CAN THE EU BECOME A BETTER PARTNER AND ORCHESTRATOR IN DEVELOPMENT POLICY?

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SUMMARY

Together, the EU27 countries make up the world's largest international donor in the domain of development assistance. And yet, we find that they systematically punch below their weight. This is due to several factors, including (i) a fragmented institutional landscape at the EU level and imperfect multilevel governance; (ii) limited ability to engage with non-state actors, interact with other donors and mobilise local resources; (iii) a disconnect between the policy dimension and the organisation of development initiatives and programmes; (iv) limited reliance on new forms of governance to tackle mounting global challenges; and (v) the need to adapt existing instruments to the ongoing evolution of the global development landscape. In this report, we compare three scenarios for reform and conclude that continuing with the status quo is not a suitable option if the EU wants to become a stronger actor and more attractive partner at the global level. Instead, we argue that the creation of two new institutions – a European agency for development and cooperation and a European Bank for Climate and Sustainable Development – coupled with suitable governance arrangements, is necessary to address past problems and meet present and future challenges.

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EXECUTIVE SUMMARY

Together with its Member States, the European Union represents the largest provider of development assistance in the world. But the massive European deployment of funds could be amplified if several existing challenges and constraints were removed. Continued progress towards achieving the Sustainable Development Goals (SDGs) and addressing climate change, as well as the extraordinary challenges posed by new military conflicts and the recent Covid-19 pandemic, have highlighted the need to increase funding for global public goods. Typically, these are funded largely through overseas development assistance.

This study explores how the EU could develop a broader and more ambitious set of tools and strategies to navigate the challenges posed by the current status of global governance, especially in the domain of development assistance and cooperation. Our analysis highlights six problems in EU development cooperation policy:

- a fragmented landscape of development policy at the EU level;
- imperfect multilevel coordination with the Member States;
- limited ability to engage with non-state actors, interact with other donors and mobilise local resources;
- a disconnect between the policy dimension and the organisation of development cooperation;
- the need for new forms of governance to tackle mounting global challenges;
- the need to keep up with the current evolution of the global development landscape, which features the emergence of new, large public actors such as the US Development Finance Corporation, the New Development Bank, and the Asian Infrastructure and Investment Bank.

We analyse the strengths and weaknesses of the EU as an actor in global development. We adopt a definition of actorness based on seven dimensions (authority, autonomy, cohesion, credibility, recognition, attractiveness and opportunity/necessity to act). We find that compared to other policy domains (e.g. trade and climate), the EU presents low levels of authority, autonomy and cohesion, and that despite rather a high degree of recognition and attractiveness, it seems to fall short in seizing opportunities as they present themselves. This further reverberates in a significant margin for improving credibility and trust.

Our analysis of EU development action reveals untapped potential for the EU to increase its effectiveness as an actor through better orchestration in areas where the EU can and should take a leadership role in channelling global action and financial resources towards achieving the SDGs and mitigating the effects of climate change. Orchestration, a term used in political science literature (Abbott et al., 2012), combines elements of hard power and soft power by leveraging an actor's authority, external recognition, attractiveness and credibility to generate a mission-oriented effort towards specific goals, drawing other public and private actors into the orchestrated endeavour. Examples of successful orchestration schemes include Gavi, the alliance for vaccines, the Global Environment Facility, the Global Reporting Initiative, and COVAX.

Based on the academic literature, in order to be successful, the orchestrator must possess one or more of these attributes: legitimacy (public authority), focality (occupying a central position in its issue area), material or subjective resources of value to intermediaries (financial, logistical, diplomatic or organisational) and an organisational culture that supports engagement with sub- and non-state actors through collaboration. In the context of development aid, the EU normally relies on other forms of governance, such as delegation and collaboration, and so far, less successfully on orchestration. Yet, the EU possesses most of the necessary attributes of an effective orchestrator to varying degrees, with the exception of public authority, where its powers are rather limited.

A reorganisation of intellectual leadership, coupled with administrative realignment of how EU development aid is deployed, would support the goal of better coordination. This can only be achieved through institutional reform, where the goals and execution plans emanate from the top level of the organisation. Achieving consensus through orchestration requires a common, shared mandate and an actor that steps into the leadership role to drive the collective action effort towards achieving that mandate. At present, the EU has not fully stepped into this leadership role in its own backyard by encouraging Member State development banks to follow its lead as intermediaries. Nor do the Member States and development aid institutions view the EU in such a role. The EU must first convince its own institutions and their departments to follow its lead on development aid if it is to have any hope of orchestrating the actions of other development partners at a global level.

We envisage three scenarios for future action: a baseline scenario, a slightly incremental one, and a more ambitious reform path, which entails the creation of a new agency and an EU Bank for Climate and Sustainable Development (EBCSD). We describe the three scenarios and summarise our assessment, based on the available evidence, of how well the scenario proposals address the identified problems on a scale ranging from the lowest (*) to the highest (*****).

Our analysis suggests that the EU should reimagine its development aid efforts to meet the needs of the 21st century. The difficulty of implementation (or the lack of political courage) should not be the decisive factor against doing what would be the most transformational. Indeed, the costs of doing nothing or too little could be higher in the long run than those of acting boldly. This would involve harmonising current policy and action, and potentially creating new financing institutions to carry out this agenda.

This proposed scenario implies:

- *the creation of a new European agency for development and cooperation ('EURADEC')*, which would eliminate the current separation between the Directorate-General (DG) for International Partnerships (INTPA) and the DG for Neighbourhood and Enlargement Negotiations (NEAR). In addition, it would maintain a dotted line to the European External Action Service (EEAS). The new agency would also orchestrate technical assistance with the European Investment Bank (EIB), European Bank of Reconstruction and Development (EBRD), Association of European Development Finance Institutions (EDFI), and Member State development banks. It would create new funding and investment vehicles in line with funding priorities, centred on the SDGs and climate action, and manage the activities of the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI – GE). Importantly, the EURADEC would also be responsible for cooperation and orchestration at the global level;
- *the establishment of a European Bank for Climate and Sustainable Development ('ECSDB'),* wholly owned by EU Member States, the EIB and the EU, in a similar fashion to European shareholdings in the EBRD. However, the EBRD would not be a shareholder, as more than half of its current shareholders are non-European, including its largest shareholder. Ideally, the EDFI would also become a shareholder, which would lend further credibility to the EU's ability to orchestrate sustainable development finance.

With the proposed new governance and institutions (EURADEC and the ECSDB), the EU and its Member States would be able to identify a number of key mission-oriented orchestration schemes related to achieving one or more SDGs and involve all stakeholders in their achievement. These 'moonshots' would also enable the EU and its Member States to empower local communities and include local public and private actors – transitioning away from the 'aid' logic that currently hampers recognition and perception dimensions of the EU's actorness in this domain.

Table ES 1. Comparative assessment of scenarios

	Problem	Scenario 1 Baseline	Scenario 2 Baseline+	Scenario 3 New agency and new bank
1	Fragmented landscape of development policy at the EU level	***	****	*****
2	Imperfect multilevel coordination with Member States	**	***	****
3	Limited ability to engage with non-state actors, interact with other donors and mobilise local resources	**	**	***
4	Disconnect between the policy dimension and the organisation of development cooperation	*	**	****
5	Need for new governance forms to tackle mounting global challenges	*	*	****
6	Need to keep up with the evolution of the global development landscape	*	*	****

INTRODUCTION: TOWARDS A NEW MULTILEVEL GOVERNANCE FRAMEWORK

Over the past decades, the European Union has established itself as a prominent actor in international development finance. A 2018 OECD report confirmed this view, arguing that 'the EU has stepped up its efforts to play a key role in the provision of important global public goods. In particular, it has demonstrated strong leadership on sustainable development by forging alliances to find solutions to global challenges'[1]. The EU is also increasingly considered an actor that shapes the international humanitarian landscape based on 'solid policies, an extensive field network, well-recognised expertise, a diversified pool of partners and an effective civil protection mechanism'[2].

The EU and its Member States devote significant resources to development and collectively are the world's largest donors. In 2022, the collective official development assistance (ODA) from the EU and its Member States amounted to EUR 87 billion, representing a 19 % increase over 2021 levels.[3] Most of this increase was channelled into responding to the ongoing humanitarian crisis caused by the war in Ukraine, which has united the European political right and left more than at any point since 1945. This kind of political unity must be sustained if Europe is going to rise to the challenges of the 21st century posed by shifting power dynamics on the world stage, climate change, and new military conflict in two European Neighbourhood states.

There is reason to believe that the impact of this massive deployment of funds could be amplified more effectively if a number of constraints were removed, paving the way for new forms of collaboration and intervention. Among the limitations are fragmentation across different channels of funding at the EU level and a persistent lack of policy coherence on sustainable development in the *acquis communautaire*[4]. There is a lack of coordination between national and EU development agencies and investment promotion bodies, and of structured cooperation mechanisms with non-state actors. The behaviour of EU and national representatives is sometimes inconsistent in the field, and in international organisations such as the UN and the World Bank. These challenges appear to be even more significant today, in light of the growing magnitude of immediate emergencies to address through coordinated global action, such as the humanitarian

[1] OECD (2018).

[2] OECD (2022), ODA Summary, accessed 13.03.24, https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/official-development-assistance.htm

[3] Ibid.

[4] Often shortened to *acquis*, the *acquis communautaire* is the accumulated legislation, legal acts, and court decisions which constitute the body of EU law.

crises caused by the Covid-19 global pandemic and wars in Ukraine and the Gaza Strip. But this increasingly also applies to long-term challenges such as climate change.

A stronger governance and institutional architecture for development aid at the EU level would also be in line with the renewed emphasis by EU leaders on the Sustainable Development Goals (SDGs) and the 'twin transition' of green and digital technologies that backs Europe's climate neutrality target by 2050. At present, it is clear that meeting the Agenda 2030 goals is going to require vastly more resources than ODA at the EU and national levels alone can provide[5]. Achieving progress, let alone success, in reaching these ambitious global goals requires a massive, coordinated effort to create a well-functioning ecosystem of global development finance. It will also require immense crowding-in of investment from private sources in addition to public development banks, EU institutions, and multilaterals. To grow these capital resources into long-term endowments to meet future requirements, including disaster relief and climate change response, these investments must be accompanied by improvements to the enabling environments for private sector investments and for the development of local capital markets, infrastructure, and institutions.

A stronger governance mechanism would also be in line with the changing geopolitical context. Notably, China is stepping up its efforts in this domain through the creation of the Asian Infrastructure and Investment Bank (AIIB), the New Development Bank (NDB)[6], and its Belt and Road Initiative (BRI) for infrastructure. Chinese initiatives for development funding, particularly those of the BRI, do not seem to be particularly oriented towards sustainability, although it is an articulated principle of both the NDB and AIIB. As the world's second largest multilateral development institution and with its focus on infrastructure, the AIIB since its inception has been seen as a possible rival or even alternative to the World Bank and IMF.

Among its allies, the EU is facing new competition from the United States which is committing significant resources to development aid and infrastructure, with a greater emphasis on sustainability in both. Through consolidation of the portfolios of the Overseas Private Investment Corporation and the Development Credit Authority of USAID into a new agency, the US International Development Finance Corporation (DFC) has a mandate to double the investments in international development aid of its predecessors. The US has further redoubled its efforts in sustainable development with the launch of

[5] Some estimates put the annual financing gap in developing countries to reach the SDGs at USD 2.5-4.2 trillion (Wieser et al., 2019, p. 10 and OECD), while in 2023 total global ODA was only USD 224 billion Source: OECD, 2023, accessed 28.04.24 https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/official-development-assistance.htm.

[6] China is a founding member of both the AIIB and NDB.

the Blue Dot Network (BDN) in 2021, together with allies Japan and Australia, later joined by Czechia, Spain, Switzerland, and the UK. The BDN was established in 2019 with USD 60 billion in available lending from the DFC[7] as a multilateral effort to promote a certification framework for quality infrastructure projects around the world 'that are economically, environmentally and socially sustainable, resilient, open and transparent'[8]. This multilateral effort at 'quality assurance' is no doubt a veiled criticism of the BRI, which to date has yielded questionable results in terms of project quality. The OECD, at the request of the founding partners, has provided technical support for developing the certification framework, giving its tacit approval of BDN's aims.

As a follow-on to the Network, the launch of the Partnership for Global Infrastructure and Investment (PGII) by the G7 (minus the EU) was announced in 2022 at the 48th G7 Summit. The guiding mission of the PGII is a direct challenge to China's BRI by offering an alternative way to fund and build high-quality and sustainable infrastructure particularly in Asia, using the expertise of world-class engineering firms from its member countries. The G7 governments are seeking to crowd-in private sector investments, with a target of USD 600 million[9], guided by the principles and standards set forth by BDN. Conspicuously absent, however, is the EU among the PGII's founding members, despite its own most powerful Member States having joined.

The launch of a major multilateral partnership for infrastructure by both its allies and own Member States has left the EU in an awkward position. The European response to the BRI and BDN was the launch in late 2021 of the Global Gateway. This programme aims to mobilise EUR 300 billion in 'sustainable and high-quality projects' during the current Multiannual Financial Framework (MFF) of 2021-2027, with contributions from the EU through the European Investment Bank (EIB) and the private sector. The programme is to be implemented through the new Team Europe Initiatives (TEIs) spawned by the EU's rapid mobilisation of resources in response to the Covid-19 crisis.

Not to be outdone by the G7 with its PGII, the EU announced at a G20 event on PGII in September 2023 hosted by India (which later signed up as a member), that it would

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[7] It should be noted that the operating budget for the DFC is mostly funded directly by its own profits from operations, with modest amounts of appropriations from the US federal budget. Loans are disbursed from the US Treasury, and the DFC collects the interest payments from the borrower. The BDN does not per se do its own lending. Source: Congressional Research Service (2022), accessed 14.03.24, https://crsreports.congress.gov/product/pdf/R/R47006#:~:text=DFC%20also%20seeks%20to%20complement,consisting%20o%20appropriations%20and%20collections

[8] OECD, 2022. 'The Blue Dot Network: A proposal for a global certification framework for quality infrastructure investment', accessed 28.04.24, https://www.oecd.org/corporate/Towards-a-global-certification-framework-for-quality-infrastructure-investment.htm.

[9] Keith, T. (2022), "Biden announced a $600 billion global infrastructure program to counter China's clout", NPR, 26 June, accessed 14.03.24.

collaborate with the pact through the Global Gateway. The announcement emphasised the EU's key contribution to two flagship projects in the India-Middle East Corridor and the Trans-Africa Corridor[10]. While the EU's collaborative effort with allies is certainly encouraging, it seems rather more reactive than visionary. As we will explain later in the report, the approaches that served the EU well in its crisis management response to Covid-19 may be ill-suited to dealing with long-term objectives requiring enormous collective action and political courage.

A stronger EU in development aid is thus also needed because the 'cost of non-Europe' as well as the cost of a weak EU are becoming increasingly higher due to the changing international development landscape. The prospects for developing and least developed countries in the post-pandemic age are gloomy, in the face of mounting environmental insecurity. The difficulties confronting the global community in the 21st century have evolved beyond those focused mostly on national security and preventing armed conflict, which plagued international relations after World War II, although Europe is again facing a security crisis on its doorstep with the Russian invasion of Ukraine in 2022.

The present-day multilateral system that grew out of the post-war security environment must attempt to foster international cooperation on a set of a complex, cross-cutting issues to achieve the SDGs – namely slowing global climate change and the damage it engenders. This system, embodied in international organisations such as the UN, the IMF, and the World Bank, is better suited to addressing security and financial stability than the problems posed by climate change, loss of biodiversity, population growth, or migration, as the conditions that require global collective action have changed substantially. Geopolitically, the world is now moving towards multipolarity as emerging powers rise, in addition to threats and risks posed by non-state actors. These conditions call for more expansive, inclusive, cooperative, and multilayered governance structures. Such structures need to involve a multitude of stakeholders, in which orchestration can and should play a major role, enabling the type of multidimensional and multilateral action needed to solve sustainability challenges.

EU institutions have shown increased awareness of the urgency of remedying the existing fragmentation on development policy and action. In 2019, the European Commission published its first-ever Joint Synthesis Report, which mentions that joint programming between the EU and Member States is now a reality in 21 countries, and under

[10] European Commission (2023), 'President von der Leyen marks the EU's commitment to the Partnership for Global Infrastructure and Investment (PGII) during the event hosted at the G20 in New Delhi', Press release, accessed 14.03.24, https://ec.europa.eu/commission/presscorner/detail/en/ip_23_4421

preparation in another 36[11]. Another 2019 report, *Europe in the world: The future of the European financial architecture for development*[12], was authored by a group of 'wise persons' appointed by the Council of the EU. It observed that 'the present fragmentation of the system, especially between the EIB and the European Bank for Reconstruction and Development (EBRD), is detrimental to the fulfilment of the EU's priority goals and the achievement of the desired development impact'. In addition, the group urged the adoption of further steps, such as the creation of a strong policy centre in the EU and using the proposed Neighbourhood, Development and International Cooperation Instrument (NDICI) as a catalyst for improvement. The group specified some concrete short-term actions to be taken pending a political decision on institutional restructuring.

In November 2019, 19 European bilateral public development banks and development finance institutions (DFIs) welcomed the statement[13] that Europe needs a system of DFIs and instruments that act in synergy to achieve faster results in recipient countries and mobilise additional resources from the public and private sectors. They agreed with the findings that European sustainable development and climate finance has the potential to achieve more global leverage and impact if it is more focused on top priorities and is better coordinated. While they may have enthusiastically embraced the report's observations, they disagreed with some of the report's key recommendations, notably the creation of a new entity to implement sustainable funding priorities.

A further feasibility study was completed in 2021[14], revisiting the original report's conclusions. Again, despite agreement on the issues, no concrete institutional action plan on climate or sustainability has emerged. Instead, the launch of EIB Global in January 2022, which will execute a global portfolio investments and actions outside the EU, was put forward as the EU response to addressing global challenges of '…poverty, energy shortages, pollution, lack of clean water and sanitation, flooding, drought, extreme weather events'. It will be primarily backed by the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI – Global Europe), the EU's

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[11] See the report from the European Commission, *Supporting the Sustainable Development Goals across the world: The 2019 Joint Synthesis Report of the European Union and its Member States* (SWD(2019) 176 final), at https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52019SC0176

[12] See the report from the General Secretariat of the Council of the EU, *Europe in the world: The future of the European financial architecture for development*, 2019 at https://www.consilium.europa.eu//media/40967/efad-report_final.pdf?utm_source=dsms-auto&utm_medium=email&utm_campaign=Report %20by %20the %20Wise %20Persons %27 %20Group

[13] Joint Statement on the High-Level Wise Persons Group Report on the European Financial Architecture for Development (2019), accessed 28.04.24, https://www.kfw-entwicklungsbank.de/PDF/Download-Center/PDF-News/Joint-NDB-DFI-Statement-on-WPG-Report-Final.pdf.

[14] Council of the European Union, Feasibility study on options for strengthening the future of the European Financial Architecture for Development – Final Report, April 2021b. Access 28.04.2024, https://data.consilium.europa.eu/doc/document/ST-6961-2021-REV-1/en/pdf

main financing tool for sustainable development beyond Europe and the Neighbourhood countries and implemented by partnerships and the TEIs. A network of regional hubs was set up, the first of which was in Nairobi, to bring the EIB closer to the client in the field. To date, EIB Global has only deployed EUR 8.4 billion globally and mobilised EUR 27 billion for the EU Global Gateway initiative[15]. While a greater policy steer towards climate and sustainability is a positive development for the EIB, it is hardly sufficient as it is funded by an EU budgetary measure and does not constitute the long-term investments that will be needed to address the long-term challenges stated in the EIB Global platform. Furthermore, expanding the EIB's scope of operations does little to address the cooperation issues identified in the 'wise persons' report and feasibility study as plaguing EU effectiveness in international development actions. It seems that refashioning the TEIs is offered as a panacea for the ongoing 'working better together' difficulties that have stymied EU development action for decades. But it remains to be seen whether the TEIs are really fit for purpose.

In this report, we explore existing challenges analysing the strengths and weaknesses of the EU as an actor in global development aid in Section 1.

Section 2 assesses the existing role of the EU in global governance by applying a theoretical framework for 'actorness', originally defined by Sjöstedt (1977) as the 'capacity to behave actively and deliberately in relation to other actors in the international system'. Our model is based on a structured analysis of internal and external determinants of actorness, and of their evolution over the past two decades. Furthermore, we collect evidence of the relationship between the EU's actorness and its effectiveness, i.e. its ability to pursue and achieve its stated goals in development finance and cooperation. Section 2 ends with a summary of the current problems the EU faces in development aid, by identifying several challenges that would require appropriate consideration.

Section 3 then explores the notion of orchestration as a means to make EU external action more effective. We analyse possible innovative arrangements for governance that would enhance EU actorness in the near future to respond to emergencies in the short term and multi-decade challenges in the long term. The Covid-19 pandemic and the new military conflicts caused by Russia's unprovoked invasion of Ukraine and Israel's invasion of the Gaza Strip following a terrorist attack by Hamas have highlighted the need to mobilise resources more quickly and efficiently with enhanced coherence and effectiveness and the TEIs have proved very effective for this purpose.

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[15] Source: EIB, accessed 15/04/24, https://www.eib.org/en/about/key-figures/index#:~:text=EIB%20Global%3A%20Financing%20across%20the,%E2%82%AC100%20billion%20by%202027.

However, TEIs will not be sufficient to address the existential threat posed by climate change, which is multi-generational and long-term. The year 2023 has been confirmed as the hottest on record[16], with global post-industrial temperatures approaching the 1.5°C limit agreed in the Paris Climate Accords in 2015 as the threshold beyond which global warming must not rise by 2025 in order to a have reasonable chance of limiting the most serious impacts of climate change. Dealing with this threat, before the planet irreversibly crosses certain thresholds, requires a new approach to collective action, in which European leadership is essential.

Our findings are translated into policy recommendations in Section 4. We distinguish three scenarios, starting with the status quo and continuing with gradually more ambitious proposals. We conclude that the magnitude of the challenges ahead, the complexity of current governance, and the evolution of the global development landscape call for an ambitious set of actions to fundamentally reimagine and redesign the European financial architecture for development (EFAD)[17]. Development policy should be consolidated into a single agency and a new bank should be created for financing sustainable development. Our conclusion is dictated by the observation that this is the only solution that appears to be at once future-proof, aligned with the European Commission's ambition to become a stronger geopolitical actor, and able to address all problems identified in Section 1.

Finally, Section 5 briefly gives a broader perspective on the need for the EU to develop a more extensive and ambitious set of tools and strategies to navigate the challenges posed by the evolution of global governance, especially in the domain of development assistance and cooperation.

[16] Source: Copernicus, European Commission, accessed: 13.02.24 at https://climate.copernicus.eu/copernicus-2023-hottest-year-record

[17] EFAD is a term of art meant to include the EIB, EBRD and Member State DFIs.

1. THE EU AS AN ACTOR IN THE CHANGING LANDSCAPE OF DEVELOPMENT ASSISTANCE

1.1. FUNDING FOR DEVELOPMENT ASSISTANCE AT THE EU AND NATIONAL LEVELS.

EU-level policy on development assistance and spending was previously fragmented across different channels. This included the Development Cooperation Instrument (DCI), which aimed in general at fostering sustainable economic, social and environmental development, with an overall budget of EUR 19.6 billion for the 2014-2020 period. The European Development Fund (EDF) was larger than the DCI, with a 2014-2020 budget of EUR 30.5 billion, but intergovernmental in nature and external to the EU budget. Funding for development was also available under the European Neighbourhood Instrument (ENI) and the Instrument for Pre-Accession Assistance (IPA). Thematic programmes and a pan-African programme were open to recipients in EDF, ENI and IPA countries.

For the current Multiannual Financial Framework (MFF) 2021-2027, a drastic simplification was proposed and adopted, with the consolidation of most instruments into a broad budget heading, the Neighbourhood, Development and International Cooperation Instrument. The latter allocates funding based on three main pillars: (i) geographical preferences; (ii) specific projects in the areas of human rights and democracy, civil society, stability and peace; and (iii) a rapid response pillar to complement humanitarian aid, to be used if rapid action is needed to address foreign policy needs. The NDICI also has a ‘flexibility cushion’, which has not been programmed in advanced, but is allocated based on emerging needs.

In March 2021, the European Parliament and the Council endorsed the political agreement on NDICI–Global Europe for the MFF 2021-2027, supporting the EU's external action with an overall budget of EUR 79.5 billion. This includes:

- EUR 60.38 billion for geographical programmes (at least EUR 19.32 billion for the neighbourhood, at least EUR 29.18 billion for Sub-Saharan Africa, EUR 8.48 billion for Asia and the Pacific, and EUR 3.39 billion for the Americas and Caribbean);
- EUR 6.36 billion for thematic programmes (human rights and democracy, civil society organisations, peace, stability and conflict prevention, and global challenges); and
- EUR 3.18 billion for rapid response actions.

In addition is the cushion of unallocated funds, EUR 9.53 billion, set aside for unforeseen circumstances, new needs, emerging issues and promoting new priorities[18].

The fragmentation of the funding channels is mirrored by a significant dispersion in terms of the allocation of competences within and across institutions. Within the European Commission, activities are often uncoordinated among DGs NEAR, ECHO and INTPA[19], leading to a lack of policy coherence on sustainable development (OECD, 2018; Núñez-Borja et al., 2018). The same applies to the coordination between trade policy and development finance, and between INTPA and other DGs with important dossiers for sustainable development, e.g. DG CONNECT for digital technologies and DG JUST for the rule of law.

Coordination and synergy between the EIB and the EBRD have also proven problematic over the past few years. Lack of full coordination between development banks with operations at both the domestic and international levels, such as the EIB and the national promotional banks (e.g. AFD in France, CDP in Italy, KfW in Germany, and Cofides in Spain), further condemns the huge effort deployed by European actors to subadditivity – a situation in which the funding is less effective than it would be if channelled through a coordinated effort.

1.2. A CROWDED SPACE: MAPPING THE TERRAIN OF EUROPEAN DEVELOPMENT FINANCE WITH A DOSE OF HISTORY

At the Member State level, the landscape is equally fragmented. Some Member States have powerful development agencies and finance institutions, which work on their own agendas using their own specific *modus operandi*, based on decades of field experience. They each have a specific mix of centralisation and decentralisation, mobilise short- and long-term consultants, and take various approaches to tying services and projects. These institutions also account for a substantial share of EU funds, for which they compete rather aggressively.

None of these institutions was founded with the explicit mandate to advance sustainability, except perhaps the EBRD, which was the first multilateral bank to specifically commit to environmentally sustainable investment in its charter, although it has been widely criticised for falling short on this mandate. Each organisation has evolved over time as an independent entity with its own priorities and with little attention paid

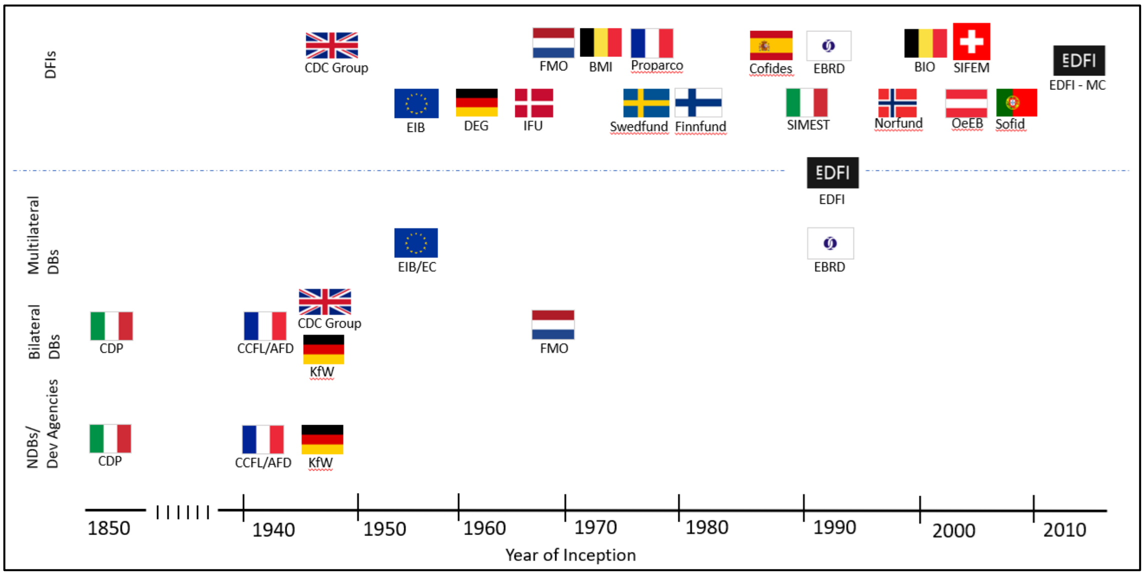
[18]https://neighbourhood-enlargement.ec.europa.eu/funding-and-technical-assistance/neighbourhood-development-and-international-cooperation-instrument-global-europe-ndici-global-europe_en

[19] More specifically, the DG for Neighbourhood and Enlargement Negotiations, DG for European Civil Protection and Humanitarian Aid Operations and DG for International Partnerships. The latter was formerly the DG for Development and Cooperation (DEVCO) and renamed DG INTPA in 2021, signalling the European's Commission move towards thinking about development policy in terms of partnership rather than aid.

to coordinating with other institutions. It is therefore unsurprising that this history would have an impact on Europe's ability to coordinate aid with a unified mandate.

Figure 1 shows the evolution of the donor landscape in European development finance. One thing to note at the outset is that there is no such thing as a 'pure play' donor in EU development. Some donors began as national agencies to finance a Member State's own national development objectives, as in the case of CDP and KfW, and later began financing development aid projects as bilateral institutions. Others, such as AFD, were founded at inception as DFIs to fund foreign assistance. And still some act simultaneously as bilateral or multilateral development banks and as DFIs, as in the case of the EIB and EBRD. Most of these institutions do little in the way of setting policy or managing programmes, which is mostly done by the development agencies that coordinate implementation of programmes.

Figure 1. Development finance actors in the EU



Source: Institution websites, CEPS analysis.

The earliest players in European development finance, specifically KfW, CDP, AFD, the CDC Group, FMO and the EIB, predate the formation of the EU. Some of these institutions, in particular KfW and CDP, began as public, national promotional banks and later broadened their activities to include international development finance. Perhaps the most important observation that can be made from analysing the histories, mandates, and present-day activities of all 24 actors represented above is that only the EIB was founded with the express purpose of acting on behalf of Europe as a single actor. However, the EIB was not created for the purpose of financing development aid, which it only began to do in the early 1990s. Today, only about 10 % of its new funding (approximately EUR 8.44 billion in 2023[20]) is dedicated to non-EU projects. It is unsurprising, therefore, that Europe's actions in this domain often overlap and suffer from a lack of coordination, as there is no single interlocutor and leader on EU financing for sustainable development.

KfW, leveraging funds from the Marshall Plan that served as a kind of startup capital for the bank, was founded to rebuild West Germany in the aftermath of WWII. It began its international development lending in 1958, with its first loans to Iceland, Sudan and India[21]. To this day, support for small and medium-size enterprises at home and abroad remains at the core of KfW's mission.

Although CDP has been in existence since 1850 and was founded as a national development bank (which constitutes the vast majority of its activities today), it only began funding international development assistance in 2016 in partnership with the Italian Agency for International Cooperation. Italy only recently formalised its international cooperation efforts in 2014 with a major reform that established the agency[22], housed within the Ministry of Foreign Affairs and International Cooperation. Previously, Italy's commitments were haphazard, uncoordinated and sanctioned by the Vatican (which is itself a nation state) and Catholic NGOs[23].

FMO, founded in 1970, is unique among the early European bilateral DFIs in that it is structured as a public-private partnership with Dutch commercial banks, private investors and labour unions as co-owners with the Dutch state. In 2008, FMO achieved bank status under Dutch law and is supervised by the Dutch central bank. FMO targets its assistance almost exclusively at private sector investment in developing countries, where commercial investors will not take the risk without first-loss capital provided by DFIs or governments. FMO underwrites project finance, long-term loans and risk capital for entrepreneurs in developing countries to bring new ideas to market.

Both the CDC Group and CCLF/AFD were established in the 1940s as international development finance institutions. Their missions in part were to recognise their countries' colonies for their support of Allied forces in WWII through investment and development assistance, particularly in agriculture. By the 1960s, France sought to maintain a privileged position in its former colonies and expanded its activities to include bond issuance, project finance, and advisory services. In 1998, after numerous iterations

[20] Source: EIB 2023 Highlights, accessed 17.04.24, https://www.eib.org/en/about/key-figures/index

[21] Source: KfW website, accessed 29.04.24, https://www.kfw.de/About-KfW/F%C3%B6rderauftrag-und-Geschichte/Geschichte-der-KfW/KfW-Jahrzehnte/50er-Jahre/

[22] Source: AICS website, accessed 29.04.24, https://www.aics.gov.it/home-eng/aics/profile-and-goals/

[23] Venturi, B. (2019), 'The Trouble with Italy's Development Cooperation', Istituto Affari Intenazionali, accessed 29.04.24, https://www.iai.it/en/pubblicazioni/trouble-italys-development-cooperation

over time, it became the AFD, as it is known today. The CDC Group has engaged in a narrower range of activities since inception. It focuses strictly on investment either as a direct investor in companies, as a fund manager, or as an investor in a fund of funds. The vast majority of its portfolio is invested in financial services and infrastructure. The group is exclusively focused on Africa and South Asia. The CDC Group does very little in the way of investment guarantees, project finance, or budget support.

In the European landscape of development cooperation, the EIB and EBRD should be the natural leaders in EU financing for development activities. However, these institutions were designed for the challenges of the 20th century, having to do with European investment priorities at the founding of the EU and the post-Soviet transition, respectively (Wieser et al., 2019, p. 29). Neither of these institutions was designed to explicitly function as part of a global network to take collective action on the urgent challenges of the 21st century. These are described in the UN Agenda 2030, with climate change, loss of biodiversity, migration, and food insecurity being some of the most pressing, and hitting developing countries the hardest.

The EIB, for example, is a non-profit public bank with a stronger policy-driven lending than the EBRD. In a context where a borrower suffers significant deficits in institutional capacity to implement certain projects, the EIB might be a better intermediary to execute on stated goals than the EBRD. By contrast, the EBRD is a multilateral institution that uses investment as a tool to enhance market economies in middle-income countries and has deep expertise in arranging and financing projects for private sector development. In this scenario, a country that has reasonably well-developed institutions, but lacks large, well-capitalised financial market intermediaries to execute large-scale projects, would benefit from the expertise and capital of the EBRD as an intermediary.

In the late 1980s and early 1990s, the EU development finance landscape again changed substantially with the establishment of the Association of European Development Finance Institutions (EDFI) and EBRD, and the EIB's launch of activities outside the EU in the Middle East and Sub-Saharan Africa[24]. When the EDFI was formed, the EIB was not yet heavily focused on climate concerns or sustainable finance, as it was preoccupied with German reunification, providing support to newly independent Eastern European countries emerging from the ruins of the Soviet Union's collapse, and revitalisation of Europe's cities. The EDFI filled a gap by providing a venue for European DFI cooperation

[24] The EDFI, founded in 1992 as a Belgian non-profit association, is technically not an institution but rather an association of 15 European DFIs as depicted in Figure 1 above (excluding the EBRD and EIB). The original seven members joined forces to pool resources and share knowledge on important projects, with a particular lens on sustainability. In 2016, the EDFI created a management company to manage two key priority initiatives, AgriFI and ElectriFI, to provide equity and long-term debt financing in developing countries to companies addressing development issues in agriculture and electrification.

on sustainability. The EIB, on the other hand, would not start to really focus on greening development finance until 2007, with the launch of the world's first green bonds[25].

The EBRD was founded in 1991, just before the EDFI, with the explicit purpose of helping Eastern bloc countries make the transition to market economies. This required external financial resources far beyond what those countries could provide on their own. The financing was also paired with advice and a policy to only assist countries that were 'committed to and applying the principles of multi-party democracy [and] pluralism'[26], making the EBRD unique with its dual mandate to foster both private sector development and political objectives. Today, the EBRD's portfolio extends far beyond the former Soviet Union and Eastern bloc satellite countries to include the Mediterranean basin, Cyprus, Greece, and the Levant.

1.3. THE OPPORTUNITY COST OF A FRAGMENTED EUROPE IN DEVELOPMENT FINANCE AND COOPERATION

A common aspect of most of the institutions surveyed in the previous section is the tendency to punch below their weight when it comes to exerting influence on the reform priorities of the beneficiary countries, considering the significant budget that these donors manage[27]. For example, the most recent 'Listening to Leaders' survey released in 2021 by AidData shows that large orchestration schemes such as the Global Fund, and large donors such as the IMF, Inter-American Development Bank, UNICEF, and UNDP all punch above their weight, earning high perceptions of helpfulness and influence despite relatively modest budgets. By contrast, countries like Norway, Spain, and France lag behind in perceived influence, despite their large financial contributions. Not surprisingly, the two national actors that consistently rank highest on both dimensions are the EU and US. China is a relative newcomer to the rankings rising by 13 spots to eighth place on perceived influence, while ranking 32nd on the helpfulness dimension[28].

Harendt et al. (2018) analyse this aspect from the perspective of incentives and identify a tendency for Member States to provide less development funding than what is actually

[25] Source: EIB website, accessed 29.04.24, https://www.eib.org/en/about/key_figures/timeline/index.htm

[26] Source: EBRD website, accessed 22.12.20, https://www.ebrd.com/who-we-are/history-of-the-ebrd.html

[27] See https://www.oecd.org/derec/germany/2016_DEval_AidData_Final_WEB.pdf. One known exception to this general tendency is Sweden, where a dedicated strategy was pursued to frame the country as a 'humanitarian superpower', projecting soft power through the use of values and not interests. See, inter alia, Simons and Manoilo (2019).

[28] Source: AidData, 2021 "Listening to Leaders Survey," accessed 17.04.24 https://www.aiddata.org/listening-to-leaders-2021

needed, also given the 'public good' features of development aid[29]. In general, the literature acknowledges that diversity and, to some extent, competition between national development agencies can provide stimulus for improvement. At the same time, there is emerging consensus that 'more Europe' in development policy would strengthen the overall effectiveness of the aid provided through the sizeable budget collectively represented by the EU and its Member States (Harendt et al., 2018).

The European Parliament has been quite vocal in proposing enhanced coordination of development aid at the EU level, including in a legislative initiative report and an ad hoc resolution in 2013 and another resolution in 2017. More recently, in 2019 a study on joint programming in conflict-affected and fragile states found that EU joint programming has widely been recognised as a way to bring together actors from the political and cooperation spheres, helping to address fragmentation and create critical mass. Also, the recent launch of the Team Europe approach testifies to the willingness to further coordinate actions. However, how to achieve such coordination is proving to be a much more controversial issue, particularly with respect to making the actions more inclusive amongst participating Member States, especially the smaller ones. The possibilities for joint planning and joint action tend to be biased toward the larger Member States which have both the financial and human capacity to implement development actions on their own, and their size makes them the natural partner for the EU. Discussions around inclusiveness have identified the need for adaptive strategies, open dialogue, and responsive approaches to preserve integration as a key mind shift in the Team Europe approach[30].

Likewise, there is margin for improving the EU's involvement with international governmental organisations, NGOs, and also non-state actors. The same can be said for the coordination between EU delegations in developing countries and both public and private actors. These organisational weaknesses affect the EU's ability to play a leading role in cooperating with local authorities, especially when aid requires more than mere funding. They also hamper EU efforts towards stabilisation, governance, and government support, including inter alia regulatory reform, capacity building in government, education, etc. In this respect, the lack of alignment between the exclusive competence held by the European Commission on trade agreements and the shared competence in

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[29] https://www.bertelsmann-stiftung.de/fileadmin/files/BSt/Publikationen/GrauePublikationen/EZ_Why_and_How_There_Should_be_More_Europe_in_Development_Policy.pdf

[30] Keijzer, N. et al, Elcano Royal Institute, Working Better Together? A comparative assessment of five Team Europe Initiatives,' 17.11.2023.

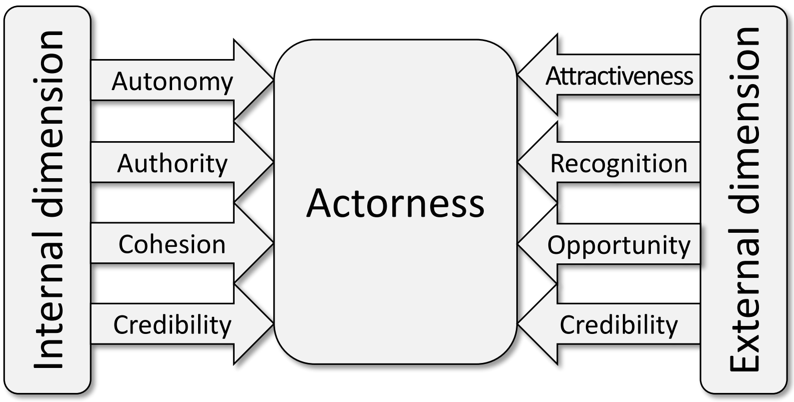
development and cooperation is seen as preventing the EU from making the most of the budget it conveys to recipient countries around the world.

The need for enhanced cooperation and coherence has been increasingly recognised by EU institutions and Member States over the past few years. In 2017, the European Consensus on Development emphasised the role of 'policy coherence for sustainable development' (PCSD) as the approach to be adopted by the Commission in development and cooperation. Since then, the EU has adopted several initiatives to promote sustainability in both trade and development aid. Among them, the Africa-Europe Alliance for Sustainable Investment and Jobs, launched in September 2018, with the aim of creating up to 10 million jobs in Africa; and in 2023 the EU's Partnership Agreement with the Members of African, Caribbean and Pacific States (OACPS) known as the Samoa Agreement, is expected to focus on fulfilling the SDGs.

2. THE EU AND DEVELOPMENT AID: ANATOMY OF AN ACTOR IN GLOBAL GOVERNANCE

In the academic literature, concepts such as 'power', 'agency', 'influence' and 'legitimacy' have been used to analyse the EU's capability to act independently (Young, 2015; Newman and Posner, 2015; Laffan, 2001; Renda 2023). The least normative of these concepts is perhaps that of 'actorness', which allows a separation between a description of the features of the EU's conduct and the environment in which it materialises, and the overall impact and effectiveness of EU action at the global level. At the same time, there has traditionally been no agreement, among scholars, on a shared concept and definition of actorness. Some studies use the definition adopted by Sjöstedt (1977), who refers to the 'capacity to behave actively and deliberately concerning other actors in the international system'. Recently, the TRIGGER project (on Trends in Global Governance and Europe's role) consolidated existing literature contributions into a comprehensive definition of actorness (see Figure 2**Error! Reference source not found.**). These are dependent on a variety of internal and external factors, outlined below.

Figure 2. The TRIGGER conceptual model of actorness



Source: Elaboration based on Jacob et al. (2019).

Internal determinants of actorness

- **Authority** refers to both legal personality and the competence to act, as provided to the EU by the Treaties and/or secondary legislation. This element is directly related to governance arrangements in the EU, and in particular to general constitutional aspects, as well as differentiated integration and multilevel governance in various policy areas. More specifically, Article 3(6) of the Treaty on European Union (TEU) establishes that the EU may act within the competences conferred on it via the Treaties in order to achieve its aims and enforce its principles; competences that are not conferred on the EU explicitly continue to lie within the authority of the Member States (Article 4(1) TEU)[31].

- Autonomy captures the availability of resources and capability to act. This aspect of actorness indirectly refers to the existence of a 'capabilities-expectations gap' affecting the EU (Hill, 1993). Recent initiatives such as the EU's Global Strategy, the establishment of a permanent military headquarters for missions and operations, the launch of Permanent Structured Cooperation, the creation of a European Defence Fund and the initiation of the Coordinated Annual Review on Defence all fall into a cluster of initiatives that could potentially reduce such gap. But they are still in their infancy, and must be gauged against a general, very significant rise on the expectations side of the equation (Martill and Sus, 2019). The debate on the present Multiannual Financial Framework, especially on the sheer size of the budget and the allocation of budget resources to individual policy areas, is also related to the 'capabilities' issue.
- Cohesion refers to the ability to 'speak with one voice'. This, too, changes very significantly across policy areas. For example, Smith (2006) analyses the behaviour of the EU within the UN General Assembly Third Committee and the Commission on Human Rights, and finds that despite evidence of increasing EU 'output' at the UN since the early 1990s, 'there are serious limits to EU unity posed by conflicting national interests and the persistent desire of Member States to act independently at the UN'. She adds that 'the energy required to reach internal agreements restricts the EU's influence within the wider UN system'. Burmester and Jankosky (2018) acknowledge the EU's increased capacity to speak with a single voice in the UN General Assembly, but also provide insights on the estimated 5 % of cases in which vote defection still exists. Delreux (2014) analyses EU cohesiveness in environmental policy and relates it to actorness and effectiveness. He distinguishes between 'speaking with a single voice' and 'speaking with a single mouth' as different modes of cohesiveness for the EU. The need for more cohesion has been vividly shown over the past years in debate on the need to move to majority voting on foreign policy issues, where the requirement of unanimity hampers Europe's capability to act[32].

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[31] Those competences for which the EU can exclusively conclude (binding) legislation are set out in Article 3 of the TFEU. The shared competences are listed in Article 4 of the TFEU. Within shared competences, both the Member States and the EU are allowed to conclude (binding) legislation and neither of the two actors is privileged.

[32] In the words of Erik Brattberg, Director at Carnegie Europe, '[t]he unanimity requirement not only means that EU foreign policy frequently has to strive for the lowest common denominator – especially on thorny issues like sanctions or human rights – it also risks making it easier for hostile outside actors to undermine EU action'. See https://carnegieeurope.eu/strategiceurope/82724. For a diagnosis of Member States' positions on this issue, see Koenig (2020).

- **Credibility** refers to the capacity to strive for goals and be reliable and trustworthy when it comes to agreements. This dimension has, in the TRIGGER formula, both an internal and an external dimension. The term is widely used in the EU Global Strategy, where the Commission observes that 'consistently living up to our values will determine our external credibility and influence'. It holds that the EU's credibility hinges on its unity, on its achievements, its enduring power of attraction, the effectiveness and consistency of its policies, and adherence to its values[33]. A lack of cohesiveness is found in conflict zones, also due to the overlapping and often inconsistent interests of Member States, an issue that was recently addressed through the institution of an integrated approach to external conflicts and crises. It reportedly led to increased intra- and inter-service coherence of the different strands of EU crisis responses, but fell short of integrating the work of the political desks of the European External Action Service (EEAS) in its activities (Debuysere and Blockmans, 2019).

External determinants of actorness

- **Recognition** refers to the fact of being recognised as an actor and a legitimate negotiation partner by other actors in the international system. One could safely assume that being recognised as a legitimate partner at the negotiation table, or in the formulation of foreign policy, is positively correlated with actorness. Sjursen (2018), among others, finds elements of increased recognition and legitimacy of the EU as a foreign policy player. At the same time, a trade-off has increasingly emerged over time between the expectations of stronger European actorness, and persistent tensions with Member States' desire to continue exercising national leadership (Aggestam and Johansson, 2017).
- **Attractiveness** refers to the willingness of other parties to cooperate with the selected actor, and thus could be related to both hard and soft power[34]. The sheer size of the single market, the 'Brussels effect' in global norm-setting, and Europe's ability to stand behind its values and principles, all raise the attractiveness of the EU from an external perspective. One could add also that the ability of the EU to forge international coalitions and networks of like-minded countries further increases the attractiveness of the EU in the eyes of other international actors. Commonly used indices in this domain focus on foreign direct investment and Europe's ability to foster entrepreneurship and attract talent, as well as Europe's ability to comply with its obligations and commitments at the negotiating table.

[33] Credibility also depends on internal factors, such as the EU's ability to challenge Member States that violate the rule of law, an issue on which the von der Leyen Commission seemed to have achieved some results in negotiations on the 2021-2027 Multiannual Financial Framework.

[34] In particular, Abels et al. (2020) observe that 'soft power is based on attraction'.

In this respect, attractiveness is clearly related to credibility, recognition, authority, and cohesion.

- Opportunity/necessity to act refers to the degree to which the EU can take the opportunity to be an actor in development and the constellations in the international arena. It includes options to act when new economic or other opportunities emerge and when there are external threats to peace, economy or social wellbeing of the EU and its citizens.

The TRIGGER definition captures the major dimensions highlighted in the literature, avoiding the difficult and controversial conceptualisation of an actor's power[35]. The definition also contemplates possible overlaps and interdependencies between the various internal and external determinants. For example, authority and autonomy may often be correlated, since the specific EU competences set out in the Treaty typically trigger the allocation of funding in the EU budget; autonomy, at least where it refers to the capability to act, may also be related to cohesion; and cohesion may in turn be a determinant of credibility and trust. Similarly, for external factors, attractiveness is unlikely in the absence of recognition. At the same time, there are possible interlinkages between internal and external factors: opportunity may be weakened by a lack of capability to act or a lack of autonomy. As a result, the proposed formula for actorness should not be taken as a sum of internal and external factors, but rather as a conceptual framework, which can help track the evolution of various determinants of actorness over time. If consistently applied, it can lead to a meaningful comparison of actorness across policy areas.

The conceptual framework illustrated in this section can and should also be interpreted in a dynamic and relative way. In fact, actorness can change over time and is essentially a relational concept, in the sense that an actor does not exist in isolation and actorness is never an absolute metric, but is rather dependent on the evolution of other players' actorness in the specific governance space. Likewise, actorness appears to be tightly linked to a two-dimensional set of variables: on the one hand are the expectations raised on the 'possibility frontier' of EU action; on the other hand are the capacity and behaviour of the EU in the policy space. Accordingly, and as expectations of the EU keep expanding,

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[35] The notion of actorness per se was coined to reflect the specific condition of the EU, which defies the mechanistic application of concepts such as sovereignty, legitimacy or power. Almost three decades ago, John Ruggie (1993) referred to the EU as a 'collectivity acting as a singularity', as well as a 'multiperspectival' and 'quasi-formed' polity. Since then many other authors have offered explanations and definitions, ranging from the EU as a new kind of state, as a non-state political system, as a new type of international organisation or as a traditional type of international organisation (Leruth and Lord, 2016). The degree of complexity increases in other contributions: for example, Sergio Fabbrini (2015) sees in the EU the co-existence of different systems, including an economic union, an intergovernmental union, a parliamentary union and a monetary union, following either a community method or a union method.

past strategies may no longer be sufficient. That in turn calls for the EU to adapt its conduct to a new reality or new perceptions of its potential as a global actor.

Table 1 describes different possible ratings associated with the seven dimensions, and highlights in blue our evaluation as discussed in the next section.

Table 1. Guidance on scoring EU actorness in development aid: What do different scores imply?

Dimensions	Low	Moderate to Low	Moderate	Moderate to High	High
Authority	Most of the legal competences are retained by the Member States; the EU plays a marginal role in setting and implementing policies	Transfer of some legal competences or monitoring to the EU without strong enforcement	Shared legal competences; the EU specifies development priorities, but Member States still play a central role in agenda setting	Transfer of some legal competences or monitoring with strong enforcement	Most of the legal competences are retained by the EU, which can monitor and enforce them in Member States
Autonomy	Low EU capacity to act (human/economic resources) and no EU dedicated agency/ institution; most of the capacity is retained by Member States	Low level of EU capacity and high level of influence by Member States	Moderate amount of EU capacity (human/economic resources), but without a clear division of labour between EU institutions and Member States	High level of EU capacity and a low level of influence by Member States	EU has a high capacity to act (human/economic resources), and it is well and clearly organised with dedicated EU institutions; most of the capacity is retained by EU agencies
Cohesion	Lack of joint EU interests and norms; weak intra-EU consistency and EU-Member State consistency	Some joint interests but mainly the values and interests of individual Member States prevail	Bargaining among constellations of interest and signals about values and interests (both intra-EU and EU institutions - Member States)	Consistency in numerous joint EU interests and norms intra-EU and between the EU and Member States	Strong and consistent joint EU interests and norms, strong intra-EU cohesion and EU-Member State cohesion

Recognition	No participation of the EU as a development actor in some international fora/multilateral negotiations; the EU is not perceived or sought after as a conversation partner in agreements or negotiations	Low participation of the EU as a development actor in some international fora/multilateral negotiations; occasionally the EU is not perceived or sought after as a conversation partner in agreements or negotiations	Participation of the EU as a development actor in some international fora/multilateral negotiations; the EU is perceived as a partner for development aid but no more than Member States	Participation of the EU as a development actor in some international fora/multilateral negotiations; the EU is perceived as a partner for development occasionally more than Member States	Active participation of the EU as a development actor in some international fora/multilateral negotiations; the EU is perceived/sought after as a conversation partner in agreements and negotiations
Attractiveness	No consideration of the EU's development policy/best practices; no (or very little) willingness to cooperate with the EU	Low consideration of the EU's development policy/best practices, and low willingness to cooperate with the EU	Moderate consideration of the EU's development policy/best practices; moderate willingness to cooperate with the EU	High consideration of the EU's development policy/best practices; high willingness to cooperate with the EU	High and growing consideration of the EU's development policy/best practices; widespread and continual willingness to cooperate with the EU

Opportunity/necessity to act	Counterintuitive or no response to unexpected crises/events/opportunities to enhance or shape development policies	Little response to unexpected crises/events/opportunities to enhance or shape development policies	Moderate response to unexpected crises/events/opportunities to enhance or shape development policies	Active response to unexpected crises/events/opportunities to enhance or shape development policies	Active, swift and anticipatory response to unexpected crises/events/ opportunities to enhance or shape development policies
Credibility/trust	The EU does not uphold its standards and has a poor reputation in planned efforts	The EU has a poor reputation in planned efforts, with inconsistency between objectives and practical action	The EU has a moderate reputation in planned efforts (depending on partners), but there is some criticism of inconsistency between objectives and practical action	The EU has a considerable reputation in planned efforts and generally upholds its standards	The EU upholds its standards and has a high reputation in planned efforts.

Source: Authors' elaboration based on TRIGGER actorness' dimensions definition.

2.1. THE INTERNAL DIMENSIONS OF EU ACTORNESS: AUTHORITY, AUTONOMY AND COHESION

The EU presents a **'moderate-to-low' level of authority** in development aid. This is mostly dependent on the fact that the EU has shared competences with Member States in this policy area under Article 4(4) TFEU: 'in the areas of development cooperation and humanitarian aid, the Union shall have competence to carry out activities and conduct a common policy; however, the exercise of that competence shall not result in Member States being prevented from exercising theirs.' As a result, most of the *acquis communautaire* aimed to promote coordination between EU and Member States is based on non-binding, soft law instruments; many decisions, usually in the forms of Council conclusions, do not carry legal weight, and enforcement mechanisms are weak (Furness et al., 2020).

Over the past two decades, the perception of the EU's relative lack of authority in this policy domain has led to important reforms. The establishment of DG DEVCO in 2011 as the body in charge of implementation, monitoring and evaluation of external aid instruments de facto placed the Commission in a position of 'policy entrepreneur' (Zeilinger, 2021), with a central role in linking together and promoting ideas for EU development policy. Yet agenda setting and coordination remained firmly in the hands of Member States, including through their staff in the Council and its working groups (Steingass, 2015).

After the Lisbon Treaty entered into force in 2009, the creation of the EEAS and the role of High Representative/Vice President projected the EU as a stronger actor in the field of foreign policy (Kuchařová, 2014), possibly counting on an increased devolution of authority and competences from Member States (Carbone, 2013)[36]. Importantly, the role of the EEAS has been gradually accompanied by a rise in the ambitions of the European Parliament to step up as an actor in foreign policy (Bajtay, 2015; Goinard, 2020), by more fully exploiting its role as co-legislator in areas of EU external action (trade, cooperation with third countries, humanitarian aid) or internal policies with external dimensions. It is also exploiting its powers regarding international agreements between the EU and third parties, its budgetary powers, and its agenda-setting powers as a political actor. And it is making fuller use of its scrutiny powers, particularly in relation to policy implementation, and its parliamentary diplomacy activities.

The EU's **autonomy in the field of development policy could be assessed as 'moderate'**. This depends inter alia on an observation of the human resources available to EU

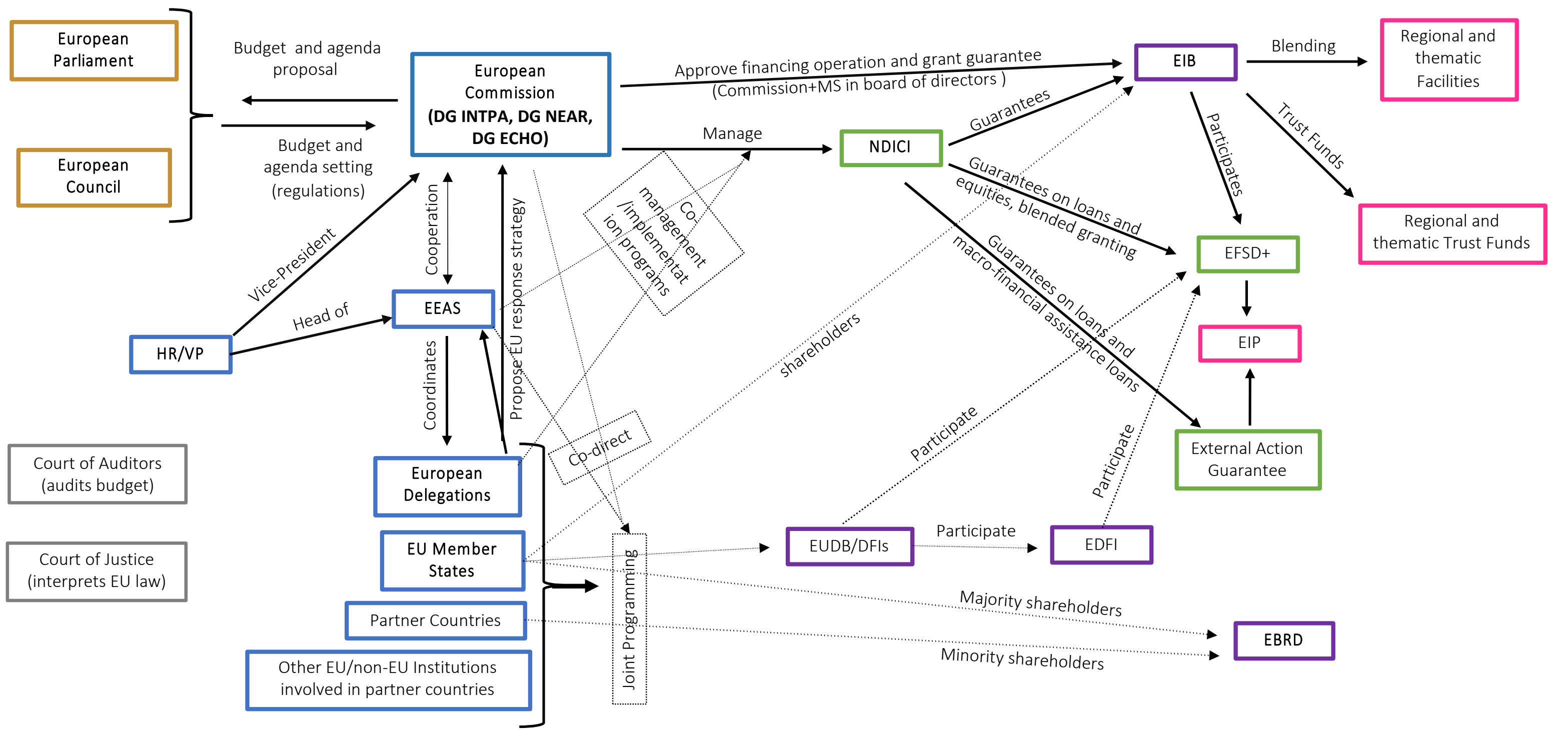
[36] The European Parliament has limited formal functions in development cooperation, but it is an active public communicator and maintains policy networks (Steingass, 2015).

institutions in this domain, in terms of number and of expertise. As already described, there are several EU institutions and bodies involved in development and cooperation issues, including DG INTPA, the EEAS, and other European Commission departments (DG NEAR, DG ECHO, DG TRADE and the Service for Foreign Policy Instruments). DG INTPA is the largest Directorate in the European Commission and alone accounts for the 9% of Commission staff with a head count of 2,936[37] while most other DGs account for 1-2% of total Commission staff. Other DGs mentioned above that are involved in the international development portfolio account for another 3,261 members; whereas the EEAS includes 5,188 officials and contractors[38]. While the number of staff appears to be ample to guarantee the implementation of development policies, at nearly 20% of the European Commission's total headcount, there remains an ongoing lack of coordination between EU's agencies and institutions. The complicated EU 'chain of command' in development policy is represented in Figure 3.

[37] Source: European Commission, 2023 HR Key Figures – Staff Members, accessed 17.04.24, https://commission.europa.eu/system/files/2023-04/HR-Key-Figures-2023-fr_en.pdf

[38] At the end of 2022, the most recent year for which figures are available, there were a total of 2,419 personnel working at HQ and a total of 2,769 personnel in the Delegations, while a further 3,316 European Commission staff also contributed to work of the Delegations. Source: EEAS, Human Resources Report 2022, accessed 17.04.24, https://www.eeas.europa.eu/sites/default/files/documents/2023/Human%20Resources%20Report_2022.pdf

Figure 3. Key EU actors involved in development policy and financing, and their relationships.



Source: Authors

Legend: HR/VP: High Representative/Vice President; NDICI: Neighbourhood Development and International Cooperation Instrument; EUBEC: EU platform for Blending in External Cooperation; DB/DFI: National Development Bank/National Development Financial Institution; EDFI: European Development Financial Institutions; EBRD: European Bank for Reconstruction and Development; EIP: External Investment Plan; EFSD+: European Fund for Sustainable Development + (reinforced)

Note: The graph shows the chain of command as it should be after key reforms implemented during recent months, namely the renaming of DG DEVCO to DG INTPA and consolidation of the main funds for development managed by the Commission under the one NDICI – Global Europe instrument.

As shown in Figure 3, decision-making in this policy domain involves a variety of EU institutions. The European Commission and the EEAS with EU delegations play a crucial role in designing and coordinating the EU's development policy; nevertheless, Member States, within the Council of the EU, establish strategic priorities for the EU; and the last word on the annual budget rests with the European Parliament[39]. Against this backdrop, DG INTPA has experienced significant staff cuts during the past few years, while allocations have increased at DG ECHO, DG NEAR and the EEAS. Such downsizing of DG INTPA has coincided with a reduction of skills and a prioritisation of generalist and diplomatic ones – something the OECD (2018) and experts see as potentially jeopardising the EU's capacity to make informed decisions, engage strategically with partners, and face increasingly complex crises. The EU relies mostly on national experts sent by Member States or on external consultants, since it has no cadre of professional advisers on the technical aspects of development[40].

As explained in the introduction of this report, the two main instruments so far have been NDICI–Global Europe and the EDF. The MFF for 2021-2027, finally approved on 17 December 2020, merged most of the existing instruments, including the EDF, into the NDICI–Global Europe, earmarking EUR 98.4 billion for Heading 6 on 'Neighbourhood and the World'[41]. Such consolidation aims at increasing coherence, transparency, flexibility, and effectiveness of EU external cooperation, thereby potentially addressing some of the concerns expressed regarding a lack of coordination.

Some scholars hailed this move as an attempt to make aid instruments more flexible and facilitative of the EU's foreign policy and economic interests (Holden, 2020)[42] or a stronger 'securitisation' of development aid in a 'migration-oriented' dynamic (Kugiel, 2020). Through this move, EU actorness risks being negatively affected by the introduction of a new conditionality, which links EU development aid to commitments by recipient countries to help manage migration flows by increasing cooperation on readmission[43]. Through consolidation, the new NDICI instrument has made it possible to establish a budget for the former EDF, by subjecting it to the scrutiny and approval of the

[39] https://donortracker.org/country/eu?gclid=EAIaIQobChMItezh1qqH7QIVBKp3Ch3jhAcXEAAYASAAEgKVgvD_BwE

[40] https://ettg.eu/2019/01/18/the-peer-review-of-eu-aid-a-challenge-from-the-oecd/

[41] The new Heading 6 on Neighbourhood and the World is worth EUR 98.4 billion, of which EUR 85.2 billion is for external action and EUR 12.6 billion is for the pre-accession assistance (https://www.consilium.europa.eu/en/infographics/mff2021-2027-ngeu-final/). In 2018, a 30 % increase was announced (from EUR 94.5 billion for 2014-2020 to EUR 123 billion for 2021-2027), but it was cut back due to the NextGenerationEU recovery package.

[42] In Holden's (2020) view the new instrument presents the possibility to transfer funds relatively rapidly from one to another area (either geographical or thematic); furthermore, the new modalities of aid combined with the universality of the SDGs could enable development aid to be used in a more self-interested way.

[43] See the Commission Communication on a New Pact on Migration and Asylum, COM(2020) 609 of 23 September 2020.

European Parliament, thus strengthening the EU's control over aid allocation and potentially increasing autonomy.

On **cohesion, it is possible to attribute a 'moderate-to-low' rating to the EU as an actor in development policy**. To understand why, it is useful to differentiate (i) coherence between development policies and other EU and national policies (*cohesion between policy domains*) and (ii) the cohesiveness of development policies formulated and implemented by different EU institutions, as well as between EU and Member States policies (*cohesion within the policy domain*). The EU and Member States committed to Policy Coherence for Development (PCD), as introduced in the EU *acquis* with the Treaty of Maastricht, then reinforced with the Treaty of Lisbon (2009) and reaffirmed by EU institutions and the Member States in the new European Consensus on Development (2017). The latter features a strong focus on poverty reduction and the SDGs. The issue of coordination between the EU and Member States was raised, critically also in the last external evaluation of the EU's Policy Coherence for Development (2009-2016)[44], which highlighted the lack of common understanding and interpretation of the PCD concept[45].

On cohesion within the domain of development policy, in 2007 Member States and the Commission adopted a Code of Conduct on Complementarity and Division of Labour, mostly to overcome the fragmentation of aid, and therefore increase its effectiveness. However, the code is voluntary and flexible, which hampered its effective implementation. The EU then launched a Fast Track Initiative on Division of Labour (2008) and an EU Toolkit for the Implementation of Complementarity and Division of Labour (2009). But despite these efforts, fragmentation and proliferation of aid has remained an issue.

Over the past decade, instruments such as joint programming have not fully solved the problem, despite a gradual increase in the convergence and coherence among EU Member States and other associated donors[46]. Aid fragmentation, transparency and

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[44] See the *External Evaluation of the European Union's Policy Coherence for Development (2009-2016), Final Report – Volume I: Main Report* of July 2018 by the European Commission, DG DEVCO Evaluation Unit.

[45] Ibid. The European Commission organises an international meeting twice a year for analysing national PCD contact points and sharing information on PCD priorities and best practices. The aim of this meeting is also to promote dialogue at the international level (via the OECD) and ensure coordination between the EEAS, the EU delegations and other EU institutions. During this meeting, Member States, the European Commission and the EEAS collaborate to provide elements to the Commission, in charge of the preparation of a report. The Commission has issued five reports on PCD since 2007, the last in January 2019. The role of the Council is to develop some conclusions on the guidance provided by the Commission, while the European Parliament has a more marginal role, being involved in development and cooperation decisions mainly through its Development Committee.

[46] The joint programming is signed by the development partner (the EU or Member States) and the partner countries, in order to implement a development strategy in line with the need of the receiving country. Non-EU development partners can sign the joint strategy if they share its principles. The EU accounts for 21 finalised joint documents with joint programming strategies presented in 60 countries, and the Member States are trying to follow the same strategy.

transaction costs, along with a lack of synchronisation with national programming cycles, remain key obstacles to aid effectiveness. The last DG DEVCO report on the effectiveness of EU development aid highlighted a growing tension between EU-wide goals and interests, which still inspire action by Member States, especially in Africa (e.g. Germany's 'Marshall Plan' for Africa, launched in 2017)[47].

The past few years have seen a growing role of DFIs, especially with the launch of the EU External Investment Plan (EIP), aimed at mobilising private investors for development (in Africa and in neighbourhood countries) (OECD, 2018)[48]. This can be seen as a first step towards a stronger role for the EU in orchestrating various streams of funding under a common financial umbrella. The Team Europe approach[49] represents an outstanding example of cohesion between European institutions, Member States, financial institutions and implementing agencies, and European DFIs that gathered their collective resources to finance the global recovery from the pandemic. It was set up extraordinarily quickly thanks to the use of a less formal and bureaucratic process. The Director General of DG INTPA met directly with Member States, bypassing the Council of the EU working parties and other formal procedures) and was rapidly agreed among Member States (Jones and Teevan, 2021). By the end of 2023, the EU had mobilised EUR 5 billion for COVAX[50] using the Team Europe mechanism. In all, 20 EU Member States plus the European Commission, and an additional five European countries contributed as donors to the COVAX facility.

See https://concordeurope.org/wp-content/uploads/2018/10/CONCORD_AidWatch_Report_2018_web.pdf; See also https://europa.eu/capacity4dev/joint-programming/documents/evaluation-eu-joint-programming-process-development-cooperation-2011-2015-executive

[47] ECDPM Discussion Paper No. 267, March 2020, "Beyond good intensions: The New EU-Africa Partnership" accessed 17/04/2024 https://ecdpm.org/application/files/1316/5546/8639/Beyond-Good-Intentions-The-New-EU-Africa-Partnership-ECDPM-Discussion-Paper-267-2020.pdf

[48] The EIP was created following adoption of Agenda 2030, when it became clear that traditional aid was no longer sufficient for sustainable development (Gavas and Timmis, 2019). The instrument is managed by the European Commission in collaboration with the G-TAG technical group formed by the EIB and other DFI members. It offers a new guarantee mechanism to the EIB, other European DFIs, non-European DFIs and private investors from EU Member States and partner countries (idem). Evaluating the application of the instrument after the first year, the OECD (2018) stressed the need for better coordination between the Commission, the European Fund for Sustainable Development (EFSD) and the other European DFIs, mostly the EIB and EBRD (idem). The programme was expanded in 2021and renamed EFSD+ to include a variety of derisking instruments of up to EUR 40 billion. It became operational in 2023.

[49] Team Europe was originally created for responding to the COVID-19 pandemic. The European Commission and the European Member States have transformed the "Team Europe Initiative" concept into a new instrument to enhance cooperation on long-term development policies. Altogether, the package of combined resources that the EU, its Member States, the EIB and EBRD mobilised was EUR 38.5 billion for sustainable recovery in partner countries (as of November 2020; in April the initially pledged package was EUR 20 billion), accessed 17.04.24, https://ec.europa.eu/commission/presscorner/detail/es/ip_20_2195

[50] Source, European Commission, accessed 17.04.24, https://commission.europa.eu/strategy-and-policy/coronavirus-response_en

Perhaps the quintessential demonstration of the limited cohesion on EU development aid between the EU and the Member States can be found in the long-running debate on the 'budgetisation' of the EDF, i.e. its inclusion in the EU general budget. While EU institutions supported this idea to increase effectiveness and simplify the development aid framework, Member States have persistently shown a rather counterintuitive behaviour. On the one hand, they have shown reluctance to loosen their grip on their own contributions; on the other hand, many of them have systematically reduced their development aid over the past decade[51]. In fact, most Member States have fallen short of reaching the target of 0.7 % of GNI, set by the UN in 1970. Meanwhile, lack of cohesion among European institutions seems to arise from competition between the Commission and other DFIs (mainly the EIB and EBRD) on blended finance, which the last OECD Development Assistance Committee (DAC) peer review (2018) referred to as unhealthy[52].

2.2. THE EXTERNAL DIMENSIONS OF EU ACTORNESS: RECOGNITION, ATTRACTIVENESS AND OPPORTUNITY

Among external dimensions, **recognition** can be divided into formal recognition, which focuses on the participation of EU institutions in international and regional organisations, and recognition as an external perception of the EU's development strategy. The assessment of these two aspects has led us to assign the EU a **moderate-to-high level of recognition** as a development aid actor. More specifically, the EU actively participates in all international fora on development (e.g. the UN International Conference on Financing for Development and the OECD High Level Forum on Aid Effectiveness) and is a full member and the only multilateral organisation taking part in the OECD DAC[53]. EU institutions (including the EIB) participate in various multilateral fora and institutional frameworks with other regional organisations, with a mix of trilateral/bilateral cooperative agreements (Soderbaum et al., 2005)[54].

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[51] After a long consultation period, the Multiannual Financial Framework 2021-2027 was approved and the EDF 'included' in the EU budget. In other words, the EDF no longer exists and funds for African, Caribbean and Pacific countries are allocated under NDICI–Global Europe.

[52] https://ettg.eu/2019/01/18/the-peer-review-of-eu-aid-a-challenge-from-the-oecd/

[53] Alongside Austria, Belgium, Czechia, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, the Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, and Sweden.

[54] One of the biggest EU cooperation agreements is with the African, Caribbean and Pacific (ACP) countries, but the EU is also engaged with ASEAN, SAARC and other regional organisations. The agreement with the ACP countries is peculiar, as development aid represents a crucial pillar with a dedicated fund for development: the EDF. According to Negre et al. (2013), most of the ACP stakeholders agreed that the EDF plays a positive role in development cooperation, particularly appreciating its predictability. While funding from other donors is subject to annual negotiations, the multiannual framework of the EDF allows stakeholders to plan their development actions in the medium term, which is said to contribute to the effectiveness of relevant programmes. This multiannual framework will continue under the NDICI – Global Europe instrument.

The 2015 EU Perceptions Study published by the European External Action Service (EEAS) revealed that visibility of the EU in the area of international development is low; even if considered an important actor, other actors (the US and UN) are considered equally or more relevant[55]. The update to the Study in 2022[56] revealed similarly low levels of visibility on development cooperation policy. In fact, the EU scored lowest on visibility out of the six issue areas that were surveyed in 13 countries, including the US, China, and Russia, where the EU was perceived as lagging behind these countries. As in 2015, media coverage in the countries surveyed remained almost non-existent, which translates into little insight into the EU's effectiveness on development.[57]

The Team Europe approach aims precisely at enhancing recognition of the EU in partner countries, with a huge number of resources being mobilised in third countries, and via the development of the Team Europe approach for branding the EU's collective global efforts. Team Europe has become a brand sponsoring EU and Member State engagement in helping partner countries. It has mostly been used in social media to share all the emerging 'good practices' under the hashtag #TeamEurope or #StrongerTogether (Jones and Teevan, 2021). If the Team Europe approach is able to develop under the auspices of the European Commission, more effort could be applied to strengthening its branding capacity to improve the visibility of the EU.

The EU's attractiveness can be assessed by looking at the willingness of other actors to cooperate with the EU and at the attractiveness of the EU's strategy for development, in terms of shared values and norms (soft law). In this respect, there is little doubt that **the EU has a moderate-to-high level of attractiveness**. Since 2000, the EU has been shaping the global agenda on foreign aid (Carbone, 2013). With the various initiatives undertaken (from the Policy Coherence for Development to the Division of Labour and the European Consensus on Development, see coherence paragraph), the EU has been seen as a guide for the implementation of some OECD DAC initiatives. The latter include the Good Practices Principles on in-Country Division of Labour and the more recent Policy Coherence for Sustainable Development. The DAC itself acknowledged the crucial contribution of the EU to the Paris Declaration on Aid effectiveness, which largely reflected the EU's position, particularly in the sections on donor coordination.

Against this backdrop, it is important to underline that the agendas for development aid are mostly set at the international level, namely through the OECD High Level Forum on

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[55] https://www.eeas.europa.eu/eeas/update-2015-eu-perceptions-study_en

[56] Source: EEAS, 2022 Update of 2015 Perceptions Study, accessed 18.04.24, https://www.eeas.europa.eu/sites/default/files/documents/Update%20of%20the%202015%20Perception%20Study%2C%20Executive%20Summary%20and%20Main%20Report%20%28Volume%201%20and%202%29.pdf

[57] Ibid.

Aid Effectiveness (e.g. Monterrey, Paris, Accra and Busan) and by the UN Agenda for development (e.g. the Millennium Development Goals and SDGs). Nevertheless, the EU has played a key role in all these international initiatives and is deeply engaged in applying the relative principles agreed. Moreover, during the last decade, the EU has engaged in several multilateral initiatives to attract more financing for development and to enhance partnerships among donors. The EU participates in global initiatives and partnerships for financing development (i.e. the Global Financing Facility). It has set up outstanding initiatives for attracting private investors as development partners and for raising resources for financing development in cooperation with EU institutions, Member States, and the private sector through the EFAD. Key programmes in this regard are the EU's NDICI–Global Europe and the European Fund for Sustainable Development Plus (EFSD+).

Box 1. The EU as an actor in development aid in Africa

One notable example of EU involvement in global collaboration networks in this field is the innovative trilateral partnership between the African Union (AU), EU and UN (September 2017), an unprecedented experiment of multilateralism focused on peace and security, investment for youth, climate change, and human rights. It put in place a joint task force to evacuate thousands of people from detention centres in Libya. Trilateral cooperation with the AU and UN has worked, but cooperation with China has proven more difficult. In 2008, the European Commission called for a cooperative three-way agenda with African and Chinese partners in different areas, which would have maximised synergies and mutual benefits. The AU and its member countries rejected the proposal, and Chinese authorities did not seem interested.

China is currently engaged in a bilateral dialogue and bilateral partnership with African countries. The increasing influence of the BRICS (especially China) in Africa has led to a relative decline in the EU's attractiveness in the region, including the attractiveness of the values promoted by the EU (Hackenesch, 2018). What some scholars have called the 'European' or 'Brussels' Consensus as opposed to the Washington Consensus (Carbone, 2013; Bachmann, 2013) seems to be perceived as too paternalistic by African countries that see China's approach, with no conditionality attached, as more attractive because it is less neo-imperial than the European (and American) one (Bachmann, 2013). Therefore, while the EU's development strategy, mainly based on budget support, remains attractive for developing countries, the heavy bureaucracy and the policy conditionalities linked to the disbursement of funds are seen as important obstacles.

However, the Chinese approach to development cooperation is highly transactional, characterised by lending rather than grants and capacity building, which has not had good results. In many cases, this approach leaves countries even poorer than before and still without the governance reforms desperately needed to elevate their development. Many countries, in Africa in particular, were too eager to accept the loan terms offered by the Chinese Belt and Road Initiative projects without really considering how much strain the repayment terms would put on their national budgets. Quite often, the interest rates on Chinese BRI loans are in the order of 5 % versus the 2 % typically charged by the IMF to be repaid in 20-30 years, according to IfW Kiel. Many countries find themselves unable to service these debts and must seek restructuring from Beijing, but they typically only get bailouts if their default would pose a threat to Chinese banks, according to analysis by researchers at AidData and IfW Kiel[58]. Many BRI projects have not brought the results that were marketed to prospective borrowers, and have been plagued by corruption, delays, environmental problems and labour violations[59].

With China's slowing economic growth and excessive debt, which reached a high of 287.81 % of GDP in 2023[60], and many projects in default or failing, the BRI will need to be rethought, as China can no longer support the same levels of spending as when it launched the programme in 2013. This has already been happening, as lending under the BRI has declined every year since 2016 (when approximately USD 85 billion worth of projects were funded) to only USD 5 billion in 2021[61].

During the last decade, the EU has been pushing for the extensive use of blended finance operations for development, using grant contributions to attract investment projects in developing countries. The EU started using blended finance in 2007 with some investment facility programmes. In 2017, the EU launched the External Investment Plan to mobilise private investors in Africa and European Neighbourhood countries, investing nearly EUR 1.3 billion in 52 blending projects. The increasing reliance on blended finance seems to be part of an EU strategy of reinforcing its attractiveness through private sector engagement, increasing the budgetary availability and innovating its aid modalities.

In terms of **opportunity/necessity to act, the EU can be given a 'moderate' rating**, which reflects the many lost opportunities over the years. For example, the Arab Spring of 2011 and the refugee crisis in 2015 were described as important opportunities for the EU to demonstrate its capacity to ensure the protection of human rights, and to help establish and encourage democratic and transparent institutions. The EU's resolve and commitment in this domain were again on full display in its rush to support Ukraine with

[58] https://www.ifw-kiel.de/publications/news/belt-and-road-bailout-lending-reaches-record-levels/, accessed 29.02.24.

[59] According to analysis by AidData, https://www.business-humanrights.org/en/latest-news/research-findings-on-chinas-belt-and-road-initiative/, accessed 29.02.24.

[60] https://asia.nikkei.com/Spotlight/Caixin/China-s-debt-to-GDP-ratio-climbs-to-record-287.8-in-2023, accessed 29.02.24.

[61] Figures extrapolated from data from the Boston University Global Development Policy Center, reported by the *Financial Times*, https://www.ft.com/content/83501dd5-fe6d-4169-9d83-28a8cf46e681, accessed 29.02.24.

aid, arms, and accepting displaced refugees across the EU following an unprovoked attack from Russia in 2022. By contrast, support for Israel, widely viewed as an ally of the EU as the only democracy in the Middle East, has been rather more divided both between different Member States and even among the EU leadership itself, putting the EU's ability to influence the course of events in doubt.[62]

Despite continued efforts and increased budgetary resources, the effectiveness of EU action is seen as very low. The 'Mediterranean refugee crises' posed new challenges to the EU's integrity and coherence. The EU's response to the crisis was mainly focused on reallocating refugees within Europe and securing borders through financial contributions to Libya and Turkey – a situation that culminated in the recent debate on using migration-related conditionalities in development aid under the Multiannual Financial Framework. In this case, the EU seems to have lost an important opportunity to reaffirm its approach to human rights[63].

Today, emphasis on the need to achieve the SDGs and to foster global recovery and resilience after the Covid-19 pandemic constitutes a once-in-a-generation opportunity for the EU to reaffirm its leadership in global development. At the same time, the UK withdrawal from the EU represents a big challenge as it deprives the EU of a player that, together with France and Germany, represented 60 % of total EU development assistance (in 2014; Szynol, 2020), and one that spent more in least developed countries.

Nevertheless, in terms of financing for development the EU has recently taken advantage of the expiring of the Multiannual Financial Framework and of the Cotonou Agreement (both in 2020) to push forward the budgetisation of the EDF and the aggregation of different instruments for development under NDICI–Global Europe. These changes are expected to positively affect EU actorness in development aid. With the budgetisation, the EU will shape the budget allocation for development in the African, Caribbean and Pacific region, and the European Parliament will be involved in the decision process (it was excluded from past decisions related to the EDF). This unique instrument for financing development will also allow the EU to move funds more easily across different thematic/geographical sectors and ease the complicated framework for aid allocation, potentially increasing effectiveness. In addition, the pandemic created an opportunity for EU to enhance the level of coordination and collaboration between its institutions, with

[62] Konečý, M. Clingendael Spectator, 16.03.24, "EU's Gaza War Response: A Tale of Contraction and Division," accessed 18.04.24, https://spectator.clingendael.org/en/publication/eus-gaza-war-response-tale-contradiction-and-division.

[63] https://www.ceps.eu/wp-content/uploads/2015/12/EU %20Response %20to %20the %202015 %20Refugee %20Crisis_0.pdf

its Member States, private donors and international financing institutions, through the Team Europe approach.

2.3. CREDIBILITY AND TRUST

Credibility is a cross-cutting dimension, strongly linked to all those previously mentioned, both internal and external. While core EU values and goals are largely recognised as legitimate and desirable, the difficulties for the EU of systematically and effectively achieving them on the ground partly undermines its **credibility, which is overall rated as moderate**. For example, the modest results of Policy Coherence for Development (Langan, 2020) are partly responsible for the ongoing deterioration of the EU's international credibility. And EU policy on migration and securing borders has reduced trust in the EU among affected developing countries.

Several other aspects of EU development policy can be mentioned in this respect, especially if one considers the full spectrum of the SDGs as the 'North Star' for current EU development policy. For instance, while poverty eradication should be the primary objective of European development assistance, the EU allocates the largest share of ODA to upper-middle income countries (OECD, 2021). Only 18% of EU ODA goes to least developed countries (the average for DAC countries is 49 %).

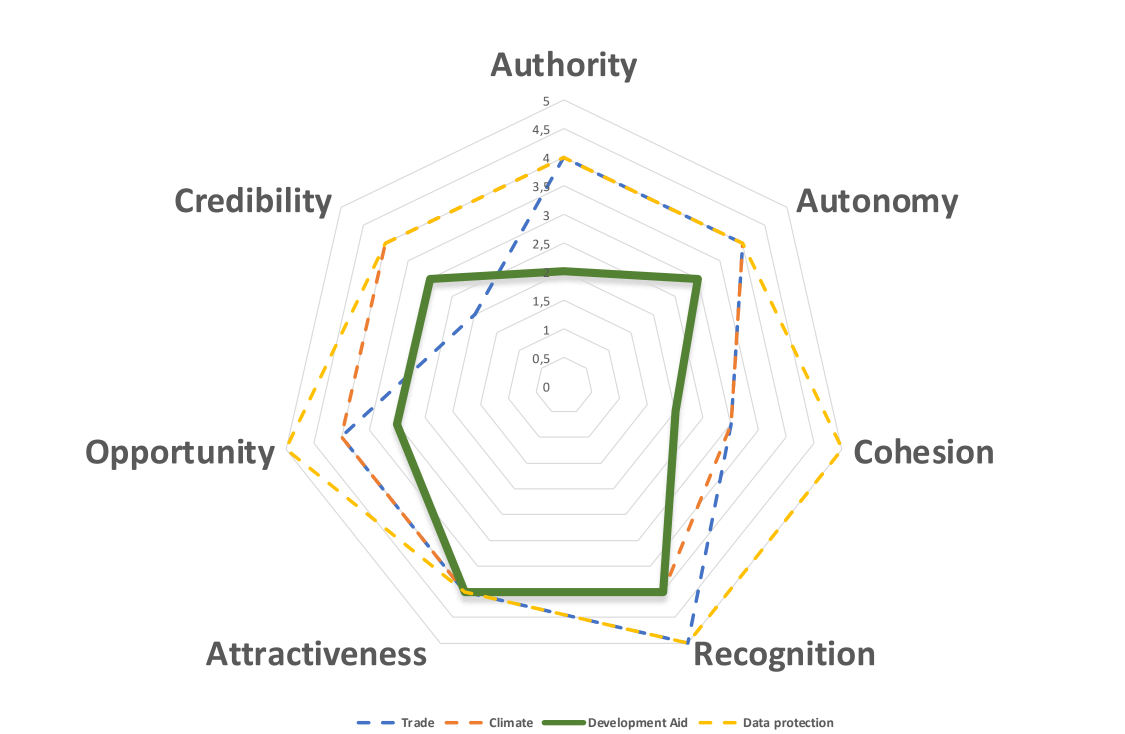
The credibility of the EU is also affected by ongoing criticism related to its alleged reliance on an approach mainly focused on *aid for trade*, particularly in Africa (Hurt, 2020). Zamfir (2019) notices that human rights conditionality tends to be activated only when the situation in a country suddenly deteriorates (i.e. a *coup d'état* or flawed elections), and the EU seems to be generally reluctant to apply suspension of development aid and cooperation when the agreement features a strong trade dimension. Still, the EU seems to be seen as a credible actor, particularly for other multilateral institutions like the African Union. The fact that some Member States have a long and controversial colonial history makes the EU a more desirable interlocutor (Bachmann, 2013). Moreover, being a multilateral institution, the EU is often and increasingly perceived as a more credible actor than Member States but also compared to big powers like the US and China.

2.4. COULD THE EU BE A STRONGER ACTOR IN DEVELOPMENT ASSISTANCE? A CROSS-DOMAIN ASSESSMENT

The EU's overall actorness in development aid is rated as 'moderate', with wide variation among the actorness dimensions. While the authority assessment is moderate to low, it is moderate to high for recognition and attractiveness. Generally, the internal dimensions of actorness seem to be lower than the external ones. All the actorness dimensions are interrelated, and it might be that the moderate-to-low level of authority in development aid prevents Europe from increasing its autonomy. That said, the level of correlation between the different dimensions is difficult to assess and is often related to a wide set of external factors (i.e. civil society engagement, international community engagement, and types of partners, among others).

To give a sense of the possible different levels of actorness in various policy areas, it is worth looking at trade and climate policies. While the former is a policy area in which the EU has exclusive competence, the latter, like development aid, falls under the shared competence umbrella. Although one might suspect that shared competences might reduce the degree of actorness, this does not seem to be the case in climate policy, in which the actorness dimensions is closer to trade than to development. The lack of cohesion constitutes an issue for all the policy areas considered, particularly for development aid.

Figure 4. Comparing actorness across three policy areas



Source: Authors, based on the research performed in the TRIGGER project.

As shown in Figure 4, the internal dimensions of actorness in trade and climate policy have higher ratings than in development policy. Trade policy, unlike development and climate policy, falls under the exclusive competence of the EU. But the level of authority and autonomy are rated as moderate to high, since trade agreements are increasingly mixed agreements that include issues requiring ratification by Member States. Authority and autonomy levels in climate policy are assessed as moderate to high, since during the past decades the number of primary and secondary laws in this field has increased, along with human resources. Cohesion in trade and climate policy is deemed moderate while for development policy it is rated lower (moderate to low).

The cross-cutting dimension, credibility and trust, could be assessed as moderate to low in trade policy, considering the decreasing reliance on trade negotiations in recent decades. In trade policy, credibility is estimated to be lower than in both development aid and climate policy. For the three policy areas, the EU's attractiveness could be assessed as moderate to high, although this dimension varies depending on the partner considered. Finally, the EU is a recognised actor in all three policy areas, particularly trade. The EU's opportunity/necessity to act is assessed as moderate for development policy and given a higher rating for trade and climate policy.

Based on the main findings of this section, there is significant margin for improvement of EU development policy, particularly in terms of strengthening cohesion and coherence, and boosting the effectiveness of action on the ground. At the same time, the quest for more multilevel and horizontal coordination of EU development policy should not open the door to strategic behaviour in support of purely domestic interests. For example, Holden (2020) argues that the increased heterogeneity of global development governance – including the emphasis on new modalities of aid, and the range and universality of the SDGs – could lead countries to use development aid in a more self-interested way. Against this backdrop, the European Commission is seen as increasingly linking issues of security, economic interests, and migration policy to development policy. The risk is that least developed countries, which are seen as less 'strategic', are increasingly ignored in global development aid[64].

Our analysis in the previous section shows that there is mounting awareness of the need to increase the overall coherence of the European framework for development aid along several dimensions: among institutions developing the policy at the EU level, and between policymaking institutions and EU-level delivery of assistance and aid. There is also a need for policy coherence and coordination between EU-level priorities and Member State agendas, as well as for coordination and common policy orientations between delivery institutions on the ground.

To be sure, progress has been made on some of these fronts, notably on renaming DG DEVCO as DG INTPA, with a new mandate. There is enhanced coordination among

[64] In this regard, the last OECD peer review reports (2018) put a lot of emphasis on the lack of financing for least developed countries and on the high preference for multilateral funding, which increases costs and reduces effective aid disbursement to the receiving countries. Furthermore, a lot of critics, particularly from ACP countries, point out that the time for disbursements is often longer than the re-planning or reallocation of resource programming, resulting in a vicious cycle of delays in disbursement and therefore in project implementation (Bachmann, 2013; Jones et al., 2020).

national DFIs at the European level as well as through introduction of the Team Europe approach used during the Covid-19 pandemic. However, as will be clarified in more detail below, these changes are unlikely to be sufficient to help the EU make the most of its investment in development assistance. This is due to the challenges posed by the pandemic and by Agenda 2030, as well as to the new strategies put in place by superpowers like the US and China at the global level. In summary, there are both governance and geopolitical reasons that support a thorough reform of the EU's development assistance. More specifically:

- Team Europe and the strengthening of joint programming could increase coherence and coordination among the EU's institutions and Member States. But recent history has shown that good EU initiatives for better coordination and division of labour face difficulties in implementation because of structural (governance) impediments that are difficult to resolve. Furthermore, despite efforts to increase 'ownership', European policies are still perceived as euro-centric and based on a top-down approach.
- The responsibility for implementation of development programmes is shared among too many actors. This makes monitoring difficult and is likely to increase the costs, reducing the money that will be used in the field.
- The European attempt to better coordinate efforts in development policy does not seem able to avoid the overlapping of funds and programmes, and to target the policy development actions where most needed.
- If the EU is able to better coordinate all the efforts in a more systematic way, it will likely increase its attractiveness, since the lack of cohesion and coherence seems to be the key factor reducing attractiveness and credibility.

Table 2 shows the main actors involved in development cooperation and financing at different stages (agenda setting, coordination and implementation in the field, and funding and co-implementation in the field) at the EU and at Member State levels. The EDFI, the EIP and Team Europe are very different instruments and initiatives. What they have in common is that they have built a bridge, or better yet a platform, for aggregating and mobilising development finance. However, the chain of command is still much too complicated, without a clear orchestrating actor able to coordinate the process at different stages, including all the actors and all the tools in consideration.

Table 2. Matrix of EU development policy and financing, from agenda setting to implementation

<table>
<tr><th></th><th>EU</th><th>MS</th></tr>
<tr><td>Agenda Setting</td><td>European Council
European Parliament
(on EC proposal, consultation with EUDs and EEAS)</td><td>Ministers of Foreign Affairs</td></tr>
<tr><td>Coordination/ implementation on the field</td><td>DG INTPA
DG NEAR
DG ECHO
EUDs
EEAS</td><td>National Development Agiencies</td></tr>
<tr><td></td><td colspan="2">EDFI
EIP
Team Europe</td></tr>
<tr><td>Funding/ co-implementation on the field</td><td>EIB
EBRD</td><td>DFIs</td></tr>
</table>

Source: Authors' elaboration.

Note: EDFI – Association of European Development Financial Institutions; EIP – EU External Investment Plan; EUDs – EU Delegations.

More generally, the need to strengthen the internal coherence and cohesion of EU development policy calls for reconsideration of the overall governance of development aid, as well as the instruments and strategies the EU relies upon. In terms of governance, the fragmentation across and within institutions together with the lack of full coordination in agenda setting and implementation condemn the EU to exert less impact on the ground and in global contexts than would otherwise be the case. It is set to be a weaker actor in development compared with other areas, such as trade and climate policy. In terms of instruments and overall strategy, our analysis suggests that the outstanding level of recognition the EU has in development aid gives the EU the potential to be an 'orchestrator' in this domain. More specifically, it could be a catalyst of public and private action aimed at promoting sustainable development and the protection of fundamental rights on a global scale, in line with overarching EU values as stated in the Treaties.

2.5. SUMMARY: MAIN PROBLEMS WITH EU DEVELOPMENT POLICY

Our analysis in this section shows that the EU is facing a series of challenges and problems in the design and deployment of its development policy. We identify at least six distinct problems:

(i) fragmentation of the landscape at the EU level;

(ii) imperfect multilevel coordination with Member States;

(iii) the EU's limited ability to engage with non-state actors, interact with other donors and mobilise local resources;

(iv) a disconnect between the policy dimension and the organisation of development cooperation;

(v) the need for new governance forms to tackle mounting global challenges;

(vi) the need to keep up with evolution in the global development landscape, in particular the rise of new players such as the US DFC, the NDB and the AIIB, and their growing role in global cooperation among multilateral development banks.

Table 3 describes these problems in detail. Our analysis of three scenarios for action in Section 4 is based on each scenario's ability to address these problems.

Table 3. Six problems in EU development cooperation policy

	Problem	Description
1	Fragmentation of the landscape of development policy at the EU level	Too many instruments and too little responsibility for coordinating global development policy have hampered EU actorness and effectiveness. The creation of DG INTPA potentially addresses this issue, but several streams of external action still appear to be too loosely coordinated. As highlighted by the 'wise persons' report, there is a need for a policy think tank at the EU level, able to coordinate and inspire innovative instruments and forms of governance. There is also a need for new strategies to address the increasingly complex and urgent area of development cooperation.
2	Imperfect multilevel coordination with Member States	The EU and its Member States are, together, the largest providers of development assistance in the world. However, their lack of full coordination has prevented the EU from maximising the value for money of this massive financial aid, let alone couple it with a sufficiently unified direction. The persistence of tensions between some Member States and beneficiary countries, mostly due to colonial history, would likely be eased by the organisation of development under a common, EU umbrella. Recent reforms such as Team Europe and establishment of the EDFI are first steps towards addressing this problem, by bringing more consistency and coherence this domain. Still, these are only first steps towards better coordination. Whether preserving a degree of competition between actors would be healthy, as is often argued, is probably questionable. Competition between national and EU authorities in the field can also imply a race to the bottom, in which competition for securing projects leads to a gradual dilution of the conditionalities applied to funded projects.
3	Limited ability to engage with non-state actors, interact with other donors and mobilise local resources	The presence of the EU on the ground involves EU delegations, Commission DGs and less often the EIB. The ability to engage with local institutions through a logic of cooperation for development, rather than mere aid, appears to be limited and often dwarfed by actions undertaken by individual Member States. There are already a few cases where the EU has shown the ability to act as a 'pivot' for a broad mobilisation of funds at the local level (e.g. the Western Balkans). But in many circumstances the lack of specific powers still stands in the way of the EU becoming a more effective catalyst of development finance, investment and cooperation. The launch of the Global Gateway in 2021 and EIB Global in 2022 appears thus far to have provided only limited increased capacity to engage with local actors, and limited ability to coordinate with Member State delegations on ground.

4	Disconnect between the policy dimension and the organisation of development cooperation	The problems above also translate into a growing disconnect between the ambitions of the 'geopolitical Commission' and the actions deployed on the ground by European institutions such as the EIB (over which the Commission has only a very soft power of moral suasion when it comes to international development). International organisations such as the EBRD and national DFIs are often seen as pursuing their own national agendas, which may diverge from that of the EU as a whole. A more consistent EU on the ground could also more effectively deploy its resources for the achievement of the SDGs. A stronger connection between the policy dimension and action on the ground would be necessary to achieve two important goals, which stand out as urgent: transitioning away from the current emphasis on 'aid' to embrace a culture of cooperation; and ensuring a more constructive and closer dialogue with other international donors, including non-state actors and local investors. Again, the evolution of the EIB through EIB Global together with the TEIs have moved the EU farther along the path to better coordination and cooperation in development, but rather than fully addressing the problem, they add yet another layer of complexity to the EU development landscape.
5	Need for new governance forms to tackle mounting global challenges	The European Commission has already experimented with new forms of delegation. Even so, the magnitude of the challenges posed by the climate emergency, Covid-19 and future related disruptions that the world will experience call for a courageous public-private effort. This should involve the participation of local and international donors around mission-oriented partnerships, orchestrated by solid, value-driven international organisations. Use of delegation, cooperation and also orchestration instruments (see Section 2) appear necessary even to begin to address these enormous challenges.
6	Need to keep up with the evolution of the global development landscape	International development cooperation and finance are evolving very quickly. The US DFC, the AIIB, the NDB and the China International Development Cooperation Agency are all seeking to mobilise resources on the ground. They are also tying development cooperation efforts to national interests, almost turning developing countries the theatre of a new cold war. A strong, solid and consistent EU presence in the field, backed by a coherent strategy in Brussels, is a precondition for the EU to remain relevant in this rapidly changing environment. The current institutional setting at the EU level appears to be unfit for this purpose, and thus in need of a drastic reform beyond the status quo.

3. CAN 'ORCHESTRATION' OF DEVELOPMENT ASSISTANCE MAKE THE EU A MORE EFFECTIVE ACTOR?

Our analysis of the EU as an actor in development aid in Section 1 revealed untapped potential, which could be exploited only by thoroughly reforming the way in which the EU and its Member States design, implement and evaluate their external policy, including most notably development aid. Based on the literature, this is not only a question of multilevel governance, but also a question of overall approach to the role the EU plays in the global context of development policy.

In this section, we explore ways in which the EU can go beyond the direct financing of development projects, assuming a role of 'orchestrator' of funds disbursed by public and private donors. We further explore the possible implications in terms of institutional architecture, in particular the possible creation of an EU agency for development, and/or a European Climate and Sustainable Development Bank.

3.1. ORCHESTRATION: DEFINITION AND APPLICATION TO THE EU CONTEXT

The peculiarity of the EU as an international actor lies in the fact that it does not rely on coercion or military power to affirm its role in the global order. At the same time, Europe's ability to set global standards and impose extra-territorial rules has been increasingly recognised, although some scholars have argued that a stronger role could be played by the EU if it engaged in more aggressive 'lawfare'[65].

A combination of hard power (in particular, the economic weight and attractiveness of the EU single market) and soft power (e.g. Europe's cultural significance and its role as a champion of sustainable development and human rights) give EU leaders the possibility to co-opt other countries when pursuing a global development agenda. However, too often global collaboration falls short of producing the expected results due to a lack of trust among partners, as well as a lack of sufficient coordination, monitoring and evaluation of development aid actions. This is certainly the case when it comes to EU development assistance.

The EU could potentially try to address this issue by more often adopting a specific mode of governance – orchestration. This combines elements of hard power and soft power by leveraging an actor's authority, external recognition, attractiveness and credibility to generate a mission-oriented effort towards specific goals, attracting other public and private actors to the orchestrated endeavour. In the context of development aid, EU

[65] Blockmans, S., 'Why Europe should harden its soft power to lawfare' (2020), CEPS in Brief, accessed 03.05.24 https://www.ceps.eu/why-europe-should-harden-its-soft-power-to-lawfare/

actorness is currently expressed through other forms of governance, such as delegation and collaboration (see Box 2). By contrast, hierarchical modes of governance are incompatible with EU external action as a non-nation state, as hierarchy in the purest technical sense is mostly the province of nation states, not international organisations, or multilateral institutions.

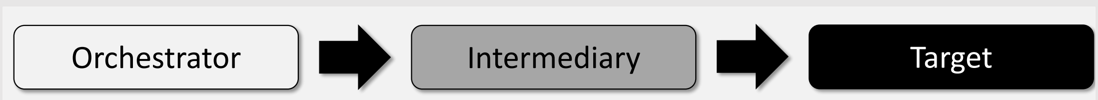
The EU can and already does implement development aid actions in an indirect capacity, as a delegator, by funding development projects where it engages an intermediary such as a contractor to act as its agent, charged with implementing a set of activities that will deliver certain results or objectives. In this case, the EU supervises the activities of the contractor and confers authority upon them. It may also rescind the contract, and as such the governance is also ‘hard’ in the sense that EU agencies have legal authority over their agents.

Box 2. Orchestration

Orchestration in international relations refers to a governance model where an international organisation (IO) ‘enlists and supports intermediary actors to address target actors in pursuit of the IO's governance goals’ (Abbott et al., 2015). Orchestration is both indirect, achieved by enlisting a third party or parties ('intermediaries') to achieve influence over a target, and soft or indirect, in that the orchestrator does not have ‘hard’ control over its target to compel them to act, as in a hierarchical sense. The key to orchestration lies in facilitating voluntary cooperation through a joint governance effort in a multi-actor system, emphasising shared goals and values to achieve outcomes that neither the orchestrator nor the intermediaries could achieve on their own (Abbott et al., 2015).

Intermediaries are crucial to orchestration because they possess information, competences, proximity, resources, or relationships that the orchestrator does not. Therefore, they are better positioned to exert influence on targets that will achieve the orchestrator's stated objective. The relationship of the orchestrator to the target can be described as linear and indirect, as shown in the O-I-T diagram in Figure 5.

Figure 5. Orchestration



Source: Abbott et al. (2015).

Below, the matrix in Table 4 further develops the model into four distinct, ideal modes of governance, of which orchestration is one, as described earlier. The others are hierarchy, delegation, and collaboration. In practice, these four modes are not clearly delineated but are mixed, hybrid forms. The elements of 'hard,' 'indirect,' 'soft,' or 'direct' should be viewed as extremes on a continuum and as such there are degrees of 'hardness' or 'indirectness' in this governance framework (Abbott et al., 2015).

Table 4. Modes of governance

	Direct	Indirect
Hard	Hierarchy	Delegation
Soft	Collaboration	**Orchestration**

Source: Abbott et al. (2015).

Hierarchical governance is the opposite of orchestration and is both hard and direct: the governor has both the power to set the terms of engagement and the legal authority to bind targets to action. An example of hierarchical governance is a state that makes a law and then enforces that law through the organs of state bureaucracy. Practical applications of this top-down approach include taxation or military conscription.

Delegation refers to governance that is outsourced to a third party in a principle-agent model but where the governor retains formal legal control over the agent and therefore the governance is said to be hard. It is indirect because the governor is using the agent to cause the principle, or target in the Abbott framework, to comply with a stated goal or regulation. A practical example of delegation would include a legislature that directs an independent central bank to conduct monetary policy.

Collaboration is a form of soft but direct governance where the governor uses material inducements or moral suasion rather than legal obligation or coercive threat to solicit compliance or agreement with its objectives from the target. Such governance is soft because it relies on the voluntary collaboration of the target but is direct because there is no third-party intervention to ensure cooperation. This governance structure is classically used where governments collaborate with target actors to promote self-regulation in fields that require high levels of technical expertise. For example, the state might support regulation of medical practices by medical associations rather than by imposing top-down state regulations (Abbott et al., 2015).

The EU also engages in collaboration to achieve international development objectives, as embodied in the European Consensus on Development in 2017. This initiative seeks to engage EU Member States through moral suasion to unite around the EU's primary stated development objective of eradicating poverty while integrating into its aid policy the objectives of sustainable development in the UN's 2030 Agenda for Sustainable Development. In this example, the EU sets the objectives and persuades Member States to join it in carrying them out, without the use of intermediaries or binding legal authority over EU Member States.

Orchestration, as discussed previously, is both indirect and soft, where the orchestrator works to achieve a goal by enlisting intermediaries to drive action by consensus and voluntary collaboration. According to Abbott and Hale, in order to be successful, the orchestrator must possess one or more of these four attributes: legitimacy (public authority), focality (occupying a central position in its issue area), material or subjective resources of value to intermediaries (financial, logistical, diplomatic or organisational) and an organisational culture that supports engaging with sub- and non-state actors through collaboration (Abbott and Hale, 2014 p. 9).

The EU possesses most of the necessary attributes of an effective orchestrator to varying degrees, with the exception of public authority, where its powers are rather limited[66]. In terms of focality and resources of value, the EU possesses comparatively more attributes, having formally stated its commitment to sustainable development aid embodied in European Consensus on Development in 2017 in line with the UN 2030 Agenda for Sustainable Development. Further, the EU, through its budget instruments and the EIB, has significant financial resources to deploy to support this policy position.

With regard to engaging sub-actors through collaboration, the EU must work to increase its ability to do so in order to achieve better coordinated action in development aid by leveraging its capacities in focality and resources. A reorganisation of intellectual leadership, coupled with administrative realignment of how EU development aid is deployed, would support the goal of better coordination and collaboration. This can only be achieved through institutional reform, where the goals and execution plans emanate from the top level of the organisation. A framework for achieving greater coherence of aid action through better collaboration will be discussed at length in scenarios presented in Section 4.

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[66] It is important to recall that the EU is not a nation state, so therefore it has limited ability to command the Member States to commit to EU development aid objectives through hierarchy and must rely more heavily on other modes of governance.

Collaboration offers some cure for the failings of delegation and hierarchy but suffers from a lack of intermediaries whose skills, capabilities, and experience are critical to realising desired changes. By contrast, orchestration is by nature a more pluralistic governance framework that does not rely on legal enforcement to achieve compliance with commitments, nor does it assume direct responsibility for the activities of the agent, as in delegation. Orchestration, however, has been underutilised as a policy tool (O'Brien, 2017, p. 9) to drive more cohesive action in difficult collective-action problems, but in fact may be just the right tool to address the nature of the challenges posed by the SDGs, climate change, and by extension development aid. In the case of the EU, it offers a viable alternative to better coordinate and implement its development aid policy by overcoming some obvious obstacles. The status of the EU as a non-nation state leaves it with limited ability to command EU Member States to act on EU-stated policy goals or to *not* pursue their own development agendas as sovereign states. Orchestration could serve as a vehicle to enable the EU and its Member States to cooperate on the European Consensus on Development while maintaining their own actorness, without loss of national identity, sovereignty, or bilateral relationships.

Can the EU really benefit from stronger reliance on orchestration? A key question to examine for the EU aid agenda is whether orchestration can overcome difficult political turf wars and power struggles between the EU and the Member States to achieve aid policy coherence, greater aid efficiency, and effectiveness. The EU possesses many of the necessary attributes, to varying degrees, to successfully carry out orchestration. But given the current environment and politicisation of development aid between the EU, EU-based multilateral institutions, and the Member States (Kugiel, 2020 p. 171), the EU today is not fully able to step into the role of global orchestrator. Indeed, the move towards greater collaboration and cohesiveness in development aid embodied in the Team Europe Initiatives and the Global Gateway only partially fulfils the EU’s potential be more effective in development and in international partnerships in general.

To effect policy change if the conditions for change are favourable, orchestrators can take advantage of their stature to influence policy to demonstrate where change is needed (O’Brien, p. 38), and to direct the appropriate intermediaries and resources along the desired path. Orchestrators must be able to identify or create intermediaries that possess the capabilities to bring about the stated goals: in this case, the challenge will be to enlist the voluntary cooperation of the Member States in a unified EU-led effort, as they tend to view development aid as an expression of their own actorness in bilateral relations with other countries and do not want to be overshadowed by a supranational body (Kugiel, 2020, p. 171).

Box 3. Examples of orchestration

The following examples demonstrate orchestration in practice specifically to solve global challenges in sustainable development. They use a transnational governance arrangement aimed at providing a good, service, or benefit that could not have been achieved without the cooperation and collaboration of intermediaries.

Gavi, the Vaccine Alliance (previously, the Global Alliance for Vaccines and Immunizations), founded in 2000, is an example of a global health initiative partnership. It works towards the public health goal of 'immunisation for all' by leveraging a Global Solution Network (GSN) of experts, NGOs, multilateral institutions, vaccine manufacturers, research agencies, governments, and others. Gavi brings together developing country and donor governments, the WHO, UNICEF, the Bill & Melinda Gates Foundation, and the World Bank, among others.

Gavi acts as an orchestrator by leveraging the GSN and its participants to help people in developing countries access life-saving vaccines at affordable prices, while also removing the commercial risks in serving these markets for the manufacturer. To date, Gavi has helped immunise over a billion children globally, and prevented over 17 million future deaths worldwide through its vaccination programmes over the years 2000-2022. Additionally, 2.7 million deaths were averted by COVAX across participating low- and middle-income countries (Source: Gavi Fact and Figures report, October 2023).

The **Global Environment Facility** (GEF) is an example of orchestration in the provision of global public goods around environmental sustainability. The GEF is an international partnership that functions as a financial mechanism to provide grant funds to developing countries for projects covering 'focal areas' in environmental protection and conservation. These areas include climate change, biodiversity, international waters, land degradation, ozone depletion, persistent organic pollutants, mercury, sustainable forest management, food security, and sustainable cities. Founded in 1991, initially the GEF's implementing agencies were the World Bank, UNDP and the UN Environment Programme (UNEP). Over time this group has grown to include the Food and Agriculture Organisation, EBRD, AfDB, IFAD, and numerous others. In the O-I-T model (see Figure 5), the GEF acts as an orchestrator to direct funding from 40 donor countries through intermediaries comprising international organisations, NGOs, multilateral institutions and others, to help developing countries (the targets) meet sustainability goals and attract co-financing of these activities.

The **Global Reporting Initiative (GRI)** was formed in 1997 by two US-based non-profit organisations, working with the UNEP as orchestrators that convened stakeholders to form the GRI. They also endorsed the organisation and provided administrative support for its early activities. The GRI is now an independent, multi-stakeholder, network-based organisation that has developed guidelines for sustainability reports to be applied by companies, non-governmental and public organisations. Its governing and advisory bodies include representatives of business, civil society, investors, labour, and other sectors, as well as experts in reporting. As an intermediary, the GRI is the source of the world's leading social and environmental reporting standards, which are used by over 10 000 companies in 100 countries worldwide, making GRI Standards the most widely used sustainability reporting standards globally according to research by KPMG in 2022 (Source: Global Reporting Initiative).

COVAX is one of three pillars of the Access to Covid-19 Tools (ACT) Accelerator, launched in April 2020 by the WHO, the European Commission and France in response to the pandemic. By the end of that year, 190 countries of all income levels had agreed to participate, making it one of the most significant multilateral partnerships of the 21st century. COVAX focused on providing innovative and equitable access to Covid-19 diagnostics, treatments, and vaccines. It was coordinated by Gavi, the Coalition for Epidemic Preparedness Innovations and the WHO. In this context, Gavi launched a COVAX Facility through which self-financing economies and funded economies could participate, and a COVAX Advance Market Commitment, which supported access to Covid-19 vaccines for lower-income economies.

Initially underfunded, COVAX was given a boost at the G7 meeting in February 2021, in which the US announced a USD 4 billion contribution, and the EU doubled its contribution from EUR 500 million to EUR 1 billion. The orchestrated effort carried out under the umbrella of the COVAX scheme attracted participation from several non-state actors: for example, global logistics company UPS partnered with COVAX to speed up vaccine delivery during the pandemic, aiming at bringing 20 million Covid-19 vaccines to four continents.

The COVAX officially wound down at the end of 2023, having delivered nearly two billion vaccine doses in 146 countries globally, paired with USD 2 billion in support to turn doses delivered into vaccinations. The 92 lower-income countries that were eligible to participate in the Gavi COVAX Advance Market Commitment will continue to have the option to receive vaccines through Gavi's regular programmes. In 2024, so far, 58 lower-income countries have requested 83 million vaccine doses (Source: WHO).

3.2. IMPROVING EU ACTORNESS AND EFFECTIVENESS THROUGH ORCHESTRATION

The challenges faced by the EU in funding the implementation of well-coordinated action on development aid, centred on achieving the SDGs and in line with the European Consensus on Development, are significant but not insurmountable. The EU, by design, is not a nation state and cannot act in a hierarchical fashion. Similarly, delegation will not likely result in coordinated action on the global scale needed to address the issues at hand and also suffers from some of the same failings as hierarchy. Collaboration addresses the voluntary dimension of the collective action required but does not sufficiently leverage the depth and breadth of the actors needed to execute such an initiative, because collaboration does not utilise intermediaries that can both share the workload and bring important expertise to the effort. As a governance technique, only orchestration offers the right balance of inclusive, cooperative, and multilayered governance involving a multitude of stakeholders for the type of multidimensional and multilateral action needed to solve sustainability challenges.

Specifically, orchestration is the most effective means of achieving consensus to act, offering an alternative to the gridlock of the multilateral system and advancing important contributions to the provision of global public goods on which the SDGs depend. Still, achieving consensus through orchestration requires a common, shared mandate and an actor stepping into the leadership role to drive the collective-action effort towards fulfilling that mandate. So far, the EU has not fully stepped into the leadership role as an orchestrator in its own backyard by encouraging the Member State development banks to follow its lead as intermediaries; nor do the Member States and their development aid institutions view the EU in this leadership role. The EU must first convince its own institutions and their departments to follow its lead on development aid if it is to have any hope of orchestrating the actions of other multilateral development banks, private investors, NGOs, and development agencies at a global level.

The EU's effectiveness at orchestration for the EU aid agenda will not only depend in some measure on its ability to offer something of value to the intermediaries in order to secure their willingness to participate and in turn their effectiveness, but also on its ability to act with one voice at the European Commission level. Inducements that the Commission could offer the intermediaries, i.e. national development banks, the EIB and the EBRD, for their participation may come in the form of additional resources or funding from the EU to continue or expand their work, pledges of recognition for their contribution (which enhances their relevance) and greater influence in policymaking at the EU level.

4. POLICY SCENARIOS FOR THE EU'S FUTURE ROLE IN DEVELOPMENT ASSISTANCE

The EU must reimagine its development aid efforts to meet the needs of the 21st century. Given the size and complexity of the task, the EU should consider a scenario planning approach along the axes of 'low to high impact' and 'low to high probability'. The difficulty of implementation (or the lack of political courage) should not be allowed to be the deciding factor against doing what would be most transformative. Indeed, the costs of doing nothing or too little could be higher in the long run than acting boldly. This will involve harmonising existing policy, action, and financing and potentially creating new institutions to carry out this agenda. At a minimum, more formal mechanisms for collaboration on development aid should be created within departments in the EU institutions with a lens on sustainability and conceiving new financing instruments to accomplish this. To some extent, the continuation and repurposing of the Team Europe approach that worked so well during the Covid-19 crisis is an expression of this. However, we argue that TEIs are simply the wrong tool to address long-term challenges such as responding to climate change and meeting the SDGs. In our view, this can only be done by committing long-term resources to a permanent structure that will transcend the terms of presidents and commissioners.

A simple and straightforward first step could be setting up an inter-institutional and interdepartmental steering committee for sustainable international development. It would serve as a forum to gather representatives from all relevant DGs and EU institutions where members can engage, collaborate, and co-design a coordinated EU strategy on sustainable development. It could be implemented with rotating leadership, working groups addressing various priority topic areas, and high-level expert groups comprised of members from the EU institutions and external subject-matter experts. There is currently a lack of organisational and intellectual leadership, resulting in each organisation and even individual DGs within the European Commission acting independently. This lack of a clear mandate and leadership within the EU institutions also leads to Member States acting individually through their own multilateral agencies, rather than acting on behalf of the EU. The creation of the EDFI is a clear result of Member States seeking to fill a void left by the EU on sustainability.

Below, we describe three scenarios for future action, which are presented on a scale ranging from the least to the most ambitious in terms of reform effort. We score them from the lowest (*) to the highest (*****) on how well the scenario recommendations address the identified problems and underpin the choice of scores based on evidence as described in the previous sections of this report.

4.1. SCENARIO 1: DO NOTHING (BASELINE SCENARIO)

The ‘do nothing’ (or almost nothing) approach basically means maintaining the present course. If the EU pursues this option, it has little hope of leading an effective orchestration effort on its aid agenda, nor will it increase its effectiveness as an actor to lead global action to address the SDGs, or crucially, climate change. Additionally, the steering committee on sustainable development, mentioned above, might fall under this scenario.

Since the results of the follow-up feasibility study to the 2019 ‘wise persons’ report were released in mid-2021, there seems to have been a good deal of self-congratulatory fanfare around the suggested course of action: status quo+. The ‘plus’ here acknowledges that a change is needed but that the EU is going to do little more than it is currently doing. The scenarios of transferring assets between EBRD and/or the EIB to retrofit either bank to become a new EU bank for sustainability were rejected outright as too expensive, as was the idea of setting up a new climate bank. So in practice, the improvements to the EFAD, initiated by the European Commission and endorsed by the Member States were as follows:

- enhancing the EIP, connecting blended finance and guarantees/EFSD+ (pillar 1), technical assistance/grants (pillar 2), and investment climate and policy dialogue (pillar 3);
- establishing the consolidated and flexible NDICI–Global Europe and its open financial architecture, with the EFSD+ and the single External Action Guarantee; and
- extending the EU’s global response to Covid-19, the Team Europe approach, as a powerful coordination framework at the European level and with European partners[67].

Extending the TEIs to encourage better cooperation and coordination between the Member States is a bit of sleight of hand, as it does not represent a new initiative or change in current action. The additional element that could also be represented in the ‘plus’ is that the EU has stressed that the ‘reforms’ should be undertaken at no additional cost to the Member States; the EIB should improve its business model for greater impact; and the European Commission, the EEAS, and EU delegations should ‘increase their capacity’. Finally, coordination among European DFIs should be done solely through existing mechanisms. The stakes are low for all involved: no budget has been allocated,

[67] Conclusions from a commentary piece by San Bilal as appeared on ECDPM, ‘The beauty contest is over: High time to reform the European financial architecture for development’ (21.06.21), accessed 15.03.24, https://ecdpm.org/work/the-beauty-contest-is-over-high-time-to-reform-the-european-financial-architecture-for-development

no assets have been reassigned or deployed, and no real power is to be had by anyone in terms of setting policy or directing resources; nor is there to be any legislation involved, or consent needed from the Members States. However, the continuation of TEI for the purpose of development coordination has been criticised as haphazard, informal, non-inclusive, and non-transparent. A search for operational procedures or programming documents on the Capacity4dev website often returns a ‘page not found’ error so it is hard to judge their effectiveness or operating rationale.

The most obvious risk from this ‘stay-the-course’ strategy is that the EU will be left behind on the world stage as its allies in the Americas and competitors in Asia step up by dedicating more resources to both development and sustainability. And in fact, the US thus far has shown greater ability to orchestrate globally on the sustainable development agenda than the EU, with the successful launch of the Blue Dot Network and subsequently the Partnership for Global Infrastructure and Investment, in which it managed to recruit members from four continents, including the EU’s three largest Member States. The EU cannot possibly hope to even influence the outcome, let alone shape it, if it does not state a concrete position and back it up with action. The cost of preserving political capital in the EU institutions, or in Member State capitals, may very well undermine the EU's political and sustainability objectives globally in the medium to long term.

The main benefit provided by this scenario, in which an interdepartmental steering committee is created, is a move towards better agreement on development policy issues within the EU institutions, providing a venue where various departments and their experts can share points of view and best practices, and strategize appropriate responses to global development challenges. Thus, it receives a three out of five ranking on the problem of fragmentation. However, this scenario ranks very low on all the other dimensions. There can be no improved coordination between the EU institutions and Member States unless there is first unified intellectual leadership on development policy within the EU institutions. The Team Europe Initiatives may be a step in the right direction, leading the EU to speak with one voice on development and possibly take more coordinated action, but by themselves will do little to improve the EU’s coordination with Member State efforts. Nor will they enhance the EU’s ability to orchestrate sustainable development on the world stage or even orchestrate Member State actions towards meeting the SDGs.

Table 5. Assessment of Scenario 1 – Baseline scenario

	Problem	Assessment
1	Fragmented landscape of development policy at the EU level	*** The steering committee creates a venue where all EU stakeholders can convene to share information and best practices. It assists in formulating a unified EU position on development.
2	Imperfect multilevel coordination with Member States	* * Provides modest movement on this issue.
3	Limited ability to engage with non-state actors, interact with other donors and mobilise local resources	* * Provides modest movement on this issue.
4	Disconnect between the policy dimension and the organisation of development cooperation	* Provides no movement on this issue.
5	Need for new governance forms to tackle mounting global challenges	* Provides no movement on this issue.
6	Need to keep up with the evolution of the global development landscape	* Provides no movement on this issue.

4.2. SCENARIO 2: BASELINE+ (‘MOVING FORWARD, JUST A LITTLE’)

Following the recommendation of the ‘wise persons’ report, and the subsequent feasibility study that evaluated options for setting up a new sustainable development bank, the EU needs to better coordinate aid policy and action within and between its existing directorates-general, including DG INTPA, DG NEAR and the EEAS, to create a visible, united, single interlocutor on European aid. The logical next step would be formalising the Team Europe Initiatives in a new department within DG INTPA, which would interface with other European Commission DGs as appropriate and also with policy and strategy counterparts at the EIB, EBRD, and Member State development banks. This would form the basis of a European knowledge hub for development, prioritising policy and action oriented towards achieving the SDGs. The new department would have formal operating procedures, a budget, and accountability to the management of DG INTPA.

To some extent, the von der Leyen Commission has already moved in the direction of stronger multilevel coordination, as the mission letter to Commissioner Jutta Urpilainen urges her to ‘propose a new comprehensive coordination mechanism’ to ensure the joint potential of EU and Member States is fully leveraged ‘in a coherent way that promotes the EU's values and strategic objectives'[68]. The renaming of DG DEVCO as DG INTPA follows a similar logic, recognising that 'a revamped Directorate-General for International Partnerships is a key tool to deliver on this mission and for building relationships with transformational impact around common priorities with our partners around the globe'[69]. Still, the new internal governance of the European Commission requires the creation of a dedicated department, which acts as catalyst and coordinator of all EU-level action and becomes the pivotal actor for orchestration of Member States, and public and private actors in developing countries. The Team Europe Initiatives that were implemented for rapid response to the Covid-19 pandemic seem to have been successful in creating a template for greater cooperation between the EU institutions and Member States, but as already discussed, they lack formality and therefore transparency and accountability. The framework was outlined in a guidance document jointly issued on 1 January 2021 by the EEAS, DG NEAR and DG INTPA[70] as a blueprint for deepening cooperation and coordination between the Member States and the EU institutions.

Crucially, the guidance also calls for more in-country coordination between the diplomatic representations of the Member States, the EU delegations, representatives of the various DFIs operating on the ground, and the host countries themselves. The resident coordinator from the EU side should be an official from DG INTPA or DG NEAR seconded to the EEAS delegation, with experience in development finance and in a domain most important to the relevant country; potentially more than one official may be needed, perhaps from both DG INTPA and DG NEAR. This approach, if fully formalised, would merit a high score on addressing fragmentation and a medium score on multilevel coordination. All the options set forth in this guidance document involve an important institutional mind shift that could stimulate action. Still, without an actual structure codified in the institutions themselves, they will not likely have a real lasting impact – solely remaining a blueprint with no formal procedures, staff, or budget. Therefore, in terms of addressing engagement with non-state actors and mobilising local resources on the ground, a low to medium score is merited, and likewise for addressing the disconnect between policy and the organisation of development cooperation.

Creating a new department within an existing directorate-general at the European Commission, while not a small undertaking, is easier to do than creating new institutions, for it only involves rearranging different roles and an existing base of expertise. The new

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[68] See the Mission Letter from President von der Leyen to the Commissioner for Institutional Partnerships Jutta Urpilainen, 1 December 2019, at https://ec.europa.eu/commission/commissioners/sites/comm-cwt2019/files/commissioner_mission_letters/mission-letter-urpilainen-2019-2024_en.pdf.

[69] https://ec.europa.eu/international-partnerships/news/dg-international-cooperation-and-development-becomes-dg-international-partnerships_en

[70] See the guidance working paper, 'Working Better Together as Team Europe', January 2021, accessed 27.3.21, https://europa.eu/capacity4dev/file/108669/download?token=miIC1C4W

department would benefit from the existing physical, intellectual, and legal infrastructure within the European Commission. Indeed, the real challenges would lie in management power struggles, when officials who were previously directors-general or heads of unit suddenly must report to a new structure in which they may not have as much influence. Hence, securing their agreement to serve in a new capacity would be essential. The monetary costs, relatively speaking, would be minimal. A strategic mandate and guiding principles for action would need to be established.

However, simply creating a new department is unlikely to go far enough in achieving action on the SDGs and climate action, as it would lack the critical financing component and would not guarantee the participation of the existing DFIs, which have the financial resources to deploy. The best that could be achieved with such an approach would be a more coherent, coordinated strategy and intellectual leadership on sustainability at the EU level, at a time when the Green Deal seems to meet with increasing resistance within and outside EU institutions. Further, this approach would fall short of raising the EU's collective profile on the world stage as a global power that can orchestrate in its own sphere and beyond to channel the necessary resources towards meeting the SDGs. Therefore, this scenario would receive a low score on new governance forms and keeping up with the evolution of global development.

Table 6. Assessment of Scenario 2 – Baseline +

	Problem	Assessment
1	Fragmented landscape of development policy at the EU level	**** Formalising a dedicated department harmonises intellectual leadership on identifying development issues, aids the formulation of action plans for implementation and coordinates strategy with other development finance institutions. It acts as a policy think tank on development at the EU level.
2	Imperfect multilevel coordination with Member States	*** The new department would assume responsibility for coordinating the action of the Member States, especially in-country.
3	Limited ability to engage with non-state actors, interact with other donors and mobilise local resources	** If the Team Europe approach to coordination is fully realised, then the EU's ability to mobilise both its Member States and local counterparts would be greatly increased. Yet, it is not clear that there are sufficient inducements for Member States to sign up.
4	Disconnect between the policy dimension and the organisation of development cooperation	** If the Team Europe approach to coordination is fully realised, then the EU's ability to mobilise both its

		Member States and local counterparts would be increased.
5	Need for new governance forms to tackle mounting global challenges	* Provides no movement on this issue.
6	Need to keep up with the evolution of the global development landscape	* Provides no movement on this issue.

4.3. SCENARIO 3: A NEW AGENCY AND A NEW BANK (‘FORTUNE FAVOURS THE BOLD’)

The urgency of the climate crisis and the scope of the needs created in its wake are such that half-measures, i.e. merely creating a new department to coordinate EU development aid or doing nothing at all, would amount at best to modest forward progress and at worst to passing the point of no return on containing the effects of climate change. For Europe and its place on the world stage, not seizing the chance to take the kind of bold action that requires commitment would be a lost opportunity to influence the global debate and action on sustainability, which is unlikely to present itself again in the near future.

The next stage of building upon coordination efforts with DG INTPA would be to create a new EU Agency for Development and Cooperation (‘EURADEC’). This would eliminate the current separation between DG INTPA and DG NEAR, in addition to maintaining a dotted line to the EEAS. Implementing this option assumes that the EU has been successful in seeding the momentum and desire to continue further formalising EU development aid around sustainability with cooperation from within its institutions and Member States.

The new agency would also orchestrate technical assistance with the EIB, EBRD, EDFI and the Member State development banks. It would create new funding and investment vehicles in line with funding priorities centred on the SDGs, and manage the activities of NDICI–Global Europe. There would need to be a governing body with representation from all the agencies, EU institutions and DGs, development banks, and Member States in order to set priorities, put the appropriate management in place, and oversee activities. The EURADEC would also house a European think tank and research centre on development policy, which may involve coordination with the Joint Research Centre, with a more policy-oriented focus. Importantly, the EURADEC would also be responsible for cooperation and orchestration at the global level, involving NGOs, private sector actors (including companies and investors) and development agencies. It would work with international financial institutions and DFIs, such as the World Bank, UN agencies, the DFC, the British International Investment, the Japan International Cooperation Agency, the AIIB, the NDB, and possibly the Chinese Belt and Road Initiative.

One important advantage of the 'agencification' of development policy at the EU level, if properly implemented, would be that Member States could be directly involved in the governance of the EU body, without entirely giving up their national prerogatives to the European Commission. Small states in particular have indicated support for this approach, as it would give them more visibility and voice in EU policymaking, and argued that it would be more democratic, as they are often overshadowed by large Member States. A side effect of the current Team Europe approach is that the programming is planned and implemented almost exclusively by large Member States that already have a significant presence in target countries through either their existing diplomatic corps or their DFIs or both, leaving smaller Member States with little input or influence[71]. A possible model for the future agency is the European Medicines Agency, governed by a Management Board composed of representatives of the Member States, the European Parliament and the European Commission. It adopts implementing rules and sets the strategic direction for the work of the agency. Another possible model is that of the European Space Agency, run by a Council in which Member States are represented, and which appoints the director-general. These reference models show that an agency can feature various degrees of multilevel cooperation in a 'third' setting, which combines EU and national resources, knowledge, and interests.

Implementing institutional reform, such as the creation of EURADEC, would offer a tailored solution to multiple issues faced by the EU on development: fragmentation, imperfect coordination with Member States, limited ability to engage with non-state actors, and a disconnect between policy and the organisation of cooperation. This analysis assigns medium to high scores on all these dimensions. The European Commission has already moved to streamline and coordinate cooperation by changing the name of DG DEVCO to DG INTPA. More importantly, it is reorienting its mission towards cooperation, partnership, and inclusion, as evidenced by President von der Leyen's urging Commissioner Urpilainen to steer EU development in this direction. Furthermore, under the current Multiannual Financial Framework 2021-2027, the consolidation of many financing instruments for development, including the EDF, into the new NDICI–Global Europe (see Section 1) includes more funds for sustainable development. It also provides a more flexible structure that can respond more quickly to challenges and seek to engage with countries as partners, rather than mere recipients. The Team Europe approach introduced in the guidance document by DG INTPA, DG NEAR and the EEAS offers a template of what further streamlining, interdepartmental cooperation and in-country coordination might look like under a proposed EURADEC, for which funding might come from NDICI–Global Europe. Their analysis, however, does not

[71] ECDPM, 'Half-time analysis: How is Team Europe doing?', accessed 12.03.24, https://ecdpm.org/work/half-time-analysis-how-team-europe-doing

completely address the issue of creating an EU development policy think tank, or fully contemplate a bigger role for the EU globally through orchestration or its own development finance institution for the climate and sustainability.

On the dimensions centred on creating a new sustainability-oriented finance institution and the use of orchestration to carry out its agenda and drive collection action globally, this scenario would receive high scores. But the legal, institutional, and financial infrastructure and resources are simply not in place to carry out this agenda, nor is there a pathway for doing so within the current governance and purview of the EU institutions. The final stage of implementation for coordinated European action on development aid, with sustainability as its guiding principle, would be the establishment of a European Climate and Sustainable Development Bank ('ECSDB')[72]. The EU does not currently have a singular, well-capitalised development finance institution focused on sustainability that could orchestrate globally to meet the SDGs. The ECSDB proposed here would be wholly owned by EU Member States, the EIB, and the EU, in a similar fashion to European shareholdings in the EBRD; however, the EBRD would not be a shareholder, as more than half of the EBRD's current shareholders are non-European, including its largest shareholder. Ideally, the EDFI would also become a shareholder, which would lend further credibility to the EU's ability to orchestrate sustainable development finance. This would not involve jettisoning the proposed EURADEC; on the contrary, the EURADEC would oversee strategy, policy, intellectual leadership, technical assistance, and importantly, global cooperation, orchestration, and coordination with other development efforts. The ECSDB would be the lending and investment arm of EURADEC actions and joint actions by EURADEC and its global partners.

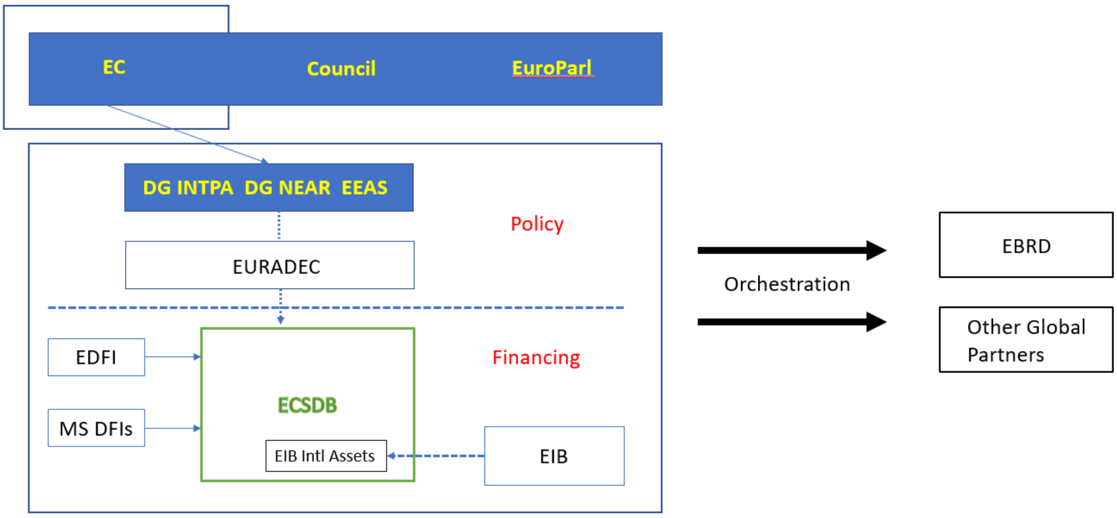
Regarding the governance of the new institution, since membership in the ECSDB would be voluntary, each shareholder would subscribe to a certain number of shares according to its capacity and in line with its national priorities. Membership could be held either by the Member State or the development bank of the Member State, or a non-state actor. As a private development bank, it may be necessary to have a board of governors to represent the countries' interests as well as a board of directors and president to oversee day-to-day operations, overall strategy, and management supervision. Such a structure mirrors the current governance of the EBRD and provides the flexibility to separate the operation of the bank's activities from country interests, as well as a mechanism for representation of entities that are not nation states. The EIB, by contrast, is a public entity and ownership shares are determined by economic weight of the Member State within the EU at the time of accession. Such a structure for voluntary accession to a proposed

[72] This scenario should not be confused with the recommendations of the 'wise persons' report but rather considered another option beyond the three offered in their analysis.

ECSDB might be politically difficult to implement. Currently, Germany, France and Italy have equal shares in the EIB, yet Germany's economy is more than double that of Italy.

The present international development activities of the EIB would be dropped into a subsidiary and folded into the ECSDB. The EIB and the EU would continue to maintain their minority shareholdings at 3.1 % each in the EBRD, continuing their cooperation by co-financing projects. The EIB would continue its sustainable financing activities within the EU but its international development portfolio would fall under the purview of the ECSDB. The EBRD would continue to operate as an independent entity with European ownership and the EURADEC would enlist its cooperation where appropriate, especially in middle-income countries. The EU would provide leadership as the orchestrator of all these actors, and other actors globally. It is important, though, that both the EIB and EU retain their privileged positions within the EBRD shareholding structure, where they can continue to influence EBRD action towards sustainable finance, which would bolster the EU's credibility as an effective orchestrator.

Figure 6. Possible framework for future EU development aid



Source: Authors' analysis.

Some experts have proposed either winding down non-European shareholdings in the EBRD or further increasing EU ownership by means of a capital increase, which would shrink the respective shares of the other country shareholders (Wieser et al., 2019). However, this would be expensive and may not produce the desired result. The costs of buying out the other shareholders and/or increasing EU ownership of the EBRD would be equivalent to an amount that could contribute the initial capital necessary to establish a fully European development finance institution for sustainability, when one considers that the relative value of the non-European shareholders' assets is about

EUR 25.6 billion[73]. Moreover, it will not solve the problem of having a sustainability-focused bank that is entirely European but seeks global cooperation through orchestration. In addition to the costs of either acquiring or retrofitting the EBRD for the purpose of sustainable development finance, this approach would not fall in line with the spirit of orchestration. It would be a mistake to push aside the US, the EBRD's largest shareholder, as the current administration has publicly committed to (i) climate action through American Rescue Plan and the Inflation Reduction Act, which will deploy nearly USD 400 billion over the next decade to slash carbon emissions, and (ii) climate diplomacy by nominating a cabinet-level executive to oversee this activity. The European political and diplomatic landscape on sustainability is also further complicated by the exit from the EU of the UK, another a major shareholder in the EBRD.

Rather than further complicating diplomatic relations on climate action and financing the SDGs by attempting to take over the EBRD, the EU would be better served by building on strengths it already has. It should invest in new resources where there are gaps and seek voluntary cooperation from its global partners by inspiring others to follow its lead through orchestration.

Lastly, it would be counterproductive to seek dominance in cooperation on sustainable development, because the global community can only achieve the SDGs through committed, collective action involving all major world powers. The old, hegemony-based model of stability does not apply when trying to address 21st century challenges on providing and indeed investing in global public goods that ensure the survival of the entire planet. Europe has publicly committed to such an agenda, but it can only succeed by rallying others to join it in the cause. With the proposed new governance (orchestration) and institutions (EURADEC and ECSDB), the EU and its Member States would be able to identify a number of key, mission-oriented orchestration schemes related to achieving one or more SDGs, and involve all stakeholders in doing so. These ‘moonshots’ would also enable the EU and its Member States to empower local communities and include local public and private actors, thereby transitioning away from the ‘aid’ logic that currently hampers the recognition and perception dimensions of the EU’s actorness in this domain.

[73] Based on 2022 year-end EBRD assets of EUR 71.6 billion and non-European shareholdings of 37 %, including the UK and the rest of Europe.

Table 7. Assessment of Scenario 3 – Fortune favours the bold

	Problem	Assessment
1	Fragmented landscape of development policy at the EU level	***** EURADEC addresses substantially all of the EU's internal coordination issues and lack of intellectual leadership on development policy. It acts as an EU-level development policy think tank and becomes a vehicle to manage cooperation with global partners.
2	Imperfect multilevel coordination with Member States	**** Improves coordination of Member State actions through the governance structure of a new agency and shared decision-making on priorities.
3	Limited ability to engage with non-state actors, interact with other donors and mobilise local resources	*** Provides a venue to include Member State actors, private sector investors, NGOs, and non-EU actors to secure cooperation and co-financing of sustainable development and climate actions.
4	Disconnect between the policy dimension and the organisation of development cooperation	**** Transitioning from aid to partnership and enabling equal visibility of Member States working alongside the EU on the ground would increase the effectiveness of external actions.
5	Need for new governance forms to tackle mounting global challenges	**** Orchestration offers an effective tool for driving collective action to achieve sustainable outcomes.
6	Need to keep up with the evolution of the global development landscape	**** Sustainability efforts are underfunded and will require massive investment from both the private and public sectors.

5. NEW GOVERNANCE AND TOOLS TO BOLSTER EU ACTORNESS IN DEVELOPMENT POLICY

This report has adopted a prospective view of the EU as a champion of sustainable development in a rapidly changing world. Merely addressing problems rooted in the past, such as the fragmentation of development cooperation between the EU and Member States, and the resulting tendency to punch below their weight, is not going to be sufficient to preserve the EU's leading role in development cooperation in the near future.

Evidence-based analysis of the emerging challenges in this domain clearly shows that the magnitude of the effort required is such that no single player alone will be able to provide suitable solutions. Enhanced global cooperation and the use of inclusive governance instruments such as orchestration will inevitably become dominant in the years to come. This is all the more true given that the Covid-19 pandemic has wiped away years of progress on many dimensions of the SDGs, from the eradication of poverty to the promotion good governance, and of course health for all. Our analysis of EU actorness also suggests that an EU development policy effectively oriented towards achieving the SDGs requires significant reform, rather than more of the same or even incremental steps. Many of the actorness dimensions of the EU in this domain require innovation in governance, so that the massive resources mobilised by Europe in support of development are effectively put to use.

Other superpowers, such as the US and China, have realised this need and already stepped up their efforts to link policy priorities to development aid. The US International Development Finance Corporation, the Asian Infrastructure and Investment Bank and the New Development Bank aim at a 'policy first' approach, where policy does not necessarily mean the same thing as in the EU. This argument echoes the need for symmetry in future cooperation among peers (e.g. the recent cooperation between multilateral development banks in support of global distribution of Covid-19 vaccines). It should include a strong, cohesive presence of a European climate and sustainable development bank. The need to enter the age of orchestration with a well-equipped institutional structure is thus a prerequisite for remaining relevant and preserving actorness and leadership in this area, where Europe still potentially appears to be a more credible partner than many other superpowers.

Against this backdrop, this report has compared different policy scenarios in terms of their ability to solve the six main problems identified:

(i) fragmented landscape of development policy at the EU level;

(ii) imperfect multilevel coordination with Member States;

(iii) the EU's limited ability to engage with non-state actors, interact with other donors and mobilise local resources;

(iv) a disconnect between the policy dimension and the organisation of development cooperation;

(v) the need for new governance forms to tackle mounting global challenges; and

(vi) the need to keep up with the evolution in the global development landscape.

Our assessment is that continuing with the status quo or even incremental changes will be insufficient to make the EU a suitable orchestrator. Nor will it achieve coordination on the ground. A scenario involving the creation establishment of a European Agency for Development and Cooperation (EURADEC) and a European Climate and Sustainable Development Bank (ECSDB) is the only solution that can address past problems and meet present and future challenges.

Table 8. Comparative assessment of scenarios

	Problem	Description of the problem	Scenario 1 Baseline	Scenario 2 Baseline+	Scenario 3 New agency and new bank
1	Fragmented landscape of development policy at the EU level	Too many instruments and too little responsibility for coordinating global development policy have hampered EU actorness and effectiveness until now. The creation of DG INTPA potentially addresses this issue, but several streams of external action still appear to be too loosely coordinated. As highlighted by the 'wise persons' report, there is a need for a policy think tank at the EU level, able to coordinate and inspire innovative instruments and forms of governance. There is also a need for new strategies to address the increasingly complex and urgent area of development cooperation.	*** The steering committee creates a venue where all EU stakeholders can convene to share information and best practices. It assists in formulating a unified EU position on development.	**** Formalising a dedicated department harmonises intellectual leadership on identifying development issues, aids the formulation of action plans for implementation and coordinates strategy with other development finance institutions. It acts as a policy think tank on development at the EU level.	***** EURADEC addresses substantially all of the EU's internal coordination issues and lack of intellectual leadership on development policy. It acts as an EU-level development policy think tank and becomes a vehicle to manage cooperation with global partners.
2	Imperfect multilevel coordination with Member States	The EU and its Member States are, together, the largest providers of development assistance in the world. However, their lack of full coordination has prevented the EU from maximising the value for money of this massive financial aid, let alone couple it with a sufficiently unified direction. The persistence of tensions between some Member States and beneficiary countries, mostly due to colonial history, would likely be eased by the organisation of development under a common, EU umbrella. Recent reforms such as 'Team Europe' and	** Provides modest movement on this issue.	*** The new department would assume responsibility for coordinating the action of the Member States, especially in-country.	**** Improves coordination of Member State actions through the governance structure of a new agency and shared decision-making on priorities.

		establishment of the EDFI are first steps towards addressing this problem, by bringing more coherence to this domain. Still, these are only first steps towards better coordination. Whether preserving a degree of competition between actors would be healthy, as is often argued, is probably questionable. Competition between national and EU authorities in the field can also imply a 'race to the bottom', in which competition for securing projects leads to a gradual dilution of the conditionalities applied to funded projects.			
3	Limited ability to engage with non-state actors, interact with other donors and mobilise local resources	The presence of the EU on the ground involves EU delegations, Commission DGs and less often the EIB. The ability to engage with local institutions through a logic of cooperation for development, rather than mere aid, appears to be limited and often dwarfed by actions undertaken by individual Member States. There are already a few cases where the EU has shown the ability to act as a 'pivot' for a broad mobilisation of funds at the local level (e.g. the Western Balkans). But in many circumstances the lack of specific powers and competence still stands in the way of the EU becoming a more effective catalyst of development finance, investment, and cooperation. The launch of the Global Gateway in 2021 and EIB Global in 2022 appears thus far to have provided only limited increased capacity to engage with local actors, and limited ability to coordinate with Member State delegations on ground.	** Provides modest movement on this issue.	** If the Team Europe approach to coordination is fully realised, then the EU's ability to mobilise both its Member States and local counterparts would be greatly increased. Yet, it is not clear that there are sufficient inducements for Member States to sign up.	*** Provides a venue to include Member State actors, private sector investors, NGOs, and non-EU actors to secure cooperation and co-financing of sustainable development and climate actions.
4	Disconnect between the policy dimension and the organisation of	The problems above also translate into a growing disconnect between the ambitions of the 'geopolitical Commission' and the actions deployed on the ground by European institutions such as the EIB (over which the Commission has only a very soft power of moral suasion when it comes to international development).	* Provides no movement on this issue.	** If the Team Europe approach to coordination is fully realised, then the EU's ability to mobilise	**** Transitioning from aid to partnership and enabling equal visibility of Member

	development cooperation	International organisations such as the EBRD and national DFIs are often seen as pursuing their own national agendas, which may diverge from that of the EU as a whole. A more consistent EU on the ground could also more effectively deploy its resources for the achievement of the SDGs. A stronger connection between the policy dimension and action on the ground would be necessary to achieve two important goals, which stand out as urgent: transitioning away from the current emphasis on 'aid' to embrace a culture of cooperation; and ensuring a more constructive and closer dialogue with other international donors, including non-state actors and local investors.		both its Member States and local counterparts would be increased.	States working alongside the EU on the ground would increase the effectiveness of external actions.
5	Need for new governance forms to tackle mounting global challenges	The European Commission has already experimented with new forms of delegation. Even so, the magnitude of the challenges posed by the climate emergency, Covid-19 and future related disruptions that the world will experience call for a courageous public-private effort. This should involve the participation of local and international donors around mission-oriented partnerships, orchestrated by solid, value-driven international organisations. Use of delegation, cooperation and also orchestration instruments (see Section 2) appear necessary even to begin to address these enormous challenges.	* Provides no movement on this issue.	* Provides no movement on this issue.	**** Orchestration offers an effective tool for driving collective action to achieve sustainable outcomes.
6	Need to keep up with the evolution of the global development landscape	International development cooperation and finance are evolving very quickly. The US DFC, the AIIB, the NDB, and the China International Development Cooperation Agency are all seeking to mobilise resources on the ground. They are also tying development cooperation efforts to national interests, almost turning developing countries into the theatre of a new cold war.	* Provides no movement on this issue.	* Provides no movement on this issue.	**** Sustainability efforts are underfunded and will require massive investment from both the private and public sectors.

		A strong, solid and consistent EU presence in the field, backed by a coherent strategy in Brussels, is a precondition for the EU to remain relevant in this rapidly changing environment. The current institutional setting at the EU level appears to be unfit for this purpose, and thus in need of a drastic reform beyond the status quo.			

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