

The European Union

A Potential Global Force for Change

Summary

The EU has reached a turning point in the way it relates to the rest of the world. Changes in the global political and economic landscape following the cold war, along with widespread criticism of the wasteful and inefficient use of aid, has forced the EU to take a closer look at its external relations. As a different world takes shape at the start of a new century, the EU has to decide what role it should play in that world.

The European Union has considerable potential to be a meaningful force for positive global change. Yet its potential is yet to be realised, and current initiatives to shake up the EU's role in development and poverty eradication fall short of what is required. Below *Eurostep* sets out a four-point agenda for political and institutional reform that the EU should follow if it is to realise its potential as a leading global player in tackling the challenges of the 21st Century.

1. A Clear and Transparent Approach in External Policy and Practice

The political objectives of the EU's external policies need to be clarified. To do this, the EU should produce:

- ❑ **An EU vision for external policy** - which sets out the EU's aims for external relations for the 21st Century. It should include an unequivocal commitment to poverty eradication being the principal aim of this co-operation.
- ❑ **A comprehensive EU external policy framework** - which puts development policy on an equal footing with trade and foreign policy.
- ❑ **A strategy addressing the EU's contribution to achieving international targets** – which should include agreement on the roles and responsibilities of the EU governments, the Commission and the Parliament.

2. A Co-ordinated EU Approach

The EU should work to use its combined strength towards:

- ❑ **Co-ordinated policy-making in global institutions** – whereby the EU should adopt a strong and emphatic single approach to development at a policy-making level. EU governments should co-ordinate their actions and convey a common

message, which promotes pro-poor policies in the IMF, the World Bank, the WTO, and the UN.

- **EU programme level co-ordination** – whereby the EU should develop a clear strategy around the EU's co-operation with developing countries both politically, and in its aid programmes towards those countries.

3. Creating Space for Development

It is vital that capacity to achieve EU development co-operation objectives are both retained and strengthened within the Commission and other institutions. To do this, there needs to be:

- **A focus on policy coherence** – which includes a workable strategy to promote policy coherence within the Commission.
- **A single Directorate for development** – which should be strengthened and be primarily responsible for the EU's relations with all developing countries.

4. Promoting national ownership

The Commission development policy statement puts national ownership and partnership between the EU and developing countries at the core of its development programme. The EU needs to promote national ownership and partnership through:

- **National anti-poverty plans** – by supporting governments in the development of their poverty reduction strategies and plans - within the Bretton Woods PRSP process - so that national ownership is reinforced, and by shifting towards sector-wide approaches by supporting national sectoral budgets in recipient countries.
- **Strengthening the 'voice' of developing countries in global institutions** - by pressing for the democratisation of multilateral institutions and for increased transparency and accountability.
- **Creating an enabling environment for civil society** - by developing strategies to promote vibrant and strong civil societies in recipient countries, and collaborating with civil society sectors, including NGOs and the private sector, in all areas of external co-operation to realise development objectives.

September 2000

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The EU has reached a turning point in the way it relates to the rest of the world. Changes in the global political and economic landscape following the cold war, along with widespread criticism of the wasteful and inefficient use of aid, has forced the EU to take a closer look at its external relations. As a different world takes shape at the start of a new century, the EU has to decide what role it should play in that world.

This paper argues that the EU has the potential to be a global force for change. It highlights many of the global challenges that we face, and identifies the considerable strengths the EU could use in positively influencing those challenges. *Eurostep* believes that the EU has not performed to its potential, and is unlikely do so under the proposed plans for change. *Eurostep* is therefore proposing its own plan to transform the EU into a global force for change that benefits all, and is not solely based on its own self interests.

September 2000

Global challenges of the 21st Century

We start the 21st Century faced by a number of huge global challenges. If current trends continue we will have a world divided by rising inequality, with the poorest regions falling further behind. Our children will face a world of environmental degradation, growing insecurity and uncontrolled international crime. Vast swathes of humanity will be excluded from the wealth created by a global economy.

The interdependent nature of global relations requires that challenges facing governments and people globally must be seen as challenges for everyone. Global economic integration poses the greatest development challenge of the 21st Century. Globalisation has potential in promoting global prosperity and understanding, but so far the benefits of globalisation have been disproportionately captured by rich countries and powerful transnational companies, while poor countries and people living in poverty have been left behind. It has led to rising inequality, rising economic and social exclusion, and a widening knowledge gap. Such disparities increase global instability.

Reforms are needed across a wide range of policy and institutional areas. More fundamentally, global markets need to be underpinned by global rules and institutions that place human development and the public good above the pursuit of corporate self-interest and national advantage. The EU is a powerful economic and political force that could take a lead in influencing the direction of globalisation in ways that meet the challenges of the 21st Century. The EU itself has led the world in demonstrating that regional integration can promote a relatively equitable distribution of prosperity and regional stability. Regional integration is perhaps the most powerful way for countries to retain the power to shape and control the forces of globalisation. *Eurostep* believes the EU could do more to promote and share the benefits of its own experience.

Global inequality, instability, and poverty headline figures

- Around 1.2 billion people live today on less than a dollar a day and that number is increasing in Africa, South Asia and Latin America. This total has changed little since 1987.
- Over 125 million children, two thirds of them girls are out of school, and almost 880 million adults are illiterate – and the number is growing.
- 40 million children and adults are living with HIV/AIDS, and AIDS is now the major cause of death in sub-Saharan Africa.
- Currently, more than 1 in every 280 people on earth is either a refugee, returnee or displaced person.
- It is estimated that 335 million people – 5 per cent of the world's population – lost their homes in 1998 as a result of climate-related disasters.
- The 48 poorest countries have seen their share of world exports decline by almost half over the past two decades.
- At the end of the 1990s, the richest fifth of the world's population accounted for:
 - ⌋ 86 per cent of GDP (compared to 1 per cent for the poorest)
 - ⌋ 80 per cent of exports (compared to less than 1 per cent for the poorest)
 - ⌋ 70 per cent of foreign investment (compared to 0.8 per cent for the poorest).

Performance against potential

The EU could be a formidable global force for positive change. With its global presence, and global influence, it has a unique standing in the world. Yet self-interest and the pursuit of short-term goals have dominated the EU's policy and practice and ensured that Europe and other rich regions have reaped disproportionate economic, financial and political benefits within our global village. The European Commission and EU Member States have all recognised in principle the imperative of tackling the global challenge of reducing and eliminating poverty, as shown through commitments made to internationally agreed development goals. However there is a continued promotion of a policy framework that in effect reinforces inequality, increases poverty, and creates instability. The EU is committed to promoting the interests of developing countries through a range of laudable objectives enshrined in the Amsterdam Treaty, yet hitherto the EU has not demonstrated the political will needed to achieve these objectives.

□ **EU governments and the global institutions**

EU governments are powerful stakeholders in the G8, the WTO, the IMF, the World Bank, and the UN. The G8 countries, along with the rest of the EU, account for 57 per cent of the votes on the IMF's Board. Yet IMF and World Bank stabilisation and market reform programmes continue to be designed primarily to encourage growth with few complementary policy measures to facilitate more equitable income distribution. Half-hearted measures to relieve the world's poorest countries of their unsustainable debt burden are failing to have their desired impact. *Eurostep* believes that the EU, through its Member States' governments, has a clear role and responsibility in urging the IMF and World Bank to immediately prioritise poverty reduction and equitable growth in their macro and structural reform programmes. Reforming the governing structures of these global institutions themselves is an integral part of this so that there is more equal involvement from countries in all parts of the world.

□ **Trade policy**

Europe is the single biggest market for imports from developing countries, and it exports more than twice the amount to developing countries than the United States, Japan and Canada put togetherⁱ. Despite the EU's continued – albeit flagging - defence of US attacks against its banana import regime, EU trade policy has consistently put self-interest ahead of efforts that promote sustainable development. The self-serving Common Agricultural Policyⁱⁱ and Common Fisheries Policyⁱⁱⁱ, foot-dragging on the phase out of the Multi-Fibre Agreement^{iv}, and dismantling of non-reciprocal preferential trade arrangements with the ACP in favour of free trade based regional agreements with Europe^v, all serve to illustrate this point. *Eurostep* believes that the EU needs to urgently reform these policies and practices so that they work to achieve development co-operation objectives.

□ **Foreign policy**

EU foreign policy is failing to address the global challenges of reducing poverty and insecurity. The EU places excessive emphasis on perceived threats from the near abroad to a fortress Europe. While this emphasis is inevitable, it is carried to a disproportionate extreme, and has been at the expense of the EU developing a *global* foreign policy^{vi}. Other objectives have been undermined by the failure to direct foreign and security policy towards the root causes and prevention of conflicts. The result is a continuing lack of coherence between political, development and humanitarian objectives. Since the Commission is responsible for the resources and instruments necessary to implement EU foreign policy, CFSP priorities have been a powerful determinant of the direction of the European Commission's external policy.

□ **Aid spending**

The EU provides 60 per cent of global aid, taking together the Commission managed multilateral programme and Member States own bilateral programmes. Through the Commission, the European Community (EC) is the second largest multilateral donor, spending Euro 6.8 billion per year in aid. It is also the largest donor of humanitarian aid in the world. However, EC aid has become increasingly skewed towards regions and countries of political and economic self-interest to EU Member States, rather than the poorer and least developed parts of the world. This shift in spending priorities is shown by the fact that in 1987, the top four recipients of EU aid were Ethiopia, India, Sudan and Senegal. By 1997, the top recipients were Morocco, Egypt, the Balkans, and Tunisia^{vii}. Despite the Treaty commitment to pay particular attention to the world's poorest countries, the share of aid going to LDCs fell from 75 per cent in 1987 to 51 per cent in 1997^{viii}. The EC's humanitarian aid spending also reflects a similar pattern. In 1999, four times as much EC humanitarian aid went to Kosovo and the continuing consequences of the earlier conflict in former Yugoslavia than to Africa^{ix}.

□ **Aid quality**

The EC's multilateral aid programme is widely criticised for its ineffectiveness and inefficiency. A recent Commission report lists nearly 2,000 redundant, half-finished or dormant aid projects^x. In 1998, the EC failed to spend 37 percent (Euro 980 million) of the total aid allocated from the EU budget to fund regional co-operation agreements^{xi}. These serious delays are a result of an overly cautious bureaucratic culture within the Commission that has developed largely in response to Member States' looking to protect their own individual interests by involving themselves in decision-making at all levels and closely scrutinising proposals. It is also a result of insufficient human resources within the Commission to administer the programme. In the last ten years the aid programme managed by the Commission has trebled as the Member States have added whole new regions, in particular the Mediterranean basin, Central and Eastern Europe, and countries of the former Soviet Union. Consequently the programme has been geographically expanded to cover all regions of the world. Staff levels, however, have less than doubled. Recent evaluations have emphasised the deficiencies that have resulted, and numerous badly managed, inappropriate, and even dangerous EC-supported projects have been identified by NGOs^{xii}, academics, and the media. However, where there are skilled and innovative staff, the EC has led some progressive poverty focused programmes, but these are constrained by the lack of such capacity. The skills profile of staff in the Commission has been identified as a particular weakness in the aid programme. DAC evaluations have identified a particular shortage of expertise in the areas of participatory development, gender issues, health, education, environment and the social sciences.

□ **Incoherent policy priorities**

Over time EU external policy has been developed in a piecemeal way and is therefore confused, muddled and poorly co-ordinated. As EU governments identify new global challenges, they create new policies to address them without modifying existing policy or adapting mechanisms for delivery. To a great extent approaches to different regions are linked to specific policies that derive from the EU's own specific interests towards that region. Consequently, the EU has no clear and coherent strategy for poverty eradication, nor an explicit external policy from which to build such a strategy. This has hampered the EU's ability to set a coherent and co-ordinated external policy framework to encompass its full range of policy instruments and resources. So while the EU incorporated development policy objectives in the Maastricht changes to the Treaty, the willingness to pursue these has been lacking and ability for them to be put into practice has been effectively eroded.

Plans for change

The EU has embarked on two separate initiatives to 1) improve the clarity and focus of its development policy, and 2) to improve the performance of EC aid. In March the Commission adopted EC Development Policy guidelines, and EU Development ministers are expected to adopt a statement on EU development policy in November. In April the Commission announced plans to reform the management of its external assistance programme. Both are described below. Both initiatives are welcome. They address many of the practical problems that hinder the effectiveness and efficiency of the aid programme. However, they lack an ambitious and explicit vision, and fail to recognise where existing political and commercial policy is incoherent with objectives aimed at sustainable development and poverty eradication. EU governments, the Commission, and the Parliament will have to make hard political choices if the EU is to realise its role as a global force for positive change.

Commission's Communication on EC Development Policy

A Critique

An integrated approach:

The integrated approach adopted in the Commission's Development Policy Communication is welcome. So too is the way in which it identifies good and poor policy environments for poverty reduction. However, it fails to adequately identify the root causes of global economic and social inequality, or the way in which existing policy - multilateral, European, regional or national - contributes to increasing poverty and the abuse of people's basic rights globally. As a result, it fails to draw clear conclusions, or develop a link between the identified problems, and the consequent policy change and actions to address them.

Promoting real ownership:

Promoting ownership by developing countries of their own development process is essential for any real possibility of success. The increased emphasis on this by all donors is therefore welcome. However real ownership should not just be seen as developing countries defining their own national programmes and being given a central role in co-ordinating inputs from donors. It also requires an increased role in shaping the environment in which that country exists, and therefore a greater voice in the decisions that are made in global institutions like the World Bank and IMF.

Policy coherence:

The attention given to greater policy coherence is welcome - albeit overdue. The Statement re-states the Amsterdam Treaty's commitment to *take account* of the impact of policies that will positively or adversely affect developing countries. However, this is undermined by the caveat that it is possible for the EU to make *'make the political choice to go ahead with a policy despite its potentially negative, indirect and unintended impact on developing*

Commission's Communication on EC Development Policy

A Summary

The Commission's Development Policy Communication^{xiii} will be presented to EU Development ministers at their next Council meeting in November, and on the basis of this the Council will adopt a policy statement. The Commission's communication of intent is comprehensive and emphasises the centrality of promoting ownership of development processes by developing countries themselves and partnership between the EU and those countries. It proposes to better integrate the economic, trade and political aspects of its development co-operation. In doing so, it proposes to strengthen the links between trade and development, and to place poverty reduction at the heart of all aspects of development policy. Importantly, it seeks the highest possible degree of coherence between development policy and other policies that impact on developing countries. The links between relief, rehabilitation and development are to be increased. It aims also to adopt an integrated development framework, which involves focusing on priority areas of support where the EC has a distinctive competence, using common sectoral policy guidelines. The emphasis on budgetary support and sector programming will be increased, and it proposes to ensure better co-ordination among EU governments' bilateral programmes - and where possible use the procedures of the beneficiary states. It aims to improve the EU's presence and influence in international fora where development policy is discussed by ensuring better coherence between EU policy positions towards developing countries taken in the Bretton Woods institutions, the WTO, and other norm and standard-setting

countries'. There are no clear benchmarks against which to assess if a political or commercial priority is to override development considerations when there is a recognised conflict of interest. Under these circumstances it is almost inevitable that the political and commercial priorities derived from the EU's own self interest will dominate.

agencies. Its proposals for implementation are echoed in the proposals to reform the management of external assistance described below.

Poverty reduction/eradication:

Despite it being unclear as to whether poverty reduction or eradication is the central objective of the EC Development Policy Communication, it is a welcome commitment. The commitment to a poverty focus is however undermined by a series of 'escape clauses' which bring into question the political commitment to this objective. Within the Statement, the Commission indicates that, *'improving the primary poverty focus is clearly limited by the setting of the political priorities and the consequences for the distribution of the financial resources to the regions'*. This illustrates a continued pursuit of incoherent policy objectives, and indicates an ambivalent commitment to tackling poverty.

Sectoral approach to aid spending:

The emphasis on budgetary support and sector programming is welcome, as is the focus on support to social sectors, like health, education and gender-sensitive programmes. Yet DG-Development's Human and Social Development Unit consists currently of only 15 advisers. The European Parliament, in a welcome move, is pressing for increased spending on social sectors. However, it will be difficult to promote poverty focused programming without the requisite capacity to enable it to do so.

Strategy:

While the Statement includes many welcome proposals, it lacks the necessary strategy to put those proposals into practice. EU Development ministers have asked the Commission to draw up an action plan to operationalise the Policy Statement, but an action plan is only one element of a comprehensive strategy. Before an action plan can be defined, the context for the wider political framework must be established, in which the aims and vision are clear and explicit. Roles and responsibilities should be identified, and only then can an action plan, including targets and a timetable, be drawn up.

External Assistance Reform Proposal

A Critique

Reform to achieve what?:

Many of the proposed changes could lead to a more efficient and less bureaucratic system to deliver aid. But since there is an absence of a strategy based on a clear and coherent external policy framework, the reforms are likely to be ineffectual in improving the poverty focus of the external assistance programme. Many of the current problems are the result of the Member States' continual safeguarding of self-interest. While this is perhaps understandable within the structures of the EU, it leads to an almost absolute domination of internal self-interest with little room for policies based on other motives.

No reference to poverty:

The reform proposal does not mention the word

Proposal to Reform the Management of EC External Assistance

A Summary

The aims of the reform proposal^{xiv} are to speed up the delivery of aid, to raise standards, and increase the impact of the EC's aid programme. The reform package aims also to improve the management and accountability of the overall programme. In doing so, the package of proposals include matching resources to core activities through Activity Based Budgeting (ABB) and Activity Based Management (ABM). Decision-making will be devolved to staff responsible for activities to cut through time-consuming bureaucracy. There will be a re-unification of the project-cycle, and an interface between the staff involved in programming and implementation will be created. 80 per

poverty at all, let alone the fact that it is one of the world's greatest challenges. It does however state that, *'In external relations the key policy objective is to ensure a stable and enlarged Europe with a stronger voice in the world'*. This gives an indication of the EU's confused policy objectives, and also demonstrates how the priority placed on safeguarding a fortress Europe compares with tackling global concerns.

Improving coherence among Commissioners responsible for external policy:

The reform recognises the need for mechanisms to improve coherence of approach and in programming among the four Commissioners and Departments responsible for external policy. It proposes to strengthen the role and responsibility of Commissioners, supported by a cross-divisional Quality Support Group, to check for policy coherence and consistency. However, a 'check-list' approach to coherence will not ensure that development will not continue to take a back seat when up against the political priorities driven by EU governments under CFSP, or when it comes to safeguarding the EU's heavily protectionist trade policy.

cent of the EU's external assistance programmes are proposed to be managed by an external 'EU Aid Office' - ending the current system whereby projects are identified by Commission Directorates but actually implemented by the Joint Service for External Relations (SCR). The reform proposal suggests a shift away from sub-contracting Technical Assistance Offices (TAOs) - costly private firms - towards more decentralised solutions managed by the EU Aid Office. The reform plans to decentralise decision-making and administration to the EU delegations to reinforce the authority and flexibility of operation. Commissioners with portfolios covering external relations will have a strengthened role in checking for policy coherence and consistency of policy and standards. The Group of 'RELEX' Commissioners is to be supported by a cross-divisional Quality Support Group in doing this.

Illogical 'hybrid structure' maintained:

The 'hybrid structure', which splits the division of labour between geographical and thematic services, will be maintained. This means, for example, that Commissioner Nielson is theoretically responsible for development efforts in Central America, but responsibility for the EC's relationship with Central America will remain with Commissioner Patten. Similarly, officials responsible for EC trade policy with developing countries remain in DG-Trade, rather than being transferred to DG-Development. Such a structure erodes the overall capacity and influence of DG-Development in matters affecting development. The reform plan will actually transfer further functions from DG-Development. The Human and Social Development Unit will for example, be reduced to almost half of its current number of advisers, as staff are plucked out to be transferred to the new EU Aid Office. DG-Development is becoming so weakened in capacity that some predict that even before the end of the current term of this Commission, DG-Development will no longer exist. This would inevitably lead to the end of a Commissioner for Development whose responsibilities were separated from those dealing with political and trade policies. If that does happen, there would be no distinct institutional capacity within the Commission to formulate development policy or strategies for a development-orientated programme. Where would that leave development? It would be inappropriate for DG-Development's functions to be transferred to the proposed EU Aid Office, because the emphasis is on it being a technical service. Transferring development policy to External Relations would almost certainly lead to development co-operation becoming an instrument of external political priorities. Without DG Development, the resulting lack of specific focus on development policies would be compounded by the almost certain disappearance of both the Development Committee of the European Parliament and Development Council as separate entities.

Skills profile of staff:

The reform proposals make no reference to the type of staff required, despite this being crucial to the success of the proposed reforms. The reform plans to decentralise decision-making and administration to the EU delegations will reinforce the authority and flexibility of operation, but will only be beneficial if capacity within the delegations is strengthened with appropriate staff. Without appropriate staffing, mere re-organisation will not be sufficient to resolve the existing

problems. The delegations should not be staffed with more bureaucrats, but with people with appropriate skills and expertise to execute EU development policy.

Project-based approach to aid delivery:

The suggested reforms demonstrate a serious intention to create an interface between the staff involved in programming and implementation. Eighty per cent of the EC's external assistance programmes will be managed by the proposed EU Aid Office - ending the current system where projects are identified by Commission Directorates but implemented by the Service for External Relations (SER). The creation of an EU Aid Office has the potential to construct a more effective approach to implementing EC aid. However, its ability to do so does not just depend on the capacity and expertise within that office, but on the clarity of objectives and purpose of that aid. The political and policy oversight would need to remain in Brussels to ensure coherence and consistency with overall development policy. The proposal to re-integrate the project cycle should allow for more efficient aid projects and programmes than under the current structure. Contrary to the Development Policy Communication however, the reform proposals place too heavy an emphasis on a project-based approach. The limitations of a project-based approach are now widely acknowledged. There has been a shift away from projects to programmes, and an increasing emphasis on policy dialogue, sector investment programmes, and strategic partnerships between donors, recipient countries, and civil society. Such programmes not only impose unrealistic demands in terms of local capacity and donor co-ordination, but individual projects - even good ones - will produce limited benefits in a bad sectoral policy environment.

Relations with NGOs and civil society organisations:

Under the reforms, the management of the financing of NGO and civil society activities will be placed in the EU Aid Office. Managing relations with NGOs within the EU Aid Office instrumentalises the role of NGOs, and ignores the role NGOs and civil society as equal and independent partners in development, and denies them the role they have to play in policy dialogue.

Transforming the EU into a force for global change

The European Union has considerable potential to be a meaningful force for positive global change. Yet its potential is yet to be realised, and current initiatives to shake up the EU's role in development and poverty eradication fall short of what is required. *Eurostep* sets out a four-point agenda for political and institutional reform that the EU should follow if it is to realise its potential as a leading global player in tackling the challenges of the 21st Century.

I. A Clear and transparent approach in external policy and practice

The political objectives of the EU's external policies need to be clarified. The *role* of different external policies and programmes need to be specified, and the *relationships* between different external policies need to be defined. The EU should produce:

□ An EU vision for external policy

The EU should adopt a clear and comprehensive vision statement. This should take the form of an inter-institutional agreement between the European Council, European Commission and European Parliament and set out the EU's aims for external relations for the 21st Century. The statement should include the specific rationale and objectives of its actions in the areas of development policy, economic policy, trade and investment policy, and foreign policy. The motivation, and orientation of external actions, as well as the specific policies on which external actions are based should be made explicit. Poverty eradication should be an overarching objective of this vision statement. This vision statement should be presented during the Swedish Presidency. A first step however would be for EU Heads of State to endorse a strengthened EU Development Policy Statement under the French Presidency. This would emphasise the primacy of the EU's development objectives in its co-operation agreements and actions with developing countries. It should include an unequivocal commitment to poverty eradication being the principal aim of this co-operation.

□ A comprehensive EU external policy framework

A comprehensive EU external policy framework, which puts development policy on an equal footing with trade and foreign policy, should also be adopted during the Swedish Presidency. This policy framework should:

- (a) Define the core objectives of the EU's external political policies as being to uphold human rights and humanitarian law throughout the world, while strengthening the role of the UN as the single most significant body to help prevent conflict and enhance respect for basic rights around the world.
- (b) Promote EU and international trade – and trade-related – policy that favours poverty reduction;
- (c) Support moves to develop multilaterally agreed guidelines for business as a precondition to further liberalisation.
- (d) For EU governments to provide 100 per cent debt cancellation where they have not already done so, and for the EU to support accelerated debt relief for countries which commit to allocating debt relief to a transparently managed poverty fund within the longer-term Poverty Reduction Strategy Paper (PRSP) process.

□ A strategy addressing the EU's contribution to

achieving international targets

A clear strategy should be adopted during the Swedish Presidency on the specific contribution that the EU will make towards realising the international development targets, based on commitments made within successive UN conferences. Roles and responsibilities should be identified for EU governments, the Commission, and the Parliament, and an action plan, including targets and a timetable should be drawn up. The objective and rationale behind aid spending should be based on poverty focus and need. The EU should:

- (a) Agree a national and multilateral spending plan for working towards an aid level target of 0.7 percent of GNP by 2006.
- (b) Work towards achieving a 70 percent poverty focus in EU official development assistance by 2006.
- (c) Increase the proportion of EC aid for basic education and primary health care.
- (d) Agree to respond to humanitarian crises on the basis of need, not strategic interest, or media coverage;

II. A co-ordinated EU approach

The strength of the EU lies in the sum of its parts, but only if these are working together towards the same ends. In combination the EU is the principal global player both economically and politically. This power not only provides opportunity but also bestows responsibility for it to be used to the benefit of all humanity. To this end the EU should work to use its combined strength towards:

□ Policy-making in global institutions

The EU should move towards having a strong and emphatic single approach to development at a policy-making level. EU governments should co-ordinate their actions and convey a common message, that promotes pro-poor policies in the IMF, the World Bank, and the UN, and provide a counter-balance to US dominated policy-making in the global institutions. The EU should use the leverage it has through speaking as a single voice within the WTO to promote international trade and non-trade policy that promotes poverty reduction.

□ EU programme level co-ordination

The EU should develop a clear strategy around the EU's co-operation with developing countries both politically and in its aid programmes towards those countries. This should be based on defining a mutually agreed co-operation agreement between the EU and respective country. Within this context EU governments and the EC should focus their respective aid programme activities on their particular comparative advantages in a given field or in recipient countries. This would have far greater impact than the sum of the parts and would be more efficient for recipient governments.

III. Creating space for development

To overcome the domination of self-interest in EU policy-making on international development, it is vital that capacity to effectively pursue strategies to achieve EU development co-operation objectives are both retained and strengthened within the Commission and other institutions. Moreover, statements on the importance of development policies and their equality with other external objectives need to be supported by appropriate political, management, and administrative structures within the EU institutions. Therefore there needs to be:

□ A focus on policy coherence

A clear and workable strategy to promote policy coherence within the Commission should be produced under the French Presidency, or Swedish Presidency at the latest. This should include a commitment to strengthening the legal obligation for policy coherence within the Amsterdam Treaty. Clear benchmarks against which to assess if a political or commercial priority is to override development considerations when there is a recognised conflict of interest should be established as a way of fulfilling this obligation. Both such initiatives would need to be accompanied by a formal and rigorous procedure within the Commission, which would require coherence impact assessments to be made in the formulation of new policies and practices, as well as the production of a public annual report. Specific capacity within DG Development - whose responsibility is to monitor policy coherence – would be needed to ensure carry this out.

□ **A single Directorate for development**

The Directorate for Development should be strengthened and be primarily responsible for the EU's relations with all developing countries. The directorate should be responsible for formulating and implementing all development policy, and the development aspects of trade and foreign policy. The Development Directorate should be a voice among equals when the Trade, External Relations, and Development Directorates formulate and implement policy. EU governments and the European Parliament should allow the Commission the necessary levels of staff in Brussels and in the Delegations to effectively and efficiently deliver the EU's external assistance policy programme. The levels of staff required need to be assessed using the Activity Based Budgeting approach proposed by the Commission, and should be based on an overall strategy as described above. Staff with the appropriate skills to deliver a poverty-focused programme should be recruited. More EC staff should have skills and expertise in participatory development, gender-sensitive approaches to development, health and education experts, and the social sciences. The Delegations should be equipped with skills and capacity to effectively co-ordinate with national governments, civil society, and other donors. The EU should also put more energy into learning from each other's experience in development, and sharing best practice.

IV. Promoting national ownership

The Commission development policy communication puts national ownership and partnership between the EU and developing countries at the core of its development approach. The EU needs to address how to better promote these concepts such that they not only cover the EU's aid programme to those countries but also the overall role that they play within the global community and its institutions.

□ **National poverty plans**

Aid has the greatest impact when national poverty reduction plans are really defined by national governments and the society they represent. The EU has long supported government ownership of national planning. The EU should provide strong support to governments in the development of their poverty reduction strategies and plans - within the Bretton Woods PRSP process - so that national ownership is reinforced. The EU should ensure that the IMF and World Bank carry out proper ex-ante analysis of proposed reforms with respect to their positive or negative impact on the poor. There should also be an EU-side shift towards sector-wide approaches by supporting national sectoral budgets in recipient countries, which should enable aid recipients to develop broad sectoral strategies with better co-ordinated aid. The strategy should identify the ways in which EU donors could co-ordinate with recipient national governments, the World Bank, the IMF, UN organisations, and other donors, as well as the private sector and civil society organisations, including NGOs.

□ **Enhance the 'voice' of developing countries in**

global institutions

The EU should work in partnership with developing countries to reform global institutions and international policies that hamper efforts towards sustainable development and poverty reduction. To do this the EU should press for the democratisation of multilateral institutions and for increased transparency and accountability. At present, sub-Saharan Africa accounts for only 2 per cent of the votes on the IMF's Board. The UN Security Council is particularly undemocratic. The EU should press for reform of the Council that strengthens participation from Africa, Latin America and Asia. The EU should provide substantial financial and technical assistance to ensure that developing countries can participate on a more equal basis in the day-to-day activities of the WTO, in standard-setting bodies and in future multilateral trade negotiations.

□ Create an enabling environment for civil society

The EU should develop strategies to promote vibrant and strong civil societies in recipient countries. It should seek to collaborate with civil society sectors, including NGOs and the private sector, in all areas of external co-operation to realise development objectives. Civil society organisations should be considered essential and independent partners of the EU that play a significant role in the development process. The EU should encourage greater policy dialogue with civil society, and greater collaboration at a programme level.

Endnotes:

- ⁱ Eurostat, in ‘The European Community’s Development Policy’, Communication from the Commission to the Council and the European Parliament, 26th April 2000.
- ⁱⁱ p.p 13-16 ‘Loaded Against the Poor: World Trade Organisation’, Oxfam GB Position Paper, November 1999.
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- ^{vi} ‘A Global Foreign Policy for Europe’, *Eurostep*, May 1996.
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- ^x Stephen Castle, *The Independent*, 29th July 2000.
- ^{xi} EC Chapter, Reality of Aid 2000
- ^{xii} See ‘A Profile of European Aid: Natural Forest Management and Conservation Project, Uganda, Oxfam GB, April 1996, and A Profile of European Aid II, Northern Corridor Transport, Kenya, Oxfam GB/Kituo Cha Sheria, September 1996.
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