

EPLO Briefing Paper 2/2014

Overview of the EU's policy and financial commitments on governance

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1. How does the EU define governance?

1.1 From 'the prevention and combating of corruption' to 'democratic governance'

One of the earliest EU definitions of governance was set out in the Partnership Agreement between the members of the African, Caribbean and Pacific (ACP) Group of States and the EU in 2000 (Cotonou Partnership Agreement):¹

¹ The term 'good governance' appears in Article 5 of [Council Regulation \(EEC\) No. 443/92 of 25 February 1992 on financial and technical assistance to, and economic cooperation with, the developing countries in Asia and Latin America](#). However, the concept it is not defined: 'Aid should accordingly be allocated, inter alia, to specific projects for the spread of democracy, good governance and human rights.'

Similarly, Article 2(2)(d) of [Council Regulation \(EC\) No. 975/1999 of 25 April 1999 laying down the requirements for the implementation of development cooperation operations which contribute to the general objective of developing and consolidating democracy and the rule of law and to that of respecting human rights and fundamental freedoms](#) includes 'promoting good governance, particularly by supporting administrative accountability and the prevention and combating of corruption' as one of its objectives under the heading 'supporting the processes of democratisation'.

'In the context of a political and institutional environment that upholds human rights, democratic principles and the rule of law, good governance is the transparent and accountable management of human, natural, economic and financial resources for the purposes of equitable and sustainable development. It entails clear decision-making procedures at the level of public authorities, transparent and accountable institutions, the primacy of law in the management and distribution of resources and capacity building for elaborating and implementing measures aiming in particular at preventing and combating corruption.'²

In 2003, the European Commission (EC) published a communication on governance and development which included the following definition:

'Governance concerns the state's ability to serve the citizens. (...) Governance refers to the rules, processes, and behaviours by which interests are articulated, resources are managed, and power is exercised in society. The way public functions are carried out, public resources are managed and public regulatory powers are exercised is the major issue to be addressed in that context. (...)'³

Focusing on governance implies working with governments, contributing to building their capacities in all sectors of co-operation, such as health, education, transport, rural development, etc. It also entails specific support to administrative reforms, improvements in the management of public finances, security systems, etc. It finally involves fostering civil society and encouraging participatory approaches to public policies.'⁴

In response, the Council of the EU adopted a set of conclusions on governance in the context of development cooperation in which it reiterated the definition from the Cotonou Partnership Agreement (CPA).⁵

In 2004, the European Parliament (EP) adopted a resolution on governance in the EU's development policy in which it stated that:

'the concept of good governance is a critical determinant of a country's ability to achieve economically, socially and environmentally sustainable development, and (...) it goes beyond the notions of human rights, rule of law and democracy, encompasses efficient administration and the fight against

Furthermore, the 2000 [Communication from the Commission to the Council and the European Parliament - The European Community's Development Policy](#) includes several references to good governance without providing a definition.

² European Commission, (2000), [Partnership Agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its Member States, of the other part](#), signed in Cotonou on 23 June 2000, Article 9(3)

³ European Commission, (2003), [Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee – Governance and development](#), p. 3

⁴ *Ibid.*, p. 31

⁵ Council of the EU, (2003), [Governance in the Context of Development Cooperation – Council Conclusions](#)

corruption and ultimately concerns the state's ability to serve the citizens through efficient and transparent natural- and human-resource management.⁶

In 2006, the EC published a communication on governance in the European Consensus on Development which included references to both 'democratic governance' and 'good governance':

'There is no particular institutional model for democratic governance, which simply affirms the rights of all citizens on the road to sustainable development. It includes: respect of human rights and fundamental freedoms (including freedom of expression, information and association); support for democratisation processes and the involvement of citizens in choosing and overseeing those who govern them; respect for the rule of law and access for all to an independent justice system; access to information; a government that governs transparently and is accountable to the relevant institutions and to the electorate; human security; management of migration flows; effective institutions, access to basic social services, sustainable management of natural and energy resources and of the environment, and the promotion of sustainable economic growth and social cohesion in a climate conducive to private investment.'⁷

The 2006 communication also provided that 'Good governance means more than tackling corruption.'⁸

In its subsequent conclusions, the Council of the EU stated that the EC's communication acknowledged the 'multidimensional and holistic nature of governance'.⁹ It also underlined that:

'a holistic approach on governance also entails mainstreaming of human rights and fundamental freedoms, good governance and rule of law to all policy sectors', and emphasised 'the importance of transparent management of public finances and sustainable management of natural resources.'¹⁰

In 2008, the following definition of democratic governance was set out in an EU reference document:

'The EC distinguishes between three dimensions of democratic governance:
a) the core governance issues of rules, interests, resources and power

⁶ European Parliament, (2004), [European Parliament resolution on Governance in the European Union's development policy](#)

⁷ European Commission, (2006), [Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions – Governance in the European Consensus on Development: Towards a harmonised approach within the European Union](#), p. 5

⁸ *Ibid.*, p. 5

⁹ Council of the EU, (2006), [Governance on the European Consensus for the Development: Towards a harmonised approach within the European Union – Conclusions of the Council and the Representatives of the Governments of the Member States meeting within the Council](#), p. 1

¹⁰ *Ibid.*, p. 2

- b) the governance principles: ‘participation’; ‘inclusion’; ‘transparency’ and ‘accountability’
- c) the governance themes or governance clusters:
 - (i) support to democratization
 - (ii) promotion and protection of human rights
 - (iii) reinforcement of the rule of law and the administration of justice
 - (iv) enhancement of the role of civil society
 - (v) public administration reform, management of public finances and civil service reform
 - (vi) decentralization and local government reform.¹¹

1.2 EU support for governance in countries which are conflict-affected and/or in situations of fragility

The link between ‘weak’ or ‘poor’ governance and conflict is acknowledged in several EU policy documents.

In 2000, the CPA provided that:

‘The activities in the field of peace-building, conflict prevention and resolution shall in particular include support for balancing political, economic, social and cultural opportunities among all segments of society, for strengthening the democratic legitimacy and effectiveness of governance, for establishing effective mechanisms for the peaceful conciliation of group interests, for bridging dividing lines among different segments of society as well as support for an active and organised civil society.’¹²

In 2001, the EU Programme for the Prevention of Violent Conflicts (Gothenburg Programme) provided that:

‘It [the EU] must use these instruments in a more targeted and effective manner in order to address root-causes of conflict such as poverty, lack of good governance and respect for human rights, and competition for scarce natural resources.’¹³

In 2003, in a section on ‘State Failure’, the European Security Strategy provided that:

‘Bad governance – corruption, abuse of power, weak institutions and lack of accountability - and civil conflict corrode States from within. In some cases, this has brought about the collapse of State institutions.’¹⁴

¹¹ European Commission, (2008), [Reference Document – Analysing and Addressing Governance in Sector Operations](#), p. 5

¹² European Commission, (2000), Partnership Agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its Member States, of the other part, signed in Cotonou on 23 June 2000, Article 11(2)

¹³ Council of the EU, (2001), [EU Programme for the Prevention of Violent Conflicts](#), p. 3

¹⁴ Council of the EU, (2003), [A Secure Europe in a Better World: European Security Strategy](#), p. 4

Also in 2003, the EC adopted a communication on governance and development in which it stated that:

'The main priorities to be dealt with in a post-conflict environment are usually the following:

- the identification of the root causes of the conflict
- the ability and willingness of different actors' (government, parliamentarian and judicial authorities, political parties, civil society) to address the root causes of the conflict
- the steps to be taken in the reconciliation process
- the authorities' willingness to address governance issues, which very often had led to the conflict, and which may remain entrenched in the post-war environment
- linking relief, rehabilitation and development'¹⁵

In its subsequent conclusions on governance in the context of development co-operation, the Council recommended that:

'(...) in cases of post-conflict situations, the EU should prioritise the identification and analysis of the root causes of the conflict and develop appropriate peace-building strategies linking relief, rehabilitation and development and paying due attention to the core elements of governance.'¹⁶

In its 2004 resolution on governance in the EU's development policy, the EP stated that:

'By promoting good governance, the EU is addressing one of the important root causes of migration, marginalisation, civic unrest and armed conflict.'¹⁷

Also in 2004, the EC published a handbook on promoting good governance in EC development co-operation. In a section entitled 'Guiding principles' it provided that:

'It is important to ensure that the design and implementation of every project and programme (...) seeks to minimize the sources for conflict.'¹⁸

'The European Union has a duty to try to address the many cross cutting issues that generate or contribute to conflict. Development policy and other co-operation programmes provide, without doubt, the most powerful instruments at the Community's disposal for treating the root causes of conflict. Treating the root causes of conflict implies creating, restoring or consolidating structural stability in all its aspects. Characteristics of structural stability are sustainable

¹⁵ European Commission, (2003), Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee – Governance and Development, Paragraph 82

¹⁶ Council of the EU, (2003), Governance in the Context of Development Cooperation – Council Conclusions, p. 6

¹⁷ European Parliament, (2004), European Parliament resolution on Governance in the European Union's development policy, Recital N

¹⁸ European Commission, (2004), [Handbook on Promoting Good Governance in EC Development and Co-operation](#), p. 17

economic development, democracy and respect for human rights, viable political structures and healthy environmental and social conditions, with the capacity to manage change without the need to resort to conflict. Hence conflict prevention should be considered as a consistent underlying objective of development cooperation, including that targeting good governance.¹⁹

The handbook also included a series of detailed questions to help EC officials to identify whether conflict prevention is built into a particular programme or project.²⁰

In 2005, the EC, the Council of the EU and the EP adopted a revised statement on EU development policy entitled 'The European Consensus on Development'. In a section on 'Addressing state fragility', the European Consensus provides that:

'The EU will strengthen its efforts in conflict prevention work and will support the prevention of state fragility through governance reforms, rule of law, anti-corruption measures and the building of viable state institutions in order to help them fulfil a range of basic functions and meet the needs of their citizens.'²¹

In a section on 'Governance, democracy, human rights and support for economic and institutional reforms', it provides that:

'Fostering good governance requires a pragmatic approach based on the specific context of each country.'²²

And finally, in a section on 'Conflict prevention and fragile states', it provides that:

'It [The Community] will maintain its support to conflict prevention and resolution and to peace building by addressing the root-causes of violent conflict, including poverty, degradation, exploitation and unequal distribution and access to land and natural resources, weak governance, human rights abuses and gender inequality.'²³

In 2006, the EC adopted a communication on governance in the European Consensus on Development in which it stated that:

'In fragile states, especially difficult partners, a lack of political legitimacy is often compounded by very limited capacities. Addressing governance in these states demands a step-by-step approach aimed at gradually raising standards. Many countries must first achieve basic stability and a minimum of institutional development before they can start implementing a long-term development policy. If EU aid to fragile states is to be made more effective,

¹⁹ *Ibid.*, p. 19

²⁰ *Ibid.*, pp. 20-22

²¹ European Commission, (2006), [Joint statement by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the Commission on European Union Development Policy – 'The European Consensus'](#), Paragraph 20

²² *Ibid.*, Paragraph 86

²³ *Ibid.*, Paragraph 92

lessons must be learned from past mistakes: “stop and go” financing decisions based on a government’s short-term performance leading to fluctuations in aid flows and uncertainty as to future financing; the imposition of conditions linked to past performance in matters of governance; inadequate harmonisation between donors; the marginalisation of certain fragile states; a lack of coherent external action in matters of governance, security and development.

Post-crisis situations also call for integrated transition strategies to rebuild institutional and administrative capacities, infrastructure and basic social services, increase food security and deliver lasting solutions with regard to refugees and displaced persons and, more generally, the security of citizens. The need to prevent states becoming fragile and a concern not to marginalise the most vulnerable countries and peoples are an integral part of the EU’s approach; this is as much in the interests of solidarity as of international security and aid effectiveness.²⁴

In a section of the communication entitled ‘Assessing governance’, the EC stated that:

‘The dialogue must cover the evaluation of governance and the progress made, along with appropriate action in the event of bad governance. The main purpose of assessing the state of a country’s governance is not to establish a ranking but chiefly to help identify the most appropriate reforms and support measures.

All development partners must be able to assess the quality of governance in a country and gauge the ambition, relevance and credibility of a government’s reform commitments on the basis of suitable indicators. The indicators must be adaptable to the specific circumstances of fragile and post-conflict states. For support to be effective, the local context and political systems need to be analysed in depth and factors and agents for change identified.²⁵

In 2007, the EC adopted a communication on an EU response to fragility in which it stated that:

‘Fragility is most often triggered by governance shortcomings and failures, in form of lack of political legitimacy compounded by very limited institutional capacities linked to poverty. Supporting democratic governance, state building, reconciliation processes and human rights protection, as well as promoting political will for reform through dialogue and incentives, rather than through conditionality and sanction, should guide EU action.²⁶

²⁴ European Commission, (2006), Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions – Governance in the European Consensus on Development: Towards a harmonised approach within the European Union, p. 9

²⁵ *Ibid.*, p. 7

²⁶ European Commission (2007), [Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions – Towards](#)

Restoring basic service delivery and job creation are priorities in fragile situations, where there is often tension between objectives of building institutional capacities and ensuring access to services, and substitution cannot be avoided.²⁷

In its conclusions on the EC's communication on an EU response to fragility, the Council of the EU recommended that the EU should: 'Address democratic governance as a key element to prevent and overcome fragility.'²⁸

In 2011, the EC adopted a communication on increasing the impact of EU development policy in which it stated that:

'The focus on results and mutual responsibility does not mean that the EU will neglect fragile situations where impact is slower or more difficult to measure. The EU should strive to help countries in situations of fragility to establish functioning and accountable institutions that deliver basic services and support poverty reduction. Decisions to provide budget support to such countries will be taken on a case-by-case basis, weighing up the benefits, costs and risks.'²⁹

In its conclusions on the EC's communication on increasing the impact of EU development policy, the Council stated that:

'The EU will remain engaged in fragile states, which present particular challenges requiring an integrated response, linking development cooperation, humanitarian relief, conflict prevention as well as peace and state building. In these situations, there is a need to ensure a well-coordinated international response that includes the use of greater flexibility. There must also be a coordinated and coherent approach when engaging the range of instruments available to the EU and its Member States. The work on the security, fragility and development nexus must be taken forward, including through the development of a comprehensive strategy, taking into account previous Council Conclusions. The EU and its Member States shall pursue actions to implement the New Deal for engagement in fragile states, as set out in the Busan Partnership for Effective Development Co-operation.'³⁰

Also in 2011, the EC adopted a communication on the future approach to EU budget support to third countries in which it stated that:

[an EU response to situations of fragility: engaging in difficult environments for sustainable development, stability and peace](#), pp. 8-9

²⁷ *Ibid.*, p. 9

²⁸ Council of the EU (2007), [Council conclusions on an EU response to situations of fragility](#), p. 4

²⁹ European Commission (2011), [Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions – Increasing the impact of EU Development Policy: an Agenda for Change](#), p. 5

³⁰ Council of the EU, (2012), [Council Conclusions: 'Increasing the impact of EU Development Policy: an Agenda for Change'](#)

'Situations of fragility call for action to help partner countries ensure vital state functions, to support the transition towards development, to promote governance, human rights and democracy and to deliver basic services to the populations. These situations require a global, coherent and coordinated response for which budget support can be instrumental. Together with other aid modalities (humanitarian aid, pooled funds, project aid, technical assistance etc.), it has to be accompanied by reinforced political and policy dialogue.'³¹

In its conclusions on the EC's communication on the future approach to EU budget support to third countries, the Council reiterated the EC's claim that:

'Situations of fragility call for action to ensure vital state functions and basic services delivery to populations, to support transition processes and promote human rights, democracy, the rule of law and good governance.'³²

2. What support for governance does the EU provide?

The EU's external assistance can take two forms:

1. Budget support: Transferred to a partner country's national treasury
2. Programme and project funding: Allocated to governments, local authorities, international organisations or non-governmental organisations.

It is channelled through thematic and geographic funding instruments. For certain regions, additional governance support mechanisms such as the Governance Incentive Tranche and the ENP Governance Facility are also available. (See Section 2.2)

Region	Relevant Financing Instrument(s)	Budget Support?	Programme / Project Funding?
Sub-Saharan Africa, the Caribbean and the Pacific	European Development Fund	Yes	Yes
	Development Cooperation Instrument (thematic programmes only)	No	Yes
Eastern Europe and Southern Mediterranean	European Neighbourhood Instrument	Yes	Yes
	Development	No	Yes

³¹ European Commission, (2011), [Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions: The Future Approach to EU Budget Support to Third Countries](#), p. 5

³² Council of the EU, (2012), [Council conclusions: 'The Future Approach to EU Budget Support to Third Countries'](#), p. 3

	Cooperation Instrument (thematic programmes only)		
Western Balkans (plus Turkey and Iceland)	Instrument for Pre-accession Assistance II	Yes	Yes
Asia and Latin America (plus South Africa)	Development Cooperation Instrument (geographic and thematic programmes)	Yes	Yes
All	European Instrument for Democracy and Human Rights	No	Yes
	Instrument contributing to Stability and Peace	Yes	Yes

2.1 Budget support

According to the EC's 2007 guidelines:

'Budget support is the transfer of financial resources of an external financing agency to the national treasury of a partner country, following the respect by the latter of agreed conditions for payment. The financial resources thus received are part of the global resources of the partner country, and consequently used in accordance with the public financial management system of the partner country.'³³

According to the website of the EC's Directorate-General for Development and Cooperation – EuropeAid (DG DEVCO), over the period 2003-2009, the EC made budget support commitments of more than € 13 billion (about 25 % of all EC aid commitments).³⁴

Until 2011, EU budget support was divided into two categories:

1. General budget support: Financial transfer to a partner country's national treasury in support of a national development or reform policy and strategy;
2. Sector budget support: Financial transfer to a partner country's national treasury in support of a sector programme policy and strategy.³⁵

The EU set three general conditions for the disbursement of budget support:

1. A national development or reform policy and strategy is in place or under implementation;
2. A stability-oriented macroeconomic policy is in place or under implementation;
3. A credible and relevant programme to improve public financial management is in place or under implementation.³⁶

³³ European Commission, (2007), [Guidelines on the Programming, Design and Management of General Budget Support](#), p.10

³⁴ See: http://ec.europa.eu/europeaid/how/delivering-aid/budget-support/index_en.htm (Accessed in June 2014)

³⁵ European Commission, (2007), Guidelines on the Programming, Design and Management of General Budget Support, p.13

³⁶ *Ibid.*, p. 16

In 2011, the EC adopted a communication on the future of EU budget support in which it stated that:

'It [Budget support] should not be seen as an end in itself, but as a means of delivering better aid and achieving sustainable development objectives by fostering partner countries ownership of development policies and reforms, as well as by implementing the aid effectiveness agenda and commitments set out in the Monterrey Consensus (2002), the European Consensus on Development (2005), the Paris Declaration on Aid Effectiveness (2005), and the Accra Agenda for Action (2008).'³⁷

The EC also stated that:

'EU budget support is not a blank cheque, nor is it provided to every country. Underlying principles" matter and policy dialogue is a key part of the package. Moreover, eligibility criteria have to be met before and during the programme and conditions need to be fulfilled before payments are made. This ensures that resources are used for their intended purposes, mitigates risks, and creates incentives for improved performance and results. It also creates incentives for our partner countries to improve their governments systems.'³⁸

In its conclusions on the EC's communication on the future approach to EU budget support to third countries, the Council stated its commitment:

'to use budget support effectively to support poverty reduction and the use of country systems, make aid more predictable and strengthen partner countries' ownership of development policies and reforms, in line with the European Consensus on Development, the Agenda for Change, as well as the international aid effectiveness agenda.'³⁹

The 2011 EC communication and council conclusions on the future of EU budget support will have the following implications:

1. Three categories of budget support:
 - Good Governance and Development Contracts (i.e. general budget support)
 - Sector Reform Contracts (i.e. sector budget support)
 - State Building Contracts:

'Situations of fragility call for action to help partner countries ensure vital state functions, to support the transition towards development, to promote governance, human rights and democracy and to deliver basic services to the populations. These situations require a global, coherent and coordinated

³⁷ European Commission, (2011), Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions: The Future Approach to EU Budget Support to Third Countries, p. 2

³⁸ *Ibid.*, p. 2

³⁹ Council of the EU, (2012), Council conclusions: 'The Future Approach to EU Budget Support to Third Countries', p. 1

response for which budget support can be instrumental. Together with other aid modalities (humanitarian aid, pooled funds, project aid, technical assistance etc.), it has to be accompanied by reinforced political and policy dialogue.

The decision to provide EU budget support should be taken on a case by case basis and supported by an assessment of the expected benefits and potential risks. The Commission will ensure that these decisions take into account the overall political and security situation, the financial risks, and the potential cost of non intervention. The dynamics of change should be assessed on the basis of a joint analysis by the EU and Member States wherever possible. This should serve as the basis for coordination with the main development partners. A gradual and sequenced approach to EU budget support should be privileged, to best adapt to specific circumstances and to manage the risk.⁴⁰

2. A fourth general condition for the disbursement of budget support: Transparency and oversight of the budget
3. Possible inclusion of additional conditions relating to human rights and democracy: 'For Good Governance and Development Contracts, conditions may be attached to supporting democracy and human rights'⁴¹
4. An EU coordinated approach to budget support: 'The EU should work with Member States in particular towards a "single EU Good Governance and Development Contract". Acting together would increase leverage on political and policy dialogue, as well as the impact of EU and Member States' bilateral budget support on partner countries' development.'⁴²

2.2 EU support for governance by region

2.2.1 Sub-Saharan Africa, the Caribbean and the Pacific⁴³

The main EU funding instrument for countries in Africa, the Caribbean and the Pacific (ACP) is the European Development Fund (EDF).

According to the CPA, 'The Partnership shall actively support the promotion of human rights, processes of democratisation, consolidation of the rule of law, and good governance.'⁴⁴

⁴⁰ European Commission, (2011), Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions: The Future Approach to EU Budget Support to Third Countries, pp. 5-6

⁴¹ *Ibid.*, p. 10

⁴² *Ibid.*, p. 6

⁴³ Africa: Angola, Cape Verde, Comoros, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo (Brazzaville), Congo (Kinshasa), Côte d'Ivoire, Djibouti, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Republic of Guinea, Guinea-Bissau, Equatorial Guinea, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia and Zimbabwe.

Caribbean: Antigua and Barbuda, Bahamas, Barbados, Belize, Cuba, Dominica, Dominican Republic, Guyana, Haiti, Jamaica, Grenada, Suriname, St. Vincent and the Grenadines, St. Kitts and Nevis, St. Lucia and Trinidad and Tobago.

Pacific: Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Timor Leste, Tuvalu and Vanuatu.

The CPA also includes a section on peacebuilding and conflict prevention, in which ‘strengthening the democratic legitimacy and effectiveness of governance’ is included in a list of activities to be supported as part of activities in the field of peacebuilding, conflict prevention and resolution.⁴⁵

The CPA was revised in 2005 and again in 2010. In 2005, the title of Article 9 (Essential Elements and Fundamental Element) was replaced by ‘Essential elements regarding human rights, democratic principles and the rule of law, and fundamental element regarding good governance’. In 2010, ‘good governance’ was added to the list of cross-cutting themes to be mainstreamed into all areas of co-operation.

In addition, in 2010, ‘response to situations of fragility’ was added to Article 11 (Peace building policies, conflict prevention and resolution).

Depending on the priorities (‘focal sectors’) which are set out in their country strategy papers (CSPs), ACP countries can receive classic budget support and/or programme and project funding specifically aimed at improving governance.

Since 2006, the EDF has been used to finance the ‘Governance Incentive Tranche’ a specific support mechanism which enables the EC to allocate additional funding to ACP countries which schedule governance reforms. € 2.7 billion from EDF 10 was set aside for the Governance Incentive Tranche.⁴⁶

The steps which the ACP countries have to take in order to access the Governance Incentive Tranche funding are set out in an EC staff working paper:⁴⁷

- 1) A ‘governance profile’ is established by the EC in association with EU Member States for each ACP country. The governance profile is an analytical tool which consists of an overview of the main weaknesses, priority areas and needs for reform in the following nine areas of governance:
 - Political governance: human rights, fundamental freedoms, electoral process, constitutional democracy
 - The rule of law: judicial and law enforcement system
 - Control of corruption
 - Government effectiveness: institutional capacity, public finance management;
 - Economic governance: private-sector/market-friendly policies, management of natural resources
 - Internal and external security
 - Social governance: decent work, gender, HIV/AIDS
 - International and regional context: regional integration, involvement in regional initiatives, migration
 - Quality of the partnership: political and programming dialogue.

⁴⁴ European Commission, (2000), Partnership Agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its Member States, of the other part, signed in Cotonou on 23 June 2000, Article 9(4)

⁴⁵ *Ibid.* Article 11(2)

⁴⁶ European Commission, (2009), [Commission Staff Working Paper – Supporting Democratic Governance through the Governance Initiative: A Review and the Way Forward](#), p. 3

⁴⁷ *Ibid.*, p. 6

- 2) The conclusions drawn from the profile are shared, as appropriate, with the partner government in the programming dialogue. The partner country is encouraged to give relevant, ambitious and credible commitments to reform and to put forward a 'governance action plan'.
- 3) A qualitative assessment of the governance action plans presented by partner countries, focusing on their relevance in the light of the main weaknesses identified in the governance profile and on their ambition and credibility, determines the allocation of this financial incentive, which is integrated into and tops up the overall country allocation. The assessment takes into account the fragile situation of relevant countries.
- 4) The governance action plan is attached to the CSP in order to formalise in a 'contract' this 'incentives based on commitments' approach.

The implementation of the Governance Incentive Tranche in those ACP countries which are in situations of fragility is also covered in the EC staff working paper. In a section on 'Lessons learned' it provides that:

'the particular governance challenges in countries facing situations of fragility could be better reflected in the profile, which should focus more on security and institution-building in order to develop its potential for shaping the EU response to fragile situations where State-building is of primary importance'.⁴⁸

In addition to the Governance Incentive Tranche, the EDF has been used to fund the UNDP-managed Trust Fund for the operation of the African Peer Review Mechanism (APRM) Secretariat.⁴⁹ The APRM is used by its members to self-assess their performance and progress in the following areas: democracy and political governance; economic governance, corporate governance and socio-economic development.

In addition to the EDF, ACP countries are also eligible for funding under Development Cooperation Instrument's (DCI) thematic programmes. (See Section 2.3).

One aspect of the DCI 2014-2020 which is particularly relevant for ACP countries is the Pan-African Programme which will provide specific support to achieving the objectives of the Joint Africa-EU Strategy and its successive action plans, including 'peace and security' and 'democratic governance and human rights'.⁵⁰

2.2.2 Eastern Europe and the Southern Mediterranean⁵¹

The main EU funding instrument for countries in Eastern Europe and the Southern Mediterranean is the European Neighbourhood Instrument (ENI).⁵² One of the objectives of the ENI is to promote:

⁴⁸ *Ibid.*, p. 11

⁴⁹ *Ibid.*, p. 12

⁵⁰ European Commission, (2014), [Regulation \(EU\) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020](#)

⁵¹ Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Occupied Palestinian Territory, Syria, Tunisia and Ukraine

⁵² Previously the European Neighbourhood and Partnership Instrument (ENPI). See [EPLO Briefing Paper 1/2011 - The EC's External Financing Instruments](#), pp. 6-7

'human rights and fundamental freedoms, the rule of law, principles of equality and the fight against discrimination in all its forms, establishing deep and sustainable democracy, promoting good governance, fighting corruption, strengthening institutional capacity at all levels and developing a thriving civil society including social partners'.⁵³

Part of the ENI is used to fund the European Neighbourhood Policy (ENP) Governance Facility. According to a 2009 EC working paper on supporting democratic governance:

'This facility provides additional financial support to certain countries covered by the European Neighbourhood Policy (ENP) based on an assessment of the progress made on implementing the broadly defined governance aspects of the ENP Action Plans, with particular emphasis on the "core" governance issues: democratic practice, respect for human rights and fundamental freedoms and the rule of law'.⁵⁴

In its 2006 communication on strengthening the ENP, the EC stated its intention to commit € 300 million to the ENP Governance Facility over the period 2007-2013.⁵⁵

The principles for implementing the ENP Governance Facility are set out a 2009 EC note.⁵⁶ However, it does not include any references to implementation in those ENP countries which are in situations of fragility.

2.2.3 Western Balkans (plus Iceland and Turkey)⁵⁷

The main EU funding instrument for countries which are preparing to join the EU is the Instrument for Pre-accession Assistance (IPA II).⁵⁸

One of the specific objectives of the IPA II is: 'strengthening of public administration and good governance at all levels'.⁵⁹

⁵³ European Commission, (2014), [Regulation \(EU\) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument](#), Article 2(2)

⁵⁴ European Commission, (2009), Commission Staff Working Paper – Supporting Democratic Governance through the Governance Initiative: A Review and the Way Forward, p. 4

⁵⁵ European Commission (2006), [Communication from the Commission to Council and the European Parliament on strengthening the European Neighbourhood Policy](#), p. 12

⁵⁶ European Commission, (2008), [Principles for the implementation of a Governance Facility under ENPI](#)

⁵⁷ Albania, Bosnia and Herzegovina, Iceland, the Former Yugoslav Republic of Macedonia, Kosovo, Montenegro, and Serbia and Turkey

⁵⁸ For information about the Instrument for Pre-accession Assistance 2007-2013 (IPA), see EPLO Briefing Paper 1/2011 - The EC's External Financing Instruments, pp. 5-6

⁵⁹ European Commission, (2014), [Regulation \(EU\) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance](#), Article 1(2)

2.2.4 Asia and Latin America (plus South Africa)⁶⁰

The main EU funding instrument for countries in Asia and Latin America is the DCI. One of its objectives is: ‘consolidating and supporting democracy, the rule of law, good governance, human rights and the relevant principles of international law.’⁶¹

Governance is referred to indirectly (as one of the cross-cutting issues listed in the European Consensus on Development) as a cross-cutting issue to be mainstreamed in all programmes.⁶²

Similarly, ‘human rights, democracy and good governance’ are also included in the list of actions to be supported in the geographic programmes.⁶³

Finally, ‘commitment and progress with regard to agreed objectives for development, including those referring to human rights, democracy and the rule of law and good governance’ are referred to in terms of reviewing the ‘indicative financial allocations, priorities, specific objectives, expected results, performance indicators and, where applicable, aid modalities’ of geographic programmes.⁶⁴

2.3. Thematic instruments (multiple regions)

2.3.1 DCI thematic programmes

ACP countries and countries in the EU’s eastern and southern neighbourhood regions are also eligible for funding from the DCI thematic programmes: ‘Global Public Goods and Challenges’ and ‘Civil Society Organisations and Local Authorities’.

One of the objectives of the ‘Civil Society Organisations and Local Authorities’ thematic programmes is to contribute to ‘an increased capacity of European and Southern civil society and local authority networks, platforms and alliances to ensure a substantive and continued policy dialogue in the field of development and to promote democratic governance.’⁶⁵

⁶⁰ Asia: Afghanistan, Bangladesh, Bhutan, Cambodia, China, India, Indonesia, Kazakhstan, Kyrgyz Republic, Democratic People’s Republic of Korea, Laos, Malaysia, Maldives, Mongolia, Myanmar/Burma, Nepal, Pakistan, Philippines, Sri Lanka, Tajikistan, Thailand Turkmenistan, Uzbekistan and Vietnam
Latin America: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela
Middle East: Iran, Iraq, Oman, Saudi Arabia and Yemen

Other regions: South Africa

⁶¹ European Commission, (2014), Regulation (EU) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020, Article 2(1)

⁶² *Ibid.*, Article 3(3)

⁶³ *Ibid.*, Article 5(3)

⁶⁴ *Ibid.*, Article 11(5)

⁶⁵ European Commission, (2014), Regulation (EU) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020, Annex II

2.3.2 European Instrument for Democracy and Human Rights

The Regulation establishing the European Instrument for Democracy and Human Rights (EIDHR) does not include any references to 'governance' *per se*.⁶⁶ However, the overall objectives of the EIDHR are:

- a) supporting, developing and consolidating democracy in third countries, by enhancing participatory and representative democracy, strengthening the overall democratic cycle, in particular by reinforcing an active role for civil society within this cycle, and the rule of law, and improving the reliability of electoral processes, in particular by means of EU EOMs;
- b) enhancing respect for and observance of human rights and fundamental freedoms, as proclaimed in the UN Universal Declaration of Human Rights and other international and regional human rights instruments, and strengthening their protection, promotion, implementation and monitoring, mainly through support to relevant civil society organisations, human rights defenders and victims of repression and abuse.⁶⁷

2.3.3 Instrument contributing to Stability and Peace

Assistance provided under the Instrument contributing to Stability and Peace (IcSP) is divided into three components: crisis response, crisis preparedness and addressing long-term threats.⁶⁸

The 'promotion of democracy and good governance' is listed as a cross-cutting issue to be 'included, where possible, including in programming'.⁶⁹

Good governance is also referred to in the context of activities to be supported under Article 5 (Assistance in addressing global and trans-regional threats and emerging threats).⁷⁰

⁶⁶ For more information about the EIDHR 2007-2013, see EPLO Briefing Paper 1/2011 - The EC's External Financing Instruments, pp. 2-4

⁶⁷ European Commission, (2014), Regulation (EU) No 235/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for the promotion of democracy and human rights worldwide, Article 1

⁶⁸ Previously the Instrument for Stability (IfS). See EPLO Briefing Paper 1/2011 - The EC's External Financing Instruments, pp.4-5

⁶⁹ European Commission, (2014), Regulation (EU) No 230/2014 of the European Parliament and of the Council establishing an instrument contributing to stability and peace, Article 2(4)

⁷⁰ *Ibid.*, Article 5(3)

EPLO MEMBERS

Berghof Foundation

Budapest Centre for the International Prevention of Genocide and Mass Atrocities

Catholic Organization for Relief and Development Aid (Cordaid)

Causeway Institute for Peace-building and Conflict Resolution

Centre for Humanitarian Dialogue (HD Centre)

Civil Society Conflict Prevention Network (KATU)

Conciliation Resources

Crisis Management Initiative

Democratic Progress Institute

Dialogue Advisory Group

ESSEC IRENÉ

European Network for Civil Peace Services

Glencree Centre for Peace and Reconciliation

Global Partnership for the Prevention of Armed Conflict

International Alert

International Center for Transitional Justice

International Crisis Group

Interpeace

Kosovar Center for Security Studies

Kvinna till Kvinna

Life & Peace Institute

Nansen Dialogue Network

NGO Support Centre

Nonviolent Peaceforce

Oxfam International

Partners for Democratic Change International

Pax Christi International

Quaker Council for European Affairs

Saferworld

Search for Common Ground

swisspeace

World Vision International

EUROPEAN PEACEBUILDING LIAISON OFFICE (EPLO)

EPLO is the platform of European NGOs, NGO networks and think tanks which are committed to peacebuilding and the prevention of violent conflict.

EPLO aims to influence the EU so that it promotes and implements measures which lead to sustainable peace between states and within states and peoples, and which transform and resolve conflicts non-violently. EPLO wants the EU to recognise the crucial connection between peacebuilding, the eradication of poverty, and sustainable development worldwide and the crucial role NGOs have to play in sustainable EU efforts for peacebuilding, conflict prevention, and crisis management.

EPLO advances the interests of its member organisations through common policy positions and consequently advocating for those common positions. EPLO disseminates information and promotes understanding of EU policies of concern to its member organisations. The Office also builds solidarity and co-operation amongst its member organisations and with other relevant NGO networks.

Finally, EPLO raises awareness about the contribution the EU should make to peacebuilding and the need to hold the EU accountable to its own political commitments of helping secure peace within and outside its borders.

EPLO BRIEFING PAPERS

EPLO's briefing papers are succinct and accessible guides to EU policies on conflict prevention, peacebuilding, security and development. Their purpose is to inform those working in the broader peacebuilding field about developments at the EU level.

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