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# European Development Policy: A Response to the Crisis Affecting Globalisation?

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# EUROPEAN DEVELOPMENT POLICY: A RESPONSE TO THE CRISIS AFFECTING GLOBALISATION?

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## INTRODUCTION<sup>1</sup>

In a previous essay published in 2006,<sup>2</sup> we looked at Europe's place in the world and concluded that we needed to create, step by step, a veritable European system of development cooperation. Nearly three years later, the new issues surrounding development assistance, such as the growing place occupied by new players – namely emerging countries – and Europe's recent progress towards more effective forms of cooperation, have prompted us to revisit the question. This essay is intended to provide a fresh overview of the goals and particularities of European development cooperation, looking at progress made in recent years, as well as the outlook for the future, against the backdrop of the crisis currently affecting globalisation.

At a time of international crises in areas as diverse as food, energy, climate and finance, developing countries need a firmly based partnership with Europe more than ever. And Europe, which is concerned about its future in a globalised world, more than ever needs partners that are growing. For Europe, such partners are a critical part of the response to today's challenges. It is more than ever vital for Europe to fully gauge the "sense of urgency".<sup>3</sup>

Periods of crisis are often apt to engender the very reforms necessary for their resolution. They

can set off virtuous circles, by prompting economies to open up, or vicious circles, by turning them inward. Today's financial crisis has caused Europe to look at its relations with the rest of the world, and specifically its closest neighbour. To deal with the various crises it is currently facing, Europe must, for the sake of its partners, chose virtue, by opening up and investing to the south and to the east of its borders.

The world's biggest donor, the European Union – the Commission and the member states combined – provides nearly 60% of official development assistance in the world, the equivalent of 93 euros per European citizen in 2007.<sup>4</sup> However, despite Europe's financial clout, its development policies are facing a major strategic challenge. To have a voice in global debate, Europe must manage its regional interests closely: despite the extent of Europe's development aid, the disparities in economic and human development within the various regions neighbouring the EU remain at intolerable levels.

Today's challenge for Europe is to build a capacity for political and operational intervention consistent with its regional and global ambitions.

In this respect, 2009 is proving to be a critical year for Europe's development policies: in the wake of the recent European elections, ahead of the appointment of a new Commission, and with the implementation of the Lisbon Treaty also pending, the time is right to give thought to this issue in order to foster the debate and to define a mandate for the Commission in terms of development.

1. The author, deputy director general of the French Development Agency (Agence française de développement, AFD), wrote in this essay in his own name. He would like to thank Caroline Rozières for her help.

2. J.-M. Debrat, "Achieving a European Development Policy", Paris, Fondation pour l'innovation politique, Working Paper, October 2006.

3. AFD seminar devoted to aid architecture, Ermenonville, December 2008.

4. In comparison, for Americans and the Japanese, the amounts work out at €53 and €44 respectively.

## I – THE CRISIS HAS SHOWN OUR WORLDVIEW TO BE OBSOLETE

### A. Drawing the conclusions from the shrinking of time and space

#### 1. *The limits of our development model*

The dual trend towards the globalisation of economic exchanges and the shrinking of time and space has given rise to an open area in which any conflict of interest affects the community as a whole. *Against the backdrop of this growing interdependency and the shrinking of time and space, localised phenomena can quickly provoke global effects. In particular, the immediateness of the transmission of ills shared by humanity as a whole – pandemics, the effects of global warming, insecurity – warrant swift and coordinated responses. Deficiencies of regulation on one continent can quickly turn into a domestic problem for a neighbour.*<sup>5</sup>

In the smaller world in which we now live, our own development models are being called into question. Looking no further than climate change, the proofs of the unsustainable nature of the paths taken by our various countries are building up.<sup>6</sup> The industrialised countries, which are home to 22% of the global population, consume some 61% of total primary energy.<sup>7</sup> *In fact, underdevelopment is undermining our own development model.*

Our strategic worldview is also showing signs of strain. Is the transatlantic market, the be-all and end-all of the corporate world, really where Europe's future lies? Why should we devote increasing financial resources to a market that accounts for just one-sixth of the world's population, at a time when more investment and equipment are needed to our south?

In today's world, the basic unit of measurement for regional populations is 500 million. On that scale, *within the next decade, Europe and the*

*United States will each count for one unit, India two, China three and Africa four.*

This only serves to show the extent to which financial geography and the spread of capital are disconnected from the spread of the world's population.

*Lastly, this unsustainable situation for the world as a whole is compounded in Europe by specific regional issues. Europe cannot fail to be concerned by the management of imbalances exacerbated by asymmetries that, if they continue unchecked, are certain to become sources of conflict.*

#### 2. *The return of territorial competition*

Just as European countries divided up their respective zones of influence at the Berlin Conference (1884-85), we are currently witnessing a form of *de facto* competition between the different powers in a globalised world. The recent events that marked the region extending from the Black Sea to the Caucasus provided an illustration of the resurgence of the notion of territorial competition. But the fight for influence on the African continent is much more revealing.

*The so-called "emerging" donors (specifically China, but also India and Brazil) have seen their role in Africa grow over recent years. China devotes 10% of its foreign direct investment and half of its development assistance to Africa. Massive loans to countries like the Democratic Republic of the Congo have been the focus of media attention recently. China is in the process of becoming the biggest donor in Africa: in electricity alone, China's investments in Africa are 1.7 times greater than those of the G8 countries combined.*

The growing weight of the new donors represents both an opportunity and a challenge for developing countries. There is a danger that *they could limit their action to an extraverted form of development – exploiting Africa rather than seeking to help it take off economically and socially. There is also the risk that poor countries could be locked into specialising in raw materials, which could lead to instability and conflict. In addition, it is worrying to see that new growth models still set precious little store by social and environmental issues.*

Europe practised this form of extraverted development for nearly a century, when it still

5. J.-M. Severino, "Aide européenne, carrefour des intérêts globaux" (European Aid at the Crossroads of Global Interests), *La Croix*, 17 November 2008.

6. An area in which European policy aims to be exemplary. See P. Jacquet, J.-M. Bellot and D. Loyer, "Le développement durable dans la politique de coopération européenne" (Sustainable Development in European Cooperation Policy), *Penser l'Europe*, July 2008.

7. Source: World Energy Council.

thought of Africa as a far-away place. But today, with the threefold impact of quicker travel, linguistic and cultural proximity, and mobility, Europe must start seeing Africa as a near neighbour sharing a number of interests. *Unlike the emerging countries, Europe cannot look at Africa from a distance.*

*The objective competition between Europe and the Asian powers nevertheless has one virtue: it will oblige Europe to redefine and reaffirm its own vision of Africa.* Accustomed to its *de facto* primacy in the region, Europe has for some time neglected this vision.

More specifically, Europe must reaffirm its determination to reduce the asymmetries that separate it from its nearest neighbours.

## **B. Reverse the trend towards the deepening of economic and human development gaps**

*The disparity in economic development between Europe and the Mediterranean rim offers a prime example of a considerable asymmetry between two neighbouring regions.* The gap between income levels on the two sides of the Mediterranean are wider than those between two neighbouring regions anywhere else in the world, twice as great as that between the United States and Mexico. Average GDP per capita in European Union countries is five times greater than in Mediterranean countries. Despite the big macroeconomic progress made in these countries, the process of convergence with the EU is not yet a reality.

Paradoxically, Europe invests too little to the south of the Mediterranean. Highlighting a lack of regional integration in terms of production and capital markets, flows of foreign direct investment (FDI) from Europe to the Mediterranean countries are very low compared with those between Japan and Asia or the United States and Latin America. The Mediterranean accounted for only 3.3% of the European Union's total trade flows in 2006, testifying to the Euro-Mediterranean economic area's insufficient integration in terms of trade. The lack of interest among Europe's leading economic agents is a veritable enigma given the proximity – historical as well as geographic – between the countries involved. Instead of economic convergence, anticipated since the start of the Barcelona Process, we are seeing growing divergence.

Beyond the Mediterranean, *there is another area where this dialectic of asymmetry and proximity is*

*posed in very strong terms: Sub-Saharan Africa.* The African subcontinent is currently facing major challenges, not least of which in demographic terms. This region's population is set to double in the next 40 years. The rapid and unequal transformations in African economies will generate growing pressure on natural resources. The flow of refugees fleeing zones of tension could bring political instability to the region as a whole and, to a lesser extent, outside the African continent. Thus, Africa's demographic growth is a potential source of tension in Europe. We urgently need to identify the economic and social models that would make it possible to prevent shocks of this nature engendered by the gaping gap between an ageing European and a youthful – and therefore fragile – Africa.

In addition, the area to the east of Europe also holds a challenge. The latest wave of accessions to the European Union made the issues facing countries extending from Eastern Europe and the Balkans to the Caucasus a more direct concern for EU than they were before. The recent accession of Romania and Bulgaria created a shared external border with the countries of the Black Sea rim. This region is a veritable crossroads, not only for people, energy and goods, but also for drugs and arms.<sup>8</sup> Some of these areas, such as South Ossetia and Abkhazia, have seen wars, and represent an immense security challenge for Europe. The region is also a major strategic prize in terms of energy supplies – witness the gas conflict in early 2009. It is therefore in Europe's interest to lay the foundations for closer regional cooperation with these countries, fostering their economic growth and promoting the principles of democracy and the rule of law.

*These facts put questions of stability at the heart of development concerns.*<sup>9</sup> The increase in regional inequality carries risks with it: destabilising weak states, multiplying conflicts relating to natural resources, and prompting migrations in dramatic conditions. Europe needs to look to its own future: can it, in the next ten years, allow itself to be integrated into a region undermined by the presence of weak states? Would the cost of building an integrated area with true

8. A. Schockenhoff, "The Need for an EU Black Sea Policy", Paris, Fondation pour l'innovation politique, Working Paper, July 2007.

9. S. Maxwell, "A six-point plan for reforming EU aid", *Europe's World*, autumn 2008.

partner states really be prohibitive given the risks involved in doing nothing?

Ensuring peace and stability was the prime goal of European construction. Sixty years on, this goal is more than ever there, for Europe (the Balkans) and its near neighbours alike. *Europe's vocation today is to be an economic peace-building machine outside its borders.*

Under the Marshall Plan, the United States devoted sums representing 2.5% of its annual GNP to the reconstruction and stability of Europe. It was a decisive step: between 1947 and 1951, America injected the equivalent of 4-5% of Europe's GNP into the 16 countries included in the plan.

While a policy aimed at fostering peace and stability<sup>10</sup> may be beneficial to Europe itself, a policy drawn up today would obviously differ from that which laid the foundations of the European Union, in that it would essentially be based on partnerships. Europe must today set out *structural policies with non-members*, and apply them to an enlarged area. By doing so, it will foster exchanges between very different cultural systems around shared values. *An external economic policy stemming from the clear desire to organise the area could allow this.* As in post-war Europe, the strengthening of genuine solidarity would make it possible to avoid overly political debates early on. Applied to the Euro-African area, such a method would make it possible to avoid getting bogged down in debates about the form of political and social organisation to be adopted – not to mention the underlying religious values – as it would put the emphasis on tangible negotiations leading to the implementation of shared structural policies.

In fact, heightened global interdependencies have left Europe's development assistance with two distinct aims. Initially stemming from moral concerns for our partners, it has come to be a geopolitical and economic necessity for Europe itself. *We must provide a global solution to a sum of well-known mutual interests.*

The importance of the notion of regional area is reaffirmed today. *But first of all, we must*

*determine the appropriate geographic scale on which to lay out our ideas on development.*

### C. Redefine the implicit hierarchy of space

Since the European Union's origins, it has developed a *continental and concentric vision*, establishing a progressive distinction between the centre (the Union itself) and its more-or-less distant periphery. This hierarchy applied firstly within the Union, where support for new members varied depending on the date of their accession (the newest members received less support than earlier ones).

Vis-à-vis the exterior, *this hierarchy falls under an explicit system of classification*: candidate countries (Turkey), potential candidates (the Balkan countries), neighbourhood countries (Mediterranean rim), association agreements at differing stages of advancement, etc. This variety of concepts has led to inconsistencies in the partnership instruments used by Europe. Moreover, the faceted vision it reflects is a source of misunderstandings and often sparks passionate debates about the very definition of the notion of geographic and cultural proximity. This categorisation, which offers a fairly mean-fisted view of Europe's foreign policy, is underscored by the implicit belief in Europe's centrality and pre-eminence, and has given rise to a major financial consequence: *aid is apportioned on the basis of the degree of "proximity" with the partner, as defined by Europe.* Looking simply at the example of loans made by the European Investment Bank (EIB) in 2007, we note that Turkey, a candidate country, received €2.7 billion. This compares with the total of €1.3 billion split between the eight Mediterranean rim countries via the Facility for Euro-Mediterranean Investment and Partnership (FEMIP), the EIB's Mediterranean financial arm, in the name of the so-called "neighbourhood" policy, or the €764 million granted to the various countries making up the Africa-Caribbean-Pacific (ACP) group.

Instead of closing gaps, this vision has dug them deeper. Europe makes its financial support conditional on the move from one "category" to another, despite the fact that the convergence necessary to move from one stage to the next can be promoted by financial support. This is contrary to the spirit of regional cooperation.

Europe should seek to fight against discontinuity of this nature, and its first step should be to

10. F. Mer, "L'Europe, pour quoi faire ?" (What Purpose Europe?), 2050, Fondation pour l'innovation politique, n° 2, July 2006.

efface useless verbal barriers. We should envisage the suppression of the various “stages” so as to allow for a continuum of intervention with identical tools, but in varying degrees.

*The logic behind regional policy should not be based solely on the prospect of accession.* Europe must look well beyond this simple analysis based on its own internal construction, and instead focus on the system of regional relations it wants to promote.

Geographical analysis of Europe’s place in the world has direct implications *for Europe itself*, in that it has an influence on its relationship to the world, and thus its political and budgetary priorities. But this spatial analysis also has tangible consequences *on the workings of the EU’s development policies*.

#### D. Move beyond existing regional separations

Seeing development in territorial terms fosters the emergence of a specific type of organisation. This is reflected very clearly in the way “European aid” has developed around *different circles of regional partnerships*.

– The 1975 Lomé convention placed the Euro-African area within the perimeter of the so-called ACP countries. These mostly African countries, with which Europe has close trade relations, have received a large share of the Union’s development aid. With the *European Union strategy for Africa* agreed in December 2005, consolidated by the *reinforced EU-Africa partnership* in December 2007, Europe has for some years been actively seeking to put together a coherent and concrete Euro-African vision. However, difficulties persist due to the difficulty in defining true regional entities in Sub-Saharan Africa (despite the fact that the definition of such entities was intended under the negotiation of the Economic Partnership Agreements).

– A true *Euro-Mediterranean area* is in the process of being defined. While the Barcelona Process represented the first structured dialogue between the two regions, it has not led to a true and inspiring vision of a shared future. It is now the aim of the *Union for the Mediterranean*, created in July 2008, to give a more political impetus to this partnership and to promote convergence, by developing synergies in the form of projects on interests shared by the two regions.

– A *Euro-Eastern Europe and Caucasus area* is taking shape gradually, thanks in large part to the accession of new members turned towards the east – as far as the Caucasus and even beyond. Many countries in this region have expressed an interest in strengthened and sustainable regional cooperation with the European Union, with a view to facing cross-border challenges together. A true regional policy for the EU in these regions would provide an effective adjunct to the strategic partnership between the EU and Russia.

Thus, the Union’s financial commitment as the biggest provider of funds in these three regions fits into very precise political frameworks. However, it is currently necessary to ask whether it is truly relevant to maintain this geographic separation. Would Europe not do better to *set out a single foreign economic policy*? An overall partnership structure could be adapted, in the funding it provides and the way it works, to the various regions and countries involved. It would offer the advantage of making the systems more coherent.

While defining Europe’s regional structure was an early part of its cooperation policy, it is more than ever the crux of the debate today. *It is time to move beyond the various separations and to define a broad vision of the relationship between Europe and its region, as well as the rest of the world.*

## II – A POLICY BUILT AROUND A STRUCTURAL PARTNERSHIP WOULD BE BENEFICIAL FOR EUROPE’S PLACE IN THE WORLD

### A. The region: a goal in itself and a means of development

#### 1. The importance of territorial development

An analysis of global disorders offers a deterritorialised reading of development issues and their consequences. And while such an analysis may be compelling today, it must not be allowed to mask the impact of territorial organisation on development.

We live in a world that bears profound traces of its *organisation*. Development is closely correlated to the construction of territories and societies. The notions of clusters, agglomerations and employment basins, for instance, help foster an efficient organisation of space within larger geographic

entities. These spaces allow the accumulation, within a given territory, of capital, populations and know-how. Inversely, economic development has an impact on the organisation of space. In this respect, China offers the example of a country in which economic development went hand in hand with a veritable shift in the territorial focus towards the seaboard. To a lesser extent, the same can be said of the Mediterranean. Furthermore, *territorial development is a fundamental development goal*.<sup>11</sup> Is it not true that Europe's development aid can be seen in large part as a regional development tool? By equipping territorial entities with coherent and articulated infrastructure (transport networks, electricity grids, port facilities, roads, telecommunications), public development aid can pare down spatial and economic inequalities, while at the same time fostering the development of markets, and hence regional growth. In the same way that Japan played a decisive role in economic growth in Asia by funding – privately as well as publicly – infrastructure in Southeast Asian countries, Europe must lead the way in building infrastructure in its own broadly defined region.

European construction provides a telling example of the gradual build-up of a regional area destined to drive its internal growth. Today, it is no more in Europe's interest to leave its partners in the south and the east underdeveloped than it was in its interest yesterday to leave its most vulnerable internal regions lagging behind. Its public development policy must be defined so as to *create a sustainable regional area, an extended market* bolstering the long-term growth of all its members.

Two vital questions need to be posed against the backdrop of the prevailing *food and energy crises*. First, is it not true that the development of Africa's farmland – on the proviso that such development respects the environment and the priorities of local populations – would help provide a response to a food crisis that is not only regional but also global? Second, is it not true that the exploitation of Africa's potential for hydraulic or solar power could help reduce international energy dependency? In these sectors, less than 10% of Africa's immense potential is being exploited. European public policy could

encourage Africa and help it achieve its full potential, to the benefit of all.

## 2. Aid as stimulus, helping resolve the economic crisis

At a time when Europe is looking for the best possible way to get the economy moving again, with the focus going primarily to investment, would it not be better to look beyond national or even European borders? *Investing in the south would help stimulate growth in a broad regional area, comprising not only Europe but also its partners in the south and in the east. To get itself out of the crisis, Europe needs to find new sources of growth outside its borders.* It needs to think in terms of integrating a larger regional area via industry and infrastructure. In this way, Europe would help make up for shortfalls in terms of equipment and training in countries that are having a hard time emerging. While Europe and Africa are in diametrically opposed situations in terms of employment and demographics, stimulus in the form of investment in the south would help promote balances on a large scale. To do this, we need to find new ways of financing development, namely by supporting the private sector in emerging countries and covering their territory with coherent and quality infrastructure.

Such a policy would help in three ways: *it would reinforce the competitiveness of the whole, and especially Europe; it would reduce dangerous regional inequalities; and it would create larger markets.* It is by acting to bolster the economic development of its partners that Europe will create with them true areas for business and investment. The goal behind convergence – fostered by the joint definition of economic policies – would be to create an *integrated market beyond the EU's legal borders*. Analysis of the broader area to which Europe belongs, while at the same time looking at where its own interests lie, argues in favour of it adopting a structural development policy for Europe.

## B. Defining the notion of partnership

The very nature of Europe's policies must therefore be clarified, and this clarification should serve to make it more visible. *Europe must offer a dialogue making the notion of partnership a reality.* The idea of partnership contrasts with the notion of "neighbourhood" policy, for all its generosity, in that it involves a joint and balanced *upstream* approach. Each player in European aid, by dint of its specific comparative advantages, will contribute something vital to the process. The notion

11. J.-M. Debrat, "Achieving a European Development Policy", *op. cit.*

of partnership, which precludes imposing goals, but is nevertheless extremely rigorous in terms of method, would require a number of misunderstandings between Europe and its partners to be cleared up.

*The Economic Partnership Agreements (EPA) talks provide an example of what not to do in this respect. The commercial dimension of these agreements has for too long masked the partners' desire to add a pillar comprising quality development policies. Given their failure to achieve the real integration of the dual pillars of trade and development, these talks led to only one regional agreement, and to interim agreements with those countries hit hardest by the end of preferences. At the same time however, it would be possible and desirable to see the question of the EPA talks as an opportunity for the ACP countries, through the implementation of credible assistance programmes on top of existing capacities, in the aim of achieving well-rounded and definitive agreements. To achieve this, we must restore relations between the EU and the ACP, which were undermined during the talks.<sup>12</sup> Europe needs to leave behind the notion of regional "policy", which it defines and then proposes to its partners, in favour of true, jointly defined regional "cooperation". If this philosophy had prevailed during the EPA talks, more progress would no doubt have been made by now. This is why a new European development policy, in no way constituting a "foreign" policy, must become a fully-fledged European policy, as it has a direct impact on the EU itself. It must be conceived as a structural partnership policy.*

To do this, the EU will need to be *consistent on two counts.*

– *First, in terms of internal policy.* It is vital that Europe's cooperation policy be drawn up in a manner that is consistent with its other structural policies. European policies across the board must be made consistent with achieving the Union's development objectives. In May 2005, the European Council declared that the cohesion of Europe's policies – in areas as diverse as trade, the environment and agriculture – needed to be "put to work in favour of development". However, there are still areas in which Europe's

development policies are not coherent with its other policies. This can be put down to a contradiction, or at the very least a disconnection, between their underlying interests.

– *Second, consistency needs to be ensured between the logic underscoring Europe's internal construction on the one hand, and its relationship with the rest of the world on the other.* Historically, Europe has sought first and foremost to promote its internal cohesion – first six, then fifteen and now twenty-seven countries. This fostered a desire for internal cohesion that generated dissymmetry vis-à-vis the exterior. Harmonising laws and applying them equally across the EU as a whole in itself created the sense that there was a border with the rest of the world.

*Such a schema, which was the crux of European construction for half a century, no longer has a place since the rise of globalisation. The time has come to reverse the logic, in the aim of smoothing out this sense of borders. The new method would be to think about the consistency of Europe's internal policies vis-à-vis its neighbours when they are first developed. The goal should be to ensure the effective management of the considerable disparities existing within the broader region. It is in the interests of Europe and its partners to integrate this sort of solidarity when their economic strategies are defined. The logic of creating internal cohesion before giving thought to how borders can be managed must be replaced by a way of thinking that takes into account Europe's relationship with the world. This new type of European policy has very tangible consequences. It means that Europe must take into account the interests of its external partners in determining the amounts of funding it provides, its rights, its objectives and its internal standards. More specifically, the new paradigm calls for change in some specific existing policies at a number of levels.*

– The tools of Europe's competitiveness policy, also known as the "Lisbon strategy", need to be taken beyond the borders of the Union. The Lisbon strategy failed to take into account a number of major challenges, such as the ageing of the European population or the impact of these policies on developing countries, particularly in terms of migration.

– Thus, Europe's employment, training and innovation policies cannot be disconnected from the analysis of the global challenges represented by

12. Proceedings of the workshop "APE pour le développement" (Economic Partnership Agreements for Development), organised by the Agence française de développement (AFD), 24 October 2008.

the control of costs, the competitiveness of labour and the control of international migrations. The new deal in terms of global competitiveness will force Europe to redefine the notions of skill centres and employment basins in the broad sense. It would be *illusory to think that a knowledge-based economy alone can guarantee full employment*. An effective employment policy must also be seen in terms of Europe's new relationship with the world.

Likewise, the absence of organisation in Europe's job markets affects countries to the south, by prompting the disorganised migration of elites as well as more vulnerable segments of their populations.

– Similarly, *Europe's cohesion policy*, which is aimed at reducing the gaps between European regions, needs to take greater account of the cross-border perspectives.

– *The Common Agricultural Policy (CAP)* also needs to be rethought as a means of managing trade and balances between different agricultural sectors throughout the world. Thought needs to go to the impact of Europe's agricultural policies on our partners' agricultural sectors, particularly against the backdrop of the prevailing food crisis. Since its inception, the CAP has been seen above all as a means of managing Europe's agricultural and rural transition; it must now be built on *balanced global trade in agricultural and the relationship between rural areas*. To achieve this, Europe must work simultaneously towards changing practices in the north and the south to change the notion of rural development, farming techniques and market organisation. It is in this way that we can avoid falling back on the strict notion of "food sovereignty".

### C. Organising a political dialogue

As we have seen, Europe's system of cooperation fits into intertwined geographical regions. Within these various spaces, its action brings together a wide variety of players, of all sizes and types – governments, regional unions, companies – all of which have specific relations with Europe. With a view to ensuring the effectiveness of its development policies, Europe must work out, hand in hand with its various partners, the framework for a harmonious relationship: *the partnership philosophy must be applied at all levels*.

*Between the European Union and the African Union (AU):* these two bodies are involved in long-standing dialogue on development issues; they launched a partnership dealing with infrastructure in 2007. However, the looseness of the African Union's institutional structures has limited discussions to very general topics to date. The dialogue between the two must be taken further, but it must also give rise to operational programmes.

Would it not be more to the point to take talks between the European Union and the African Union to another level, namely that of the donors themselves? Africa has a number of bodies set up to fund economic development, including the African Development Bank (ADB), the Development Bank of Southern Africa (DBSA) and the West-African Development Bank (WADB). The links between development banks in Africa and those in the European Union need to be tightened, and dialogue between them organised.

There are numerous ways in which this could be done. Public and private financial institutions could be brought into a single structure or think tank, *a sort of Euro-African "pool" of banks*.

*Between the European Union and Africa's regional unions:* Africa has a multitude of regional unions, of very different sizes and degrees of operational integration. The European Union must deepen its region-to-region dialogue. It must aim to be as inclusive as possible. For instance, there is no doubt that the Economic Community of West African States (ECOWAS) is more representative of this region comprised of English- and French-speaking countries than the West African Economic and Monetary Union (UEMOA). However, the regional organisations with the highest level of integration – and accordingly the greatest operational capacity – are currently those, such as the UEMOA, built on a shared history going back to the CFA franc, and on linguistic ties. The EPA talks highlighted the risk involved in carrying out negotiations with organisations that do not sufficiently represent the political reality of the African continent. While the regional level is the most appropriate for working out economic policy, the African states need to reinforce their regional groupings in order to allow for an effective dialogue with the European Union.

*Between the European Union and beneficiaries:* aid will only become more effective if the

European Commission and member countries coordinate their action better. Europe must redefine its practices in the field within the framework of the 2 March 2005 Paris Declaration on Aid Effectiveness and the Code of Conduct on Complementarity and the Division of Labour in Development Policy (2007). The political context of institutional reform and discussions on the effectiveness of aid, spurred by initiatives taken in 2005 by Louis Michel, EU Commissioner for Development and Humanitarian Aid, have created a favourable environment in this respect. To carry out reform effectively, funding bodies will need to avoid a number of traps, and focus their efforts on four related areas:

- fostering effective coordination between European funding bodies in the various partner countries;

- reconciling the need for consistency with the multitude of offers (in the type of action that is taken and the way in which it is taken) made by the various EU countries. Europe cannot – and there is no need for it to do so – present itself to its partners as a single block. A single European offering would go against the partners' capacity for dialogue – and choice;

- working upstream with all players concerned, particularly multilateral bodies such as the World Bank;

- interfacing the joint planning of aid with the partner's planning tools (particularly budgetary).

*Between the European Union and non-state players (local government, private enterprise, etc.):* in development terms, these players are both factors and operators, and must become a priority in the strategies implemented by donors. European donors are often lacking in the support they provide to such players. Work at this level should fall to the Commission, but at the moment is only really being done by the development banks. However, the reinforcement of the private sector enshrined in the Cotonou Agreement, managed by the EIB, is the prime objective of the European Financing Partners (EFP) co-funding mechanism.

Europe has a *multitude of partners with which it can deepen its dialogue*. But to do so, it must reform its own structures.

### III – THE NEED FOR A NEW EUROPEAN AID ARCHITECTURE

#### A. Clarify responsibilities within the European system

Europe's development aid policy is shared between the member states and the European Commission. Several bilateral agreements exist side-by-side with European Union policies that also involve a multitude of distinct players.<sup>13</sup> While the expression *aid architecture* implies that there is a clear plan and an "engineer in chief",<sup>14</sup> the reality is in fact slightly different.

*The European Commission's development assistance policies are complex.* In order to simplify its procedures and make its action more effective, the Commission embarked in 2000 on a vast deconcentration process, giving control of implementation to delegations, on the principle that "decisions that may be made in the field should not be made in Brussels" – effectively applying the subsidiarity principle. Similarly, the Commission recently took drastic moves to concentrate its external aid instruments, and the procedures of the European Development Fund (EDF) were simplified. *The Commission has thus for some years been working to simplify its instruments and its procedures.* But the Commission's treatment of aid to developing countries is nevertheless characterised by a *geographical separation, manifesting itself in the form of institutional separation*. While relations with the ACP countries are managed by the Directorate-General for Development, those with all other developing countries are the responsibility of the Directorate-General for External Relations. This means that the Commissioner for Development has no means of action when it comes to Mediterranean rim, Asian or Latin American countries. And while the Directorate-General for Development is responsible for horizontal policies, its Global Climate Change Alliance does not include emerging countries – not forgetting that the Directorate-General for Trade is responsible for issues that touch on development, in particular Economic

13. M. Gavas, "The Evolution of EU Development Cooperation: Taking the Change Agenda Forward", Conference Paper, ODI, 20 April 2009.

14. S. Grimm, "Reforms in the EU's Aid Architecture and Management: the Commission is no longer the Key Problem: Let's Turn to the System", Bonn, Discussion Paper, Deutsches Institut für Entwicklungspolitik, November 2008.

Partnership Agreement talks. In addition, the programming of aid is currently separated from the actual implementation of aid policies, which falls to EuropeAid. And while EuropeAid reports to a single Commissioner, it acts on behalf of two, working under the authority of the Commissioner for External Relations, but devoting a lot of its time to activities (the EDF and horizontal policies) set out by the Commissioner and Directorate-General for Development.

This shows the extent to which the Commission's workings are Byzantine, with the Directorates-General in charge of formulating policy not necessarily having a role in implementing it. *The management of the project cycle falls to different entities at different stages.*<sup>15</sup> Such a system can only be effective if the relationship between the two parties is based on ongoing dialogue and synergies at all levels.

*What goes for Brussels also goes for the various member states: policy formulation, programming and implementation are carried out under very different administrative geographies depending on the country. There are as many combinations as there are administrative entities overseeing the various stages in each of the member states.*

Europe needs to put administrative reform firmly on the agenda. Would it not be better to *envisage a unified chain of command within the Commission?*<sup>16</sup> And would it not be more effective to encourage member states to adopt the same basic structures, so as to facilitate the dialogue between equivalent echelons (financiers with financiers, programmers with programmers and operators with operators)?

## B. Unify the financial architecture

### 1. The same tools are used everywhere

Whatever the region, development assistance uses the same financial tools. It would no doubt be possible to define a *single toolkit*, ranging from different types of aid (projects, programmes, budgetary aid, studies, technical assistance, etc.), loans on more or less attractive terms and the acquisition of economic interests. Likewise, *the principle involving a "blend of loans and grants"* should be

applied for all European aid actors and all geographic areas. The *EU-Africa Infrastructure Trust Fund and the Neighbourhood Investment Facility (NIF)* are two remarkable instruments recently devised by the Commission in the aim of subsidising economically viable projects and producing the sort of leverage that is the only way to attain the volumes of funding required for the development of infrastructure and the private sector. Lastly, the generalisation of *co-financing techniques*, with the possibility of delegated management in the aim of limiting transaction costs, provides the maximum amount of flexibility, allowing for the optimal combination of the different instruments.

### 2. The need to simplify budgetary architecture

*The option taken in 2005 to adopt a minimal EU budget precludes the optimal development of structural territorial policies such as the cohesion, neighbourhood or cooperation policies.* The prevailing crisis has put public investment back on the agenda: part of this should be earmarked for external action, in the interests of Europe, its businesses and its competitiveness. Under these circumstances, a simplification of budgetary architecture is vital.

Currently, a portion of the various member states' assistance budgets is used within the framework of national budgets, either directly, or through aid agencies. Another part goes towards funding the EDF, which is governed by a single set of financial rules. The use of EDF funds is decided in conjunction with Europe's ACP partners, but is not subject to the control of the European Parliament. A third budgetary pillar comes in the form of resources paid by member states into the EU budget, and used either by EuropeAid, by the EIB, or by multilateral institutions, headed up by the World Bank. *Does separation of this nature still make sense?* Is it not time to put an end to the distortions existing between European institutions in the funding offered to its partners? Is it not time to place all EU spending under the control of the European Parliament, while at the same time preserving the benefits of the Cotonou mechanisms, which bring together the 79 APC countries and the 27 EU member states? Reform would make it possible to rethink the EU's external relations budget. Greater use of co-financing, in particular via specialised funds set up with a simple (and visible) aim, would make it possible to put together a consolidated European funding system. *A transparent reorganisation of budgetary circuits and the blending of loans and grants* would make it possible to emphasise the value of the grant – a political act – while

15. *Id., ibid.*

16. S. Maxwell and J.-M. Debrat, "The Recession's Storm Holds a Silver Lining for Development Cooperation", *Europe's World*, February 2009.

at the same time prompting financial institutions to follow suit, using their respective operating expertise. *Lastly, the financing of internal and external structural policies poses the question of the size of the European budget for the 2014-2020 period.* This is already a pressing question for today, given that the size of the European budget compromises any chance of seeing the EU put together an economic policy aimed at resolving the crisis.

### C. Create a network of existing players

#### 1. An overview of the various players in development assistance in Europe

Ministerial departments (such as Britain's Department for International Development [DFID] or the Netherlands' Ministerie van Buitenlandse Zaken [MINBUZA]), member states' public development agencies offering grants (Spain's Agencia Española de Cooperación Internacional para el Desarrollo, AECID), public banking institutions (KfW Bankengruppe or France's AFD), private banking institutions (grouped together in a network of European Development Finance Institutions<sup>17</sup>), the EU's public development agency offering grants (EuropeAid), publicly-owned multilateral banks (EIB, European Bank for Reconstruction and Development [EBRD], European Central Bank [ECB]), etc. These bodies come in different sizes; they also differ in their historical and geographical traditions, and each have their own modes of intervention and priority sectors. While some offer direct funding to local project owners (BEI, KfW and AFD), others implement projects directly (Germany's Gesellschaft für Technische Zusammenarbeit [GTZ], and EuropeAid in part), while others prefer to delegate (DFID).

#### 2. The advantages and disadvantages of this diversity

The diversity of this structure has the clear advantage of offering a diversified range of technical and financial services for the benefit of Europe's partners. But it has the equally clear disadvantage of generating considerable transaction costs for local partners and hindering coordination between members of the aid community.<sup>18</sup>

17. EDFI: European Development Finance Institutions. A European network of development banks dedicated to financing the private sector.

18. E. Huillery, "Pour la fin du saupoudrage dans la coopération européenne au développement. Vers une division du travail entre États membres" (Put an End to the Thinning Out of European Development Cooperation: Towards a Division of Labour between Member States), Paris, CEPREMAP-AFD, March 2008.

Reconciling the advantages and disadvantages could come in the form not of a monopoly-type harmonization, but rather through a more flexible division of labour, based on the comparative advantages and specializations of the different institutions concerned. Over recent years, the Commission has taken several positive initiatives in this direction. This is what gave rise to the division of labour in Europe. The Code of Conduct on Complementarity and the Division of Labour in Development Policy was an important step on the path towards effective aid for Europe's partners. Its implementation still needs to be finalised and work needs to be done to make its programming more coherent. We also need to conceptualise integration policies of differing degrees, internally as well as externally, no doubt inspired by the theory of clubs.<sup>19</sup>

#### 3. The principles involved in working together

The intense discussions on the topic of reform that have taken place over recent years within the different networks (European Development Finance Institutions, Interact,<sup>20</sup> Practitioners' Network for European Development Cooperation) and in the Commission have given rise to a number of joint working principles:

- first, that funding should go primarily to local project owners, whatever their legal form (enterprises, banks, local government, NGOs, public institutions, states, etc.), and that their procedures should be brought up to international standards;

- second, that mutual recognition should be fostered in the goal of putting the greatest number possible of players on an equal footing – on the basis of clear principles including transparency, non-discrimination and equality of treatment;

- third, that the commitments of different players should also be reciprocal;

- fourth, that the efforts of a project's various backers should be clearly visible;

19. See F. Allemand, C. Brandi and M. Wohlgemuth, "Shall We Try New Methods to Make the EU-27 Work?", Paris, Fondation pour l'innovation politique, Working Paper, September 2007.

20. A network covering European development finance institutions, public aid managers and specialists in funding the private sector.

– lastly, that the notion of lead financier should be adopted, with responsibility for the management of financing, with a view to reducing transaction costs, as well as offering partners a one-stop shop.

#### 4. Support and bring to fruition work underway in all areas

Europe today has a rich variety of assistance concepts and instruments, offering a comprehensive range of financing possibilities, greater harmonisation and heightened visibility. It has avoided the trap of unwieldiness that could have resulted from a single large agency having a monopoly. The challenge today is to continue innovating – and to ensure that innovations are implemented in an efficient and concerted fashion. Europe must do more than set out its governing principles. The actual implementation of these principles will provide the technical response to the political necessity that Europe clarify its relations with the countries that will share its destiny.

## CONCLUSION

Peace and economic stability – the political cornerstones of Europe in the 1950s – are still the European Union's main *raison d'être* today.<sup>21</sup> However, these goals no longer serve just the foundation for European integration in the strict sense; they also – indeed, primarily – provide a basis for Europe's relations with its neighbours. The EU's various enlargement,

21. F. Mer, "L'Europe, pour quoi faire?" (What Purpose Europe?), *op. cit.*; A. Palacio, "L'immigration et la compétitivité" (Immigration and competitiveness), *Lettre de la Fondation pour l'innovation politique* n° 19, February 2006.

association, cooperation and neighbourhood policies are all aimed at achieving solidarity in the strict sense of the term, and are all anchored in territories, towns, rural areas and enterprises. They require a broadened view of questions as vast as training, migration, energy, infrastructure, urbanisation and rural development in an area that extends beyond the borders of the EU member states.

Today's challenges back up the need for a European development policy based on a balanced dialogue that seeks to reduce the disparities marking the vast area lying between the Atlantic and the Caucasus, covering Europe, the Mediterranean rim and Africa. The prevailing crises show that the most dramatic and dangerous consequences of financial and material imbalance come in the form of the profound territorial imbalances existing in our world. A territorial bias can help provide effective solutions.

It is in the interests of Europeans, as well as those of states that do not belong to the EU but have long had strong cultural and economic ties with it, to define a veritable regional partnership that would help contribute to defining European policies.

By offering a process of this nature, Europe would send a strong and clear political signal to its partners, demonstrating, by its involvement, its desire to establish sound regional synergies over time. It would also make a decisive step towards getting out of the prevailing turmoil in the dematerialised financial economy, which has lost the sense of its relationship to territories and the people who live in them.

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■ *The Fondation pour l'innovation politique* has been contributing to pluralist thought and the revival of public debate since it was founded in 2004. It approaches its work from a liberal, progressive and European perspective.

■ *As a platform for expertise, thought and debate*, the Fondation strives to describe and decipher French and European society as it evolves. The ageing of the population, the increasing importance attached to environmental issues and globalisation are just a few of the phenomena hastening the emergence of a new world. Studying change and its consequences on political life is at the heart of the Fondation's role.

■ *The Fondation is not just an observer*. While it must play an active role in theoretical debate, it differs from an academic research centre in that it is capable of formulating innovative proposals and recommendations for players in the French and European public and private political, economic and social spheres.

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