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EU and Developing Country Relations beyond 2000: Priorities for Policy Action

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This paper examines the European Union's (EU) relationship with developing countries at the turn of a new century. This relationship is undergoing change from a variety of sources. Central to this is the implementation of the Union's newly adopted development policy framework and ongoing internal reforms of the development co-operation operations of the European Commission (EC). This paper examines these changes in terms of how they may impact on the Union's much criticised performance in terms of development co-operation. With particular emphasis on EU relations with the African, Caribbean and Pacific (ACP) group of nations, and most specifically on Africa, the authors look at the coherence between the various aspects of the EU's external policies, particularly trade, as these impact on the Union's overriding development goal of poverty eradication.

While the EU, in line with the broader international donor and creditor community, has recognised that good

governance and civil society participation in particular are central components of poverty reduction strategies, its consistency in applying the lessons it has learned in this regard in its own policies has been mixed. The authors conclude that the EU's role in promoting good governance at national and international levels, and in building the institutional capacity for this to happen, will be vital in ensuring that, whatever the overall level of EU aid resources, their positive impacts will be maximised. This would also go a long way towards the Union meeting the challenges it faces in terms of matching its influence in forums where development policies are formulated with its overall share of international development assistance, trade and investment flows.

Introduction

The relationship between the European Union (EU) and the developing world is at a critical juncture. The EU Council of Development Ministers has just adopted a new policy framework for its development co-operation policies, the overriding objective of which is poverty reduction. A second core objective is the integration of developing countries into the global economy. An action plan to put this policy into practice is being implemented by the European Commission (EC) and an initial draft was presented to the November 2000 Council of Development Ministers. However, this draft is not yet in the public domain. When it is, one of the central issues which development commentators will look to is how compatible will the EU's stance on trade and globalisation be with its prioritisation of poverty reduction. At the same time as the Commission has been engaged in devising this new policy framework a process of internal Commission reform which will impact on its development operations is well underway. A major question around this restructuring is whether it will hinder or enhance future EU aid delivery and policy making. There are reasons for concern that in overall terms it may be less than beneficial.

The year 2000 was an eventful one in terms of EU-developing country relations. It saw the conclusion of the fifth partnership agreement between the EU and ACP[1] (African, Caribbean and

Pacific) group of countries. This partnership, known as the Cotonou Agreement, is the successor to four previous Lomé Conventions. The Cotonou Agreement has been welcomed as a modern and flexible instrument covering trade, aid and political relations and one which is progressive in terms of its provisions for the participation of non-state actors, including non-governmental organisations (NGOs) in decision-making.

In April 2000 the first ever summit of EU and African leaders was held in Cairo.[2] The Cairo Summit highlighted the increasing political commitment among European and Afriean leaders to address the challenges, opportunities and problems of the African continent, a region which has been much neglected in terms of the EU's overall external relations policy. The Summit brought two very different groups of countries together. The EU is the world's largest trading and economic block. Africa, by contrast, is home to about 70% of the world's least developed countries and to many of the world's conflicts while it also faces relatively new disasters such as the HIV/AIDS pandemic and growing environmental degradation. Of the 590 million people in sub-Saharan Africa, 250 million do not have access to safe water and 205 million lack access to health care. The Summit declaration and plan of action expressed both African and EU leaders' intention of building up a strategic partnership to the same level that the EU has with Asia, Latin America and the Gulf countries. It emphasised mutual benefits and both sides' determination to strengthen their political economic and cultural understanding of the other through the creation of a constructive dialogue on economic, political, social and development issues.

The outcome did not deliver much concrete results on several specific fronts, such as the ever decreasing levels of ODA to sub-Saharan Africa, which on current projections will continue to require development assistance as a primary source of development finance for some time. The World Bank has estimated that even under the most favourable conditions for private inflows and investment efficiency, the typical African country will need resources of more than 12 per cent of GDP to cut poverty in half by 2015.[3] At the Summit leaders promised to "intensify efforts to meet the internationally agreed targets for resource transfers to developing countries" and "expressed their hope for the creation of a world solidarity fund to address Africa's development with a special focus on poverty eradication". As a first step EU members as a block should have set themselves a specific time frame for reaching the 0.7% aid to GNP target as against their current average of 0.34%.[4]

A new and comprehensive policy framework for EU development co-operation

The EU and its member states together form the single largest aid grouping in the world, accounting for 55% of all development assistance.[5] Whereas the Union has been active in the area of development co-operation for over forty years, it has struggled to put a comprehensive policy framework in place. In the past there have been separate policies for various groups of countries in Asia, the ACP regions and so on. To fill this gap, during the 1990s the EU Council of Development ministers adopted no less than 17 individual resolutions, covering specific policy areas such as education, gender, food security, HIV/AIDS and structural adjustment. These resolutions also dealt with the co-ordination and complementarity of policies at both the level of the Union and its member states, the coherence between all aspects of the EU's external relations and its development objectives, the fight against poverty and human and social development. Although these resolutions were adopted to guide EU policy making and aid performance, the absence of a single comprehensive development policy framework into which they could be situated contributed significantly to the fragmented, slow and inconsistent delivery of aid as well as to conflicting rather than coherent policy decisions. And this policy deficit has fuelled a situation where almost 20 billion euro of committed EU aid funds during the 1990s have yet to be spent.[6]

In November 2000 the Council of Development Ministers agreed an overall policy statement which will guide future policies and co-operation between the Union and developing countries in Africa, Asia and Latin America. The Commission plans to devise popular briefing materials on this new policy in order to draw it to the attention of the European public, to make it accountable in their eyes and to instil confidence in its development operations. Such confidence also needs to be built up among certain ministerial members of the Development Council. In welcoming this new framework the French President of the Development Council stated: "We [the EU] must put an end to the contradiction between our strong financial aid and weak influence in the international forums where development is discussed. With this declaration we can express our views with a single voice".[7] While this new development policy aims to be complementary to the policies of member states it is important to recall that not all of the 15 members actually have their own development policies and some do not even have a Minister for Development Co-operation.

The overall policy statement speaks about the need for ownership by developing countries and for true partnership between the EU and these countries. It highlights the need for the Commission to better integrate the aid, trade and political aspects of its development co-operation efforts. Most importantly, it states that the EU will place poverty reduction at the heart of all aspects of development policy. Yet it remains unclear just how this can be realised. A senior EC official in Service Commun Relex recently remarked quite openly: "We are still at the stage of hollow phrases, we have not yet developed concrete ideas on what poverty reduction means in practice". Comments like this give rise to serious concerns especially when one takes into consideration that the EC has already proved incapable of delivering a concrete plan of action in advance of the November 2000 meeting of the Council of Development Ministers.

The Council's overall policy statement maintains the Commission's proposal of focusing on six priority sectors where the EC has a competence. The six areas are trade, support for regional policy and macropolicies, transport, food security and institutions building, the fight against poverty, integrating developing countries into the world economy and sustainable development. Crosscutting issues underlying all six areas include environmental impact, gender impact and AIDS. There will be more emphasis on sector programming, budgetary support and increased donor co-ordination between the interventions of the EU and its member states.

The overall statement notes that by focusing on six core areas there will be a better division of labour between the Union and its member states. However, as yet no explicit division of labour exists on paper. In essence the benefits of policy complementarity and co-ordination taking into account each donor's comparative advantage are recognised by all but in practice nothing much has happened on this. For this reason the policy statement cannot say much about its potential impact on the future bilateral policies of member states. In reality the member states still do largely what they want in the countries and the sectors where they are active.

Another shortcoming is that the policy statement reiterates some general policy objectives such as the promotion of human rights and the rule of law, but omits any reference to the common interests of the EU and its developing country partners. These should have been cited; for example, the achievement of a peaceful world, which is also conducive to trade and investment as well as the elimination of poverty. The ending of food insecurity – which denies 790 million people their right to food – is not only a matter of justice but has a strong economic rationale. According to the Food and Agriculture Organisation's estimates, per capita GDP in sub-Saharan Africa could have reached levels of $1,500 to $3,500 by 1990 if undernourishment was absent – instead the region's average GDP per capita was just $800.[8]

EC internal management reform measures

Whereas the European Commission is working on a plan of action to operationalise the Council's overall policy statement, ongoing internal management reform measures may very well erode the Commission's ability to fulfil this important task. The aims of reform measures are to speed up aid delivery, to increase its impact and to improve its management and accountability mechanisms. To reach these objectives, the reform proposals include matching resources to core activities through activity based budgeting and activity based management decision-making which will be devolved to staff responsible for particular activities. New forms of interface will be created between staff involved in programming and those engaged in field level implementation. The current system whereby projects are identified by Commission Directorates but actually implemented by the Joint Service for External Relations will not be maintained. Eighty per cent of all EU external assistance programmes will in future be managed in a decentralised manner by an external EU Aid office to be known as Europe AID, which will become operational from 1 January 2001.[9]

Commissioners with portfolios covering external relations (the so-called RELEX Commissioners[10]) will have a strenghened role in checking for coherence between the range of EU external policies and its specific international development objectives. The RELEX Commissioners will be supported by a cross-divisional quality support group. Their chief tasks will be to ensure that there are coherent and consistent country strategies and to introduce a process of deconcentration and decentralisation which is intended to bring decision making closer to partner countries. The intention is for most development assistance decisions to be made in-country by 2003. If the decentralisation effort is to be successful, a concerted capacity building exercise will be necessary, as EU Delegation staff often do not have the expertise and experience to take a bigger and more active role in decision making.

Interestingly, the background to the EC's internal reform proposals only refers to ensuring a stable and enlarged Europe with a stronger voice in the world as its key external relations objective. Core policy objectives such as the eradication of poverty, the progressive integration of developing countries in the world market as well as the need to combat inequality are nowhere explicitly mentioned. Unfortunately this may mean that the impetus for reform, in some cases, rests more on the EU's own self interest rather than on the Union's overarching objective of poverty eradication in developing countries.

Also of concern is the fact that the reform measures seem to maintain the division of labour between geographical and thematic areas. This division of labour means in practice that, whereas Commissioner Nielson remains responsible for development co-operation with African countries, the responsibility for EU relations with Africa (e.g. the EU-Africa Summit) will continue to lie with the Commissioner for External Relations, Chris Patten. Commissioner Patten and his services will determine the policies which Commissioner Nielson and his team will be responsible for implementing. In addition, policy staff from the Directorate-General (DG) Development – for example those in charge of trade and environment – are being transferred to DG Trade and DG Environment. This process may result in the disappearance of DG Development, or lead to its being supplanted by a purely technical Europe AID bureau. Commissioner Nielson, under the latter scenario, would then become chief administrator of Europe Aid, having lost all his policy portfolio to other colleagues in the RELEX Group. Development objectives could then, more than ever before, become secondary to political considerations and priorities. Moreover, this could subsequently be followed by the disappearance of the European Parliament's Committee on Development Co-operation and eventually of the EU Council of Development Ministers.

On the positive side, the Commission reform package underscores Treaty obligations (Article 178) to take account of policy coherence and the need expressed in the 1997 Council Resolution for mechanisms to improve coherence among all external policy services. The RELEX Commissioners supported by the above mentioned cross-divisional quality support group are expected to deliver policy coherence and consistency using a check-list. Whether a simple check-list approach to coherence will deliver remains to be seen. The Council of Development Ministers, however, is optimistic:

> Greater coherence is needed. Efforts must be made to ensure that Community development objectives are taken into account in the formulation and implementation of other policies affecting developing countries. The means of achieving this consist of a thorough analysis of any direct and indirect effects of measures in especially sensitive areas and a consideration of development problems in the Commission decision-taking process. The Council is particularly supportive of the establishment of a focal point to that end within DG Development.

However, as noted above, such a focal point could simply disappear together with DG Development. What is therefore necessary, in addition to the work of the RELEX Commissioners and the quality support group, is a complaints mechanism (such as an Ombudsperson) to which state and non-state actors, from both the EU and developing countries can make submissions. The office of the ombudsperson should issue annual reports on complaints and their outcomes as well as more specialist reports as required.

NGOs have repeatedly expressed concerns that policy coherence is not put into practice, particularly in areas which matter most to the Union such as trade. Thus the Commission's statement that the "ability to combine development aid with trade policy is probably the principal added value of Community development policy" is more the stuff of rhetoric than the reality of policy practice. The above statement does not take into account areas where such policies can conflict and where narrow self-interest has prevailed over development objectives. RELEX officials and ministers, including those responsible for development, have not always met NGO concerns on trade policy coherence with much enthusiasm. For example, the Food Security Unit of DG Development openly hesitated about the need for regular inter-service discussions with DG Trade on the impact of trade-related intellectual property rights[11] (TRIPS) on food security in developing countries. Their argument was that such discussions would not change the hard reality of commercial interests and would take away scarce resources from speedy food aid delivery. This response was especially disappointing as food security was explicitly mentioned as an area of particular concern in the 1997 Development Council resolution on coherence. This response was also quite surprising as NGO actions have already been successful in highlighting how agricultural or trade instruments have undermined the benefits of development aid, for example through the dumping of subsidised EU beef exports and its impacts on livestock trade in southern Africa. NGO campaigns have led to important trade policy reversals.

Another area of concern for trade policy coherence covers the massive impacts which EU trade standards can have on developing country export prospects. The EU's approach to health standards setting has been examined in a recent World Bank research paper,[12] which sought to quantify the trade effect of European food safety standards on African exports. The study found that the impact of specific EU wide standards on aflatoxins was negative on African exports of cereals, dried fruit and nuts. Based on evidence from 9 African and 15 EU countries the authors reported that the standards set by the EU cut health risks by an estimated 1.4 deaths per billion while they reduced exports from Africa by 64% or revenues by $700 million, compared to what would have been the case if the EU had followed a set of international standards. The potential health impact of these lost developing country incomes and of an investment of even a fraction of $700 million into the health sector of these same African countries in terms of lives saved would be immense.

EU trade policy beyond 2000 – developing trade or trading for development

According to Commission figures, the EU is the biggest market for developing country exports and its share of exports to developing countries is more than twice the shares of the US, Japan and Canada put together. In this regard the recent Commission proposal to extend tariff and quota-free access for all products (except arms) from the least developed countries (LDCs) deserves a positive welcome as a small step in the right direction[13] and represents a signal of goodwill to the minority of the world's least developed nations who are not party to the Cotonou agreement.

However, its relevance must nor be overstated. It should also be seen in the context of a series of confidence-building initiatives that the QUAD (EU, USA, Japan and Canada) and the WTO (World Trade Organisation) secretariat are currently nndertaking to raise developing countries' appetite for a new round of trade negotiations. For three sensitive products (bananas, rice and sugar) transition periods have been provided.[14] Moreover, the proposal affects imports worth only 78 million euro, a modest sum compared to the already low figure of 8.7 billion euro which is the total cost of EU imports from LDCs. In addition, whether or not LDCs will benefit fully from this new deal will depend how rules of origin will be applied as these could restrict acccss for LDC manufactures. Furthcrmore, the "everything but arms" initiative is not such a big step for the EU as it is for the other QUAD countries as the EU already offers an almost tariff and quota-free trade regime to thc ACP group which accounts for the majority of LDCs.

The European Union's Council of Development Ministers has noted that as a leading player in the fields of trade and development aid, the Union has a major role to perform in ensuring that a close link is established between these two areas, by ensuring that development policies and trade and investment policies are complementary and mutually beneficial. Often trade policy reforms introduced by developing countries have been driven by much criticised policy conditionalities imposed by the World Bank and IMF (International Monetary Fund) under structural adjustment policies. Developing countries which have liberalised their trade regimes, often with high costs, have not earned credits for so doing when it comes to negotiations at the WTO. This external imposition of trade policy has been much criticised by those who point out that the reform of developing countries' trade policies should fit with national development objectives rather than being geared to the agendas of these international financial institutions (IFIs) and efforts at reform should enjoy increased and consistent international support. Moreover, the liberalisation of trade and investment in developing countries should proceed at a pace which is consistent with thcir fragile economies and must set out to maximise the dynamic long term gains, while minimising adjustment costs.

The EU has thus far been reluctant to respond positively to the demands by developing countries for more lenient treatment under agreements on domestic subsidies, anti-dumping and intellectual property rights, amongst others. The EU's policy response usually refers to the in-built flexibility of Uruguay Round trade rules, special and differential treatment in applying them and a new round of trade talks being required to change these. The case the Union presses for a new round is, of course, related to its own determination to have a comprehensive round, for which it needs support from other WTO members.[15]

At the same time controversy reigns over proposed changes to the Treaty on the European Union (Amsterdam Treaty) to extend qualified majority voting to Article 133 – the article which governs competence on trade matters. (At the time of writing this was on the agenda of EU leaders during their summit in Nice, 7-10 December 2000.) At the moment negotiations related to investment, services and TRIPs are subject to shared competence between the Commission and member states. The current process requires the Council of Ministers to unanimously approve the outcome of such negotiations and then the Council's decision must be ratified by national parliaments. As investment, services and TRIPs in practice form a core part of many trade policy issues this means that most trade negotiations are subject to shared competence. The proposed changes to Article 133 would give the Commission full competence in these fields, thus preventing several states or even one member state from vetoing the end result of negotiations. Also, under the proposed new Article 133 procedure ratification of the Commission's decision would be required from the European Parliament.

While it seems that the EC is following a trend by trying to establish a US-type fast track negotiating mandate for itself, the US version of which was rejected by Congress, this new approach could prevent certain member states, gathered in the 133 Trade Committee, using their vetoes to block positive proposals. Following this reasoning, this amendment to Article 133 could allow the EC to take a more European stance, which may be better for developing countries than the often very narrow national interests of member states. However, there are other complexities. For instance if national vetoes are revoked this would also limit the scope for development NGOs, amongst others, lobbying their governments for positive improvements to trade provisions or in certain cases in pressing them to oppose anti-developmental proposals. That said the ability to lobby extends far beyond NGOs to groups with vested interest, be it the pharmaceuticals sector or certain agricultural groups.

Ratification by the European Parliament could be a mixed blessing (even though national parliaments have often not played their role to the full in relation to trade policy matters), unless the role and capacity of the Parliament is significantly enhanced and strengthened to allow it to be more effective in this field. If this occurs then the Parliament could be vital in providing democratic control over key trade policy areas. For this to happen the European Parliament should have co-decision powers with the Commission during trade policy negotiations as well as at time of ratification. In addition, and particularly if its powers increase, there must be transparency in the operations of the 133 Trade Committee, whose proceedings are currently closed, whose agendas are not shared and whose attendance list is not even publicly available.

Regionalising trade - an EU priority

In November 2000 Commissioners Poul Nielson and Pascal Lamy met with African trade ministers to press for regional integration as the best way for their countries to meet the challenges posed by globalisation. The Cotonou Agreement will change the trading regime between the EU and the ACP countries. The agreement identifies "integration into the world economy" as a fundamental strategy in the fight against poverty. This strategy was confirmed when the 10 November EU Development Council adopted its Declaration on the European Community's Development Policy which named the integration of developing countries into the world economy as one of the three general policy objectives.

Under Cotonou, in 2002, negotiations will start on Regional Economic Partnership Agreements (REPAs) with the intention to conclude such deals by 2008. REPAs will be based on free trade arrangements unless the negotiators can work out alternative trading arrangements for those countries which feel unable to enter into a free trade agreement with the EU. The EC has requested a WTO waiver to continue its Lomé trade preferences for the period of these negotiations.

Although it is evident that Africa's continued aid dependence cannot be reduced unless it begins to gain its fair share of world trade, a number of concerns have been highlighted on the issue of the EU's promotion of REPAs, especially by NGOs and the academic community. They have, for example, pointed to the fiscal implications, which are negative for many countries. In a large number of ACP countries, customs revenue from imports duties are a principal source of government revenues. Where the EU is the major trading partner, imports from the EU often represent a significant proportion of the customs duties raised by ACP countries. The elimination of duties on imports from the EU could thus have major effects on ACP governments' fiscal positions.[16] Moreover, the special situation of the LDCs within a regional grouping entering into a REPA with the EU has not been factored in. For instance, will LDCs be expected to carry the same obligations as non-LDC members of a particular regional grouping? As LDCs account for the majority of African and Pacific members of various ACP regions, many may find themselves embroiled in future REPA negotiations. Another question is also whether these countries would have the regional negotiating capacity to successfully conclude REPAs by 2008, as no ACP subregion has long established and functioning regional institutions capable of taking the lead in trade negotiations.

Commissioners Nielson and Lamy have recognised that meeting the challenge of REPAs requires improved capacity in trade policy formulation and in negotiation techniques. They have stated that prior to and during regional trade negotiations, specific technical assistance will be provided to the ACP group. Such assistance could cover research support in developing negotiating positions, training in negotiation techniques for officials and support for regional trade policy formulation. Both Commissioners have stated that what is envisaged is trade and aid rather than trade as a substitute for aid and have suggested that Brussels could also support regional integration through greater investment in regional infrastructure such as roads and railways as well as in key cross-border concerns such as regional watershed management.

Yet a fundamental question remains whether such regional partnerships between the EU, a well established group of highly developed nations, and much weaker and disparate groupings of developing economies are either a feasible or desirable option in terms of the campaign against poverty and the promotion of sustainable development. Here, the case of South Africa provides useful food for thought. In October 1999 South Africa and the EU signed an agreement on trade, development and co-operation. In this two aspects were very striking. First the gross inequality between the negotiating parties. While South Africa is a *Goliath* in African terms it is more a *David* when up against the EU. It is highly dependent on the EU which accounts for 44% of its imports, 28% of its exports and half its foreign direct investment. At the same time South Africa only accounts for

1.9% of EU imports and 1.3% of exports. Secondly, the sensitivity of the EU to any negative impacts of any agreement on its trade in agricultural products was very evident and made negotiations very difficult. Collectively the EU has been deemed to be a rather ungenerous negotiating partner with the agreement more likely to benefit itself than South Africa. The South African experience highlights the difficulties facing ACP countries in negotiating REPAs and shows how hard it will be for such deals to function effectively unless the EU is prepared to reform and transform its own trading policies particularly where these relate to sensitive products.

While the EU has been staking much confidence in the future benefits of REPAs, the African Development Bank has noted that the volume of intra-regional trade has in fact stagnated or even declined. The World Bank has also questioned whether regional free trade agreements in an African context will actually boost intra-regional business. One of the findings of World Bank research is that import tariffs and non-tariff barriers are less the problem than supply side constraints due to infrastructural bottlenecks and skills shortages. Without adequately tackling these supply-side constraints[17] and building the trading capacity of the poorest nations, regional opening up may mean the closing down of industries in weaker economies and greater polarisation between the countries within the regional groupings.[18]

The EU and global economic policymaking

While the EU has a generally positive outlook on the impact of globalisation in terms of its creating new opportunities, inadequate attention is given to the need for a certain level of human and infrastructural development as a precondition for countries, especially in sub-Saharan Africa, to benefit from globalisation. In a globalising world where capital flows far outstrip the flow of goods and services, and where comparative advantage in economic terms is increasingly knowledge based, sub-Saharan Africa's prospects for economic development will remain bleak as long as the provision of access to health, education and other services is denied to the bulk of its people. Unless such a scenario is overturned talk of freer trade or market access will remain academic to many.[19] Moreover, unless sustainable human development rather than achieving a sustainable debt which countries can service, becomes the primary focus of the enhanced heavily indebted poor country (HIPC) initiative of the World Bank and IMF, the level of debt cancellation received by these countries will not fund sufficient human and social investment nor will it enable countries to attain robust economic growth.[20]

The EU represents three of the five largest shareholders at the World Bank, i.e. France, Germany and the UK. The Bank and Fund's adoption of poverty reduction as their central goal and with it nationally agreed poverty reduction strategies set by governments in consultation with civil society into which the resources freed from debt relief will be invested, is likely to reinforce the growing tendency for the Bank and Commission to work together. Already it is clear that ACP country support strategies will start from the PRSP (poverty reduction strategy paper) process. Furthermore, given the growing levels of poverty in Africa where 46% of its people live on less than a dollar a day, and the strong critiques of the structural adjustment measures which have accompanied World Bank and IMF programmes which many would argue remain in place, one would have expected more questioning by the EC and its members of IFI policies. Criticism of adjustment is especially relevant in terms of its impact on the ability of states and their civil societies to chose their own paths to development, particularly as the external review of the IMF's enhanced structural adjustment facility, (ESAF – the IMF's long-term low interest credit facility with numerous conditions attached), highlighted the lack of local ownership of programmes coupled with the lack of attention to their social impacts.

Despite these severe and very public criticisms of adjustment, many fear that the IFIs are positioning themselves for a greater role on the development stage. Certainly the EU as a block has left space for them to do so. While poverty is now a central plank in the declared policy of the World Bank and the IMF it remains to be seen what this means for what were traditional macroeconomic prescriptions under structural adjustment.[21] One of the most frustrating issues at the September 2000 annual meetings of the Bank and Fund was the lack of clarity on what terms like "pro-poor growth" and "sound economic policies" mean for the IFIs. In particular what are the substantive differences in terms of macroeconomic policy under structural adjustment versus those policies permissible under the new PRSP process? For instance, the growth-poverty debate is particularly important for African countries. The World Bank has estimated that the growth required to reduce poverty is much higher in Africa than in other regions, with an annual average growth of over 5% needed to prevent even more people becoming poor and a growth rate of over 7%, and a more equitable distribution of income to reach the international development target of halving the numbers of people living in extreme poverty by 2015.[22]

The IFIs publicly recognise the vital importance of local ownership of development efforts and the failure of conditionalities set in Washington. But how much will local civil society be allowed to set poverty focused conditionalities from below, thus fostering inward accountability from their governments rather than living with the consequences of conditionalities from above, based on their government's previous and almost exclusive external accountability to the same IFIs?

Many groups have argued that the linkage of poverty reduction strategies to debt relief under the Bank and IMF's HIPC initiative, perverts the process of local decision making and civil society participation. Governments are now obliged to develop PRSPs in consultation with their respective civil societies as a kind of "process conditionality for debt relief". Yet the danger is that in their rush for relief they will do this process hastily and in a limited way. And of course in their urge to please the IFIs with the strategies presented to them in the PRSPs, governments may duck radical reforms of economic structures which discriminate against the poor in exchange for quick additional "cash in till" for more traditional forms of social expenditure which they may see as more attractive to their external financiers.

The EU along with European NGOs needs to play a major role in providing resources to support capacity building for governmenrs and their civil societies in developing nationally owned and driven poverty reduction strategies. Moreover, of late the EU had been financing about 64% of the cost of structural adjustment programmes in Africa, a disproportionate share compared to its voting weight of 27% in the IMF. So it now has a disproportionate responsibility to ensure that the declared policy shift of the Bank and the IMF actually reduces poverty and voicelessless in the South. The EU and its members should also seek to dialogue in a structured and co-ordinated way with Southern governments and their civil societies on how the PRSP process is operating and the impacts it is, or is not, having on poverty and srakeholder participation. The scope for doing this under the new Cotonou agreement should be maximised.

Supporting civil societies' pivotal role in development

The debt crisis was also a major item on the agenda of the first ever EU-Africa Summit, which took place in Cairo in April 2000. Its inclusion owed much to the dynamic role of civil society movements, South and North, drawn together in the Jubilee 2000 Coalition, who have been vigourously calling for the cancellation of unpayable debts and reform of the IFIs. The host of the Summit, President Moubarak, called on Africa and the EU to seek unconventional solutions to the debt crisis. In Cairo it was agreed that a senior officials group from the EU and ACP will report on Africa's external debt as part of a follow up mechanism. The EU has allocated 1 billion euro to debt relief but in reality this is money taken from unspent aid funds rather than new and additional resources.

Disappointingly in Cairo, European and African leaders devoted scant attention to the role of civil society as a stakeholder in development processes. The text of the Summit's plan of action only includes one sentence on the role of NGOs in maintaining a vibrant civil society. But for any of the Summit's worthy goals in terms of poverty eradication and peacebuilding to be met the nurturing of a strong and dynamic civil society, one of the most important developments sweeping the African continent, but one which remains fragile and vulnerable in many countries, is a vital task. This is particularly the case over the past 10 years during which time 42 of the 48 countries of sub-Saharan Africa held multi-party elections for the first time. Civil society's active participation will be vital in ensuring that the declaration of democracy which accompanies multi-party electoral practices is translated into practice. In short civil society actors will be pivotal in building participatory democracies. This point was stressed at the Europe-Africa Civil Society Forum, which took place in Lisbon on the eve of the Cairo Summit. The Civil Society Forum's Declaration, presented to the Cairo Summit leaders, underscored the need for European governments to engage Africa at both government and civil society levels.

This lack of EU policy consistency on engagement with civil society was surprising given that an expanded role for civil society is one of the new and crucial provisions of the Cotonou Agreement, which applies to the majority of countries attending the EU-Africa Summit. In fact the EU-ACP Joint Parliamentary

Assembly meeting in Brussels in October 2000 welcomed the potential of the Cotonou Agreement in advancing social and human development and heralded the new role for non-state actors in the implementation of the partnership agreement. Fifteen per cent of the 9th European Development Fund under Cotonou will be allocated for supporting civil society participation in the development of country strategy papers as well as in devising, implementing and evaluating programmes. In light of this, the EU-ACP Joint Parliamentary Assembly which was addressed by representatives of the ACP civil society forum, called upon civil society organisations in Europe and especially those in the ACP region to develop mechanisms for their full and timely participation. Much progress is needed in this regard as to date the participation of NGOs both Northern and Southern in the negotiations and process of arriving at the Cotonou Agreement has been rather disappointing.

Good, weak and global governance

The strengthening of civil society should be part of a broader EU approach to and understanding of what constitutes good governance. In the past the recognition that it is a complex and multifaceted concept has largely been absent from the EU's deliberations. Yet eminent experts in this area, such as the UN's Deputy Secretary General Louise Frechette, have emphasised that governance should be seen as the way in which a nation and the community of nations manages its affairs and is the product of many complex relationships, not only among the different institutions of the state but among all stakeholders. Frechette emphasises that good governance rests on a consensus about the nature of the state and is about the way in which institutions, businesses and citizens' groups articulate their interests, exercise their rights and obligations and mediate their differences. It is not something that the state does to society but the way in which society itself and the individuals who compose it regulate the different aspects of their collective life. Indeed for too long donors such as the EU have focused solely on what governments do to their civil societies rather than how civil societies relate to governments. Good governance is a process based on the universal values found in the UN Charter – equality, dignity, freedom, justice and the peaceful resolution of differences. In this regard the formulation of PRSPs by governments in consultation with their civil societies presents new opportunities for strengthening a key facet of good governance: namely, justice in the distribution and access to economic resources.

The EU has failed to distinguish properly between bad and weak governance. It cannot address good governance without addressing capacity issues such as the ability of ministries to simultaneously negotiate trade, aid and loan portfolios, to participate meaningfully in international institutions to which their government is a party and so on. For the EU to be truly serious about good governance these capacity deficits must be systematically addressed. At the same time the Union has paid insufficient attention to the issue of global good governance, a particularly urgent concern given the failure of the December 1999 WTO ministerial meeting in Seattle, and the calls for IMF and World Bank reforms. UN Secretary General Kofi Annan has pointed out that world leaders constantly underestimate the fragility of the process of globalisation, noting that the spread of markets outpaces the ability of societies and political systems to adjust to them, let alone to guide their course. Debates on globalisation should not be confined to the nation-state. What is needed in this phase of globalisation is a new global architecture for managing world affairs both economic and political. One suggestion put forward has been the creation of a UN Economic Security Council. This should not be modelled on the narrow and flawed basis of the political Security Council. However, a common and concerted EU voice in fostering and inputting to such debates is, at present, largely absent.[23]

Street demonstrations around recent WTO, IMF and other international economic gatherings show that whatever the individual views of those seeking change, there is a common understanding of the need for more democracy in the headlong rush to greater globalisation. As the search for a global ethic is at the heart of many of the public criticisms of the role of the World Bank, IMF and WTO, all bodies at which EU members are key players, this challenges the EU as a whole to radically reform the operations of such institutions both in terms of their operations and accountabilities. By promoting new forms of global governance centred on a global ethic of solidarity, based on principles of justice, co-responsibility and partnership through support for truly democratic forms of multilateralism, the EU, as an integrating and expanding block of countries, could be an exemplar of good practice.

Conclusion

The millennium year has brought both progress and pitfalls for the EU's current and future relations with developing countries. A major and immediate concern is that the policy space allotted to EU development co-operation at the Commission is at risk. This is not the fear of unrepresentative or ill-informed groups but one of the considered conclusions of a two months long internet debate among aid practitioners on the reform of EU aid, organised by the European Centre for Development Policy Management. The results of this debate were publicised in October 2000. Participants concluded that what we are witnessing today is a shift away from an EU development policy towards an EU foreign, trade and security policy, and from broad development co-operation programmes to foreign aid. In the absence of a clearer vision and strategy on development, the Commission's administrative reforms still seem to guide policy reform rather than the reverse. The current trend of weakening the Commission's services for development co-operation, particularly DG Development, may well become one of the sad results of this process.

On the other hand, the EU's growing focus on poverty eradication and stakeholder participation in development policy design and implementation is a sign of hope. The PRSP process and the Cotonou Agreement provide some new space for civil society engagement in national development policy formation, though it remains to be seen how significant this will be and how much capacity exists for civil society movements to actively reclaim responsibility over their own future. How will the new opportunities presented assist them in challenging their own governments and the international donor community on the policy choices that affect their lives and shape their societies? European development NGOs should support Southern civil society actors in this task with the means at their disposal, both in terms of finance and their expertise in lobbying and advocacy. It is up to the EU and its member governments to support developing country governments in building their national capacity to deliver poverty reduction through both institutional capacity building as well as the adoption of fairer international economic policies, the cancellation of unpayable debts and the implementation of a coherent set of EU foreign and trade policies. All of this would serve to enhance rather than undermine the value of EU development co-operation, whatever form it takes as we embark on a new century.

Footnotes

1 There are 77 member states of the ACP group.

2 Interestingly the EU-Mediterranean Summit which includes countries from north Africa as well as non-EU states in Southern Europe which forms parr of the process known as the Barcelona process is described as a "higb profile gcopolitical project" – language not used in terms of rhe EU's relarions with the African conrinent in general. On the EU-Africa Summit see CIDSE's posirion paper "Towards true partnership: EU-Africa Summit" March 2000 at http://www.cidse.org. The researeh and initial draft of this paper were prepared by Eileen Sudworth.

3 "Can Africa claim rhe 21st century?", World Bank Group, 2000, page 19

4 The Irish position is a beacon of hope in this regard. The Taoiseach in his speech to the UN Millennium Snmmit (September 2000), announced that Ireland would reach the UN 0.7% overseas aid ro GNP target by 2007. This would imply, on current growth projecrions, an almost four-fold increase in overseas aid from a figure of IR£208 million in rhe year 2000 to IR£800 million by 2007.

5 *European Report*, No. 2543, V, pages 8-9, 11 November 2000

6 It has been suggested that the nnspent EDF money shonld be put into a special interest bearing account and the money carned used by the ACP on agreed EU-ACP priority areas. See "EU-Africa Summir – rowards true partnership", CIDSE position paper, March 2000, page 28.

7 Quoted in *European Report*, No. 2543, V, page 8, 11 November 2000

8 Michael Holman, "One in three is going hungry in mnch of Africa" , *Financial Times*, 17 October 2000

9 From December 2000, 250 staff will be transferred to this new bureau, mostly from the RELEX divisions and DG Development.

10 Pascal Lamy (responsible for trade), Chris Patten (responsible for exrernal relations), Poul Nielson (responsiblc for developmenr and humanitarian affairs) and Guenther Verhengen (responsible for enlargement).

11 The TRIPs agreement covers the protection of inrellectual property rights. The Agreemenr includes seven types of intellectnal property including patents, copyrighr, trademarks, geographical indicarions and indusrrial designs.

12 Tsnnehiro Otsuki, John S. Wilson and Mirvat Sewadah, "Saving two in a billion – a case study to quantify the trade effect of European food safety standards on African exports", World Bank Development Research, 2000

13 *European Report* V, page 8, 11 October 2000

14 This essentially means that the EU will use the time provided by this transition to reform these sectors so rhat EU producers will not be harmed.

15 The EU and Japan are pressing WTO members to commir rhemselves before the launch of a trade round to a comprehensive agenda that would include negotiations on issues such as competition, investmenr and environment policy. Supachai Panitchpakdi, the next head of the World Trade Organisation, has called on the EU and Japan to scale back their proposals for the agenda for a world trade ronnd, calling some of their demands "impracrical" and stating that these risk undermining WTO negotiations already underway on agriculture and services by making progress conditional on an agreement to launch a new trade round. See "Supachai nrges Japan and EU ro reduce trade round demands", *Financial Times*, 15 November 2000.

16 Commission Nielson has stared rhat tax reform would lead to the gradual and regionally compatible introduction of value added tax as a supplement or evenrnal substitnre for import and export levies, noting that this would be

"better for economic growth and less prone to corruption". Report by Brian Kenety, IPS, "EU officials pledge snpport for regional integration", November 2000.

17 The EU is investing its aid in these areas but much more remains to be done.

18 Tony Hawkins, "Regional trade – Africa puts aside war to tear down barriers to trade", *Financial Times,* 31 October 2000

19 Preface to CIDSE Position Paper, "Towards trne partncrship, Justin Kilcullen, page 3

20 For a discussion of this see Henry Northover, Karen Joyner and David Woodword, "A hnman developmenr approach to debt relief for rhe world's poor", *Trócaire North-South Issues,* No. 21, September 2000.

21 Concerns have already been expressed in a number of conntries tbar litrle is changing in terms of tbe poverty reduction growth facility (PRGF) – the new name for ESAF. For instance in Houduras rhere is concern that macroeconomic poliey targets in PRGF were set with no reference to poverty reducrion targets even though rhe PRSP process was already underway. See Sally O'Neill, *Trócaire Development Review 2000.*

22 "Can Africa claim rhe 21sr century?", World Bank, 2000

23 This section draws on the CIDSE position paper, "Towards true partnership", pages 15-16.