS) was adopted in November 2000, jointly by the European Commission and the Council. The DPS represented a major breakthrough for several reasons. First, it established that the main objective of EU development policy is poverty reduction. Second, it stressed the importance of dialogue with developing countries, on the basis of the principles of partnership and ownership. Third, it refocused EU external assistance on a reduced number of areas where, on the basis of the principle of comparative advantages, the EU provided an added value to the activities of the member states (Dearden 2008). The 2000 DPS was updated in 2005, when the European Consensus on Development was adopted jointly by the European Commission, Council and Parliament. The document defended the role of the EU in this area of shared competence as distinct from the programmes of the member states, asserted the priority of assistance to low-income developing countries and to middle-income countries with evident inequalities, and emphasized the need for the EU to concentrate upon its areas of comparative advantages, more broadly defined (Dearden 2008).

One of the most significant changes was the adoption of the Cotonou Agreement, agreed in June 2000 for a 20-year period, but with revisions to be negotiated every five years. The process that led to the final compromise raised some controversy. For instance, Holland (2002: 237)
argues that it ‘provides some of the richest evidence of intergovernmentalism in EU policy-making’, particularly if we look at the negotiations of its trade dimension, yet it could not be understood without integrating the role of the European Commission. In fact, it was DG Development that, in view of the expiration of Lomé IV, started a debate on the future of the relationships between the EU and the ACP. The final outcome produced a comprehensive and radical review of its relations with the ACP Group. The first major innovation is the stronger political foundation of the partnership: dialogue is used to discuss political issues such as peace and security, prevention and resolution of conflicts, progress in human rights and democratization, institutional reforms and capacity building to ensure good governance. This component was further strengthened in the first revision in 2005: new issues such as the fight against terrorism and the proliferation of weapons of mass destruction were added (Mackie 2008). A second major feature is the active participation of non-state actors in the planning of national development strategies: as post-independence strategies gave a leading role to central government agencies, civil society, non-governmental organizations (NGOs), the private sector and local government were not involved in the policy-making process. A third innovative feature is related to aid management: aid allocation will be based on the assessment of each country’s needs, but also performance, with the possibility of adjusting the financial resources allocated through a system of rolling programming (Carbone 2005).

The most controversial issue concerned the replacement of the preferential trade regime, considered incompatible with World Trade Organization (WTO) rules, with the Economic Partnership Agreements (EPAs).2 The final outcome reflected a compromise between various positions: France and most of the southern member states wanted to avoid trade liberalization in order to protect their agricultural sectors. Germany supported trade liberalization and regional integration. The United Kingdom and the northern member states aimed to prevent the potential marginalization of the LDCs. The negotiations in the Council softened the initial proposal made by the European Commission by granting an extended interim period before the EPAs entered into force in January 2008, and by maintaining trade privileges for ‘essentially all products’ coming from LDCs (Forwood 2001; Babarinde and Faber 2005). The negotiations with six regional groups—four for Africa, one for the Caribbean and one for the Pacific—started in September 2002 and were conducted by DG Trade. ACP countries were reluctant partners in the negotiation process, not least because the European Commission was perceived as ignoring the concerns they tried to raise. With time passing and ACP countries and NGOs becoming more vocal, some member states, particularly the United Kingdom, became critical of the Commission’s attitudes. By January 2008 no full agreement was signed with any African region, whereas the Caribbean region and the Pacific region managed to sign interim agreements. This meant that, within the ACP group, LDCs would be subject to the provisions of the EBA regulation, whereas the rest would be subject to the GSP (Elgström and Pilegaard 2008; Faber and Orbie 2008).

The EU as a multilateral donor

The attempt to create a more integrated development policy also dates back to the Treaty of Rome. Following the establishment of the EDF in 1957, the importance of which was more symbolic than its actual size, and the debate instigated by the European Commission in the early 1970s, integration of EU development policy failed to appear in the EU’s agenda for various years (Grilli 1993). The Treaty of Maastricht was meant to represent a watershed by introducing three new principles, i.e. complementarity, co-ordination and coherence (the so-called 3Cs). In a nutshell, complementarity implies that development policy is a shared competence and that
the programme managed by the European Commission should complement those of the member states. Co-ordination implies that member states and the European Commission should consult on their aid programmes, with a view to speaking with a single voice in international forums; the European Commission may take initiatives to promote such co-ordination. Coherence implies that the EU should take the development objectives into account in any of its policies that are likely to affect developing countries.3

The inclusion of the 3 Cs in the Treaty of Maastricht, however, did not represent a significant change of attitude among member states. In the decade that followed the European Commission issued a number of communications, which were generally followed by resolutions of the Council, and set up various pilot projects. The results of all these initiatives were meagre: co-ordination and complementarity worked poorly due to the resistance of most member states; coherence was difficult to achieve because of the clash of interests within the European Commission. An unexpected change occurred at the beginning of the 2000s when, owing to the leading role played by the European Commission, the member states decided to make a joint commitment in the volume of aid and other financial matters in view of the international conference on financing for development, held in Monterrey in March 2002. Following a decade of declining trends, the member states committed to jointly increasing their collective volume of aid from 0.33 to 0.39 as a percentage of their collective gross national income (GNI). In May 2005 they committed to a more ambitious target, that of reaching 0.56% by 2010 and 0.7% by 2015 (Carbone 2007a).

The European Consensus on Development—signed by the presidents of the European Commission, Parliament and Council in December 2005—for the first time in 50 years provided a policy platform setting out common objectives and principles of development co-operation for both the EU and its member states. The novelty of the European Consensus vis-à-vis the 2000 development policy statement is that it committed the member states not only as part of the common development policy but also as bilateral donors. The European Consensus reaffirmed that the primary objective of development policy is poverty eradication and that the EU promotes a series of general values (i.e. respect for human dignity, freedom, democracy, equality, the rule of law and human rights) as well as development-related goals (i.e. ownership, participation and gender equality) in its relations with the developing world. It also stressed that the EU promotes multilateralism and, within the framework of the United Nations (UN), contributes to promoting a system of rules, institutions and international instruments set up and implemented by the international community. Finally, it reaffirmed the commitments to delivering more and better aid and to promoting policy coherence for development (Hadfield 2007; Dearden 2008).4

The commitments on volume of aid—the first of which was met by far in 2006—and the adoption of the European Consensus on Development were complemented by a new agenda on aid effectiveness. This included three axes: first, transparent and knowledge-based mapping of activities, including an atlas of all EU donor activities; second, implementing the commitments on aid harmonization and alignment taken in the context of the Paris Declaration on aid effectiveness, which includes joint programming frameworks, roadmaps for concrete harmonization issues in a given developing country; third, promoting more co-financing and division of labour among all EU donors. A central component of this new agenda became the Code of Conduct on Complementarity and Division of Labour, agreed by the Council in May 2007. The Code of Conduct was presented as a voluntary and ‘self-policing’ document, open to non-EU donors, listing 11 principles to guide development co-operation efforts. Among the others, all EU donors committed to concentrating their activities in a limited number of priority countries, making sure to rebalance the aid allocation between ‘aid darlings’, ‘aid orphans’ and fragile
Another important commitment is to concentrate only on three sectors per developing country (Carbone 2009a).

Another important element to consider is the new emphasis given to the concept of policy coherence for development (PCD), which according to the Organisation for Economic Co-operation and Development (OECD) means ‘taking account of the needs and interests of developing countries in the evolution of the global economy’ (cited in Carbone 2008b: 324). Despite its institutionalization in the Treaty of Maastricht, little if any progress was achieved for the rest of the 1990s. Some member states (including Denmark, Belgium and the Netherlands) tried in vain to take some initiatives. The only vocal actors became the European NGOs, which launched a number of public campaigns on the incoherence between development and agricultural and fisheries policies, particularly in West Africa. The European Commission was paralyzed by some internal clashes between the various DGs, the assumption being that the needs of developing countries were already taken care of through development assistance. This passivism ended at the beginning of the new century, when the then Development Commissioner Poul Nielson again placed the issue on the EU agenda. In May 2005 the European Commission launched an ambitious programme for the EU, which was then endorsed by the Council, identifying 12 policy areas and for each of these establishing specific ‘coherence for development commitments’. The 12 areas are: trade; agriculture; fisheries; environment; climate change; social dimension of globalization, employment and decent work; transport; energy; security; migration; information society; research and innovation. The European Commission, which was in charge of monitoring these commitments, produced its first biannual report in September 2007. Results were mixed: the promotion of PCD works better within the European Commission than at the level of member states, where, despite some notable exceptions—i.e. Sweden and Denmark, which adopt a ‘whole-of-government approach’—it is not yet institutionalized in the decision-making process (Carbone 2008b).

A complex governance system

Understanding the evolution of development policy in the EU is a complicated task, not least because this is an area of mixed competence. While more traditional international relations theories are used to explain the evolution of foreign aid in the member states, EU integration theories may be applied—though this has happened rarely—to the EU as a bilateral donor. In the field of international relations, the clash is between scholars in the realist tradition, who argue that foreign aid is used to promote the political and economic interest of the donors, and scholars in the idealist tradition, who argue that foreign aid serves the development needs of the recipients. In the field of EU studies the divide is between intergovernmentalists, who argue that member states are the key actors in the decision-making process, and supranationalists, who claim that the European Commission played a central role, often going beyond what is established by the treaties. In particular, those in the intergovernmentalist camp show that, for instance, the adoption and evolution of the Lomé Convention represented the convergence of the interests of France and the United Kingdom; similarly, the emergence of a Latin American policy was largely driven by the accession of Spain and Portugal (Cosgrove-Sacks 1999). Going beyond these state-centric views, several scholars have highlighted the roles of the context and of non-state actors. For instance, taking a multi-level governance approach, the adoption of the Cotonou Agreement can be explained only if the role of the member states is complemented by the role of the European Commission and other European non-state actors, as well as various actors in the ACP group (Holland 2002). Similarly, Olsen (2005) maintains that EU development policy is a product of trans-national alliances formed between the European Commission, some
member states and some international organizations. From a neo-functionalist perspective, the legacy of colonialism and the logic of spill-over can explain the development chapter in the Treaty of Rome, followed by the Yaoundé Convention, the Lomé Convention and the Cotonou Agreement, but also the launch of a programme for the LDCs, first in the 1970s with the GSP and then in the 2000s with the EBA regulation (Babarinde 1998; Holland 2002). From an institutionalist perspective, through the logic of path dependency, we can explain the clash between the EBA initiative and the EPAs (Holland 2002). The remainder of this section briefly sketches the role played by various actors and factors to better understanding the evolution of EU development policy.

The member states, with the Council being the main locus where development policy is decided, certainly play a major role. Their approach to EU development policy is influenced by two factors: first, their general commitment to European integration, particularly in the area of external relations; second, their overall performance in foreign aid, not only volume. In light of this it is possible to derive some interesting conclusions. At one side, we can find the group of northern member states, which are good performers in foreign aid—high volumes, for poor and relatively democratic governments, mostly in the form of programme aid and/or sector-wide approaches—and are lukewarm on further European integration. At the opposite side, we can find the group of southern member states (as well as eastern member states), which lag behind in terms of performance in foreign aid—low volumes, largely for less poor and relatively undemocratic governments, mostly in the form of project aid—but are generally more enthusiastic about European integration. In the middle, we can find the three big countries: France’s foreign aid programme is characterized by fluctuating volumes of aid, allocated mainly to former colonies and less democratic governments; Germany gives out relatively low volumes of aid as a share of its economy, does not necessarily privilege low-income countries, but is generally effective in reaching the goals it sets; the United Kingdom is strongly committed to increasing its relatively low levels of volume of aid, transfers high shares to poor countries with democratic governments, ranks very high in terms of quality of aid. As far as their commitment to European integration is concerned, France and Germany generally manifest a positive attitude to enhancing the role of the EU in international politics and development, whereas the United Kingdom tends to resist any move in this direction.6

As for the EU’s institutions, the European Commission is in charge of initiating policies, but often goes beyond this task. Its ability to lead is, however, compromised by the institutional framework. DG Development has a prominent role, as it is responsible for programmes in the ACP, initiates general development policy and takes initiatives to promote co-ordination with the member states. DG RELEX deals with Asia, Latin America and the Mediterranean, as well as with a number of horizontal programmes. DG Trade is in charge of the trade dimension and the aid-trade link, including the negotiations of the EPAs. Unsurprisingly, the three DGs take a different approach to international development: DG Development is more concerned about poverty eradication, DG RELEX is more politically oriented, DG Trade tries to push a trade liberalization agenda. The European Parliament plays a secondary role, though its influence has considerably grown over the past decade—it should be remembered that the EDF, being managed outside the EU budget, is not subject to its scrutiny. More generally, the European Parliament calls for an EU development programme focused more on the poor, and on the promotion of better co-ordination and complementarity between the programmes managed by the European Commission and by the member states.

The role played by non-state actors has significantly evolved. On the one hand, European non-state actors have been increasingly marginalized in the planning and implementation of programmes managed by the European Commission. This marginalization is due to the new
emphasis placed on ownership of development by developing countries themselves and to the process of devolution of management authority to the external delegations. There are, however, some notable differences. While their interaction with the European Commission has worsened, their relations with the European Parliament and with several member states in the Council continue to be optimal. On the other hand, non-state actors in the south have become more involved, and not only as implementers of projects. Significant variations exist regarding the level of participation of these actors in the development policy-making process across the various regions. The Cotonou Agreement provided a comprehensive framework for mainstreaming civil society, but the practice has been different. Considerable efforts have been made, but the level of participation—often confused with simple consultation—is not satisfying (Carbone 2008a).

Finally, EU development policy, like any other policy, is subject to influences coming from the external environment. Of course, the evolution of the relations between the EU and the developing world has been shaped by the end of colonialism, the emergence of the New International Economic Order (NIEO), the end of the Cold War, the supremacy of the Washington Consensus, and the establishment of the Millennium Development Goals. This opens the door to a controversial debate, which concerns the extent to which the EU is a leader or a follower in international development. A number of authors argue that while initially the Lomé Convention represented a unique approach to international development, the EU has gradually compromised its policy identity to follow trends set by the various international organizations, particularly the World Bank and the WTO (Arts and Dickson 2004). In this sense Farrell (2008) argues that the inclusion of progressive concepts such as ownership, participation, capacity building in the European Consensus on Development and the new strategy for Africa adopted in 2005 (and then upgraded in 2007), which should offer a ‘European alternative’ to dominant international practices, in reality resonates with the language found in the publications of the Bretton Woods Institutions. Holland takes a slightly different approach when he looks at the link between EU development policy and the Millennium Development Goals, arguing that the EU may have traded some policy autonomy for a more effective collaborative approach by engaging with other global actors, but this is not necessarily negative: ‘While this may create a tension with the EU’s foreign policy aspirations to be an autonomous global actor, from the perspective of recipient states such global coherence is welcome and long overdue’ (Holland 2008: 360). My own view is that since the beginning of the 2000s the EU, by acting as a unitary actor, has been able to significantly shape the pace of international development: the commitments on volume of aid, the decisions on aid harmonization and alignment, the ambitious agenda on policy coherence for development, confirm that the EU may have imported these ideas from somewhere else, but by taking firm commitments it has considerably conditioned the behaviours of other international actors, which had no other choice than to follow the EU’s lead.

**Conclusion**

Over the past decade EU development policy has undergone a number of transformations, which have involved its bilateral and multilateral dimensions. As for the programme managed by the European Commission, since 2000 more emphasis has been placed on poverty eradication and better delivery of aid, yet security and trade liberalization have become prominent issues in the development discourse. The added value of a development policy at the EU level is not in its global presence, but in the role that the European Commission can play as promoter of coordination and division of labour among the member states. The new European Consensus on Development and the Code of Conduct on Complementarity and Division of Labour not only
provide a framework for a better co-ordinated policy, but also commit member states and the EU to a common view on how to best promote international development. Moreover, the new commitments on policy coherence for development show that finally member states have started acknowledging that their domestic policies must take due account of the interests of developing countries. It is only by combining its efforts in aid and non-aid policies that the EU can make a significant indent in bridging the gap between the rich and poor.

Notes

1 For a thorough analysis of the EBA initiative, see Faber and Orbie (2007).
2 The introduction of the EPAs is only one of the aspects in the changing EU trade policy towards the developing world. For a comprehensive review, see Faber and Orbie (2008).
3 For a review of the 3Cs, see Hoebink (2004).
4 A similar process has occurred in humanitarian aid, where the European Commission first focused on improving its performance as an aid provider in its own right, then sought to strengthen its role as promoter of humanitarian co-ordination and harmonization, and finally proposed a European Consensus on Humanitarian Aid, signed by the three European Institutions in December 2007. On this, see Versluys (2008).
5 The literature on foreign aid is vast. For recent overviews, see Riddell (2007) and Lancaster (2007).
6 For a full analysis of this model, see Carbone (2007b).