

**THE NETHERLANDS AND EUROPEAN
DEVELOPMENT POLICY**

No. 60, May 2008

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Lieutenant General M.L.M. Urlings (retd.)

Executive Secretary T.D.J. Oostenbrink

P.O. Box 20061
2500 EB The Hague
The Netherlands

Telephone + 31 70 348 5108/6060

Fax + 31 70 348 6256

E-mail aiv@minbuza.nl

Internet www.aiv-advice.nl

Members of the committee Netherlands and European Development policy

Chair	P. Stek
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Extern expert	E.P. Wellenstein
Corresponding Member	G.H.O. van Maanen Professor A. de Ruijter
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Foreword

On 11 June 2007 the Minister for Development Cooperation asked the Advisory Council on International Affairs (AIV) to produce an advisory report on the possible implications for the Netherlands of the recent developments in EU development policy (see appendix I for the request).

After outlining the current state of European development policy, the request for advice asks the AIV 16 specific questions. These questions are set out in more detail in chapter I of this report.

This advisory report was prepared by a joint AIV Committee on Dutch and European Development Policy (CNEO), whose members were: Dr. K.C.J.M. Arts (AIV Human Rights Committee, CMR), Dr. B.S.M. Berendsen (AIV Development Cooperation Committee, COS), Dr. W.F. van Eekelen (AIV European Integration Committee, CEI), Professor L.B.M. Mennes (vice-chair, COS), W.L.E. Quaadvlieg (CEI), Professor N.J. Schrijver (CMR), P. Stek (chair, COS), C.G. Trojan (CEI), E.P. Wellenstein (AIV Peace and Security Committee, CVV/external expert) and Professor E.B. Zoomers (COS). Ms A.N. Papma (COS) was involved in the early stages of the advisory process and General A.K. van der Vlis (retd.) (CVV) was involved in the final stages. G.H.O. van Maanen (COS) and Professor A. de Ruijter (COS) participated largely as corresponding members. The committee was assisted on an ad hoc basis by civil service liaison officers S.J.F.M. van Wersch and J.W. Klugkist of the Ministry of Foreign Affairs' European Integration Department, External Affairs Division (DIE/EX). The executive secretary was Ms M.H. Wind (temporary executive secretary) and T.D.J. Oostenbrink (AIV secretary). The committee was also assisted by trainees Ms M.H. Breedveld, Ms S. Hardus and Ms S.M.N. van Schoten.

In preparing this advisory report, the committee consulted a number of experts and paid a working visit to Brussels. A list of the persons consulted is given in appendix II. The AIV greatly appreciates their contribution.

The advisory report was adopted by the AIV on 9 May 2008.

I Background, questions and strategy

I.1 Background to this advisory report

Since the beginning of this decade, a number of important developments have occurred in the field of development cooperation in the European Union (EU). There have basically been eight developments (which are examined in more detail in chapter II).

- In 2001 the European Commission launched a major reform of the administration of development cooperation. The most important reform was the establishment of the Europe Aid Cooperation Office, responsible for the implementation of policy.
- In 2005 the member states and the European Commission agreed on a phased increase in their development aid budgets to at least 0.51% of Gross National Income (GNI) (0.17% for member states that acceded from 2002 onwards) by 2010 and 0.7% of GNI (0.33% on average for the new member states) by 2015.¹
- If these targets are achieved, it will lead to a considerable increase in the joint EU and member state budget for Official Development Assistance (ODA), from almost 48 billion euros in 2006 to almost 79 billion euros in 2010 and 116 billion in 2015.² Notably, the new member states, whose ODA is often below 0.10%, have made extra efforts in this respect. In 2006 the EU accounted for 57.4% of total ODA volume. This proportion is set to rise if the commitments are actually achieved.
- The European Consensus on Development was adopted in 2005.³ It sets out the EU's vision of development and development cooperation, suggesting how the associated targets, principles and obligations can be operationalised under a common EU policy.
- The EU Code of Conduct on Complementarity and Division of Labour in Development Policy was adopted in 2007.⁴ This code, which is designed to improve coordination between donors, represents an important contribution by the EU towards implementing the 2005 Paris Declaration on Aid Effectiveness.
- In 2007, a fundamental reform of the financial instruments for External Relations was launched in the European Community, reducing their number from 35 to 10.
- The Reform Treaty was adopted in October 2007. Its official title is the Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European

1 See OECD Development Assistance Committee, DAC Peer Review of the European Community, Paris 2007 pp. 36-7; Financing for Development – from Monterrey 2002 to Doha 2008, Progress Report 2007, Annex, p. 19. The new member states are therefore under a best efforts obligation to meet this target.

2 Nevertheless, the DAC recently reported that EU aid *fell* from 47.7 billion euros in 2006 to 46.1 billion euros in 2007. Incidentally, 8 to 10% of Dutch ODA is channelled through the Community. See also: Letter to the House DIE-566/2008, 'Answers to questions from MP Kathleen Ferrier on the OECD figures for development aid' of 28 April 2008.

3 The European Consensus on Development, Official Journal of the European Union, 2006, C 46/1-C 46/19.

4 Council of the European Union, Conclusions of the Council and of the Representatives of the Member States Meeting within the Council on EU Code of Conduct on Complementarity and Division of Labour in Development Policy, Brussels, 15 May 2007, 9558/07.

Community, whereby the latter is renamed the Treaty on the Functioning of the European Union and the EU replaces and succeeds the European Community. The Reform Treaty includes a large number of amendments and additions related to development policy, the Common Foreign and Security Policy and other policy areas (including trade, immigration, environment and energy). The Reform Treaty was signed in Lisbon on 13 December 2007, and the target is for it to enter into force in early 2009.

- Besides the above developments, which mainly concern the internal workings of the EU, since 11 September 2001 concern about religious extremism, the spread of weapons of mass destruction and international terrorism has grown throughout the world. Development policy, including that of the EU, is regarded as an important part of efforts to curb and prevent threats to peace and security.

Several of these developments prompted the Minister for Development Cooperation to turn to the AIV on 11 June 2007 with a request to explore and advise him on their possible implications for Dutch development policy.

1.2 Questions

In this advisory report, the AIV first examines the exact questions that the Minister asked concerning the 'possible implications for the Netherlands of the recent developments in EU development policy'. There are five groups of questions: one main question and four subsidiary questions. Each of these groups can be further subdivided into more specific questions, bringing the total number of questions to 16.

The main question (question 1.1) and the first subsidiary question (question 2.1) concern the relationship between the EU and the Netherlands: the possible implications for the Netherlands of the recent strengthening and configuration of EU development policy. The second (question 3.1) and third (question 4.1) subsidiary questions are about the European Commission's current and future activities. The final subsidiary question (question 5.1) concerns the role of the EU vis-à-vis the relationship between security and development, particularly the question of whether the EU should be a priority forum in this area.

All in all, this gives us the following 16 questions.

- Question 1.1 What are the implications for the Netherlands of the recent strengthening and configuration of EU development policy?
- Question 1.2 How can the Netherlands make effective use of EU development policy in implementing Dutch development cooperation policy?
- Question 1.3 In which content areas does the Union have added value for the Netherlands?
- Question 1.4 How much potential is there for a more political approach to development cooperation in the context of the EU?
- Question 2.1 To what extent can the Netherlands make use of the EU as a forum for donor coordination and cooperation with respect to development policy, now that the EU's European Consensus provides a good framework for the development cooperation policy of member states and the Commission, and the EU Code of

Conduct gives new impetus to the division of tasks among EU donors in line with the Paris Agenda?

- Question 2.2 Is there enough political support among the other 26 member states for the implementation of the relevant agreements?
- Question 2.3 Does closer EU collaboration in the field of development cooperation offer potential for using the dialogue with partner countries more politically?
- Question 3.1 What should be the long-term implications of the European Consensus and the EU Code of Conduct for the Commission's efforts?
- Question 3.2 Should the Commission take on the role of lead donor in more developing countries?
- Question 3.3 Are there sectors in which this would be an appropriate ambition and sectors in which it would be inappropriate?
- Question 4.1 Should the Netherlands aim to achieve a gradual increase in the proportion of development aid channelled through the Community?
- Question 4.2 If so, what are the implications for the choices to be made with regard to policy, the internal organisation of the Ministry of Foreign Affairs or other issues?
- Question 5.1 Should the EU be a priority forum for activities on the interface between development and security, i.e. in the fields of conflict prevention, crisis management, peacebuilding and reconstruction?
- Question 5.2 Should the Netherlands explicitly opt for the European Union as a priority forum in this field?
- Question 5.3 Would this have implications for the Netherlands' own bilateral policy in this area?
- Question 5.4 How can policy coherence be improved, both among the EU pillars and in terms of EU and national efforts, e.g. in relation to fragile states?

1.3 Strategy for addressing the questions

After a brief discussion of the rationale behind the request for advice, chapter II considers what factors have a bearing on the Minister's questions. The matter at hand is the functioning and policy of the EU, specifically the competences of the EU and the member states under the new Treaty of Lisbon, especially in so far as they relate to development policy as part of EU External Action. The EU's global economic and political position is then outlined, and EU development policy is examined at some length: its organisation and financing and the degree to which it differs from the development policies of the member states, particularly the Netherlands. Finally, chapter II considers two recent, essential EU documents: the European Consensus and the Code of Conduct. The first sets out the EU's vision of development and development policy, as well as guidance on how it should be implemented. The second contains analyses and guidance on the division of tasks between the Commission and the member states.

Chapter III addresses question 1.1 and the associated subsidiary questions, first examining the details of the recent strengthening and configuration of EU development policy. In this context, the following matters are considered: the enlargement of the EU to encompass twelve new member states, the administrative reforms within the Commission and the regrouping of the financial instruments. In addressing the subsidiary questions, consideration is first given to how the Netherlands could make effective use of the common EU development policy. The AIV then explores the possibilities for a more political approach to development cooperation in an EU context, focusing on political analysis and conditionality.

In chapter IV the AIV examines subsidiary questions 2.1, 3.1 and 4.1 and the associated further questions concerning donor coordination, the role of the Commission and the question of whether more aid from member states (the Netherlands) should be channelled through the EU. In this context the AIV first considers the implementation of the coordination process as set out in the Code of Conduct, particularly the role and the comparative advantages of the Commission. Though spending via the EU may not exceed what has been agreed up to 2013 except by means of cofinancing, after that date it will be possible to channel more aid through the Union. In this connection, the AIV highlights a number of possible implications for policy, organisation and a number of other areas.

The fourth and final subsidiary question 5.1 and associated further questions are discussed in chapter V. First, a number of facts and current views on the relationship between security and development are presented. The capacity for and potential of such an approach by the EU, the UN and NATO are also briefly summarised. This is then used as a basis to examine whether the EU is in fact in all cases the most appropriate forum for activities in the fields of conflict prevention, crisis management, peacebuilding and reconstruction. Finally, the AIV considers the financial implications of a coherent policy as part of an integrated approach.

The report closes with a number of conclusions and recommendations, which are presented in chapter VI.

II The European Union: functioning and policy

II.1 Introduction

This chapter presents information that is directly or indirectly relevant to the 16 questions listed in section I.2.

First, we present information about the EU itself, the European institutions and the competences of the EU and the member states, particularly after the Reform Treaty enters into force, presumably from 1 January 2009. We focus particularly on the role and tasks of the Commission under the Treaty. The ambitions and practical role of the EU in the world are then examined, along with the Netherlands' position on the process of European integration and the question of what it means for European development policy. The organisation and financing of EU development policy is then explained, and a number of specific aspects of the policy are discussed. Finally, the two most relevant documents on EU development policy – the European Consensus and the EU Code of Conduct – are examined in more depth.

The European Union consists of its member states and its institutions. The AIV would first like to draw attention to the task with which the EU institutions have been charged: 'The Union shall have an institutional framework which shall aim to promote its values, advance its objectives, serve its interests, those of its citizens and those of the Member States, and ensure the consistency, effectiveness and continuity of its policies and actions.' (Treaty on European Union, Title III, Article 13, para. 1). The institutions of the European Union are the European Council, the Council of Ministers, the European Parliament and the European Commission (plus the European Central Bank, the European Court of Audit and the European Court of Justice, which are not directly relevant to this report). The AIV acknowledges that the organisation of and decision-making within the EU are so complex that it is difficult for ordinary citizens to assess the Union's added value for them. In line with its other advisory reports on the matter, the AIV would therefore advise the governments of the EU to continually draw the public's attention to the advantages of the Union.⁵

II.2 Competences of the EU and the member states under the Treaty of Lisbon

The Treaty on the Functioning of the European Union distinguishes between exclusive and shared competences, as well as the EU's competence to support, coordinate or supplement the actions of the member states.

In the case of exclusive competences, only the EU is able to take legislative action and perform legally binding acts. The member states may do so only if they have been authorised by the EU, or in order to implement an EU action. One well-known example is common trade policy. In the case of shared competences, both the EU and the member states may take legislative action and perform legally binding acts. The member states

⁵ See: AIV, *Bridging the Gap between Citizens and Brussels*, advisory report no. 27, The Hague, May 2002; AIV, *Bridging the Gap between Citizens and Brussels, Follow-up Report*, advisory report no. 32, The Hague, April 2003; AIV, *Europe: A Priority!*, advisory report no. 52, The Hague, November 2006; and AIV, *The Finances of the European Union*, advisory report no. 58, The Hague, December 2007.

exercise their competences in so far as the EU has not exercised its competences, and in so far as the EU has decided to desist from exercising its competences. Shared competences exist in policy areas such as the environment, energy and the internal market. In exercising its supporting, coordinating and additional competences the EU does not assume the competences of the member states in the area in question. Such competences exist in policy areas such as industry, education, culture and tourism.

In the areas of development cooperation and humanitarian assistance, the Union is competent to act and to pursue a common policy; however, in exercising its competences it must not prevent member states from exercising theirs (Treaty on the Functioning of the European Union, Title I, Article 4, para. 4). Development cooperation is part of the EU's External Action, which has the following general objective: 'The Union's action on the international scene shall be guided by the principles which have inspired its own creation, development and enlargement, and which it seeks to advance in the wider world: democracy, the rule of law, the universality and indivisibility of human rights and fundamental freedoms, respect for human dignity, the principles of equality and solidarity, and respect for the principles of the United Nations Charter and international law.' (Treaty on European Union, Title V, Chapter 1, Article 21, para. 1). To this end, the EU defines and pursues 'common policies and actions, and works for a high degree of cooperation in all fields of international relations,' (Treaty on European Union, Title V, Chapter 1, Article 21, para. 2) in order to achieve certain objectives. These objectives include:

- preserving peace, preventing conflicts and strengthening international security;
- fostering the sustainable economic, social and environmental development of developing countries, and providing support in the field of human rights and the rule of law, with the primary aim of eradicating poverty;
- encouraging the integration of all countries into the world economy, including through the progressive abolition of restrictions on international trade;
- helping to develop international measures to preserve and improve the quality of the environment and the sustainable management of global natural resources, in order to ensure sustainable development.

The Treaty on the Functioning of the European Union further elaborates EU development policy. The following points from the Treaty are relevant.

- The development policies of the EU and of its member states must complement and reinforce each other (Title III, Chapter 1, Article 208, para. 1). In the previous Treaty this obligation extended no further than to 'complement each other'.
- Union development cooperation policy has as its primary objective the reduction and, in the long term, the eradication of poverty. The Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries (Title III, Chapter 1, Article 208, para. 1). In other words, there is at least a partial obligation to strive for policy coherence.
- The existing obligation to consult on the matter of aid programmes has been retained in the new Treaty. Furthermore, the new Treaty includes a coordination obligation, mainly to promote the 'complementarity and efficiency' of the EU's action (Title III, Chapter 1, Article 210, para. 1).

All this makes clear that in the EU development cooperation is a shared competence. Though a common policy exists, this does not prevent member states from pursuing their own development policies. But the development policies of the EU and member states must complement and reinforce each other; coordination between the two therefore aims to make policy more effective. This is also the aim of the Consensus

and the Code of Conduct, though they do not afford any control over coherence between development and other policies, such as those on international trade, fisheries, immigration et cetera. Competences are divided differently in these areas. In terms of international trade, for example, the EU holds exclusive competence. Policy coherence in these areas therefore has to take shape as policy decisions are made, in the member states, the EU and the European Commission.

II.3 The European Commission and the European Parliament

Besides its other tasks, the Commission executes the budget and manages the programmes. It exercises coordinating, management and executive functions as laid down in the Treaties. It is also responsible for the external representation of the Union (Treaty on European Union, Title III, Provisions on the institutions, Article 17). In other words: the Commission is the EU's executive body.

In fact, the Commission has four powers: the power to initiate, negotiate, implement and coordinate. The EU can enter into agreements with third countries and competent international organisations with a view to achieving the objectives of the common development policy (see section II.2). The Commission puts forward proposals to this effect, the Council authorises them and the Commission negotiates terms. The Council (i.e. the member states) can adopt directives and appoints a committee with which the Commission must hold consultations. The agreed aid programmes are proposed by the Commission and adopted by the Parliament and the Council by way of co-regulation (Treaty on the Functioning of the EU, Title III, Chapter 1, Article 209, para. 1). The Council and Parliament delegate the implementation of the programmes to the Commission in accordance with the comitology procedure, whereby representatives of the member states are involved in doing country analyses, programming aid and monitoring implementation.

The Commission's coordinating powers as the executive body of the EU are dealt with at the end of section II.2. Coordination by the Commission is intended to promote the complementarity, reinforcement and effectiveness of development policy. The Commission can make proposals as to how it is to exercise these powers, guided by the Consensus and the Code of Conduct (see section II.8). The Commission also has its own role in the implementation of treaties (such as the agreement with the ACP).

In view of the above, the AIV concludes that it should be impossible for differences of opinion to arise between the member states and the Commission (as the executive body of the EU) concerning the substance and implementation of the EU's common policy. After all, the member states and the Commission share responsibility for this common policy. Furthermore, in formulating and implementing policy, the Commission acts solely in accordance with the powers with which it has been invested. The same applies to the member states. Finally, in this matter the Commission operates under the supervision of the member states, via the comitology system. In other words: the current decision-making process should exclude the possibility of disputes based on the formulation of EU policy (for which member states bear joint responsibility) and bilateral policy (for which member states are responsible).

In practice, however, such a situation may well arise if a member state wishes to opt out of a common policy adopted by majority vote. The AIV would point out, however, that the Reform Treaty explicitly limits the opportunity to do so. The Treaty on European Union stipulates, 'Pursuant to the principle of sincere cooperation, the Union and the Member

States shall, in full mutual respect, assist each other in carrying out tasks which flow from the Treaties. The Member States shall take any appropriate measure, general or particular, to ensure fulfilment of the obligations arising out of the Treaties or resulting from the acts of the institutions of the Union. The Member States shall facilitate the achievement of the Union's tasks and refrain from any measure which could jeopardise the attainment of the Union's objectives.' (Treaty on European Union, Common Provisions, Article 4, para. 3). Differences may well arise over the implementation of policy, and may in fact be expected as a result of the process of coordination between the EU and the member states. Such differences will relate to the choice of country and sector in the framework of complementarity and the division of tasks as envisaged in the Code of Conduct. There may also be differences of emphasis in terms of the relative scale of budget support and contributions to non-governmental organisations.

Citizens are directly represented at EU level in the European Parliament. The Parliament broadly has four powers: legislative power, budgetary power, monitoring power and power over appointments. In the future, once the Reform Treaty has been ratified, it will also exercise political control and carry out advisory tasks. In collaboration with the Council, the Parliament will adopt measures necessary for the implementation of development policy. They may involve multiannual cooperation programmes with developing countries or programmes with a thematic approach.⁶ All in all, the European Parliament will have considerable powers under the Reform Treaty. Not only will it perform legislative and budgetary tasks in collaboration with the Council, its approval or advice must be sought in many areas. The AIV does not examine the future role of the Parliament in development policy in any further detail in this report, as the Minister did not include it in his request for advice. Nevertheless, it should be noted that the Parliament plays a substantial role in policymaking in this area, a role that may well grow in future. The Netherlands will have to take this into account in its own policymaking.

II.4 The EU in a global context

'The European Union is the largest single economic entity in the world, with half a billion people and a gross domestic product (GDP) slightly larger than that of the United States. Its presence in the world economy is powerful: it is the largest exporter and the second largest importer (behind the US) of goods; the largest exporter and importer of services, the largest importer of energy, the largest donor of foreign aid; the second largest source and second largest destination of foreign direct investment (FDI) (behind the US); and the second destination for foreign migrants (also behind the US).'

In the AIV's view, this passage from chapter 1 of a recent series of studies on the role of the EU in a global context presents a comprehensive yet concise picture of the EU's economic weight in the world.⁷ In addition, author André Sapir points out, one must also consider the EU's major role in many, highly diverse areas of international regulation, including trade (WTO) and competition, the environment, finance (the euro) and regulation of financial supervision. Although the economic and political weight of the EU might be expected to increase as it enlarges, it actually appears to be declining

6 See Treaty on the Functioning of the EU, Title III, Chapter 1 Development Cooperation, Article 209.

7 André Sapir, 'Europe and the global economy', Chapter 1 in André Sapir (ed.), *Fragmented Power: Europe and the Global Economy* (Brussels: Bruegel Books, 2007), p. 1.

as cohesion declines. Added to this is the fact that the three biggest member states are neither willing nor able to link their own position to that of a 'Greater Europe'.⁸ Other factors also have a bearing on this development, not least the ongoing process of globalisation and demographic trends, which are enabling China and India, above all, and also Brazil to develop into major economic powers, partly at the EU's expense.⁹

The AIV would like to raise the following point concerning the globalisation process. While this integration of national economies and economic activities into the global economy through markets, trade, direct investment and international flows of labour and technology has boosted a large number of emerging economies, industrialised countries and regions, including the US and the EU, have also benefited substantially. For the EU, it is important that the process be steered in the right direction by means of legislation and market organisation. Two developments within the EU are particularly significant in making this possible. The first is the implementation of the Lisbon strategy for economic reform, which was relaunched in 2005. The second is the translation of economic weight into political influence as the EU speaks increasingly with a single voice, thus putting an end to its current situation of 'fragmented power'.¹⁰

II.5 EU development policy: organisation and financing

Within the institutional framework of the EU – particularly within the Commission – certain bodies are relevant to development cooperation and development. These are the Directorate General (DG) for Enlargement (the Balkans and Turkey), DG Trade, DG External Relations (RELEX), DG Development (DEV), DG Humanitarian Aid (ECHO) and the EuropeAid Cooperation Office, which is responsible for the instruments and implementation of EU aid and for all stages of the project cycle. The European Investment Bank – not an EU institution – is responsible for certain financial aspects of development aid and the EU's development policy. Finally, DG Economic and Financial Affairs also deserves a mention, as it is responsible for macroeconomic aid, mainly to the Balkans and the Newly Independent States. It also coordinates operations with the multilateral international financial institutions and plays an important role vis-à-vis the debt status of developing countries.

Since 2007 the EU's external assistance has been financed by ten financial instruments.¹¹ Eight largely consist of ODA. In 2006, 12.1 billion euros were available, 9.8 billion in the form of ODA.¹² One of these instruments is the European Development Fund (EDF), which consists of voluntary contributions over several years from the member states, intended for countries in Africa, the Caribbean and the Pacific (ACP) and the

8 Bart Tromp, 'Van afscheid van de neutraliteit tot postmoderne identiteitscrisis?', *Internationale Spectator* 60.11, November 2006, pp. 590-594.

9 Ludolf van Hasselt, 'Europese Unie en Verenigde Naties: Partners in "zachte macht"', *Internationale Spectator* 61.3, March 2007, pp. 127-130.

10 André Sapir, op. cit., p. 19.

11 OECD DAC, DAC Peer Review of the European Community (Paris: OECD, 2007), pp. 37-43.

12 European Commission, Annual report 2007 on the EC's Development Policy and the Implementation of External Assistance in 2006, Brussels, 21-06-2007, p. 3.

Overseas Countries and Territories (OCT). The EDF is administered by DEV. The planned financing available for these ten instruments for the period 2007-2013 (EDF 2008-2013) amounts to some 70 billion euros, including 22.7 billion (33%) for the EDF.¹³

The Development Cooperation Instrument (DCI), with 16.9 billion euros (24%) is also important in this context. It is intended for programmes in Asia, Latin America, the Middle East and South Africa and for five thematic programmes (investing in people; environment and sustainable management of natural resources; non-state actors and local authorities; food security; migration and asylum). The DCI is administered primarily by RELEX.

Five other financial instruments are also relevant:

- humanitarian aid, 5.6 billion euros (8%) administered by ECHO;
- the European Neighbourhood and Partnership Instrument (ENPI), 11.2 billion euros (16%);
- the European Instrument for Democracy and Human Rights (EIDHR), 1.1 billion euros (2%);
- the Instrument for Stability (IfS), 2.1 billion euros (3%), all three administered by RELEX;
- the Instrument for Pre-Accession (IPA), 11.5 billion euros (16%), administered by DG Enlargement.

These seven instruments, together with the Instrument for Macroeconomic Support (intended for extraordinary financial circumstances like those in some Balkan states and the Newly Independent States), consist largely of ODA. The EDF and DCI account for the lion's share of total EU ODA. The Instrument for Cooperation with Industrialised Countries (ICI) and the Instrument for Nuclear Safety Cooperation (INSC) do not fall under ODA.

As we have said, 9.8 billion euros, or almost 21%, of the EU's total ODA effort in 2006 (49.9 billion euros) was administered by the Commission. Given the limited increase in the Commission's development budget up to 2013 (see footnote 13), the aid administered by the member states is expected to account for a steadily increasing share in the near future. However, the Commission could play a greater role through cofinancing and allocation to it of development tasks. The AIV examines this prospect in chapter IV.

Finally, the AIV would like to point out that discussions with Commission officials (from DEV and RELEX) and with others in The Hague and Brussels have revealed great uncertainty as to the status and configuration of development activities in the future architecture of the EU's External Action after 1 November 2014. Some fear that development cooperation will lose much of its political weight. Whether this fear is well-founded is difficult to say at this juncture, but the AIV would regard this as an undesirable development.

¹³ European Commission, Communication from the Commission to the Council and the European Parliament, *On Instruments for External Assistance under the Future Financial Perspectives 2007-2013*, COM(2004) 626, 29 September 2004, Brussels.

II.6 Development cooperation: specific aspects of EU policy

There is a clear distinction between EU member states as bilateral donors and the EU as a multilateral donor. The EU is present everywhere around the globe. While most bilateral donors focus their aid on a limited number of countries, the EU operates in 145 countries, the result of a political choice by the member states.

The European Commission has Delegations in 123 developing countries, which now play an important role in implementing aid programmes on the ground. In recent years the Commission has pursued a policy of devolution (deconcentration), appointing an additional 1500 officials to the Delegations, which have been given a greater role in implementation. The Delegations now also have more capacity to undertake coordination tasks. Nevertheless, their capacity for implementing aid programmes (which have grown in scale) is still limited. This issue of capacity must not be overlooked, in the AIV's view. Donor coordination is a time-consuming affair for both individual member states and Delegations. It is therefore important to explore whether other donor countries or international organisations might be able to play a greater role, alongside the EU and the member states.

The Commission is the only development partner in a number of countries. Furthermore, the EU has treaty-based ties with a large number of regions, for both development cooperation and political dialogue. The Cotonou Agreement with 78 ACP countries is the most notable example. The EU also has a large number of Association, Partnership and Cooperation Agreements, particularly with countries covered by the European Neighbourhood Policy. This gives the Commission a broader and more international perspective than the individual member states when it comes to implementing EU development policy. Besides purely development objectives – which are common to both the EU and the individual member states – EU policy is also founded on political and geopolitical considerations such as neighbourhood policy, security and stability. In consequence, EU policy has a relatively strong focus on middle-income developing countries (in the Balkans and Mediterranean regions, for example), and puts proportionally less emphasis on the poorest developing countries.

The EU not only has its own aid policy as a donor alongside that of the member states, it increasingly plays a role of its own in international talks on broader structural issues. Detailed talks on coordination are commonly held, and in many cases the EU takes joint action, with the country occupying the Presidency speaking for the Union as a whole. When it comes to trade policy – which is an exclusive competence of the EU – the Commission speaks for the EU. The international political weight of the European Union has grown, and the European institutions had a substantial impact on the UN debate on increasing development aid (Monterrey), the drafting of the Millennium Development Goals, and more recently on the G8's decision to considerably increase the amount of its ODA, in particular doubling its aid to Sub-Saharan Africa by 2010, and provide debt relief.¹⁴

Nevertheless, the AIV cannot avoid the impression that EU joint aid is not visible enough. The global influence that the EU exerts on the basis of its aid seems to fall short of its potential, and contrasts unfavourably with its weight in the world trade

¹⁴ The EU as such carries less political weight in the UN Security Council. See also: AIV, *The Netherlands in a Changing EU, NATO and UN*, advisory report no. 45, The Hague, July 2005.

talks, for example. The absence of a more integrated EU development policy partly accounts for the EU's inability to have a political impact commensurate with its major joint development efforts in the spirit of the objectives of the Lisbon Treaty.

II.7 European and Dutch development policy compared

There is still a tendency to oppose national development policy to European development policy, overlooking the fact that, as was stressed earlier in this chapter, the Netherlands and the other member states participate in the implementation of European development policy by the Commission, as well as helping devise the policy. Under the various EU development instruments, the member states are involved in country analyses, aid programming and monitoring. Coordination between member states and the European Commission on the ground is also increasing. If there are, nevertheless, tensions between national and EU perspectives, this is likely to be symptomatic of a lack of coordination within the member state itself, or possibly of deliberate stoking up of tensions due to a conflict of interests.

The fact that the EU works with over three and a half times more partner countries than the Netherlands inevitably leads to differences in the composition of their respective development programmes. The Netherlands concentrates its efforts on the top 20 recipient countries, and focuses more on poverty reduction. This is, however, a matter of definition. While Dutch development policy emphasises health care and education, the EU leads the field in budget support (including sectoral support). The Commission's goal is to channel around 50% of its aid spending into budget support. This is also in line with partner countries' desire for ownership. Budget support is given only if the beneficiary has a 'poverty reduction strategy' (PRS), a macroeconomic policy geared to stability, and credible financial management. The Commission applies an effective Public Financial Management instrument based on 28 indicators, on which it collaborates closely with the IMF and World Bank. Accountability is therefore an essential precondition for budget support (the AIV will return to this matter when addressing question 1.4).

There are risks associated with budget support, however. The EU – in fact, the Commission – may be tempted, due to staff shortages, to grant budget support too readily (the target figure of 50% of aid is a doubling of the current figure). The continuity of aid programmes would then depend heavily on adequate budget management by the partner country, particularly its capacity for truthful accountability. This holds the risk for the recipient country of irregular flows of aid, which would in turn impact on the budget. A more diversified aid programme would leave a greater proportion of it intact, thus also leaving more scope for technical assistance in areas in which many countries need it. There is also a danger that the EU would not then attach enough consequences to failures of management and accountability, thus fostering poor discipline and corruption. There is, however, no doubt that well-structured budget support can help achieve greater aid efficiency and better and faster aid delivery. The Commission must in the future take more account of the fact that parliaments and civil society should, where possible, play a key role in ensuring that aid money is spent in such a way that it supports the PRS and helps reduce poverty. Only then will the aim of ownership be achieved.

The AIV would like to make a number of remarks about the much greater role of the EU in infrastructural projects, which is often greatly appreciated by governments. Carefully selected infrastructural projects such as the construction of highways and rural roads are necessary to improve access to urban and rural areas, and as such form part of

pro-poor growth strategies.¹⁵ Under the EDF, there is also an emphasis on major cross-border infrastructural projects designed to foster regional cooperation. Further regional integration is essential to create markets and attract foreign investment.

The Dutch and EU proportion of aid for Africa is more or less equal. The percentages of ODA intended for the least developed countries do not differ much. Obviously, the multilateral share of Dutch development aid (even excluding the proportion that goes to the EU) is much greater than in the EU (which is itself a multilateral entity). The Netherlands also channels a much higher proportion of its aid via NGOs than the EU does.¹⁶

II.8 EU development policy: the European Consensus and the Code of Conduct

In this section, the AIV examines the substance and significance of the Consensus and the Code of Conduct in greater detail. The Consensus consists of two parts. The first sets out the EU's vision of development. In other words, it describes the first ever common – EU and member state – approach to development cooperation, focusing on the primary objective of EU development policy: poverty reduction in the context of sustainable development, including the MDGs. This first part also confirms the EU's commitment to:

- the common principles of gender equality, ownership, partnership, participation of civil society, political dialogue and preventing state fragility;
- more, and more effective, aid;
- consistency in policy;
- allocating resources on the basis of objective and transparent criteria based on needs and performance;
- tackling global problems (the need for peace and sustainable growth, immigration, climate change et cetera).

The second part deals with the implementation of the Consensus, particularly the role and contribution of the Commission. More specifically, this involves:

- improving procedures for implementing the partnership commitments under the Paris Declaration: 'ownership, alignment, harmonisation, managing for results and mutual accountability';¹⁷
- stressing the importance of issues like democracy, good governance and human rights;
- identifying areas for EU activities and plans in order to develop the necessary expertise and capacity.

As the 2007 OECD DAC European Community Peer Review remarks (p. 26), the logical next step is to translate this common consensus into a number of operational strategies, to ensure that the EU speaks authoritatively and with one voice on specific

¹⁵ There has also been criticism of the focus on infrastructural projects. See for example: Save the Children, 'We don't do childhood poverty – we do large roads!', The EU Millennium Development Goals and Children, Save the Children Europe Group, 2005.

¹⁶ The proportion in the Netherlands is 11 to 13%. The DAC figures for the EU, including the Netherlands, are 2 to 3%.

¹⁷ High Level Forum, Paris Declaration on Aid Effectiveness, Paris, 2005.

policy areas and themes. The AIV wholeheartedly endorses this recommendation, and recommends that the Netherlands play a leading role in this process in order to increase its input into, and influence, on EU development policy. In this respect the AIV draws attention to sections II.2 and II.3, which examine the objectives of EU development policy, the competences of the different institutions and the member states, and the institutions' and member states' efforts to achieve complementarity, increase the efficiency of aid, and better coordinate policy.

As also reported in chapter I, the EU Code of Conduct on Complementarity and Division of Labour in Development Policy was adopted in 2007. This document, which the AIV regards as a major contribution to the formulation of EU development policy, sets out a number of principles, objectives and approaches that could considerably enhance the effectiveness of that policy.¹⁸ It focuses mainly on a new policy on the division of labour among member states and between member states and the European Commission, based on complementarity, added value and comparative advantage. This should lead to a reduction in the number of donors per sector and the number of sectors per donor. The document introduces three types of complementarity, each with an associated division of labour: 'cross-country', 'cross-sector' and 'in-country'.

'Cross-country' complementarity will undoubtedly raise the most difficulties. Member states have their own bilateral relationships (with former colonies), their own geopolitical interests, a need for political visibility, sometimes deeply-rooted relations with NGOs and a natural tendency to concentrate aid on well-governed developing countries ('donor darlings'). There is therefore a good deal of scepticism as to the practicability of a geographical division of labour. The European Commission has made a cautious attempt by compiling a Donor Atlas containing detailed statistics on EU development aid.¹⁹ The atlas shows only too clearly that a large proportion of development resources is concentrated on a relatively small number of recipient countries, while other countries ('donor orphans') – generally fragile states – are largely left out in the cold. The impending increase in ODA gives us every reason to open this issue up to debate, first of all within the EU. Furthermore, new donors are joining the EU (the new member states). There is no reason why such a debate should not be conducted on an informal basis. Meetings of Directors-General for Development Cooperation from the member states could provide a suitable forum.

'Cross-sector' complementarity could also help ensure that development budgets are spent more efficiently. It should be based on the criterion that the comparative advantage of each of the donors (European Commission and member states) must be factored in. Though the Commission document does not give a precise description of comparative advantage, it does indicate that it is based on added value, good performance – relative to other sectors in the donor country or to other donors – or lower costs than other donors. Added value, in turn, is based on a large number of factors, including presence in the partner country, experience, technical know-how et cetera. It should at any rate include showing good results in specific areas.

18 Communication from the Commission to the Council and the European Parliament, EU Code of Conduct on Division of Labour in Development Policy, and the accompanying Commission Staff Working Paper, Brussels, COM(2007) 72 and SEC(2007) 249. See also footnote 4.

19 European Commission and OECD, EU Donor Atlas 2006, Volume 1, Mapping Official Development Assistance, February 2006.

For the AIV, it is of paramount importance that efforts to achieve progress are made in all three areas and that improvements are possible in all three. Although it is impossible to say in advance where progress will be made, 'in-country' coordination (coordination in the field) between EU donors (member states and Commission) and with the recipient country shows the most promise. Non-EU donors and multilateral development institutions must also be involved.²⁰ Indeed, coordination of this kind is increasingly taking place. The idea that the Netherlands and the Commission might work in future with a limited number of sectors in each country could certainly have a positive impact and should be elaborated further. Other key elements of this approach are:

- ownership by the partner country, particularly in the case of in-country coordination;
- appointment of a lead coordinator in consultation with the partner country;
- voluntary application of the Code of Conduct, only between governments;
- concentration of aid from the member states on a limited number of countries and sectors, combined with general availability of EU aid.

All in all, implementation of the Code of Conduct is likely to be a long and difficult process, as a result of the conflicts of interest and organisational complexity already discussed. In this connection, the AIV would refer to an excellent study by the German Development Institute in Bonn, which presents a number of practical principles and recommendations that could produce a workable division of labour in the EU.²¹ Again, the AIV recommends that the Netherlands actively participate in the debate on this matter.

In this connection, the GAERC Conclusions of 15 May 2007 concerning the EU Code of Conduct are important.²² In the Conclusions, the Council first emphasises its political commitment to the principles of the Code of Conduct, which in turn are based on the Paris Declaration and the Consensus. According to the Council Conclusions, the implementation of the Code of Conduct must also:

- focus on aid orphans and fragile states;
- take account of existing obligations and focus above all on additional aid flows;
- feature an EU joint programming framework;
- include dialogue and collaboration with other donors and international organisations;
- focus on cross-sector complementarity;
- accord the Commission a leading role in the EU's implementation of the Code.

²⁰ This will of course also require proper coordination in Brussels.

²¹ Holger Mürle, *Towards a Division of Labour in European Development Cooperation: Operational Options*, Discussion Paper 6/2007 (Bonn: German Development Institute, 2007).

²² General Affairs and External Relations Council, Conclusions of the Council and the Representatives of the Member States Meeting within the Council on the EU Code of Conduct on Complementarity and Division of Labour in Development Policy, Council of the European Union, Brussels, 15 May 2007, 9558/07.

III Implications for the Netherlands of the recent strengthening and configuration of EU development policy

III.1 Introduction

In this chapter the AIV examines the Minister's main question in more depth. The Minister is particularly interested in the possible implications for the Netherlands of the recent strengthening and configuration of EU development policy (question 1.1). The AIV has taken the following approach in examining the specifics of this general question. First, it examines the details of the strengthening and configuration (III.1.1). Then it describes the results of this process (III.1.2). The subject of Policy Coherence for Development (PCD) is examined separately (III.1.3). The AIV also considers the possibility and implications of any changes to the division of competences between and governance structure of the EU and the member states (III.1.4). Section III.1.5 then summarises the AIV's response to the main question.

The AIV then turns to three subsidiary questions (questions 1.2, 1.3 and 1.4 according to the categorisation in section I.2). These questions are reiterated in brief at the beginning of the relevant section.

III.1.1 EU development policy: recent strengthening and configuration

The recent developments in and configuration of EU development policy have already been discussed briefly in sections II.5 and II.6. In this context we should first highlight the fact that the EU now has twelve new member states, which in principle are also new bilateral donors.²³ While it is still too early to speak of any strengthening, there have been changes to the form EU development policy takes and these changes have clear implications.

Secondly, the administrative reforms within the European Commission leading to the establishment of DEV, RELEX, ECHO and, above all, EuropeAid, are also relevant. These four main pillars of EU development policy are currently the key factor shaping policy within the Commission (alongside DG Trade).²⁴

Thirdly, a factor not mentioned before: it should be stressed that the EU works with a large number of NGOs with the primary objective of conducting policy dialogues and implementing projects and programmes, in both the EU and in partner countries.

Fourthly, as mentioned in section II.5, the EU financial instruments for development cooperation have been reorganised. The major improvements to the statistical information on finances and financial planning, and the simplification of administrative procedures also deserve a mention.

23 See OECD DAC, op. cit. 2007, pp. 44-52.

24 Consider, for example, instruments like the General System of Preferences, 'Everything but Arms' and free trade agreements.

Fifthly, power has been delegated to the EU field offices as part of the devolution policy (section II.6). Matters such as increased budget support and the increased focus on Poverty Reduction Strategy Papers (PRSPs) should also be noted.

Sixthly, the European Commission's monitoring and evaluation policy has been significantly improved. The 2007 DAC Peer Review of the European Community also called for further improvements to the results-based management system (pp. 50-51). This recommendation also applies to a number of member states, including the Netherlands.²⁵

III.1.2 EU development policy: what has been achieved in the past few years?

In considering this question, the AIV took the 2007 DAC Peer Review of the European Community as its point of departure.²⁶ The Peer Review briefly describes the progress the EU has made in development cooperation since the previous Review in 2002. The EU has made progress in five areas.

- The EU's comparative advantages have been identified and strengthened.
- The sustainability of the poverty reduction process has been improved.
- Policy Coherence for Development is now an explicit goal.
- There is a greater focus on the effectiveness of EU aid and on 'managing for results'.
- A devolution policy is being put into practice.

An NGO study has concluded that EU aid has had more impact in recent years, particularly in terms of aid delivery. On the other hand, the report concludes, there is still a great deal of room to enhance effectiveness.²⁷ This is concisely summarised as follows: 'The European aid architecture has undergone significant changes since the beginning of the decade, when the Cotonou Agreement was signed and the Millennium Development Goals agreed. Poverty reduction in Asia, Africa and Latin America within a democratic, participative environment has become the overarching objective of the European development approach. Additional financial means are complementing new principles and new instruments. All these are positive developments. Nevertheless, the reality of EC aid shows that much more needs to be done to put theory into practice, to implement principles convincingly, to systematically introduce impact-oriented aid mechanisms, and to overcome bureaucratic hindrances as well as non-developmental interests, in order to improve the lasting "footprint" of EU aid in the South.'

Another major study on European Commission Aid has been produced by ActionAid and the European Centre for Development Policy Management (ECDPM).²⁸ Again, this study concludes that, though the effectiveness of the aid delivery process has increased in recent years, the disbursement process (actually making financial resources available) remains too slow and bureaucratic. This study is in fact a discussion note on five subjects, drawn up in light of the fact that the ODA provided by the Commission which, totalling almost ten billion euros in 2006, represents just over 20% of total EU ODA, will

25 OECD DAC Peer Review of the Netherlands, Paris, 12 September 2006, Recommendation 7.

26 OECD DAC op. cit. 2007, pp. 72 and 24-27.

27 Walter Eberlei and Denise Auslair, *The EU's Footprint in the South: Does European Community Development Cooperation Make a Difference for the Poor?* (Brussels: CIDSE and Caritas Europa, March 2007).

28 Gwénaëlle Corre et al. *Whither EC Aid?* (Maastricht-Brussels: ActionAid and ECDPM, 2008).

be proportionally much less extensive in the future (see also section II.5). All in all, the report voices many criticisms. The EU's aid criteria are not sufficiently focused on poverty reduction; its procedures and staff are much too bureaucratic; the added value of EU development aid is not adequately reflected in practice; accountability and public debate with stakeholders leave much to be desired; ownership and partnership – i.e. relations with parliaments and civil society – need major improvement, and the donor agenda plays too great a role.

A recent study by the EU's own Evaluation Service also looks at coordination, complementarity and policy coherence for development (PCD) in development policy – in terms of both policymaking and implementation – in the European Commission and the member states.²⁹ It found that coordination between the member states and the institutions in the fields of trade capacity building and humanitarian aid leaves much to be desired. It also found substantial failings as regards EU coordination and complementarity at the level of partner countries and, within partner countries, at the local level. However, the study is optimistic about the prospects for improvement in the quality of the organisations in future.

The AIV has been struck by the fact that a number of British evaluations of EU development policy have been extremely critical. They include an analysis of the effectiveness of EU development policy by Open Europe, in which EU aid is said to have improved since 2000, '... if only because it could not get much worse'.³⁰ The report argues that there is too little focus on poverty reduction: development policy is too much an instrument of EU foreign policy; claims that the EU has comparative advantages, are rather tenuous, both theoretically and empirically; there are too many bureaucratic procedures; administrative costs are too high, and there is too much waste and fraud.

A recent report by the British Centre for European Reform also has a highly critical undertone.³¹ The EU's role in coordinating aid is 'poor but improving', it says. To the question of whether the European Commission should play a larger role in EU development policy, it responds: Some would argue that though, in principle, it should, standards will first have to be raised; others argue there is no need at all. As ways of strengthening the EU's role in development, it suggests more coordination and PCD, a role as a think-tank, and greater efforts to raise its profile in the face of new international players like China and India.

Finally, the AIV would like to draw attention to the European Commission's informative 2007 annual report on EU development policy, which showed that the European Community was functioning better and better in the field of development cooperation, in terms both of policy and of operations. Interestingly, the section entitled 'Evaluation: Review of the 2006 Work Programme' not only reports positive developments, but also a number of shortcomings, such as a lack of insight into the contribution different

29 Evaluation Services of the European Union, *Evaluating Coordination, Complementarity and Coherence in EU Development Policy: A Synthesis*, Studies in European Development Cooperation Evaluation No. 8 (Amsterdam: Aksant Academic Publishers, November 2007).

30 Tom Claerhout, *EU Aid: Is It Effective?* (London: Open Europe, May 2007), p. 43.

31 Aurore Wanlin, *What Future for EU Development Policy?* (London: Centre for European Reform, May 2007).

sectors make to higher objectives like poverty reduction and cross-cutting issues such as gender; wide gaps between policy frameworks and actual implementation, and delays in implementation.³² The AIV has drawn a number of conclusions from the above.

In line with the 2007 DAC Peer Review of the European Community (p. 24) we conclude that the EU has made clear progress over the past few years in some areas of development policy, particularly poverty reduction, policy coherence (see section III.1.3), effectiveness and devolution. A comparison with the quality of the development policy administered by the member states is beyond the capacity of the AIV. Nevertheless, it is clear that EU development policy can and must be improved in many respects, and that the Netherlands must press forcefully for such improvements. In this context it is particularly important that coordination between the member states and the EU be stepped up to ensure mutual strengthening and greater effectiveness in all their development policies.

III.1.3 EU development policy: Policy Coherence for Development

PCD has featured in EU treaties ever since Maastricht (1992). The OECD definition of PCD is: 'working to ensure that the objectives and results of a government's (or institution's) development policies are not undermined by other policies of that government (or institution), which impact on developing countries, and that these other policies support development objectives, where feasible'. Compared with the passage on policy coherence in the Reform Treaty (see section II.2), which focuses on avoiding or mitigating negative impacts of non-development policy on development objectives, the OECD definition is more comprehensive, aimed at generating positive effects for developing countries wherever possible. In 2005, as part of a package of measures to promote achievement of the MDGs, the European Commission launched a major PCD initiative that was later adopted by the European Council and included in the Consensus.

In its Communication on the initiative, the European Commission listed twelve policy areas where more attention needed to be focused on PCD: 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.³³ Furthermore, the impact of decision-making procedures in the Council on efforts to achieve greater PCD was to be analysed and an action plan drawn up. This PCD Rolling Work Programme would be updated every six months by each EU Presidency. The EU also has two mechanisms to promote PCD: the informal PCD network, an initiative of the EU DGs for development cooperation, set up for the purpose of information exchange between the European Commission and the member states; and a biannual EU PCD report on progress with the Rolling Work Programme.

According to the results of an EU survey on PCD conducted in 2007, the current

³² European Commission, *Annual Report 2007 on the European Community's Development Policy and the Implementation of the External Assistance in 2006* (Brussels: European Communities, 2007). See in particular p. 133.

³³ European Commission, Communication on 'Policy Coherence for Development: Accelerating progress towards attaining the Millennium Development Goals', COM(2005) 134, 12 April 2005; Conclusions of the Council and of the Representatives of the Member States Meeting within the Council on Millennium Development Goals: EU Contribution on the Review of the MDGs at the UN 2005 High Level Event, General Secretariat, Brussels, 24 May 2005, 9266/05, Annex I, pp. 9-10.

situation can be described as follows.³⁴ The importance of PCD is universally acknowledged, both by the member states and by the EU institutions. The EU therefore has a number of mechanisms designed to meet these objectives (see above). Nevertheless, it is still only at an early stage of PCD development. The treaty basis is weak; insufficient capacity has been developed; knowledge and awareness of the issue among non-development cooperation parties are still limited, and it is virtually impossible to indicate the impact that the lack of policy coherence is having in specific cases. However, according to the report, there is a belief that progress towards PCD has been greater within the EU than at national level. This is not, incidentally, in line with the Netherlands' response to the survey, which indicates that the Dutch lead the field in terms of PCD in the EU, that general European PCD policy can in no way be deemed strong, and progress has been meagre.³⁵ The report also states that progress with PCD depends on the supply of information within the Commission and to the Presidency, on more coordination within the Council by Coreper (the Committee of Permanent Representatives) and on more effective coordination of the member states' PCD policies.

Further to its comments on coherence in section II.2, the AIV notes that promotion of PCD is not a feature of the relationship between the member states and the EU; it is however an issue within member states and within the EU. After all, the member states take decisions on matters such as trade policy, fisheries et cetera via the configurations of the Council of Ministers (nowadays in many cases subject to the approval of the European Parliament, though this does not detract from the member states' ultimate responsibility). If the ministers' positions in the Council do not comply with the coherence criterion, this is due to the internal power relationships and procedures within each member state. Likewise, the EU is itself responsible for the coherence of its input, particularly the European Commission, which has the right of initiative for both EU legislation and proposals in international negotiations. The responsibility of the European Parliament, under whose political control the Commission operates, is also a factor. Any failings must thus be rectified where they occur, above all in the member states themselves, where instructions for the Council are adopted. Though achieving greater and better PCD is of course an essential element of a more effective development policy in the broader sense, it does not fall within the scope of the specific questions the AIV has been asked to address, which focus on the best way of implementing the Consensus and Code of Conduct. The AIV would nevertheless like to underline the importance of this element of policy.³⁶

Finally, the AIV would like to make the following comment in this connection. As long ago as the Interministerial Policy Review on the Effectiveness and Coherence of Development Cooperation in 2002-2003, the importance of policy coherence was being underlined.³⁷

34 European Commission, *EU Report on Policy Coherence for Development* (Luxembourg: European Communities, 2007).

35 Letter to the President of the House of Representatives, ref. DGIS/CE U0404/2007, 13 April 2007.

36 See also: Louise van Schaik, 'Europese ontwikkelingssamenwerking, Nobel of naïef streven naar coherent beleid', *Internationale Spectator* 61.3, (March 2007), pp. 141-145.

37 Final report of the Working Group on Effectiveness and Coherence of Development Policy, Interministerial Policy Review 2002-2003.

In line with the 'Letter on Coherence', this report highlights coherent decision-making at European level as the greatest challenge at the strategic political level.³⁸ It then looks at the process of achieving coherent policy in the Netherlands. A large number of examples of interministerial cooperation in this area are cited: agriculture, fisheries, economic affairs, finance, public health, justice, economic affairs and social affairs and employment. The report emphasises that coherence means a two-sided approach geared to balancing divergent interests. It is only logical that not all development interests are fully reflected in the final result.

III.1.4 The EU and the member states: changes to the division of competences and governance structure?

In this section the AIV takes a brief look at a number of interesting contributions to the publication by André Sapir et al. mentioned above.³⁹ In their contribution, Coeuré and Pisani-Ferry explore the value and feasibility of adjusting the division of competences and thus the governance structure of EU development policy. As indicated in chapter II, competences are currently shared between the EU and the member states, and the system of coordination is tailored to this situation. Coeuré and Pisani-Ferry argue for a governance model that provides for strong centralisation of the competence to negotiate and implement legislation (exclusive competence) under the *ex ante* supervision of the member states (on the basis of guidelines and monitoring instruments), which they dub 'supervised delegation'. One of their arguments for this system is the public's pronounced preference, identified in opinion polls, for such a centralisation of development policy within the EU. The qualified majority voting procedure should remain unchanged. In this model, an EU institution (the Commission) would be responsible for implementation, operating under a mandate from the member states and the European Parliament. Under the comitology system, the Commission would be guided and monitored by a Committee of representatives from the member states. This is more or less the same as the governance arrangements for EU international trade policy, though supervision there is *ex post*.

The advantages of such a structure would appear to be:

- less duplication of development cooperation efforts by the member states and Commission;
- easier coordination between the EU and member states;
- less use of development policy as part of bilateral foreign policy;
- a stronger position for the EU in international economic and development relations (including conditionality, see section III.4.2);
- more prospect of consolidating EU representation on the boards of international organisations (particularly the IMF and World Bank, and also forums like the G7 and G8).

The main drawback would appear to be a possible weakening of support for development cooperation in the member states. Such proposals also seem to be based

38 Letter to the House of Representatives, Letter on coherence, Ministry of Foreign Affairs 020156, The Hague, 28 March 2002.

39 See *Fragmented Power*, op. cit. in footnote 7 above: Benoit Coeuré and Jean Pisani-Ferry; 'The governance of the European Union's international economic relations: how many voices?', pp. 21-25, Arne Bigsten, 'Development policy, coordination, conditionality, and coherence', pp. 99-127 and Alan Ahearne and Barry Eichengreen, 'External monetary and financial policy: a review and a proposal', pp. 128-155.

on an overly positive assessment of the quality and effectiveness of EU development efforts, despite the improvements made.

All in all, the AIV agrees with the authors that such centralisation and such a division of competences, and the treaty amendments they would necessitate, are out of the question in the short and medium term. The focus must therefore now be on improving cooperation between member states and with the Commission, particularly a more effective division of labour.

III.1.5 The AIV's response to the Minister's main question

On the basis of its conclusions in the previous sections, the AIV responds as follows to the main question.

- Section III.1.1 summarises the recent reforms and strengthening of EU development policy. The AIV agrees with the positive assessment in the 2007 DAC Peer Review of the European Community.
- As explained in section III.1.2, the effectiveness and efficiency of EU development policy have certainly improved, particularly in terms of the process of aid delivery. Improvements have also been made on the ground. Good initiatives have been launched to achieve Policy Coherence for Development, and they have led to some improvement (see section III.1.3). Nevertheless, as has been said, much more can and must improve in policymaking and implementation.
- The AIV believes that the system of shared competences and coordination between the EU and the member states set out in the Reform Treaty allows scope for a process of complementarity and a division of labour that can lead to substantial progress in terms of growth, poverty reduction and sustainable development in partner countries.
- The AIV believes that new policy opportunities thus exist for the Netherlands to strengthen the EU's position in international relations, thereby strengthening its own position and that of its partner countries.

III.2 EU and Dutch development policies

In this section, the AIV considers more closely the question of how the Netherlands can effectively make use of EU development policy for the implementation of its own development policy (question 1.2).

It has already been argued in section II.3 that it should not in fact be possible for differences of opinion to arise between the member states and the Commission (as the EU's executive body) regarding the substance and implementation of the EU's common policy. After all, the member states and the Commission share responsibility for the EU's policy on development. This is illustrated by the fact that the EU has undertaken 34 commitments in part I of the Consensus. A summary of these commitments produced by the Commission had the following words written in the margin beside each: 'also by NL' (the Netherlands).⁴⁰

In view of the shared competences in the field of development cooperation, it is in principle quite possible for the Netherlands to pursue its own bilateral development

⁴⁰ See European Commission, Annual Report 2007 on the European Community's Development Policy and the Implementation of the External Assistance in 2006, Annex I EuropeAid Cooperation Office Indicators 2007, European Consensus, p. 1.

policy. However, its main thrust must not differ from the common EU policy, for which the Netherlands bears joint responsibility. Furthermore, the Reform Treaty states that common and bilateral policy must complement and strengthen each other. On the other hand, there can and will always be differences (some of them considerable) between the EU and the member states when it comes to implementing EU and bilateral policy, in terms of the selection of countries, sectors and activities. However, any such differences must emerge from coordination and cooperation between the EU and the member states, leading to more complementarity and effectiveness (see also section II.3).

The AIV envisages that such a situation may be brought about by a number of means:

- Future policy documents, explanatory memoranda, country policy plans (which are now largely drafted by member states themselves) and bilateral policy talks (conducted by the EU and the member states independently) could focus more on elaborating, complementing and strengthening EU development policy as set out in the Consensus and the Code of Conduct, for example.⁴¹
- Promoting EU measures to implement the Partnership Commitments of the Paris Declaration. The AIV is thinking, for example, of the recommendations of the OECD DAC Peer Review of the Netherlands of 12 September 2006. Five or six of the nine recommendations concern analysis and enhancement of the effectiveness of Dutch development cooperation. Recommendation 7 is particularly relevant: 'The Netherlands is encouraged to move forward with its plan to develop an overall aid effectiveness strategy to better communicate how the Paris Declaration agenda is to be implemented at headquarters and in different partner country circumstances', including fragile states.

This recommendation is entirely in line with the recommendations of the 2007 OECD DAC Peer Review of the European Community concerning aid effectiveness,⁴² particularly: 'The Commission should continue to establish a simple and more integrated performance monitoring and reporting system and build capacity in the delegations to provide this management information. Performance management reforms should be pursued by the Community and Member States' (p. 21).

III.3 The added value of the EU

In this section the AIV considers in what content areas the EU has added value for the Netherlands (question 1.3).

Section 47 of the European Consensus states: 'On behalf of the Community, the Commission will aim to provide added value through the following roles.' Sections 48 to 55 then go on to list: 'a global presence; policy coherence; promoting best practice; facilitating coordination and harmonisation; a delivery agent where size and critical mass are important; promoting democracy, human rights, good governance, respect for international law, transparency and anti-corruption; participation of civil society; raising awareness and educating EU citizens about development.'

41 See for example the government memorandum 'Human dignity for all – a human rights strategy for foreign policy' and AIV, *Response to the Human Rights Strategy 2007*, advisory letter no. 12, The Hague, November 2007.

42 OECD DAC op. cit, 2007, pp. 14, 20-21.

In principle, the AIV agrees with this list of features, areas and activities. However, he would like to make three comments. Firstly, the features, areas and activities listed are all associated with the EU's scale relative to that of the individual member states. Secondly, though size may be a prerequisite for credibility, it is not enough in itself. Adequate coordination of policy between the Commission and the member states to allow the EU to act as an authoritative party in the field of development, and enough effectiveness and coherence in its operations to render this authority convincing, are at least as important (see also sections III.1.2 and III.1.3). Thirdly, even if the EU already has or achieves added value in these areas, the member states will always want and need to continue playing a role. At the moment, neither the Commission nor the Netherlands (as a member state) has made clear its views on this point, which makes it impossible for the AIV to explore the matter further. The AIV therefore recommends that the Netherlands determine its position with regard to the complementary role of the EU in areas which the Netherlands prioritises in its bilateral policy.

III.4 A more political approach to development cooperation?

This section considers the potential for a more political approach by the EU to development cooperation (question 1.4).

To address this issue, the AIV first considered what 'a more political approach to development cooperation' might entail. Some indication can be found in the Policy Letter to the House of Representatives of 16 October 2007 and in two lectures by the current Minister for Development Cooperation.⁴³ The lecture 'Engagement in Fragile States: A Balancing Act', in which Bert Koenders highlights two factors – political analysis and conditionality – is the most outspoken of the three. The Cotonou Agreement also addresses this issue.

III.4.1 Political analysis

The first aspect is the call for more attention and effort to be devoted to 'a comprehensive political analysis of the situation', which, the Minister explains, means 'identifying political issues early on and getting them on the agenda'. In the lecture 'Democracy and Development' this was defined in more detail as 'more political analysis of the context, which should lead to a more political strategy ... for poverty reduction'. However, the Policy Letter states: 'Development cooperation as a catalyst for development must become more political, with a greater focus on human rights, particularly those of women, and a more integrated approach to resolving conflict' (p. 7).⁴⁴ It goes on to say, 'Findings must be discussed and should where necessary lead to different or more clearly defined choices. This requires political debate on those choices and results, in the Netherlands, and also – and above all – in partner countries' (p. 15). As regards this aspect, the AIV is of the opinion that action in an EU context would certainly help provide a more complete picture of the political background, and that this would also carry more political weight. In other words: in this respect the AIV is definitely in favour

43 Policy Letter to the House of Representatives, 'Our Common Concern', 16 October 2007; Engagement in Fragile States: A Balancing Act, Lecture by Bert Koenders, Minister for Development Cooperation, the Netherlands, The Hague, 2 October 2007; Democracy and Development, Lecture by Bert Koenders, Minister for Development Cooperation, the Netherlands, The Hague, 13 September 2007.

44 See also AIV, *A Human Rights Based Approach to Development Cooperation*, advisory report no. 30, The Hague, April 2003.

of action at EU level. To illustrate what such a political analysis might involve, the AIV briefly examines the relationship between the EU and ACP countries below.

Relations between the EU and the ACP countries under the 2000 Cotonou Agreement (as amended in 2005) are an interesting example of the institutionalisation of the political dimension of EU development policy. Title II of Part I of the agreement sets out a broad political agenda for cooperation and prescribes political dialogue on human rights, democratic principles, the rule of law and good governance, environment, gender, the cultural heritage, migration and weapons of mass destruction.⁴⁵ It also covers matters such as peacebuilding, conflict prevention and resolution, international justice and the fight against terrorism,⁴⁶ and the importance of an active and organised civil society and the private sector.⁴⁷

The Cotonou Agreement thus provides a specific framework for general political dialogue. However, the potential of this framework must be exploited more intensively, in more countries and in a more integrated way. In practice, political dialogue is irregular and is not adequately supported by systematic political analysis and monitoring of the situation in the country concerned.⁴⁸ There is also too little involvement by civil society. The Netherlands could lobby more energetically for improvement in these areas in the long term. After all, effective general political dialogue could prove an effective way of enhancing the EU's credibility as a legitimate and engaged partner in the political dimension of development cooperation.

The AIV would however draw attention to the importance of analysing effectiveness, efficiency, sustainability and impact, and thus of assessment, evaluation and monitoring methods, to ensure political dialogue has substance and significance. As the 2006 OECD DAC Peer Review of the Netherlands recommended, thorough evaluations and monitoring analyses provide the basis – and are therefore a necessary precondition – for a political approach. Without thorough assessment, evaluation and monitoring, there is a risk that political dialogue will descend into an exchange of unsupported claims. The AIV has the impression that, for political reasons, the Minister wants to be able to act in countries and situations where this would not be possible if the risks were taken into account in the normal way. In our view, the key to this is not to make analysis and assessment less relevant, but in fact explicitly to take account of heightened risks and adapt the criteria for the impact of development interventions accordingly (by means of risk/result analysis).

III.4.2 Conditionality

The lectures by the Minister raised conditionality as a second feature of a more political approach to development cooperation. 'Our help is not unconditional,' he says, but

45 Cotonou Agreement, articles 8(3) and 11(3). The last two subjects – migration and weapons of mass destruction – are controversial, particularly in the ACP countries.

46 Ibidem, article 11.

47 Ibidem, article 10. See also AIV, *Private Sector Development and Poverty Reduction*, advisory report no. 50, The Hague, October 2006.

48 See, inter alia, K. Arts, 'Meeting the human rights commitment of the Cotonou Agreement: Political dialogue requires investment', *The ACP-EU Courier 200* (September 2003), pp. 21-23.

'requires accountability: a development contract in which the recipients are obligated to account for their decisions'. 'Our Common Concern' also considers the possibility of development contracts, whereby the Netherlands – and other donors – would offer multiyear aid for development priorities in poor countries, conditioned on agreements regarding good governance, popular involvement in setting priorities and monitoring of implementation. According to the Policy Letter, this is not a new precondition, merely a broadening of the concept of ownership as laid down in the Paris Declaration. However, the AIV wonders whether partner countries would agree with this interpretation. The Minister argues that the Memoranda of Understanding governing joint donor efforts are examples of the type of contract he has in mind. 'In the spirit of the Paris Declaration,' he says, 'it is not so much a matter of bilateral agreements as of laying down the mutual obligations of several parties, of monitoring whether they are met and of partners being able to call each other to account.' Though this approach appeals to the AIV, it does not derive directly from the Paris Declaration.

Most, if not all, agreements that lay down conditions for cooperation between the EU and specific developing countries include political conditionality in the form of clauses that make human rights, democracy and related issues 'essential elements' of the partnerships. This means that, under certain conditions and after special political dialogue and any prescribed consultation procedure,⁴⁹ any infringement of these conditions may prompt proportionate countermeasures, including the suspension of aid, particularly budget support. In this way, cooperation agreements often provide a clearer and more detailed normative framework for political conditionality. The consultation procedures before measures are taken in response to serious violations of 'essential elements' have led to greater transparency in recent years.

However, it is easier to lay down conditions than enforce them. Political conditionality is almost exclusively applied when very serious situations arise. Though the existing procedures provide the EU with a forum for making its position on such situations known, above all when it is confronted with governments that have no interest in political dialogue (as in Zimbabwe, Sudan and, in another context, Myanmar), they are not enough to achieve change in the short term. Furthermore, internal differences of opinion within the EU sometimes delay or even preclude action, or mean that countermeasures are not applied consistently.

The AIV would like to close this section with a few additional comments.

- In his opinion, conditionality is a must for EU development policy. The wording of the general objective of the EU's External Action strongly emphasises and expresses a firm resolution to 'advance in the wider world' 'the principles which have inspired its own creation, development and enlargement': democracy, the rule of law, the universality and indivisibility of human rights and fundamental freedoms, respect for human dignity, the principles of equality and solidarity, and respect for the principles of the United Nations Charter and international law' (see section II.2). As this formulation applies as well to development cooperation, it would be impossible not to set such conditions for possible partner countries, in the AIV's view. The same applies, albeit perhaps to a lesser extent, to the objectives stipulated for areas of international cooperation (section II.2). The AIV is in favour of clear language and arrangements when it comes to conditionality. In this respect, he regards Paul

49 Cotonou Agreement, articles 96 and 97 and Annex VII (2005).

Collier's recent analysis and conclusion as entirely accurate and appropriate: 'External pressure is needed. And it is entirely legitimate'.⁵⁰

- Development cooperation not only requires ownership, it also requires partnership. As such, it involves two sets of interests and is a matter of two-way traffic: from the partner country and from the donor country. In this respect development cooperation is like a transaction, almost identical to the envisaged 'development contract'.⁵¹
- The AIV would also point out that the nature of the conditionality will determine the potential for success. There appears to be a consensus that policy conditionality all too often fails in practice. Conditionality in terms of good governance does seem to work, on the other hand.⁵² Replacing 'good governance' with 'an intention to ensure good governance' does not, however, give rise to a practicable and effective conditionality criterion, as experience has shown.⁵³
- The AIV draws attention to the fact that Paul Collier sees an important role for the Commission (as the EU's executive agency) in enforcing political standards and conditions for improving the quality of governance in 58 African and Asian countries – home to some 70% of the 'bottom billion'. In Collier's view, the Commission's potential and experience in this field compare favourably with those of other international institutions.⁵⁴
- On the matter of conditionality, the AIV would also draw attention to the role of and experience with general budget support. The view of the Commission (based on an evaluation in the form of seven country studies) is not negative: 'The overall assessments by the country studies were clearly positive except in two cases'.⁵⁵ A recent evaluation of Dutch Africa policy drew a more critical conclusion, however.⁵⁶ This form of aid does indeed seem to have led to more effective aid delivery, and thus ties in better with the aid efforts of the partner countries themselves, as well as creating greater harmonisation in joint donor action. Although no potential effects on growth and poverty reduction have been demonstrated, neither has it been proved that no such effects exist. Corruption is a permanent threat to this form of aid. The instrument of 'track record' is regarded as rather impracticable.⁵⁷

50 Paul Collier, op. cit. 2007, p. 110.

51 See also Advisory Council on Government Policy, *Development Policy and Good Governance*, Reports to the Government no. 58, (The Hague: Sdu Uitgevers, 2001), pp. 66-67.

52 See Paul Collier, op. cit. 2007, pp. 110-111.

53 Ministry of Foreign Affairs, *Het Nederlandse Afrikabeleid 1998-2006*, Evaluaties no. 308, February 2008, p. 200.

54 Paul Collier, op. cit. 2007, p. 186.

55 EuropeAid, *The Joint Evaluation of General Budget Support 1994-2004: Synthesis Brief*, Brussels, 5 July 2006.

56 Ministry of Foreign Affairs, op. cit. 2008, pp. 191-194.

57 For a partly positive, partly critical discussion of this IOB evaluation report, particularly regarding the lack of an impact evaluation, see Jan Willem Gunning, 'Het Nederlandse Afrikabeleid 1998-2006', *Internationale Spectator* 62.5, May 2008, pp. 304-307.

- Finally, the AIV would also like to draw some attention to China's role in Africa. China is becoming an increasingly important player on the continent, in 'competition' with the EU and other donors, apparently without conditionality.⁵⁸ In a recent advisory report, the AIV noted that the more interests China has in that part of the world, the more security and stability in Africa will be in Chinese interests. This provides openings for trilateral cooperation between Africa, China and the EU. The AIV would advocate a pragmatic, businesslike approach. Rather than programmes based on general conditions and principles, such cooperation should be geared to putting specific projects into practice, taking as much account as possible of the needs and wishes of the various countries. A differentiated approach would also seem to have the best chances of success in improving local conditions in Africa.⁵⁹

58 As regards this perceived lack of conditionality, there are signs that the situation is changing. See: Ingrid d'Hooghe, 'China en de Europese Unie: het strategisch partnerschap in het slop', *Internationale Spectator* 61.7/8 (July-August 2007), pp. 352-356; Ingrid d'Hooghe, 'De Olympische Spelen van Beijing als politiek instrument: twee kanten van de medaille', *Internationale Spectator* 62.3 (March 2008), pp. 127-130.

59 See: AIV, *China in the Balance: Towards a Mature Relationship*, advisory report no. 55, The Hague, April 2007, pp. 57-58, 67.

IV Donor coordination, the role of the Commission and increasing the EU's share of aid

In this chapter, the AIV addresses questions 2.1 to 4.2 (see section I.2).

IV.1 The EU as a forum for donor coordination?

First, the AIV considers the extent to which the Netherlands can make use of the EU as a forum for donor coordination and cooperation on development policy (question 2.1).

Given the review of the matter set out above, the AIV believes that the Netherlands should make as much use as possible of this forum. We refer first of all to section II.8, which summarises the substance of the EU Code of Conduct; to section III.2, which considers how effective use can be made of EU development policy in Dutch development policy; and finally to section III.1.4, concerning the advantages of further coordination between EU development policy and that of the member states.

Further to this, the AIV would above all like to stress that the division of labour should also include non-EU donors. We also emphasise the following points, whereby some overlap with section II.8 is unavoidable.⁶⁰

- The key reason why the Netherlands should use the EU as a forum for donor coordination is that development cooperation could be rendered much more effective if the number of donors engaged in the same kind of activity in one country were reduced. In other words, if the transaction costs were reduced.
- The Reform Treaty, and to a lesser extent the previous treaties, emphasise complementarity, reinforcement, coherence and coordination on this issue.
- The underlying principle of the Code of Conduct is that EU aid should remain available to continue implementation of development activities worldwide. However, like individual donors, the EU must realise that specialisation is not possible in all sectors, countries and instruments.
- The division of labour must be based on:
 - ownership by the partner country;
 - comparative advantages (see section II.8);
 - a manageable number of donors in each country and sector.
- It should result in:
 - a reduction in the number of sectors per donor;
 - a reduction in the number of donors per sector;
 - a system of one lead donor per sector for the purposes of policy dialogue and coordination;
 - a system of delegated cooperation in sectors on which a particular donor does not focus.⁶¹
- A number of important initiatives have already been launched for the division of labour within the EU, which the Netherlands should attempt to tie in with. They include the joint assistance strategy and EU joint programming processes mentioned in the Code of Conduct.

⁶⁰ See above all Holger Mürle, *op. cit.* 2007 and Arne Bigsten in André Sapir (ed.), *op. cit.*, pp. 107-110.

⁶¹ Under this system, the member state continues to support a sector, but no longer conducts a policy dialogue with the partner country, leaving this instead to a lead donor.

- A common approach to division of labour could begin with the additional resources available from a certain year.
- Results achieved with cross-country and cross-sector complementarity will make it easier to identify results achieved by means of in-country complementarity.
- The potential for coordinating and harmonising development activities also depends on circumstances in the partner countries. Following the example of the UK Department for International Development (DFID), the Directorate-General for International Cooperation (DGIS) has started grouping partner countries according to three profiles: countries where MDG achievement needs to be accelerated; security and development, and broad-based relationship.⁶² Any such classification procedure should however be coordinated at EU level.

Finally, the AIV would like to stress that a division of labour designed to maximise the effectiveness of aid is not merely a technical operation. Individual countries have difficulty conforming to a wider coordinated effort mainly because development cooperation is a political process. The choice of countries and sectors has political connotations in view of the foreign policy and economic interests at stake. Those interests exist not only in donor countries but also in partner countries, and often lead to protracted negotiations.

IV.2 Implementation of agreements by member states

Following on from the previous section, the AIV now examines the question of whether there is enough political support among the other 26 member states for implementing the relevant agreements (question 2.2).

In response to this question, the AIV would first point out that it is not in a position to assess the willingness of other member states to implement the coordination, complementarity, reinforcement and coherence of development policy as laid down in the Reform Treaty and outlined in the Consensus and the Code of Conduct.

The conventional wisdom may be that the large member states are none too willing to relinquish their independence when it comes to development cooperation, but this might equally apply to other member states, and perhaps especially to new member states. In their case, however, the reason is more likely to be lack of awareness of the added value the EU can offer.

Rather than speculating about other countries' lack of good will, it would seem to the AIV to be more important for the Netherlands to press in the longer term, and as far as possible in coalition with other member states (such as the Nordic states and preferably others too), for the agreements, and anything else that would appear to be beneficial to the EU, to be implemented, and to lead by example.

IV.3 Dialogue with partner countries

In this section the AIV addresses the question of whether closer EU collaboration in the field of development cooperation offers potential for using the dialogue with partner countries more politically (question 2.3).

⁶² 'Our Common Concern', op. cit., pp. 32-40.

As stated earlier, the answer is a categorical 'yes'. For a discussion of why and how, see the AIV's response to question 1.4, particularly section III.4.2 on the subject of conditionality.

IV.4 Implications for the Commission of the Consensus and the Code of Conduct

In this section, the AIV considers what the long-term implications should be of the European Consensus and the EU Code of Conduct for the Commission's efforts (question 3.1).

In the AIV's opinion, the Consensus can best be regarded as a framework that indicates the tasks for development cooperation. It sets out a common vision of development, culminating in a number of objectives and principles for development cooperation. It also contains a number of guidelines for the implementation of the objectives and commitments (see also II.8).

The Code of Conduct, on the other hand, is more a collection of objectives and guidelines for implementing the Paris Declaration on Aid Effectiveness. As such, it represents an initial elaboration of one of the many issues raised in the Consensus (see section II.8). Another example of such an approach is the Commission's initiative on policy coherence (see III.1.3).

The AIV has identified the following as possible further implications of policy requiring the Commission's attention:

- the further specification and practical application of a system for division of labour;
- further promotion of PCD (III.1.3);
- enhancement of the effectiveness of EU development policy, particularly EU aid: procedures, staff, relations with civil society etc. (III.1.2);
- implementation of the Partnership Commitments under the Paris Declaration, as set out in the OECD DAC Peer Reviews (III.2);
- joint (EU) political analyses (III.4.1);
- a common (EU) approach to conditionality (III.4.2);
- exploiting to the full the potential offered by the Reform Treaty to achieve complementarity, reinforcement and coherence by means of far-reaching coordination (II.2).

IV.5 The Commission as lead donor?

Here the AIV considers whether the Commission should take on the role of lead donor in more developing countries (question 3.2).

The AIV does not regard this as a matter of principle, and recommends a pragmatic approach. The most important thing is to arrive at a provisional division of labour as quickly as possible, without jeopardising the quality of the lead donor. Both the Commission and the member states will have to be convinced that they must exercise self-restraint in order to reach agreement. The preferences of partner countries must be taken fully into account (IV.1).

IV.6 Comparative advantages of the EU (the Commission)

In this section the AIV considers whether there are sectors in which it would be appropriate for the Commission to seek the role of lead donor and sectors in which it would be inappropriate (question 3.3).

In addressing this question, the AIV would refer first to section 71 of the Consensus, which states that ‘... the Community will be active primarily in the following areas, a number of which will be considered its comparative advantage’. It then goes on to list nine sectors and themes which together cover a large proportion of a country’s productive and societal activities.⁶³ The AIV nevertheless does not believe that the EU has excessive ambitions in this area. First of all, the list does not include the financial sector, the industrial sector or the health sector (apart from HIV/AIDS). Furthermore, some sectors, such as agriculture, offer so much scope for further specification that there is ample opportunity for arriving at an acceptable division of tasks. Indeed, in the AIV’s interviews with Commission officials (see section II.5), the Commission representatives stated that the selected sectors and themes should be regarded as a menu to choose from, rather than as exclusive domains intended for the EU acting as lead donor.

Given the above, are there sectors where the Commission should aspire to the role of lead donor, and sectors in which this would be inappropriate? The AIV believes that the Commission should at any rate act as lead donor in areas where it has exclusive competence. These include international trade and the associated field of regional integration, where it is only logical for the Commission to play such a role given its wealth of experience, and ‘aid for trade’. For a list of other possible areas, the reader is referred to section III.3, which lists eight features, areas and activities where the EU – or the Commission – claims added value, and to the AIV’s comments on these claims.

IV.7 The EU’s share of aid

In this section the AIV considers whether the Netherlands should aim at a gradual increase in the proportion of development aid channelled through the Community (question 4.1).

In light of the above, the AIV regards it as advisable for a member state like the Netherlands to aim at an increase in the EU’s share of development assistance in the long term, if this is expected to lead to positive results in partner countries. This would also increase the EU’s international weight in the field of development cooperation, which is another argument in favour of such an aim.

The timeframe is important. After all, the EU’s contribution to development aid is fixed up to 2013, given the fact that the EU budget is subject to a ceiling for each category of expenditure, as defined in the Financial Perspectives 2006-2013, and given the size of the European Development Fund (see section II.5). The EU’s relative share of development funding will at any rate decline over the next few years, as the member states have committed to increase their proportion of ODA. However, this is not in itself a reason to raise EU ODA in the long term; any such decision must be based on substantive arguments.

63 The Consensus lists: 1. trade and regional integration, 2. the environment and the sustainable management of natural resources, 3. infrastructure, communications and transport, 4. water and energy, 5. rural development, territorial planning, agriculture and food security, 6. governance, democracy, human rights and support for economic and institutional reforms, 7. conflict prevention and fragile states, 8. human development, 9. social cohesion and employment.

In the meantime, the EU has started a review of its entire financial management, covering all categories of expenditure. The AIV made recommendations for the Netherlands' input to this exercise in its advisory report no. 58 of December 2007.⁶⁴ The report calls for a shift from agricultural and structural spending in wealthier countries to other policy areas, including expenditure abroad. No conclusions can be drawn at this juncture as to whether and on what timescale this review will yield results. Equally, it is not possible to say whether it might impact on the development sector before 2013.

Extrapolating from this, therefore, the AIV concludes that the current potential for cofinancing of EU activities by member states might bring about a certain increase in the development resources spent by the EU. Discussions with Koos Richelle, DG EuropeAid, have given the AIV the impression that any such increase would be very modest, amounting to no more than a few hundred million euros a year. As such, the AIV would propose that any such cofinancing be channelled via the Commission in the form of general budget support, provided account is taken of its critical comments above (see section III.4.2). This should preferably occur in collaboration with other member states. One positive implication of this would be that the EU representative would gain greater political weight in the policy dialogue in question.⁶⁵

No conclusions can be drawn yet as to whether the Financial Perspectives will include a substantial increase in EU development aid after 2013, partly as a result of the review. Nor is it possible to give an assessment of whether this would be desirable. In the AIV's view, the success of donor coordination will be an important factor, as will the role of cofinancing in achieving a more effective policy. If this turns out to be successful in certain sectors, the Netherlands may expect it to lead to positive results in its partner countries (see introductory paragraph), and should thus press for an increase in the EU share of aid.

IV.8 Implications for the Netherlands

In this section the AIV highlights a number of possible future implications for policy, organisation and other issues (question 4.2).

It was noted in the previous section that the proportion of development aid channelled through the EU could rise after 2013. The volume of aid – though not the proportion of total aid – could rise prior to that as a result of cofinancing. The key factor here – in the event of either cofinancing or any rise in the proportion of aid channelled through the EU – will be whether the member state in question (the Netherlands, in this case) at least expects this to lead to positive results for its partner countries.

If the share of aid channelled through the EU were to increase substantially, the AIV expects its common policy to play a greater role. This will probably mean that the emphasis will shift to policymaking at European level, particularly in the Commission, and away from bilateral policymaking by DGIS. In terms of policy implementation, too,

⁶⁴ See: AIV, *The Finances of the European Union*, advisory report no. 58, The Hague, December 2007.

⁶⁵ The European Commission has revealed plans to work on the basis of MDG contracts in ten African countries, guaranteeing budget support for six years. Since these proposals are at an early stage, the AIV is not yet able to form any well-founded opinion on them.

the AIV would expect to see a substantial shift, involving a concentration of activities with the Commission and at the same time in the partner countries. This would undoubtedly have implications for the organisation of the Ministry. The work associated with bilateral activities would decrease, and work involving Brussels would increase.

On the other hand, there would be an increase in member states' activities geared to policymaking and implementation in an EU context. The influence of a country like the Netherlands would then depend on the quality of its contribution and the way in which the Commission coordinated and processed all the contributions. The Netherlands could and should seek to exercise influence over this last factor. However, the organisation of Dutch development cooperation within the Ministry would have to be adjusted accordingly if the Netherlands is to retain its influence.

V The EU: security and development

In this chapter the AIV considers the fourth subsidiary question listed in chapter 1. According to the categorisation in section 1.2, it can be subdivided into four specific questions: 5.1 to 5.4. In the opinion of the AIV, questions 5.1 and 5.2 are so inextricably linked that they should be addressed jointly. The questions were worded as follows: should the EU be a priority forum for activities on the interface between development and security, i.e. in the fields of conflict prevention, crisis management, peacebuilding and reconstruction; and should the Netherlands explicitly opt for the European Union as a priority forum in this field?

V.1 Introduction

The AIV has explored above the potential for a more effective development policy for the EU and its member states arising from recent policy reforms. We have also analysed the existing commitments concerning ODA volume. We have pointed out that it is not a matter of mechanically applying the agreed rules, nor of concerted, EU-wide donor coordination, but rather of gradually increasing coordination in specific situations, in continuous negotiation with the best-prepared parties. The Consensus and Code of Conduct provide both a useful framework and a boost for this process.

This chapter looks at a much more complex issue: taking the politics of security into account in development policy. This involves sensitive political issues. The process will be successful only if the member states and the EU fully commit to a single line of policy that is jointly adopted and is not undermined by initiatives on the ground. This will require much greater coordination and stronger leadership than a gradual application of the Code of Conduct is likely to produce. The development objectives of the Consensus – ownership, involvement of local civil society actors and elected officials, continual focus on human rights, gender issues et cetera – lose none of their significance in such an extreme situation. However, the potential for exercising a direct influence on such matters via targeted policy reduces the worse the security situation becomes and the more the state structure fragments into rival groups, tribal or otherwise. Poverty reduction by classic means then becomes virtually impossible, and a policy choice has to be made as to whether, and how, police or even military action can prevent a fragile situation from spiralling downwards into a hopeless one.

The fact that the government is keen for its development policy to focus on conflict areas and fragile states⁶⁶ became apparent to the AIV in Minister Bert Koenders' detailed exploration of these challenges in a speech to the Netherlands Association for International Affairs and Institute of Social Studies in October 2007. He also addressed these issues in the policy letter 'Our Common Concern' (pp. 21-26, 42-43).⁶⁷ This is the background to the AIV's response to the government's questions on this issue.⁶⁸

66 This report refers largely to fragile states. The AIV also uses the term 'failing states', as in its advisory report no. 35.

67 The Ministry of Foreign Affairs has now decided to set up a separate unit to focus exclusively on this issue.

68 The European Consensus also examines this role at length: see sections 37, 89 and 101.

V.1.1 *Link between security and development*

The AIV believes there is not so much an 'interface' between development and security as an ever closer meshing of the two as a result of radical changes in the field of security. New threats, such as terrorism, organised crime, illegal immigration and drugs trafficking, have blurred the boundaries between internal and external security. Wars between states are now a rare occurrence (although the war between Ethiopia and Eritrea is one exception), and the focus is now mainly on factors that preclude good governance within states and can lead them to fail in their obligation to protect their citizens.⁶⁹

This is a situation that affects three-quarters of the world's billion poorest people, mainly in Africa and Central Asia,⁷⁰ who live in countries currently or recently embroiled in civil war, often deeply impoverished, with long-term stalled growth and unequal distribution of, and conflict over, the revenue from valuable resources. Even potentially more prosperous countries can end up in a downward spiral when a dominant group exercises unbridled power. They will typically end up in a 'conflict trap', from which they are unable to free themselves by their own efforts. Conflict prevention, crisis management, peacebuilding and reconstruction have gained in resonance and relevance, and the question of who is organisationally in control of providing effective help is key. This is thus an issue that can affect any part of the world.

The AIV notes that there is an international consensus that development and security are closely linked, particularly in crisis situations that can give rise to fragile or even failing states, where human rights are violated on a large scale as the world looks on in passive resignation. Without security there can be no development; without development there can be no lasting security; without respect for human rights there can be neither. This was acknowledged in the report 'In Larger Freedom' by UN Secretary-General Kofi Annan and in the World Summit Outcome of the UN summit in 2005: '... development, peace and security and human rights are interlinked and mutually reinforcing'.⁷¹ The concept of a 'Responsibility to Protect' was also adopted at the summit. This concept, while emphasising that primary responsibility for the protection of citizens lies with their own government, also acknowledges that the international community has a responsibility to intervene. This link had already been highlighted in the European Security Strategy drafted by High Representative Javier Solana and adopted by the EU member states in December 2003.⁷² The concept of

69 On the basis of a statistical analysis of the University of Michigan's extensive database, Paul Collier raises this issue in his book *The Bottom Billion*, op. cit. 2007, pp. 17-26. According to Collier, the risk of civil war depends mainly on: the level of poverty (low income per capita), the pace of economic growth (low growth makes civil war more likely) and the degree of dependence on exports of natural resources (oil, gold, diamonds et cetera). Factors such as political repression, income inequality, the historical situation and ethnic or religious differences, while sometimes present, are not significant.

70 Paul Collier, op. cit. 2007, pp. 3-8.

71 Kofi Annan, *In Larger Freedom: Towards Development, Security and Human Rights for All*, UN Doc. A/59/2005, March 2005; 'World Summit Outcome', UN Doc. A/RES/60/1, October 2005. See also: AIV, *Reforming the United Nations: A Closer Look at the Annan report*, advisory report no. 41, The Hague, May 2005.

72 European Union, *A Secure Europe in a Better World: European Security Strategy*, Brussels, 12 December 2003.

Security Sector Reform (SSR) has also taken hold, inspired by the OECD DAC, and is now regarded as a mainstream element of successful development.

The link between security and development has become gradually more prominent in the Netherlands as well. In 2003 the Dutch government decided to set up a Stability Fund, incorporating the Peace Fund.⁷³ 'Peace and stability are a prerequisite for development,' was the then government's argument for launching this initiative. A parallel development has taken place in the EU: since 2005 the Financial Perspectives have included a special category of expenditure called the Instrument for Stability.⁷⁴ The request for advice rightly points out that the legal basis for that expenditure lies in EU development policy.

Finally, the AIV draws attention to the GAERC Conclusions of 19 November 2007, which all refer to the relationship between security and development.⁷⁵ These are the most important conclusions.

- The Council firmly believes that the nexus between development and security should inform EU strategies and policies in order to contribute to the coherence of EU external action, whilst recognising that the responsibilities and roles of development and security actors are complementary but remain specific (see sections V.1.2 and V.3.1).
- The Council recalls that the EU can avail itself of a wide array of instruments to contribute to long-term development and poverty eradication, to prevent and manage violent conflict and to build peace in developing countries (see section V.1.3).
- The Council fully recognises the important role of the UN and other international and regional organisations in strengthening the inter-linkages between security, development and human rights (see sections V.1.1, V.1.2, V.1.3 and V.3.2).
- The Council underlines that conflict prevention should be pursued by fostering development cooperation, particularly dialogue and cooperation with civil society, NGOs, local authorities and the private sector (see section V.1).
- The Council has identified initial pragmatic actions for increased coherence in some of the areas spanning the security-development nexus: strategic planning, Security Sector Reform, partnerships with regional and subregional organisations, and humanitarian aid and security (see sections V.1.1, V.1.2, V.1.3, V.3.1 and V.3.2).

V.1.2 Integrated approach

The policy objectives of the Netherlands and the EU thus complement each other. The Dutch evaluation of the Stability Fund in 2004 and 2005⁷⁶ therefore refers to the EU as a multilateral forum for integrated peace missions, as does the Memorandum on

73 The Netherlands has set out its policy on the position of women in conflict and post-conflict situations in its National Action Plan 1235, which links development, security, diplomacy and social action geared to conflict prevention, peace negotiations and reconstruction.

74 Council of the European Union, *Financial Perspectives 2007-2013*, Brussels, 12 December 2005, 15975/05.

75 General Affairs and External Relations Council, *Conclusions of the Council and the Representatives of the Governments of the Member States Meeting within the Council on Security and Development*, Brussels, 20 November 2007, 15097/07.

76 Bart Klem and Georg Frerks, *Evaluatie Stabiliteitsfonds 2004-2005*, February 2007.

post-conflict reconstruction⁷⁷ of June 2005. This integrated approach involves the simultaneous and coherent deployment of political, military, development-related and diplomatic instruments. This development is in line with earlier advisory reports produced in 2004 by the AIV and the Advisory Committee on Issues of Public International Law (CAVV) on *Failing States*,⁷⁸ and *Pre-emptive Action*.⁷⁹ The advisory report *The Netherlands and Crisis Management* of 2004 also highlighted the EU's capacities in this area.⁸⁰

The AIV still fully supports the conclusion of the advisory report on *Failing States*: that a successful policy on this matter requires 'coalitions willing to commit themselves in the longer term, in cooperation with the states in the region of the failing state.... The Netherlands can only help to draft and promote proposals along the lines suggested above as part of a strong coalition. The most obvious forum through which to promote a policy of this kind is the EU.' The AIV explicitly considers the role of the UN and NATO in the report in question. It had already underlined the importance of an integrated approach in its report *The Netherlands and Crisis Management*. That report also highlighted the organisational and financial obstacles which then stood in the way of an integrated approach – and which, we are forced to conclude, continue to do so to a not insignificant extent today. The AIV viewed the EU in conjunction with the UN and NATO: 'for a country such as the Netherlands, investing in a decisive EU is an important way to work towards an effective UN and to encourage constructive policy dialogue with the US that will complement and facilitate deliberations within NATO.' The AIV upheld this same position in its advisory report no. 45 in 2005, *The Netherlands in a Changing EU, NATO and UN*. However, it also underlined the fact, even if the EU is the 'most obvious forum' and an 'important way to work towards an effective UN ... that will complement and facilitate deliberations within NATO', that the EU is not necessarily the priority forum for activities in this area under all circumstances (see also section V.1.3).

After the Memorandum on Post-Conflict Reconstruction,⁸¹ which emphasised an integrated approach, in July 2006 the memorandum 'Strong People, Weak States' was published. The memorandum listed contributing to peace, security and stability by means of conflict prevention and management as the first of five areas that were particular priorities for poverty reduction efforts, identifying it as a prerequisite for progress in other areas; this would not always be possible without military involvement.⁸²

77 Ministry of Foreign Affairs, Ministry of Defence and Ministry of Economic Affairs, Memorandum on Post-Conflict Reconstruction, June 2005.

78 AIV, *Failing States: A Global Responsibility*, advisory report no. 35, The Hague, May 2004.

79 AIV, *Pre-emptive Action against an Attack*, advisory report no. 36, The Hague, July 2004.

80 AIV, *The Netherlands and Crisis Management: Three Issues of Current Interest*, advisory report no. 34, The Hague, March 2004.

81 Parliamentary Paper 30 075, no. 1 of 22 March 2005.

82 Africa Memorandum: 'Strong People, Weak States', Parliamentary Paper 29 237, 2003-4, no. 1, pp. 31-32.

The establishment of the Dutch Stability Fund as part of an integrated approach to peace, stability and development was cited in the 2005 OECD DAC Reference Document: Security Sector Reform and Governance⁸³ as an example of 'good practice', along with the UK's Global and Africa Conflict Prevention Pools.⁸⁴ The evaluation of the Stability Fund was generally critical but positive, though the authors did observe insufficient coherence and ambition to achieve conflict prevention. The Dutch Stability Fund focused mainly on post-conflict reconstruction, in practice spending most of its resources on the disarmament, demobilisation and reintegration of former soldiers in the Congo, as well as on SSR in the Great Lakes Region and, to a lesser extent, in the Horn of Africa and Afghanistan.

One interesting recommendation in the evaluation (no. 15) is not to circumvent problems with local parties and contexts, not even in assessment memoranda, since they force one to take a critical look at development dogmas and, crucially, to be aware of the local context. The AIV regards this as an extra argument in favour of a multilateral approach based on joint assessment. Differing assessments by individual donors as to the potential for improving a complex situation by means of security policy, and as to which parties in a fragmented society are willing and able to help achieve such an improvement, are a recipe for failure.

The Netherlands – and the United Kingdom – should therefore, in the opinion of the AIV, use their resources from the Stability Fund and the counterpart British funds as far as possible in close coordination with other donors, too few of which have such funds themselves.

Bert Koenders illustrated the global scale and urgency of the issue of fragile states as follows in his lecture in October 2007 ('Engagement in Fragile States: A Balancing Act'): 'Depending on the definition used, there are estimated to be around 35 fragile states in the world... Human rights and the international order are one reason why fragile states should top the world's agenda. International development is another... Home to a tenth of the developing world's population, they have accounted over the past few years for almost a third not only of its extreme poverty but also of its infant mortality and primary school drop-outs. And when development fails to take off, the seeds of war can germinate.' The AIV believes this illustrates in crystal-clear terms how deeply development and security are interwoven in this day and age.

In terms of the EU as an international actor in this complex area, the request for advice refers to its role, particularly in Africa, over the past few years. Since the Organisation of African Unity became the African Union (AU) in 2001, the AU has increasingly come to operate as a regional security organisation. This has coincided with a growing role for the EU in peace and security, as evidenced by the 3700-strong EUFOR mission to eastern Chad and the northeastern Central African Republic to protect refugees from Darfur, to which the Netherlands is to contribute 60 troops. The EU and AU are now

83 OECD DAC, *Security Sector Reform and Governance*, 2005.

84 The UK Department for International Development has two conflict prevention pools; see: Louise Bell, *The Global Conflict Prevention Pool: A Joint UK Government Approach to Reducing Conflict* (London: Foreign and Commonwealth Office, August 2003) and *The Africa Conflict Prevention Pool: A Joint UK Government Approach to Preventing and Reducing Conflict in Sub-Saharan Africa* (London: Department for International Development, September 2004).

collaborating on this operation, the biggest EU military deployment – and challenge – ever mounted. Looking back, we should also mention the EU's very successful intervention in the intractable conflict in Aceh, which has been the best example so far of effective European diplomatic action. It was made possible by a fortunate combination of circumstances: careful and secret preparation, cooperation with the Association of Southeast Asian Nations (ASEAN), a change of government in Jakarta, a massive aid programme after the tsunami, and a framework for international monitors working on both sides of the conflict that proved acceptable to Indonesia. This unique combination of factors was exploited at just the right point in time.

V.1.3 The EU, the UN and NATO

With its three pillars and financial instruments, the European Union, more than any other international organisation, potentially has the right combination of resources to link security and development.⁸⁵ Assuming that the necessary political will exists, the development capacities and efforts of the member states and the EU itself, as discussed in the previous chapters, combined with CFSP resources, as outlined above, in principle provide an appropriate means for integrated action. Unfortunately, there is still insufficient consensus between these pillars, as evidenced by the drafts for SSR recently drawn up successively by the European Commission and the Council Secretariat. The European Security and Defence Policy (ESDP), part of the second pillar, focuses mainly on the conflict stage, while the first pillar, and within it the European Commission – given the limits to its competence – restricts its spending to stabilisation and reconstruction. However, the boundaries between these three stages are blurred: preparations must be made for stabilisation and reconstruction even as the crisis management operation is still under way. The AIV would emphasise the need for better coordination between the pillars. Structural policy integration will be possible when, after ratification of the Reform Treaty, the posts of High Representative and Vice-President/Commissioner for External Relations are combined. This is examined further in section V.3.3.

In global terms, the most desirable approach to escalating conflict situations would be for regional security organisations to take primary responsibility in their own region. In this connection, the AIV refers once more to its advisory report no. 45, in which it advised the EU to step up support for building regional and subregional peacekeeping capacity. Although the first steps have been taken in Africa, the world still has a long way to go in this respect. The effectiveness of UN operations has undeniably improved in recent years, and once a peacekeeping force has been formed, decision-making is as rapid as it is in NATO or the EU. However, to launch operations, particularly operations at a higher level in the spectrum of violence necessitating the use of combined weapons systems, the UN is dependent on a limited number of countries and organisations that are capable of implementing robust mandates with the necessary speed. Apart from the SHIRBRIG concept, which has been applied only once, the UN has no standing unit that can be deployed rapidly on the ground.⁸⁶ The European

⁸⁵ The AIV realises that the three-pillar system will cease to exist once the Reform Treaty enters into force. Nevertheless, two regimes will continue to exist: unanimity, particularly on CFSP, and qualified majority voting.

⁸⁶ The Standby High Readiness Brigade (SHIRBRIG) is a Danish initiative designed to create standby forces for UN peacekeeping operations.

Artemis operation in Congo's Ituri province was a good example of rapid action that was able to bridge the gap while the UN formed a peacekeeping force.

NATO remains the most suitable organisation for carrying out larger operations with combat units, largely due to its effective planning and command capacity at integrated headquarters and to its universally accepted standing operating procedures and rules of engagement. NATO is of course dependent on the willingness of its members to participate in risky operations that do not strictly fall within the framework of collective defence, and the lack of joint financing places an excessive burden on the resources of the small number of countries that are willing to act.

The EU must be regarded as capable of intervening in conflicts where violence cannot be avoided. Given the fact that the units available to the EU are primarily battalions, coupled with the fact that the EU lacks essential resources at strategic level – in the intelligence sector for example – there will be limits to the level of violence in which the EU can engage. However, the EU has considerable 'soft power', especially when it comes to development. On the other hand, an operation like that currently being led by NATO in Afghanistan would outstrip the EU's capacity. In this specific instance the effectiveness of the operation would be greatly enhanced if the EU were to give more support to the Provincial Reconstruction Teams. In the same way that, under the 'Berlin plus formula', the EU can enlist the support of NATO, NATO should be able to call upon EU civilian support for its operations. Although the EU has the most comprehensive range of instruments, it is not clear how willing and able it is to use its soft power to achieve stabilisation and efficient reconstruction. This problem is linked to the issue of conditionality discussed above. A lack of will on the part of major donors to subject themselves to coordination may also pose an obstacle to effective policy. This is particularly relevant in the reconstruction phase in a broad sense (including SSR), when external direction is needed to prevent a relapse into conflict.

The success and scope of EU action regarding the nexus identified above will therefore depend on stepped up donor coordination and policy integration between the EU pillars. If this is successful, the EU will have a range of instruments of its own available that are not currently found in any other context. The EU is therefore potentially a highly suitable party for this type of activity: a pre-existing framework whose members know one another well and are in constant dialogue about development policy. Provided it is able to make decisions quickly, the EU can act in a wide range of areas.

As the 2007 OECD DAC Peer Review of the European Community points out, currently, no one document outlines a Commission strategy for conflict and fragile states programming. This does not refer merely to the European Commission itself, but to all the member states and EU pillars. The AIV regards it as a matter of great importance and urgency that the EU collectively devise and apply a coherent strategy for fragile and failing states. As part of this effort towards better coordination and harmonisation, the Portuguese Presidency of 2007 commissioned a study from the ECDPM entitled 'An Adequate EU Response Strategy to Address Situations of Fragility and Difficult Environments'.⁸⁷ The study is a valuable analysis of the obstacles and delays that have hampered an integrated strategy between the member states and EU pillars so

⁸⁷ Fernanda Faria and Patrícia Magalhães Ferreira: *An Adequate EU Response Strategy to Address Situations of Fragility and Difficult Environments* (Maastricht/Lisbon: ECDPM/IEEI, 9 July 2007).

far. The AIV also noted with satisfaction the issues paper⁸⁸ drafted by the European Commission, in which it calls for a broad debate on an EU response to situations of fragility in developing countries.⁸⁹ The AIV believes that an EU policy and instruments must be devised for fragile situations in developing countries as a matter of urgency, and therefore calls for the Netherlands to actively support the process.

Different conditionalities for government bodies and other players on the political field – already a source of weakness in ‘normal’ circumstances – should then make way for a common approach by all donors at all stages of the intervention, from crisis management to stabilisation and reconstruction. Secondly, a crisis centre should be set up to guide all aspects of the operation, as well as a ‘contributors’ committee’ that would take joint binding decisions. Thirdly, there should be as much collaboration as possible with regional organisations and other donors and players who support efforts towards stabilisation.

However, even with a full EU strategy and a complete set of instruments, the EU would not necessarily be the most appropriate forum in all places and in all cases. The EU neither can nor should take on responsibility for conflict management all over the world, or even in parts of it. Another forum or coalition of like-minded countries – with or without EU participation – may in some cases be more legitimate or better equipped. It is impossible to draw general conclusions on this matter in advance, except to say that the EU would appear to be a promising option in regions where it has a special position and responsibility, as in the ACP countries.

The AIV’s assessment as to whether the Netherlands should explicitly opt for the European Union as a priority forum for activities in the closely related areas of development and security is not, therefore, unequivocal. Provided donor coordination is stepped up and there is policy integration between the EU pillars, the EU has at its disposal a range of instruments found in no other context.⁹⁰ However, the AIV would at the same time underline that this does not necessarily mean that the EU is the most appropriate forum in all places and in all cases for activities in the field of conflict prevention, crisis management, peacebuilding and reconstruction. Depending on the circumstances, the UN and NATO might also be suitable parties.

V.2 The Netherlands’ bilateral policy

In this section, the AIV considers the Minister’s question regarding the possible implications for the Netherlands’ own bilateral policy in this area if the EU were chosen as a priority forum for activities ‘on the interface between development and security’ (question 5.3).

88 European Commission, *Towards an EU Response to Situations of Fragility in Developing Countries: Engaging in Difficult Environments for Long-term Development – Issues Paper*, July 2007.

89 Policy on this matter was agreed at a meeting of the Council in November 2007. One of the recommendations was to conduct pilot projects to gain experience of a European response in such situations. One project in Burundi is currently being prepared, and the Netherlands is playing an active role.

90 In this connection, the AIV refers to the GAERC Conclusions of 19 and 20 November 2007, which set out a number of challenges for an effective EU policy in situations of fragility. (See footnote 75, and the letter to parliament on the informal meeting of EU development Ministers on 21 and 22 September 2007).

In the AIV's view, this question has largely been addressed above, with the conclusion that the Netherlands should not always explicitly opt for the EU as the most appropriate forum. Generally speaking, this is already the principle applied in the Netherlands' current bilateral policy. The AIV does not, therefore, see any need for major changes to that policy.

Nevertheless, this advisory report has highlighted a number of problem areas that prevent effective action, for example in the case of fragile states. The AIV believes that the Netherlands must pay sufficient attention to these areas in its bilateral policy. Above all, the Netherlands has a major interest in a vital multilateral architecture. To even approach a solution to the security issue considered in this chapter, the various international forums will have to learn to collaborate better, taking account of each organisation's strengths and weaknesses, as pointed out above. This means in practice that, as we have already said, EU action may be preferable in one situation, while NATO would be the most appropriate party in another. The AIV therefore believes that the Netherlands should be highly flexible in its thinking, all the more so as the AIV expects coalitions of like-minded countries to become more important in the future, and it will be difficult to predict their composition in advance. The Netherlands could play an important role in this by strengthening its transatlantic ties over the coming period. After all, when it comes to crisis management operations in politically and militarily unstable situations, Europe and the United States are heavily reliant on each other. The AIV would therefore like to underline that, although the EU should undoubtedly be a key forum, the Netherlands' policy should in future retain its diverse character.

This report has looked in some detail at current problems within the EU. The answer to the last question in this chapter considers one of those problems. The Netherlands must focus on these problems in its policy priorities, as well as considering the broad international context.

Finally, the AIV believes that, in addition to its conclusions set out above, it is important that the Netherlands maintains strong bilateral ties with a number of developing countries, including on security issues, in order to contribute directly to sustainable growth and development.

V.3 Policy coherence among EU pillars, and between the EU and the member states, on the issue of fragile states

In this section, the AIV addresses the Minister's question concerning how policy coherence can be improved, both among the EU pillars and between EU and national efforts in relation to fragile states (question 5.4).

V.3.1 Policy integration: the 3-D approach

Sections V.1.2 and V.1.3 explained in detail the need for an integrated approach to international action. From the very outset, alongside military action, preparations must be made for the post-conflict phases: disarmament of the warring parties, followed by rehabilitation of fighters (in accordance with the 'disarmament, demobilisation and rehabilitation' concept), stabilisation of the situation, and then improvements in governance and reform and democratisation of the security sector in a broad sense. The Netherlands has dubbed this process 'Defence, Diplomacy and Development'. This requires some elaboration: 'defence' should be understood as military action as part of peacekeeping operations, and 'diplomacy' should include the entire range of stabilising measures. This issue is not examined in depth in this report, since a

separate request for advice on this matter was being prepared while this report was being finalised.

V.3.2 Joint operations in an EU context

It is not strictly necessary for all member states to participate in each operation or – in EU jargon – in each joint action. However, launching an operation does require unanimous decision-making, in both the EU and NATO. Within the EU, this requirement can be eased with the ‘constructive abstention’ of fewer than a third of member states.⁹¹ The Reform Treaty currently undergoing ratification also expressly allows the EU (subject to a unanimous vote) to delegate the implementation of a joint action to a smaller group. Finally, it also provides for ‘permanent structured cooperation’ between a group of member states with greater military capacity and the will to undertake firm mutual commitments. President Sarkozy of France is expected to put forward further proposals on this matter during the French Presidency in the second half of 2008.

Though these new forms of ‘coalitions of like-minded countries’ have been explicitly provided for within the EU, the problem of unanimity on the key decision as to whether to undertake an operation remains. However, this problem exists in all organisations set up on an intergovernmental basis. Only the UN Security Council can decide by majority vote, provided none of the permanent members uses its veto.

None of the organisations mentioned has a clear strategy which can be translated into actual action in the event of a crisis. The UN usually only acts once a crisis has descended into violence. NATO has a strategic concept dating from 1999, before the terrorist attacks in the US on 11 September 2001 and the current operations in Iraq and Afghanistan. The European Security Strategy of December 2003 was a reasonable attempt at defining the main threats in a way that ties in with NATO and US thinking, but with a more European tone, emphasising ‘effective multilateralism’. Its list of terrorism, weapons of mass destruction and failing states associated with organised crime has still not been worked up in sufficient detail, however. As reported in section V.1.3, two draft texts were produced, one by the Council Secretariat under High Representative Javier Solana (focusing on the conflict phase) and one by the European Commission (for stabilisation and civilian measures). While both texts are worthwhile, it would have been more useful to combine them into a common vision for the EU as a whole. This still remains to be done.

V.3.3 Prospects for more policy coherence

The fact that the Netherlands is likely to ratify the EU Reform Treaty some time this year brings the prospect of a more coherent policy for the EU as a whole a step closer. The EU will acquire a legal personality and the pillar structure will disappear, although decision-making will continue to vary in certain respects. Decisions on CFSP and ESDP will continue to require unanimity. The key institutional reform will be that the roles of High Representative for the CFSP and the Vice-President of the European Commission responsible for external relations will be combined in a single person. The new official will chair the Council of foreign ministers, while a representative of the new official will chair the Political and Security Committee. This will bring to an end the paradoxical situation whereby the High Representative has important powers but virtually no access to an independent budget, while the RELEX Commissioner, who as a member of

⁹¹ Constructive abstention was used for the first time by Cyprus in 2008, over the decision to send an EU contingent of police and criminal justice officials to Kosovo after it was granted conditional independence.

the Commission does have a budget, is competent only in respect of the civilian aspects of crisis management, which are difficult to define. A European diplomatic service will be set up, with staff from the Commission, the Council and the member states, to replace the many current representations of the Commission throughout the world and the much smaller number of missions of the High Representative. The European Council will also have a semi-permanent president for two-and-a-half years, who will be eligible for reappointment on one occasion. This president will focus on working through the European Council's agenda (preferably on the basis of a multi-annual programme drawn up by the European Commission and approved by the Council and the European Parliament) and will represent the EU at the appropriate level; in other words, at summit meetings with the presidents of the US, Russia, China et cetera.

There is already speculation about the specifics of these reforms. Much will depend on the personal relations between the Presidents of the European Council and Commission and the High Representative. Above all, there is the question of how the High Representative will relate to the other Commissioners with responsibilities for matters that also have a foreign policy dimension, such as trade, development cooperation, energy and immigration, and to the President of the Commission, who will be expected to provide general coordination. After 2014 the Commission will be reduced by a third, but it is highly unlikely that the Commissioner for External Trade will carry any less weight, given the position's exclusive competence. Despite the shared competence, the same may be true of development, given its political importance. As reported in section II.5, this is still uncertain. Development matters are currently discussed at the GAERC. Thus far, the AIV believes there is no reason to fear that development is being sold short in this Council, in view of the fact that most – and major – member states regard it as being of major political importance.

All in all, the AIV expects that the EU's new architecture will make it better able to pursue a coherent policy on developing countries, and to carry more weight, particularly in the policy dialogue, as provided for under the Cotonou Agreement and carried on in other frameworks as well. This will allow the considerable soft power the EU already has to be put to better use, better in any case than by the individual member states separately. Joint action will also prevent anyone playing member states off against each other.

V.3.4 Coherence and financing

In the AIV's opinion, there is little point in analysing at length the possibility and desirability of arriving at a coherent policy as part of an integrated approach to security and development if the financial implications are not considered at the same time, as they can be regarded as an essential prerequisite for achieving any such policy.

In this respect, the AIV would refer once more to its advisory report *The Finances of the European Union*.⁹² The ATHENA instrument has been established at EU level for military missions and missions with military implications. As a result, specific costs associated with such missions are paid from a common budget. The budget is provided by the member states for each mission on the basis of an agreed share in proportion to GNI. However, ATHENA resources cover only a small part of the costs of such missions, which means that the majority has to be paid by the member states participating in the operation. These costs therefore place a burden on national

⁹² AIV, *The Finances of the European Union*, advisory report no. 58, The Hague, December 2007, pp. 29-32.

budgets. The UK funds and the Dutch Stability Fund are also relevant in this respect, though so far they have proved to be exceptions in the EU.

Various instruments are available at EU level to provide funding for the civilian component of missions: the Instrument for Stability (II.5), the EDF (II.5) and CFSP funds. In its advisory report no. 58, the AIV rightly warns that such a fragmentation of instruments and resources intended for security and development activities carries the risk of a lack of effectiveness, efficiency, coordination, coherence and flexibility. This is due among other things to the fact that these instruments are covered by different decision-making regimes (partly intergovernmental, partly Community), and to the difference between ODA and non-ODA funds, which in turn depends on where ODA funds are used.

In this connection, advisory report no. 58 argues, for the period after the present Financial Perspectives 2013, in favour of (recommendation 13):

- Community financing of all elements;
- extra resources for external policy;
- increasing the non-ODA proportion of resources as a matter of priority, with a particular focus on the EU's role in conflict prevention, crisis management, stabilisation and reconstruction, without impinging on ODA expenditure.

The present advisory report strongly reiterates this recommendation. However, even if the current review of EU finances leads to this result, as the AIV would like, it will not be until after 2013. Pending this, the AIV believes there is every reason for the Netherlands and the UK to encourage other member states who are in a position to do so to follow their example and establish funds similar to the Stability Fund and its British counterparts.

VI Conclusions and recommendations

The AIV has drawn a number of conclusions and recommendations from the descriptions and analyses in the previous chapters. In our opinion, they provide a good guide for defining the Netherlands' position on European development policy. In the AIV's view, the points listed below should be reflected in the policy as a whole.

Concerning the functioning and policy of the European Union

There is a tendency to oppose national development policy to that of the European Union. However, this overlooks the fact that the Netherlands and the other EU member states also have a role in the Commission's implementation of European development policy, as well as in determining that policy. Development cooperation is a shared competence. In other words, a common policy exists, but this may not prevent the member states from exercising their own competence relating to development cooperation. Indeed, the development policies of the EU and its member states must complement and reinforce each other, and coordination between them should enhance the effectiveness of policy as a whole. An obligation also exists to work towards policy coherence. It should therefore be impossible for differences of opinion to arise between the member states and the Commission (as the executive body of the EU) concerning the substance and implementation of the EU's common policy. In practice, however, such a situation could arise if a member state wished to opt out of a common policy agreed by majority vote.

The European Union's international political weight in the field of development has increased, and the European institutions have managed to bring this weight to bear in the UN debate on increasing development aid (Monterrey), the drafting of the MDGs and more recently on the G8's decision to substantially increase ODA, in particular doubling its aid to Sub-Saharan Africa by 2010, and provide debt relief.

- The AIV therefore recommends, as proposed in the 2007 OECD DAC Peer Review of the European Community, that the common strategy in the Consensus be elaborated in the form of a number of operational strategies, so that the EU speaks with one voice and thus more authoritatively on specific policy areas and themes.
- In line with previous advisory reports, the AIV advises the government to continually highlight and explain to the public the advantages and added value of the European Union.

Concerning the implications for the Netherlands of the recent strengthening and configuration of EU development policy

It remains to be seen in practice to what extent, after the enlargement of the EU, the recent strengthening and reforms of EU development policy, including the increase in the number of member states, the creation of the Consensus and Code of Conduct, administrative reforms in the European Commission, the regrouping of the EU's financial instruments, the devolution policy and the qualitative improvements to the Commission's monitoring and evaluation policy will lead to greater effectiveness. It is however clear that these developments have consequences.

Studies show that there has clearly been some improvement in the aid delivery process in recent years. The AIV would concur that, over the past five years, the EU has made progress in various areas, including poverty reduction, effectiveness and delegation to the field. However, EU development policy can and must improve in a number of respects.

The EU is also clearly functioning better in terms of PCD. Promotion of PCD is not an issue between the member states and the EU, but within the member states themselves and within the EU. In the view of the AIV, achieving greater and better PCD will be a major factor in achieving a more effective development policy.

The AIV believes that, within the framework of the system of shared competences and coordination between the EU and the member states set out in the Reform Treaty, the Code of Conduct provides scope for a better division of labour, and thus greater complementarity and lower transaction costs for aid. Serious efforts in this respect could lead to more rapid growth and poverty reduction in the partner countries.

In the AIV's view, conditionality is a must for EU development policy. After all, the wording of the general objective of the EU's External Action strongly emphasises and expresses a firm resolution to advance in the wider world the principles that have inspired the EU's own creation, development and enlargement. As this formulation applies to development cooperation as well, these principles may not be overlooked in the EU's development relations with its partner countries. However, one must take account of the fact that the nature of the conditionality will determine the potential for success. Caution should be exercised on the matter of policy conditionality, but conditionality with regard to good governance is appropriate in a mature, businesslike relationship.

- The Netherlands should continue to press strongly for further improvements to EU development policy.
- Even though the European Union has added value over the individual member states in certain areas, the member states will want to, and should, continue to play a role. The AIV therefore recommends that the Netherlands determine its position concerning the complementary role of the EU in areas which the Netherlands prioritises in its bilateral policy.
- To promote political debate on the choices underlying and results of development policy in the Netherlands and in the partner countries, the AIV believes that action at EU level would certainly help provide a more comprehensive picture of the political background. Coordinated action by the EU in a partner country could lead to better and more broadly supported political analysis, which could increase the effectiveness of cooperation, particularly budget support. Such action would also help deepen the political debate in the Netherlands and enhance support for the aid effort. The Cotonou Agreement currently provides a specific framework for general political dialogue. However, the opportunities available in this framework should be exploited more intensively, in more countries and in a more integrated way.
- The AIV understands that, for political reasons, the Minister wants to be able to act in countries and situations where this would not be possible if the risks were taken into account in the normal way. In our view, the key to this is not to make analysis and assessment less relevant, but in fact explicitly to take account of heightened risks and adapt the criteria for the impact of development interventions accordingly.

Concerning donor coordination, the role of the Commission and the EU's share of aid

The Consensus can best be regarded as a framework that indicates the tasks for EU development cooperation. The Code of Conduct is a collection of objectives and guidelines for implementing the Paris Declaration on Aid Effectiveness, where possible in close collaboration with other donors on the ground.

The AIV believes that, where possible and beneficial to the general coordination between all donors and players envisaged in the Paris Declaration, the Netherlands should make the best possible use of the EU as a specific forum for mutual coordination. The key reason for this is that development cooperation could be rendered much more effective if the number of donors involved in the same type of activity in the same country were to be reduced, which would also reduce transaction costs.

Division of labour is not merely a technical operation designed to maximise the effectiveness of aid. Individual countries have difficulty conforming to a wider coordinated effort mainly because development cooperation is a political process. The choice of countries and sectors has political connotations, in view of the foreign policy and economic interests at stake. Those interests exist not only in donor countries but also in partner countries, and often dominate negotiations.

Closer EU cooperation on development would undoubtedly present opportunities to give the dialogue with partner countries more political substance.

- The AIV regards it as important for the Netherlands to press in the longer term, and as far as possible in coalition with other member states, (the Nordic states and preferably others too), for the agreements laid down in the European Consensus and the Code of Conduct, and anything else that would appear to be beneficial to the EU, to be implemented, and to lead by example.
- In the AIV's view, the Commission should not automatically take on the role of lead donor in more developing countries. It should however act as lead donor in areas where it has exclusive competence, such as international trade. The AIV recommends a pragmatic approach in other areas. The most important thing is to arrive at a provisional division of labour as quickly as possible, without jeopardising the quality of the lead donor. Both the Commission and the member states will have to be convinced that they must exercise self-restraint, in order to reach agreement. The preferences of partner countries must be taken fully into account.
- The AIV recommends that the Netherlands eventually raise the proportion of aid to be channelled via the EU if this is expected to produce positive results in its partner countries. This would also increase the EU's international weight in the field of development which is another argument. Under the Financial Perspectives 2006-2013, however, it will not be possible to raise spending via the EU until 2013. Cofinancing would however be a possibility, albeit limited. Such an increase would of course depend on the member states' expectations as to whether such a move would help improve matters in their partner countries.
- The above factors will undoubtedly have implications for the organisation of the Ministry of Foreign Affairs. The work associated with bilateral activities is likely to decrease, while work involving Brussels will increase. The organisation of development cooperation within the Ministry will have to be adjusted accordingly if the Netherlands is to retain its influence.

- The AIV concludes that, as more aid is channelled through the EU, this will impact on policymaking at Union level, on policy implementation and on the concentration of activities with the Commission and in partner countries. In our view, therefore, the Netherlands must analyse the implications in good time in order to anticipate the consequences for the knowledge and expertise required in the civil service, the focus of the Netherlands' own activities and the implementation capacity this focus will require.

Concerning the EU, security and development

The AIV believes that security and development cooperation are becoming ever more closely meshed as a result of radical changes in the field of security. New threats such as terrorism, organised crime, illegal immigration and drugs trafficking have blurred the boundary between internal and external security.

For a successful policy on fragile and failing states, long-term coalitions are needed as part of an integrated approach, to work with the other states in the same region as the failing states. The Netherlands can help shape proposals and contribute to their successful implementation only as part of a strong coalition. The most obvious forum for promoting such a policy is the EU. However, NATO has the necessary military capacity and remains the most suitable organisation to undertake major operations involving combat units. The AIV therefore views the EU's capacities in this area in conjunction with those of other willing parties and players, such as NATO, and certainly those of the UN, whose mandate is indeed required to legitimate operations in serious situations.

The AIV's assessment as to whether the Netherlands should explicitly opt for the European Union as a priority forum for activities in the closely related areas of development and security is not, therefore, unequivocal. Provided donor coordination is stepped up and there is policy integration between the EU pillars, the EU has at its disposal a range of instruments found in no other context. However, the AIV would at the same time underline that this does not necessarily mean that the EU is the most appropriate forum in all places and in all cases for activities in the field of conflict prevention, crisis management, peacebuilding and reconstruction. Depending on the circumstances, the UN and NATO might also be suitable parties. This position means that no major changes are needed to current Dutch bilateral policy, which should retain its diverse character.

Since it appears likely that the EU Reform Treaty will be ratified sometime this year, the prospects of a more coherent EU policy on activities associated with development and security have improved. The AIV expects that the EU's new architecture provided for by the Reform Treaty will make it better able to pursue a coherent policy on developing countries, and to carry more weight, particularly in the policy dialogue, as provided for under the Cotonou Agreement and carried on in other frameworks as well.

- With its three pillars and financial instruments, the European Union, more than any other international organisation, potentially has the right combination of resources to link security and development. The AIV would emphasise the need for better coordination between the pillars. Structural policy integration will be possible when, after ratification of the Reform Treaty, the posts of High Representative and Vice-President/Commissioner for External Relations are combined.

- The AIV believes that specific political attention must be focused on devising an EU policy and instruments for fragile situations in developing countries as a matter of great importance and urgency, and therefore calls for the Netherlands to actively support the process.
- Finally, the AIV recommends that the financial implications of a coherent policy in the framework of an integrated approach be considered. In this context, it refers to its recent advisory report on *The Finances of the European Union*, particularly recommendation 13, which advises that increasing non-ODA funding for external policy be regarded as a priority. Pending the fundamental reform of EU finances that this would necessitate, the AIV calls upon the Netherlands, together with the UK, to encourage other member states who are in a position to do so to follow their example and establish funds similar to the Stability Fund and its British counterparts in order to generate the necessary financial resources for such a policy in the short term.

Annexes

Mr F. Korthals Altes
Chairman of the Advisory Council on
International Affairs
Postbus 20061
2500 EB Den Haag

European Integration Department
Bezuidenhoutseweg 67
Postbus 20061
2500 EB Den Haag

Date 11 June 2007
Our ref. DIE-710/07
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Contact Jan Klugkist
Tel. 070 348 5462
Fax 070 348 6381
Encl. jan.klugkist@minbuza.nl

Re Request for advice on EU development policy

Dear Mr Korthals Altes,

I would like to consult you on the subject of EU development policy. I would appreciate the advice of the Advisory Council on International Affairs (AIV) on the potential implications for the Netherlands of the recent developments in EU development policy.

Background

In recent years, the member states and the Commission have worked successfully on the formulation of a substantial EU development policy. The first step was in 2005, when the member states agreed on a phased increase in the EU aid budget to at least 0.7% of GNP by 2015. Collectively, the EU was already the biggest donor and this position will only be strengthened by this policy. Over the next few years, EU aid will increase by €8 to 10 billion per year, from €48 billion in 2006 to around €79 billion in 2010.

The next important step was the establishment of the European Consensus on Development in November 2005. This was the first joint framework for the development policy of both the member states *and* the Commission. The European Consensus also reflects the agenda of the like-minded donors who supported the establishment of the Paris Declaration on Aid Effectiveness, under the auspices of the OECD/DAC. Since May 2007, the EU has had its own Code of Conduct for implementing the Paris Agenda; the Code provides for the division of tasks and complementarity between donors in recipient countries.

The quality of the Commission's development aid has improved considerably in recent years, resulting in the reduction of expenditure backlogs through faster disbursement combined with reduced pro rata labour inputs. From 2007, cofinancing has become available for member states. For the sake of clarity, it should be mentioned that the current European development agenda is not about shifting competences to Brussels, but is first and foremost about increasing the collaboration among the member states and between the member states and the Community.

Over the past decade, the EU has developed into a major player at the interface between development and security policy. The Union currently has at its disposal a wide range of instruments for conflict prevention, crisis management, peacebuilding and reconstruction.

Examples include the Instrument for Stability, the African Peace Facility and the European Security and Defence Policy (ESDP).

Nevertheless, until a few years ago there was widespread scepticism, including in the Netherlands, about EU development policy. The Commission was seen as a fairly ineffective 16th donor without particular added value. The developments of the last few years have led to a rethink regarding collaboration on development issues in the context of the EU. There is now more recognition of the potential value of the EU context for Dutch efforts in the field of development cooperation. The Netherlands has also actively contributed to the above-mentioned developments at EU level, for example through its presidency in 2004. In political terms, there is generally widespread support for this agenda, as reflected in the at times intense discussions about it in both houses of parliament. At the same time, there are questions about the consequences of these developments.

It is against this background that the government requests the AIV to explore the possible implications of these developments for Dutch policy on development cooperation.

Questions to the AIV

The main question which the government would like to be addressed, is:

What are the possible consequences for the Netherlands of the recent strengthening and configuration of EU development policy? How can the Netherlands make effective use of EU development policy in implementing Dutch development cooperation policy? In which content areas does the Union have added value for the Netherlands? How much potential is there for a more political approach to development cooperation in the context of the EU?

There are subsidiary questions on the following points:

- *To what extent can the Netherlands make use of the EU as a forum for donor coordination and cooperation with respect to development policy, now that the EU's European Consensus provides a good framework for the development cooperation policy of member states and the Commission, and the EU Code of Conduct gives new impetus to the division of tasks among EU donors in line with the Paris Agenda? Is there enough political support among the other 26 member states for the implementation of the relevant agreements? Does closer EU collaboration in the field of development cooperation offer potential for using the dialogue with partner countries more politically?*

Partly because of the agreements to increase the member states' aid budgets to 0.7% of GNP by 2015, the EU would now be particularly well placed to establish an effective and influential development cooperation policy internationally. Should the Netherlands recognise this potential added value of EU collaboration and pay special attention over the next few years to further reinforcement of EU development cooperation policy?

In practice, will the European Consensus have enough political support within the EU, in member states, including large ones and new ones, as well as in the Commission? What are the expectations for the implementation of the EU Code of Conduct on Complementarity and Division of Labour in Development Policy? Will it determine the direction taken by EU donors and really lead to a significant improvement in the effectiveness of their aid? What consequences should the Netherlands attach to this? Does closer EU collaboration in the field of development cooperation provide scope for using the dialogue with partner

countries for more political purposes, for example in the fields of good governance, corruption, gender and fragile states?

In what fields should closer collaboration in the framework of the EU be implemented first? How and to what extent can the Netherlands make use of this for Dutch bilateral aid? And how can the EU make use of the Netherlands?

Does the EU framework provide a sound basis for involving non-like-minded countries in the Paris Agenda? Or is the broader OECD/DAC framework more appropriate for this? Is a specifically EU harmonisation process desirable in view of the fact that there are also other donors involved in developing countries, and that the harmonisation processes are relevant to all donors (including the World Bank and UN organisations)?

- *What should be the long-term consequences of the European Consensus and the EU Code of Conduct for the Commission's efforts? Should the Commission take on the role of lead donor in more developing countries? Are there sectors in which this would be an appropriate ambition and sectors in which it would be inappropriate?*

The Commission is the only European player that is present in all the developing countries. Unlike many of the member states, the Commission is often seen as a neutral player without a colonial past. The quality of the assistance seems to be steadily improving and the Commission is one of the leaders in the implementation of the Paris Agenda. A leading role for the Commission could be cost-effective. In sectors such as infrastructure, transport, regional collaboration and trade, the Commission could be the natural lead donor.

At the same time the Commission has come in for some criticism for its ambition to be in some way actively involved in almost every sector: following opposition by the Commission, partly inspired by the position taken by the European Parliament, the European Consensus imposes hardly any constraints on the Commission. Yet in the discussion about the Code of Conduct, the Commission has come out clearly in support of limiting the number of sectors in which EU donors (including the Commission) are active in each partner country. Are there particular sectors that the Commission should concentrate on? In which sectors is the Commission's added value the greatest?

- *Should the Netherlands aim to achieve a gradual increase in the proportion of development aid channelled through the Community? If so, what are the implications of this for the choices to be made with regard to policy, the internal organisation of the Ministry of Foreign Affairs or other issues?*

Although the total Official Development Assistance of the member states will rise sharply in the next few years, the relative share of the Community/Commission in EU aid will go down considerably under current policy, since the increase to 0.7% only applies to member states. The question is whether this is desirable and effective. The quality of EC aid (via EuropeAid) has improved over the past few years and the Commission can be considered capable of running a larger aid programme satisfactorily. Is it desirable for the Commission to become a steadily smaller donor, in the light of the likelihood that (given the current outlook regarding accession) the number of member states will increase further?

Under the current Financial Perspectives, the main elements of ODA spending at EC level have been laid down for the period until 2013. However, in the 2008 review of the Financial

Perspectives, the member states could decide to increase their ODA contributions for the period 2013-2020. Member states could also make use of the new possibilities for cofinancing with the Commission.¹

- *Should the EU be a priority forum for activities on the interface between development and security, i.e. in the fields of conflict prevention, crisis management, peacebuilding and reconstruction?*

The EU seems to have built up a comparative advantage in this area. It is the largest donor supporting the African Union's AMIS operation in Sudan via the African Peace Facility. Two military peace operations have already been conducted in the Democratic Republic of Congo. In recent years the EU has also conducted at least ten civilian missions on Police and Rule of Law in various developing countries. Furthermore, the EU supports the Security Sector Reform process in the Democratic Republic of Congo with a special mission. Under the new Financial Perspectives, a separate Instrument for Stability has been established on the basis of article 179 of the EC treaty (i.e. on a development law basis). The EU deploys special representatives under the CFSP for conflict prevention, management and resolution (for example in the Great Lakes region and in Sudan). Support to fragile states is central to EU Africa policy.

Should the Netherlands explicitly opt for the European Union as a priority forum in this field? Would this have consequences for the Netherlands' own bilateral policy in this area? How can policy coherence be improved, both among the EU pillars and in terms of EU and national efforts, e.g. in relation to fragile states?

I look forward to receiving your report as soon as possible.

(Signed)

Bert Koenders
Minister for Development Cooperation

1 In 2006, the Netherlands paid out a little under 8% of the ODA through the European Commission: €140 million European Development Fund and €205 million EU attribution = €345 million out of a total of €4,487 million.

List of persons consulted

- Ms M.S. Alguadis
Coopération Internationale pour le Développement et la Solidarité
- Mr T.J.A.M. de Bruijn
Dutch Permanent Representative to the EU
- Mr J. van Elst
Council Secretariat of the EU/ACP-EU Development Cooperation, Brussels
- Dr P. Engel
Director, European Centre for Development Policy Management
- Mr L.P.M. van Geel
Deputy Head, Dutch Permanent Delegation to the OECD, as of August 2007
- Mr T.O. Genee
Head, Coherence Unit (DGIS/CE), Directorate-General for International Cooperation, Ministry of Foreign Affairs
- Mr H.G.M. Hendrix
Sub-Saharan Africa Department, Ministry of Foreign Affairs
- Mr R. Hopster
EuropeAid Cooperation Office, Brussels
- Ms R. Ketting
Staff member, Directorate-General for External Relations of the European Commission, Brussels
- Ms W. Libon-van der Wal
Dutch Permanent Representation to the EU, Development Cooperation Section, Brussels
- Mr J. Molnár
Staff member, Directorate-General for External Relations of the European Commission, Brussels
- Mr J.J. Moran
Director for Asia, Directorate-General for External Relations of the European Commission, Brussels
- Ms F. Moreau
Head, Policy Coherence and Forward-Looking Studies Unit, European Commission, Brussels
- Mr T. Peters
Head, Development Cooperation Section, Dutch Permanent Representation to the EU

- Dr B. Petit
Deputy Director General, Directorate-General for Development, European Commission, Brussels

- Mr S. Polycandriotis
Staff member, Directorate-General for External Relations, European Commission, Brussels

- Mr J.N.M. Richelle
Director, EuropeAid Cooperation Office, European Commission, Brussels

- Mr L. Sarazin
Staff member, EuropeAid Cooperation Office, European Commission, Brussels

- Ms L.G. van Schaik
Netherlands Institute for International Relations at Clingendael, European Studies Programme

- Mr J. Verheul
Deputy Permanent Representative to the OECD, to August 2007, and to the DAC

- Mr J. de Vries
Cordaid

- Mr R. van der Woud
Cordaid

- Mr R. Young
EuropeAid Cooperation Office, European Commission, Brussels

List of abbreviations

ACP	African, Caribbean and Pacific (countries)
AIV	Advisory Council on International Affairs
ASEAN	Association of Southeast Asian Nations
AU	African Union
CAVV	Advisory Committee on Issues of Public International Law
CEI	European Integration Committee (AIV)
CFSP	Common Foreign and Security Policy
CMR	Human Rights Committee (AIV)
CNEO	Dutch and European Development Policy Committee (AIV)
COS	Development Cooperation Committee (AIV)
CVV	Peace and Security Committee (AIV)
DAC	Development Assistance Committee (OECD)
DCI	Development Cooperation Instrument
DEV	Directorate-General for Development (EU)
DG	Directorate-General
DGIS	Directorate-General for International Cooperation
DFID	Department for International Development (UK)
EC	European Community
ECDPM	European Centre for Development Policy Management
ECHO	Directorate-General for Humanitarian Aid (EU)
EDF	European Development Fund
EIB	European Investment Bank
EIDHR	European Initiative for Democracy and Human Rights
ENPI	European Neighbourhood and Partnership Instrument
EP	European Parliament
EU	European Union
EUFOR	European Union Force
EuropeAid	Europe Aid Cooperation Office
ESDP	European Security and Defence Policy
FDI	Foreign Direct Investment
GAERC	General Affairs and External Relations Council
GDP	Gross Domestic Product
GNI	Gross National Income
HGIS	Homogeneous Budget for International Cooperation
HR	High Representative
ICI	Instrument for Cooperation with Industrial Countries
IfS	Instrument for Stability
IMF	International Monetary Fund

INSC	Instrument for Nuclear Safety Cooperation
IPA	Instrument for Pre-Accession Assistance
ISS	Institute for Social Studies
MDGs	Millennium Development Goals
NATO	North Atlantic Treaty Organisation
NGIZ	Netherlands Association for International Affairs
NGO	Non-Governmental Organisation
NL	The Netherlands
OCT	Overseas Countries and Territories
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PCD	Policy Coherence for Development
PRS	Poverty Reduction Strategy
PRSPs	Poverty Reduction Strategy Papers
RELEX	Directorate-General for External Relations (EU)
SHIRBRIG	Standby High-Readiness Brigade
SSR	Security Sector Reform
UK	United Kingdom
US	United States
UN	United Nations
WTO	World Trade Organisation

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*** Joint report by the Advisory Council on International Affairs (AIV) and the Advisory Committee on Aliens Affairs (ACVZ).