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EC Development Aid

In 2001, European Community (EC) development aid – the aid managed by the European Commission – amounted to €9.7 billion. It makes up roughly 10% of the world Official Development Aid. It has often been stated that the EC falls far behind other multilateral donors both in openness and transparency and in the development of environmental and social policies. During the 1990s, several evaluations highlighted the causes underlying the low standards of EC development co-operation. In response, the European Commission began in 2000 a major overhaul of its external assistance organisation and programming: a new policy statement, internal re-organisation, country programming, de-centralisation, simplification of procedures and so on.

This briefing attempts in its first part to present the aims, structure and organisation of EC development assistance. In its second part, policies and the impact of recent decisions are presented and discussed.

In this paper, the terms EC aid and development assistance refer to Official Development Assistance (ODA) which covers non-repayable grants and subsidised loans to developing countries (in Africa, the Caribbean, the Pacific, Asia, Latin America, the Mediterranean and the Middle East) as well as OA (Official Assistance) for countries in transition (in Central and Eastern Europe and Newly Independent States). These terms do not cover EU pre-accession instruments, e.g. PHARE and SAPARD.

A glossary of acronyms is included on page 5.

1. Legal basis and aims of EC Development Aid

According to Article 3 of the Treaty establishing the European Community: “the activities of the Community shall include.... a policy in the sphere of development co-operation”. Article 177 specifies that the Community policy for development co-operation shall foster: “the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them; the smooth and gradual integration of developing country into the world economy, and the campaign against poverty in the developing countries”. It will also contribute to developing and consolidating democracy, and to respect for human rights and fundamental freedoms. The Community and the member states will comply with the commitments approved in the context of the United Nations and other competent international organisations. In addition,¹ the Community shall take account of the above while implementing its other policies that are likely to affect developing countries. The Community and the member states will also coordinate their policies on development co-operation and consult each other on their aid programme.²

1 Article 178, Title XX, Development Cooperation, Nice Treaty, 2003.

2 Article 180, Title XX, Development Cooperation, Nice Treaty, 2003.



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Fern Brussels, 20 Avenue des Celtes, 1040 Brussels, Belgium.

Tel: +32 2 742 2436. Fax: +32 2 736 8054. E-mail: info@fern.org

Fern UK, 1c Fosseyway Business Park, Stratford Road, Moreton-in-Marsh, GL56 9NQ, UK.

Tel: +44 1608 652 895. Fax: +44 1608 652 878. E-mail: info@fern.org



The Solomon Islands is one of the few places where local land rights are legally recognised.

Nonetheless commercial logging is having a powerful negative impact on society and the environment. Photo: O Tickell.

2. Structure of EC Development Aid

The European Commission as the executive body of the European Community manages its development assistance. Development aid has two main components: the 'budgetary aid' financed directly from the Commission's budget and the 'Cotonou aid' financed by the European Development Fund. Strategy, projects and programmes are established by **two directorate-generals**³ ('DGs'): **DG Development and DG External Relations**. Nevertheless, implementation of projects and programmes, from identification and preparation of financing decisions to evaluation, which ensures the achievement of the objectives established by the DGs in charge is handled by one single Commission department: **the EuropeAid Cooperation Office** (except for the humanitarian projects and programmes – see paragraph 2.3).

In accordance to the principle that anything that can better be managed and decided on the spot, in the country concerned should be done there, and not in Brussels,⁴ the responsibility of project and programme management is being **deconcentrated** towards the Commission's delegations in each of the recipient countries. **Delegations** will therefore take over the responsibility for the identification, preparation, and implementation of the projects and programmes. The role of EuropeAid will then move towards supervising deconcentrated activities and providing support (technical, financial, contractual) to the delegations. The first phase of deconcentration concerning only geographical programmes such as ALA, MEDA, and TACIS has involved 22 delegations in 2001 and is extended to the remaining delegations in 2002 and 2003, in total over 90 delegations.

A third component of EC aid is humanitarian aid by the humanitarian aid office (ECHO) under the direct responsibility of Commissioner Poul Nielson.

2.1 Budgetary aid

Budgetary aid or aid funded through the EC budget is managed by DG External Relations and is divided along geographic and thematic/sectoral budget lines. The main geographic budget lines are ALA (Asia and Latin America), MEDA (Mediterranean countries), and TACIS (Eastern

Europe and Central Asia). Thematic budget lines include a number of sectoral programmes such as environment and tropical forests, democracy and human rights, NGOs, food aid, and health.

Regulations are the legal basis for budgetary aid.⁵ They are not negotiated with beneficiary countries. They are prepared for each geographical area and thematic issue. Such regulations usually describe the main areas of intervention and objectives for the EU assistance as well as the amount

Budgetary aid in 2000⁶ (in millions of euros)

Geographic zones	
Mediterranean (MEDA) and the Middle East	1005.29
Asia	458.58
Latin America	220.30
South Africa	123.54
TACIS	447.75
Central and Eastern Europe (including former Yugoslavia)	1985.32
Sub-total	4240.78
Thematic/sectoral activities	
Food aid	458
Humanitarian aid	485
NGOs	199.97
Health	25.57
Environment and tropical forests	34.88
Democracy and human rights	93.82
Sub-total	1297.24
TOTAL	5538.02

of financial assistance allocated to support these objectives and interventions.

2.2 Cotonou aid

Cotonou aid is managed by DG Development. It is funded from outside the EC budget through the European Development Fund (EDF), which is resourced by specific contributions of member states. Cotonou aid is available only to 78 ACP (Africa, Caribbean, Pacific) states that have signed successive conventions (Lomé and Cotonou – see box below).

Disbursement of funds for Cotonou aid is thus made through the EDF, the financial protocol linked to the

3 The European Commission has 23 Directorate Generals.

4 'Communication on the reform of the management of external assistance', 16 May 2000.

5 Article 1789 in conjunction with Article 251 of the Amsterdam Treaty.

6 'InfoFinance 2000', February 2002, European Commission, Directorate General for Development.

Cotonou Agreement. Every five years a new EDF gets into force. The current EDF, EDF 9, totals €13.5 billion over a five-year period (2000-2005). Approximately €1.2 billion of unspent funds from EDF 8 will be added to this amount. In addition to these resources in the form of direct disbursements, the European Investment Bank will grant up to €1.7 billion in loans out of its own resources.

Cotonou aid represents the single biggest source of EC development aid (41%). Ironically since EDF is not under the regular budget of the Commission, it is therefore not subject to European Parliament control over its use and spending. The annual allocation of aid under EDF for 2000 amounted to €3.8 billion.

The Cotonou Agreement⁷ is the successor of the previous Lomé Conventions and was signed in June 2000. This Agreement, negotiated with the beneficiary countries, sets out the legal framework for trade and development cooperation with 78 countries in Africa, the Caribbean, and the Pacific, for the next 20 years (2000-2020). It is based on five pillars: 1) a comprehensive political dimension 2) participatory approaches, 3) a strengthened focus on poverty reduction, 4) a new framework for economic and trade co-operation, and 5) reform of financial co-operation.

2.3. Humanitarian aid

Humanitarian aid projects and programmes are developed and managed by the humanitarian aid office, ECHO, a Commission service under the direct responsibility of DG Development's Commissioner Poul Nielson. ECHO is currently active in some 30 conflict zones and more than 85 countries throughout the world. Most operations are financed under budget headings specifically devoted to humanitarian aid.⁸ If necessary, the Commission may also ask the budgetary authority (Parliament and the Council) to increase funding by mobilising the reserve for emergency aid. This makes it possible to respond promptly to specific aid needs arising from unforeseen events. In 2000, the funding allocation for humanitarian aid amounted to €91.7 million.

7 The ACP-EU Partnership Agreement signed in Cotonou, see http://europa.eu.int/comm/development/cotonou/index_en.htm.

8 EC budget Chapter B7-21 for humanitarian aid and article 72 and 73 of the Cotonou Agreement.

3. Programming of aid: Country and Regional Strategy Papers

The improvement of programming is one of the key objectives of the current reform of EC aid. In November 2000, the European Development Council called for the Commission to apply a standard framework for Country Strategy Papers to aid programming for all countries receiving assistance from the EDF and under the ALA and MEDA programmes, and progressively to all states in receipt of Community assistance. Programming of EC aid is thus now centered on Country/Regional Strategy Papers (CSP/RSPs) which set out a 'strategic framework' for the EC's central priorities in a given country and region covering both development assistance and other essential activities ('the policy mix') although it still leaves aside thematic budget lines. The CSP/RSPs are developed at delegation level in collaboration with national governments, member states, other bilateral and multilateral donors, and wherever possible, with representatives of civil society.

Typically such documents will contain an outline and assessment of the country's own development strategies, an analysis of the country situation, and the EU response, which should concentrate on a limited number of sectors. Each document is complemented by a National Indicative Programme (NIP) which indicates focal areas where the resources will be spent over the next years (up to five) and the approximate amount of funds to be spent.

Parallel to national programming, specific Regional Strategy Papers (RSP), to which a financial envelope is also allocated, are developed as well to support recipient countries to achieve regional integration and support multilateral issues. About seven RSPs are developed in the framework of the Cotonou agreement and a number of others are developed under other regional agreements (e.g. MEDA, Andean Community, Latin America).

An inter-service quality support group (IQSG) has been set up at European Commission in Brussels, consisting of a small number of members selected for their skill and experience. Its task is to develop harmonised guidelines (e.g. for Country Strategy Papers) and to ensure that programming documents meet the minimum quality standards and consistency. The IQSG work applies to all EC aid.

In 2002 a first round of Country and Regional Strategy Papers were been released.⁹ Despite the common framework developed for these papers, there is little consistency between them. The level and quality of detail and analysis in the general country situation descriptions vary considerably. While country and regional programming is

supposed to promote national ownership of development strategies, the reality of civil society participation has been mixed at best. Details on who has been consulted within the governments and the civil society are lacking. Also, no safeguards are included for the democratically-deficient countries where civil society is not authorised to express itself. Studies¹⁰ of Country and Regional Strategy Papers have shown a wide gap between the degree of environment and gender integration presented in these documents and that promised in various EC policies.

4. EU Development Policy

4.1. The policy

In November 2000, a new European Union development policy was adopted with the main objective of reducing and, eventually, eradicating poverty¹¹. Six focal areas have been chosen to achieve this goal: the link between trade and development, support for regional integration and co-operation, support for macro-economic policies, transport, food security and sustainable rural development and institutional capacity building. Cross-cutting issues to be integrated in all development activities are the promotion of human rights, equality between men and women, children's rights and the environmental dimension.

The policy is also stressing the need to increase complementarity and co-ordination between Community actions and those of individual member states. It is looking as well to increase coherence among the various Community policies with development-related objectives and ensure consistency in all external activities of the EU.

When the policy statement was released, most NGOs were satisfied about the poverty eradication over-arching goal placing it *de facto* over economic interests. However intense debate took place on the selection of the six main focal areas to achieve this goal as well as on the lack of analysis of the relationship between poverty, economic growth, integration in the market economy and environmental degradation. By not selecting the sustainable use of natural resources as one of the six focal areas,

environmental NGOs and indigenous peoples' organisations argued that the policy did not give equal weight to the social, environmental and economic pillars of sustainable development and ended putting too much emphasis on the economic side.

While poverty reduction is said to be a central goal of the EC development policy, and henceforth of its development programme, this is however not consistently translated in the budget allocations to the poorest countries or regions in the world. EC aid to low income countries has fallen to an all time low: from 70% in 1990 to 39% in 2000. In 1989, three quarters of EU aid went to poor countries such as Ethiopia, India, Sudan, and Senegal. Less than half did in 1999 against an average of 64 percent for all donors. Now the top recipients of EU aid are Morocco, Egypt and the Balkans. While on the one hand it is stated that poverty reduction is a major aim of EC development co-operation policy, on the other hand, an increasing share of the development budget goes to better-off developing countries and to those geographical areas in which the EU has strong geo-political interests.

4.2. Reforming EC aid

Together with the implementation of the policy statement of November 2000, changes within the European Commission have taken place in order to tackle efficiency and quality issues in the implementation of the EC aid programme, e.g. internal re-organisation within the European Commission, harmonization of country and regional programming, deconcentration and decentralisation) to delegations, simplification of procedures.

The impact of these reforms is yet unclear. Some, such as the harmonisation of Country and Regional Strategy Papers, are, in principle, clear improvements although their implementation does not meet expectations, and some of the old problems remain. For example, the structure of aid is still complex with three types of aid subject to completely separate rules and guidelines, there is still a gap between financial commitments and the actual amounts disbursed, there is not yet sufficient staff capability, unclear, if any, complaints mechanism, no inspection panels, and there is lack of civil society participation both in the North and in the South.

4.3. Losing ground

In June 2002, leaders of the 15 EU member states took the decision to axe the European Development Council.¹² Development issues are now be dealt with by a new General Affairs and External Relations Council which deals also with the Common Foreign and Security Policy, European Security

9 http://europa.eu.int/comm/external_relations/sp/index.htm and http://europa.eu.int/comm/development/strat_papers/index_country_fr.htm.

10 *Forests at the edge: a review of EC aid spending*, FERN, December 2002 and *Assessment of Country Strategy Papers with reference to Gender*, European Commission, February 2002.

11 2034th Council meeting- Development- Brussels, 10 November 2000.

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and Defense Policy, trade and humanitarian aid. Such decision reinforces the feeling that development policy is increasingly subordinated to other political agendas and that development issues are falling last on the agenda. This, together with Commission plan to abolish DG Development by 2004 does not reflect the EU's commitment to tackling global poverty.

5. Conclusion

EC development policy and activities should be built under the overarching principle of solidarity and dialogue with all concerned. However, over recent years, EC aid appears dwarfed by other agendas such as trade, agriculture, foreign and security policies and the changing balance of powers among the EU member states. The official evaluation report on EC aid to Asia and Latin America captures it as follows: "*Saying that ALA financial resources¹³ should be used only in a framework of poverty reduction would be reductive and could seriously hamper the global EC role in the two regions*".¹⁴

Funds earmarked for EC aid under the EC budget and the EDF should be geared towards poverty reduction and not used for other EU political interests. EU Members States should earmark additional funds for EU political priorities under the Common Foreign and Security Policy without hampering the long-term financing framework of development aid.

Author: Bérénice Muraille, FERN.

Glossary of acronyms

ACP	African, Caribbean and Pacific States party to the Lomé Conventions and Cotonou Agreement
ALA	Aid to Asia and Latin America
CSP	Country Strategy Paper
EC	European Community
ECHO	European Community Humanitarian Aid Office
EDF	European Development Fund
EU	European Union
IQSG	Inter-service Quality Support Group
MEDA	Aid to 12 Mediterranean countries under the Euro-Mediterranean partnership
NGO	Non-governmental organisation
ODA	Official Development Assistance
OA	Official Assistance
PHARE	Aid for economic restructuring to countries in the process of accession to the EU
NIP	National Indicative Programme
RSP	Regional Strategy Paper
SAPARD	Aid for agriculture and rural development to countries in the process of accession to the EU.
TACIS	Aid for technical assistance to newly independent states of the former Soviet Union

¹² The most powerful institution within the EU. The EDC is composed of ministers representing member state governments; it is where decisions are taken on key policies and legislation, including development issues.

¹³ Consisting only of grants.

¹⁴ Evaluation of ALA regulation 443/92, Synthesis report, p.70, May 2002, EVA-EU Association available at <http://europa.eu.int/comm/europeaid/evaluation/program/alarep.htm>.