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The EU Budget Review

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Eurostep is a member of CONCORD

Eurostep A.I.S.B.L.

115 Rue Stévin, 1000 Brussels, Belgium
Tel. +32 2 231 16 59 • Fax. +32 2 230 37 80

Background

Throughout 2008, the European Commission will be examining the possibilities for a wholesale reform of the EU budget. The European Commission's mandate is:

*'to undertake a full, wide-ranging review covering all aspects of EU spending, including the Common Agricultural Policy, and of resources, including the United Kingdom rebate, and to report in 2008/2009.'*⁴

In the financial framework for 2007 – 2013, the funds available for the EU's development cooperation programmes total approximately € 51 billion.²

This overall amount includes the financial resources available under:

- (1) The Development Cooperation Instrument (DCI) (€ 16.9 billion);
- (2) The European Neighbourhood Policy Instrument (ENPI) (€ 11.2 billion); and
- (3) The European Development Fund (EDF) (€ 22.7 billion).

Issues

(1) Lack of transparency: Where are the resources for development?

The current structure of the EU budget conceals the EU's significant contribution to the volume of resources which are available for development. This is problematic as the size of the EU's development aid budget is widely seen as a measure of its commitment to development cooperation.

In early April 2008, Commission President, José Manuel Barroso, and Commissioner for Development and Humanitarian Aid, Louis Michel, issued a joint statement in which they acknowledged a worrying decline in the EU's overall aid volume in 2007:

*"Europe is the biggest donor in the world. Both Commission and Member States have shown commitment and ideas on development aid - but if we want to remain credible, we have to deliver on our promises. We are doing well on aid effectiveness but we have to be honest and admit that our 2007 aid volume performance is simply not good enough. We have to get back on track at the European level if we are to continue to lead at the global level. So 2008 must be a year for action, not just words. For example, Member States should set out clearly what they are prepared to spend on aid, year by year, until 2015. This will be an important subject for the European Council in June and for the G8 in July."*³

Given that the current financial framework allows for an average allocation to development cooperation of more than € 7 billion per year, it is strange to observe that in the annual EU budget for 2008, just € 1.3 billion has been included under the development heading. This ambiguity not only reduces the transparency of the EU budget, it also disguises the very important contribution which the EU makes to development.

(2) Inconsistency with the Lisbon Treaty

The Lisbon Treaty makes very clear distinctions between the various components of the EU's external policies:

- (1) Common foreign and security policy (CFSP) (Title V, Chapter 2, Treaty on European Union)
- (2) External trade (Title II, Treaty on the functioning of the European Union)
- (3) Development cooperation (Title III, Chapter 1, Treaty on the functioning of the European Union)
- (4) Humanitarian aid (Title III, Chapter 3, Treaty on the functioning of the European Union)
- (5) Cooperation with non-developing countries (Title III, Chapter 2, Treaty on the functioning of the European Union)

The EU budget should include specific financial resources for the implementation of each of the abovementioned policies.

The Lisbon Treaty provides a clear framework for the EU's external relations, including for development cooperation and humanitarian aid. The independent nature of these policy areas should be reflected in the budget nomenclature of future EU budgets by the inclusion of separate headings. The Lisbon Treaty does not provide for differentiation in development cooperation between regions. This reality should also be reflected in the budget nomenclature.

Fig. 1: EU Budget nomenclature based on the structure of the Lisbon Treaty

<p align="center">Cooperation with third countries and humanitarian aid (Title III, Chapter 1, Treaty on the functioning of the European Union)</p>
<p align="center">Development Cooperation (Title 3, Chapter 1, Treaty on the functioning of the European Union)</p> <p>This should include the following financial resources:</p> <ul style="list-style-type: none"> • All funds available under the EDF • All funds available under the DCI • Those funds available under the ENPI for cooperation with developing countries (i.e. excluding Israel and Russia)
<p align="center">Economic, financial and technical cooperation with third countries (Title III, Chapter 2, Treaty on the functioning of the European Union)</p> <p>This should include the following financial resources:</p> <ul style="list-style-type: none"> • Those funds available under the ENPI for cooperation with non-developing countries (i.e. Israel and Russia) • All funds available under the instrument for cooperation with industrialised and other high-income countries and territories
<p align="center">Humanitarian aid (Title III, Chapter 3, Treaty on the functioning of the European Union)</p> <p>This should include the following financial resources:</p> <ul style="list-style-type: none"> • All funds available under the instrument for humanitarian aid

The Lisbon Treaty also clears up the ambiguity which existed in the EC Treaty concerning the joint legal basis for the ENPI: Articles 179 ('development cooperation') and 181a ('economic, financial and technical cooperation measures with third countries'). Article 208 of the Lisbon Treaty covers development cooperation (i.e. cooperation with developing countries) whereas Article 208 covers economic, financial and technical cooperation with third countries 'other than developing countries'.⁴ When applied to the countries which fall under the scope of the ENPI, the new legal framework sets out that the EU should do development cooperation with developing countries and economic, financial and technical cooperation with the non-developing countries (i.e. Israel and Russia).

(3) Integration of the European Development Fund (EDF)

The European Development Fund (EDF) has been a feature of the EU since its inception. Despite having been increasingly harmonised with the EU budget and integrated into the procedures applied to the other instruments governing the EU's development cooperation, the EDF remains separate from other resources.

It is high time that the EDF is recognised as a fully legitimate part of the EU's development cooperation policy and that the strong emphasis which the EU places on its relations with countries in Africa, the Caribbean and the Pacific (ACP), is reflected in the full integration of the EDF into the EU budget and normal EU procedures.

The ongoing review of the EU budget provides an excellent opportunity to undertake this integration and to resolve the ongoing issue of a lack of democratic scrutiny over the EU's aid to ACP countries.

The EU budget review – An opportunity for strengthening EU development cooperation?

The following issues should be addressed in the EU budget review:

- Increase the transparency of the EU budget by making the budget nomenclature consistent with the Lisbon Treaty in the area of external relations. This would involve the inclusion of specific budget headings for:
 - Common foreign and security policy (CFSP);
 - External trade;
 - Development cooperation;
 - Humanitarian aid; and
 - Cooperation with non-developing countries.
- Increase the visibility of the EU's significant efforts in the field of development co-operation.
- Increase the visibility of the EU's efforts in the field of humanitarian aid.
- Integrate the EDF into the EU budget.
- Provide specific budget lines to cover the implementation of the CFSP, external trade policy, and for cooperation with non-developing countries.

¹ European Commission, (2007), Presentation – Reforming the Budget, Changing Europe.

² The term "EU ODA" is used here to denote the development programme which is managed by the European Commission.

³ European Commission, (2008), Press Release IP/08/548, Brussels, 9 April 2008, EU must stand by its promises and deliver on development aid if we are to meet the Millennium Development Goals.

⁴ These article numbers correspond to the article numbers as provided in the consolidated version of the Treaty on the Functioning of the European Union, downloaded from <http://eur-lex.europa.eu/en/index.htm> in May 2008.