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## **EU Budget Review concerning the European Neighbourhood and Partnership Instrument (ENPI)**

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## Background

The Lisbon Treaty clearly defines the aim of EU development cooperation being poverty eradication:

*"Union development cooperation policy shall have as its primary objective the reduction and, in the long term, the eradication of poverty."* (Article 208.1 ex art 177 TEC).

*"The purpose of development cooperation under this heading is primarily its contribution to achieving the millennium development goals (MDGs), particularly goal 1 to halve the proportion of people whose income is less than USD 1 per day and to halve the proportion of people who suffer from hunger before 2015."* (General budget, title 21).

The main objective of EU development policy is also stated in the general budget but not reflected by its structure as the actual provisions for development cooperation are not presented as one under the heading for development but are geographically fragmented. Unfortunately, this unclear division of development undermines the actual efforts of EU development.

The European Commission has an annual contribution of over 7 billion euro on average to development cooperation, but there is no visibility of this in the EU budget. Only euro 1.3 billion is presented under the budget heading for development cooperation in 2008.

The European Neighbourhood Policy (ENP) was developed with the objective of avoiding the emergence of new dividing lines between the enlarged EU and our neighbours and instead strengthening the prosperity, stability and security of all concerned. The cooperation with countries in the ENP region is governed by a separate legal instrument: The European Neighbourhood and Partnership Instrument (ENPI).<sup>1</sup>

All but two of the countries covered by the ENPI are considered as developing countries by the Development Assistance Committee (DAC) of the OECD. The European Consensus on Development, adopted in December 2005 by the three Institutions, very clearly states that its principles and objectives which define Europe's development policy, should apply to the relations between Europe and all developing countries according to the OECD/DAC definition:

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<sup>1</sup> EC assistance is provided under the ENPI to the following countries: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestinian Authority, the Russian Federation, Syria, Tunisia, and Ukraine.

*"Development policy is at the heart of the EU's relations with all developing countries (Developing countries are all those in the list of Official Development Assistance recipients, due to be decided by OECD/DAC in April 2006.)"*<sup>2</sup>

Thus development cooperation with the neighbouring countries must figure under the title of development.

Moreover, the regulation establishing the ENPI highlights the need to reflect the European Consensus on Development in the implementation of aid to European Union Neighbours:

*"...support to be provided to neighbouring developing countries within the framework established by the European Neighbourhood Policy should be coherent with the objectives and principles of the European Community Development Policy, as outlined in the Joint Statement entitled 'The European Consensus on Development' adopted on 20 December 2005 by the Council and the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the Commission.."*<sup>3</sup>

Ensuring that the principles and objectives of the European Consensus on Development are driving the implementation of the ENPI is thus both a legal and a political requirement.

### **Lack of transparency**

The ENPI plays a significant role in EU's development cooperation (11.2 billion euro in total), which should be visible in the budget. The ENPI is currently included in title 19: *External Relations* and not as a part of *Development*, title 21.

The aim of external relations is to administer political regional and bilateral relations:

*"These objectives include, alongside development cooperation, promotion of the EU's identity on the international stage, notably through implementation of the common foreign and security policy."* (Title 19)

Dividing EU's development effort by region creates not only lack of transparency but contradicts the Lisbon Treaty by geographic discrimination of development cooperation. Thus the budget does not mirror the actual contributions to development. Neither does it meet its main objective; clearly reflecting the political goals of the Lisbon Treaty:

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<sup>2</sup> 2006/C 46/01: Joint statement by the Council, the European Parliament and the Commission on European Union Development Policy: 'The European Consensus on Development'.

<sup>3</sup> ENPI regulation, recital 10

*"The budget must become an efficient tool, mirroring political goals, increasing the ability to respond and proactively shape change.... Transparency, accountability, simplicity must be enhanced."* (Stefan Lehner, EC Directorate-General for Budget).<sup>4</sup>

It is of utmost importance to consolidate the EU budget for development cooperation under one heading in order to ensure transparency. All development countries must be covered by the title of development in order to be consistent with the Treaty and to increase the visibility of the EU's extensive contribution to development cooperation as one of the largest donors.

### **EU Budget Review: Making development transparent in the European Neighborhood and Partnership Instrument (ENPI)**

The current budgetary framework does not fully and clearly reflect the real EU contributions to development and therefore it is recommended that **all resources for developing countries under the ENPI should be under the heading of Development** (title 21). This would:

- guarantee transparency of the EU budget and particularly the ENPI
- increase the visibility of EU's significant efforts in the ENP development cooperation
- increase the visibility of the EU's efforts in the field of humanitarian aid in the ENP region
- 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.
- provide specific budget lines to cover the implementation of the CFSP, external trade policy, and for cooperation with non-developing countries.
- ensure consistency with the Lisbon Treaty

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<sup>4</sup> Presentation at the Roundtable Conference on the EU budget reform, The Hague, 10 April 2008.