Overseas Development Institute

Background Note

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Setting up the European External Action Service: building a comprehensive approach

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This Background Note aims to contribute to a more inclusive and better informed debate ahead of the final decision on the set-up of the European External Action Service (EEAS). It presents criteria to guide an assessment of the new institutional arrangements and mandates from a development perspective, highlights the issues being discussed and lays out options for a comprehensive approach to external action by the European Union (EU).

Taken together, the Lisbon Treaty, the arrival of a new leadership team and the establishment of the EEAS, provide a window of opportunity for the EU to recast its external relations institutions, building a more unified approach to development and foreign policy and practice.

The EEAS will be a unique institution, serving, in effect, as a foreign ministry and diplomatic corps for the EU. But just how development concerns will be represented within the EEAS has yet to be decided, alongside whether and how to consolidate development competencies that have been spread across the development cooperation and external relations directorates. Negotiations on these issues are ongoing in the Council, the European Commission and the European Parliament. The EU Member States appear to be aligned behind a proposal from the Permanent Representatives Committee (COREPER) and the European Parliament will be drawing up its own report. The formal institutional negotiations began with the presentation of the High Representative's first proposal for the EEAS at the end of February 2010, and the Council is scheduled to adopt the proposal on the establishment of the EEAS in April.

As the negotiations unfold on the institutional set-up for the EEAS, success from a development perspective will be judged first and foremost by its capacity to exploit the full potential of EU policies and instruments in a comprehensive way to fulfil the EU objectives and principles spelled out in the Lisbon Treaty. The success of the EEAS will also be measured by whether it:

- provides effective mechanisms to ensure that long-term development, state-building and peace-building objectives and principles inform the EU's global political engagement and external action
- promotes Policy Coherence for Development – the coherence of all internal and external EU policies and instruments and development objectives
- ensures the consistency of EU external action through the equal application of its principles and objectives across all geographic areas
- ensures that aid allocation criteria are based on a shared assessment of needs, priorities and performance
- allows for country ownership and a comprehensive approach at country level
- provides an enabling environment for progress on aid effectiveness
- minimises duplication, is cost-effective and cuts red tape
- promotes learning, innovation, flexibility and rapid response
- recruits, rewards and retains specialist thematic and geographic development personnel on the basis of merit and experience.

Background

The new European Commission arrangements

The new European Commission took office on 9

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February 2010 with a five-year term. There was a reshuffle of previous portfolios and functions, and the number of external relations Commissioners expanded from four to six. Effective communication and collaboration among the Commissioners will be paramount if these new arrangements are to work. In the new set-up:

- Baroness Catherine Ashton is the High Representative for Foreign Affairs and Security Policy and Vice President of the European Commission. She is responsible for the Common Foreign and Security Policy (CFSP) and the Common Security and Defence Policy (CSDP), chairing the Foreign Affairs Council and ensuring consistency of EU external action. She will be assisted by the EEAS, which will include the EU Delegations;
- Development policy-making and implementation have been placed under one Development Commissioner: Andris Piebalgs, who will represent the Commission on the Foreign Affairs Council. The Development Commissioner is responsible for the Directorate General (DG) Development, which initiates development policy, and DG EuropeAid, which implements external aid programmes and projects around the world. Yet it is still unclear whether the relevant structures will be integrated to enhance the link between policy and practice;
- The European Neighbourhood Policy (formerly managed by DG RELEX) and enlargement are now housed together, with Štefan Füle as the Enlargement and European Neighbourhood Policy Commissioner. He is also responsible for the services of DG EuropeAid that deal specifically with the European Neighbourhood and Partnership Instrument;
- DG External Relations (DG RELEX) will remain until the EEAS is established. Its functions will then be split between the EEAS and the Commission;
- DG ECHO reports to Kristalina Georgieva, the Commissioner for International Cooperation Crisis Response and Humanitarian Aid;
- Karel De Gucht is the Trade Commissioner. He is responsible for DG Trade.

There is still uncertainty about the structures and portfolios of the Commission in the area of external action. Three key questions stand out:

1. What is the accountability of the High Representative and the EEAS? The double-hatted arrangement of the High Representative moves away from the separation of institutional powers underlying the original Treaties. It is important that the High Representative and the EEAS are accountable (a) to the Council on CFSP issues; (b) to the College of Commissioners on external relations issues; and (c) to the European Parliament on issues dealt with by the Commission.
2. Who will control which pot of money? The European Commission disburses some €10 billion per year through its external action financing instruments, the vast majority of it Official Development Assistance (ODA). The budget reserved for the EU's CFSP is marginal in comparison (under €300 million per year). The dilemma is how the High Representative can ensure the consistency of EU external action without full budget responsibility for that action. The concern is that political influence over development spending could lead to development being overridden by short-term foreign policy interests driven primarily by crisis management, security and defence. This may weaken the focus on poverty reduction.
3. Linked to the money issue are questions of allocation and programming. Who will be responsible for allocation and programming, or for different parts of the programming cycle? What needs to happen to ensure effective joined-up analyses of country situations and responses? What coordination and consultation mechanisms need to be put in place?

Programming the geographic instruments

Country and regional programming involves an analysis of a country's needs, priorities and performance, followed by the elaboration of a response strategy and the allocation of aid across countries based on the findings of that analysis. Programming is a joint exercise under the European Development Fund (EDF) for African, Caribbean and Pacific (ACP) countries and 'based on dialogue' for the Development Cooperation Instrument (DCI) and European Neighbourhood Policy (ENP) countries. It should be conducted at country level, and be aligned to the national priorities and national development strategy. Box 1 shows the five stages of programming followed by the Commission. The first three stages: country/regional allocation, country/regional strategy papers (CSPs/RSPs) and national/regional indicative programmes (NIPs/RIPs), are closely intertwined.

At present, country allocation, CSP and NIP cycles are run by the DGs where the geographical desks are located: DG RELEX for the DCI and ENPI and DG Development for the EDF. The annual action programmes and implementation cycles are run by DG EuropeAid once Member States have agreed to the CSPs and NIPs in the respective Committees (i.e. EDF Committee, ENPI Committee etc.).

Programming the thematic instruments

In addition to the geographic instruments, the thematic instruments are important for prioritising the list of EU

Box 1: Development programming

Programming is the setting of long-term development objectives for a country, together with financial envelopes and a set of identified projects. The five levels of development programming and implementation in the European Commission are:

1. **Country/regional strategy papers (CSPs/RSPs):** five- to seven-year strategic assessment of the political and economic situation of the country/region and general themes of the intended response (including political dialogue, development, trade etc.).
2. **Country/regional allocation:** The seven-year (six-year for the EDF) allocation of resources for each region and country based on population, needs/poverty assessment, absorption capacity and commitment to political reform.
3. **National/regional indicative programmes (NIPs/RIPs):** derived from the CSPs/RSPs, these identify priority sectors and themes for the country including multi-year financial envelopes. Half as long as CSPs.
4. **Annual action programmes:** set within the overall and financial limits of the CSP and NIP.
5. **Implementation:** contracting, management, monitoring, evaluation etc.

global objectives, as specified in the Lisbon Treaty, such as environmental protection and conflict prevention. Unlike the geographic instruments, which are based on shared analyses of local needs and conditions and joint response strategies, the thematic instruments are based on the EU's own strategic considerations and priorities. They mix ODA and non-ODA funds.

The thematic programmes of the DCI are based on strategy papers that set out the priorities for the theme concerned and give the indicative financial allocation, both overall and by priority area. Although they are not based on joint analysis of the priorities of partner countries, they must be consistent with the overall objectives, principles and policy prescriptions of the DCI (e.g. poverty eradication, principles of aid effectiveness, etc.). They are drawn up by the Commission in consultation not only with Member States and the European Parliament, but also with other development actors, including representatives of civil society and local authorities. They are adopted by Member States in the DCI Committee. According to the DCI Regulation, ODA must account for 95% of the DCI on average. There is significant pressure to use the thematic programmes for EU priorities beyond development, such as migration.

The Instrument for Stability (IfS) contains both ODA-eligible and non-ODA funds and is the prototype of a progressive instrument to address the full conflict cycle, bridging the traditional EU institutional divides between crisis prevention and crisis response. The IfS has an envelope for short-term response to crisis situations or emerging crises and an allocation for long-term approaches of crisis prevention to complement the CSPs/NIPs. The short-term component has, to date, been managed by DG RELEX, with funding decisions made following consultation with the Peace and Security Council (PSC). The programming of the long-term component, which is implemented by DG EuropeAid, is based on Multi-Country Strategy Papers, Thematic Strategy Papers and Multi-Annual Indicative Programmes developed by DG RELEX. However, there is a general recognition of the lack of long-term strategic guidance for programming of this multi-faceted instrument. As with the other Community instruments, the IfS is subject to parliamentary scrutiny, giving the European Parliament an oversight role on security, peace and conflict issues.

The horizontal model

The proposed model for the future of programming in the new structure is a horizontal split, which would see a division of responsibilities according to programming function rather than geography.

There are two scenarios for the horizontal split: Scenario One entails the EEAS being responsible for developing CSPs (stage one) and financial allocation (stage two) of the programming cycle, and the Commission taking responsibility for stages three, four and five (NIPs, Annual Action Plans and implementation of development assistance programmes and projects) for the EDF, the DCI, the ENPI and the IfS. Scenario Two entails the EEAS being responsible for stages one, two and three. In this scenario, the Commission would merely manage stages four and five.

The rationale for the horizontal model is that the EEAS, as a coordinating body of all EU external action, would bring together all the different strands of EU policy (environment, trade, security, migration and development). A unified geographical desk system would allow it to focus on overall political strategic issues, leaving more mainstream cooperation and the technical aspects of programming to the Commission. However, EU foreign policy interests may not always be in line with development priorities agreed jointly at country level.

Building a comprehensive approach to EU external action

Integrating DG RELEX and DG Development approaches to dialogue and cooperation

If political dialogue and development cooperation are to be country-owned and responsive to development priorities, EU Delegations will need to play a more impor-

tant role in the entire programming cycle. Historically, DG RELEX has a better track record in prioritising conflict and peace issues in country-level strategies. However, the Cotonou Partnership Agreement – the most comprehensive agreement between developing countries and the EU – already has some of the most progressive rules on aid programming and implementation that are meant to foster ownership, alignment and domestic, as well as mutual, accountability. Scenario One could allow the EEAS to integrate these approaches and ensure that both are further developed to inform the entire programming cycle as well as political dialogue in all geographical areas. It would also facilitate the combination of geographic and thematic instruments across the DGs to support complex engagement strategies.

Scenario Two, however, would reinforce the divide between the DG RELEX and DG Development approaches, with the EEAS doing the bulk of development programming and with a reduced DG Development formulating development policy and DG EuropeAid managing annual action planning and implementation. The risk is that Scenario Two will forgo any opportunity for real cooperation between the institutions. Furthermore, DG Development's policy-making capacity would be completely de-linked from programming.

A joined-up approach is also crucial in Brussels to enable the EU to foster strategic and political partnerships with developing countries that will address global challenges. The Joint Africa-EU Strategy is an example of a new political partnership conceived to overcome the traditional donor-recipient relationship. It brings together the Member States and the Commission and bridges a range of internal and external EU policy areas. A horizontal model for the EEAS could bring together the necessary political leadership to rally EU actors and instruments behind one overarching strategic framework.

Form to follow function

The decision on the mandate of the EEAS for financial instruments and steps in the programming cycle has implications for its organogram, at both headquarters and at delegation level.

The same type of expertise is also needed for CSP programming and drawing up the NIP. Both processes require geographical and thematic desks in Brussels that ensure EU development policy is implemented following the specified objectives and principles set out for development programming. Both processes also require development cooperation experts at delegation level who come to a shared analysis of needs and performance and a joint response with the partner government.

Logically, if the EEAS takes on responsibility for development assistance beyond coordinating CFSP and ESDP with development cooperation, it must incorporate the relevant geographical and thematic desks from DG Development and DG RELEX. Separating geographic desks which deal with programming, and thematic desks which develop policy and legislation between the Commission and the EEAS, would weaken the Development Commissioner's leverage over ensuring that development policy actually informs country and regional strategies. This would leave the Commission with a rather technical and administrative role and make it difficult for the Development Commissioner to exercise a 'development check' on development programming and the orientation of overall external action. Alternatively, the Commission's competences could be duplicated within the EEAS, but this would go against the spirit of increasing efficiency and effectiveness.

Who does what in allocating and programming ODA: a new Scenario Three

One option could be to add a 'stage zero' on 'global political regional and thematic strategies' ahead of stages one to five. This would integrate all policies and instruments of the EU, led by the EEAS' geographical desks. In this scenario, the EEAS would conduct the global allocation of funds to the broad geographical categories and overall instruments according to the political guidelines given by the Council. The Commission would then have the right of initiative for the elaboration of more detailed developmental analysis and response strategies and the country and sub-regional allocations. This would allow the EEAS to fulfil a strategic role for geographic instruments without prejudice to the process of development programming that is informed by the principle of country ownership.

However, in order to fulfil this strategic and coordinating function, it would be vital for the EEAS to include some expertise on thematic areas of external action in a balanced way. As a minimum, it would need a competent focal point for each of the following policy areas: conflict prevention and mediation; crisis management – both civilian and military; peace-building and state-building; development cooperation; humanitarian aid; and trade. Such expertise could also come from seconded national experts from the Member States. The EEAS will also need to invest in institutionalising learning, especially to ensure that monitoring and evaluation feed back into policy-making. Ideally, the EEAS should have the ability to recruit, reward and retain those with strong specialist expertise.

Safeguarding development objectives in EU external action

Policy Coherence for Development (PCD)

According to the Lisbon Treaty, the High Representative

has a mandate to coordinate all areas of external action and ensure their consistency. As poverty eradication, the promotion of democracy and human rights and conflict prevention, among others, are now objectives of the EU's external action, the High Representative has a clear mandate to ensure that the CFSP and CSDP take such objectives into account. Whilst part of the objectives for external action, development policy enjoys a particular and privileged position. The Lisbon Treaty requires all other internal and external EU policies to take account of the Union's development objectives in decisions that might affect the reduction and ultimate eradication of poverty. Arguably, it could be seen as the High Representative's mandate to promote PCD in the Council and the Commission.

The key question is how to operationalise this PCD mandate in the new set-up. There are ongoing preparations to improve result-orientation and accountability in the efforts by EU policy actors to promote PCD, while other efforts are underway to strengthen monitoring and assessment of impact of other EU policies on developing countries. There are two possible avenues to give the High Representative a strong role in the promotion of PCD:

1. The EEAS takes on the role from DG Development for policy development and reporting on PCD as well as the responsibility to develop and make better use of monitoring and dialogue mechanisms at Brussels and delegation levels. The EU Delegations are given a role in relaying systematically feedback from partner countries to ensure that other EU policies 'do no harm';
2. The Development Commissioner briefs the High Representative on PCD on a regular basis and proposes courses of action, while the EEAS are in frequent contact with, and have access to, the policy capacity currently in DG Development. With the Development Commissioner in ongoing contact and accountable to the European Parliament Development Committee for his performance, he should be able to brief the High Representative to ensure that she also highlights the EU's commitment in her own political exchanges in Parliament.

Under the Lisbon Treaty, the European Parliament has gained the power to influence, delay or even reject Commission policy proposals and is, therefore, empowered to promote PCD. Other EU institutional actors will also be able to contribute to the EU's objectives in PCD, including the EU Ombudsman Office which has in the past used its powers of initiative to deal with complaints about European Investment Bank projects made by non-EU citizens. The High Representative should be actively aware of the efforts made by all actors to promote PCD and find windows of opportunity for contributions by the EEAS.

The 'Dual Key' in policy development, allocation and programming of ODA

The 'Dual Key' is a proposal accompanying Scenario One (and Scenario Three) of the horizontal model, which would give the Development Commissioner the authority to sign off on all decisions involving ODA taken by the EEAS. If the EEAS was to take the lead on certain aspects of the programming process for ODA, the Development Commissioner would need to agree to those decisions. The aim would be to ensure a 'development check' on the use of development assistance for broader objectives, such as climate change, migration or security. At the same time, the High Representative would take the lead on programming in all politically sensitive and crisis situations, irrespective of geography.

The 'Dual Key' is the extent of the Development Commissioner's influence over the other external relations Commissioners and vis-à-vis the High Representative, and the extent to which the EEAS will rely on the exercise of the Commission to set the parameters for programming. The key is designed to grant the Development Commissioner the necessary authority over development programming, with some caveats. Therefore, the 'Dual Key' also provides an effective tool to ensure PCD.

In Scenarios One and Two, the EEAS would, to a certain extent, take the lead in the allocation and programming of ODA. However, it is unclear what is meant by 'taking the lead'. It could either imply a right of presenting a first draft or the right of initiative, or it could simply mean having the final word or 'consenting'. The former implies a much more dominant position than the latter, making it even more important to develop adequate mechanisms to ensure that ODA is allocated, programmed and implemented in line with poverty reduction objectives and principles of development cooperation, such as the Paris Declaration on Aid Effectiveness.

Development indicators need to be applied to the allocation of ODA. The DCI Regulation, the Cotonou Partnership Agreement, and the European Consensus on Development – the EU's overarching policy statement – clearly stipulate the criteria for the allocation of funds according to needs and performance. However, if the EEAS should take the lead in allocation beyond setting out the broad lines, the Development Commissioner has, at least, to monitor and approve the application of these criteria.

When it comes to policy development and programming of ODA in all geographic areas, there needs to be

a clear, transparent and public mechanism to negotiate priorities between the EEAS and the development experts, who should be bound by agreement with the partner country and backed by the Development Commissioner. There are essentially two options:

1. The 'Dual Key' could operate from the delegation to the Brussels level, where policy and legislation is developed, ODA is programmed, the NIPs are decided upon, political dialogue is conducted and even projects are identified. This will have implications for the staffing at delegation level to ensure that there is a counterbalance at all levels. It will also have implications for reporting levels. If conducted in a spirit of good faith and close cooperation, it could foster the elaboration of complementary roles within an integrated comprehensive approach. In particular, it could contribute to mutual learning. However, the risk is that bureaucratic procedures may delay decision-making and disbursement of funds.
2. The alternative would be to instigate the 'Dual Key' at stage two, the level of CSP programming, with stages three, four and five under the full control of the Development Commissioner. This would simplify and speed up processes. However, it could lead to 'package deals' and power struggles at the highest level that may override country ownership and alignment. It may also mean the loss of opportunities for a more joined-up approach.

The 'Flexibility Clause' in allocating and programming ODA

In Scenario One, in order to enable the High Representative to act quickly and flexibly with regards to politically sensitive situations and crises, a 'Flexibility Clause' has been proposed. The clause would allow the EEAS to adopt a strengthened role in the programming process. However, this would need to be accompanied by special accountability systems as well as enhanced monitoring and reporting obligations on the use of ODA to mitigate short-term approaches in fragile situations.

Conclusion

The litmus test for the reform of the EU's external action will be whether it leads to greater coherence and effectiveness. Development cooperation, characterised by a long-term approach to address the structural root causes of poverty, has a complementary role to short-term crisis management in shaping crisis prevention and political dialogue. By prioritising the development approach among diplomatic and defence instruments, security and development can become integral components of a European agenda for global peace, inclusiveness and sustainable development. For this to happen, suggestions in this paper include:

- Making the EEAS responsible for drawing up global political regional and thematic strategies and for the global allocation of funds. For its part, the Commission should retain the right of initiative for the elaboration of policy and legislation as well as more detailed developmental analysis, response strategies and country and sub-regional allocations;
- Demanding the High Representative to act upon her ultimate responsibility for Policy Coherence for Development;
- Giving the Development Commissioner full authority to monitor, approve and reject the application of the development criteria as set out in the DCI Regulation, the Cotonou Agreement and the European Consensus on Development;
- Ensuring that the EEAS is adequately staffed with development expertise and invests in institutionalising learning, especially to ensure that monitoring and evaluation feed back into policy-making.

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