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The EU and the Poor: Unfinished Business

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The fate of the European constitution looks likely to dominate debate in Europe over coming months. In international development, however, other issues matter more. There is much unfinished business Romano Prodi will leave behind.

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It is important to say that EU development cooperation improved when the Prodi Commission came to office in 1999. It needed to. A series of critical evaluations in the mid-1990s had revealed incoherent leadership, poor policy and often dreadful implementation. The new Commission shuffled the portfolios. It wrote a new policy emphasising poverty reduction. It created a single implementing agency, EuropeAid. And it passed responsibility for many decisions down to local field offices. The EU also signed up to the Doha development round on trade, and made the right noises about 'coherence', especially reform of the Common Agricultural Policy.

All this was good, but along the way there were both some bad decisions and much back-sliding – resulting mostly from the political priorities of the member states or internal compromises. There are five battles now to win.

First, a new Commission will be appointed after this summer's European elections, to take office in November. It is essential that there be one Commissioner responsible for aid, with oversight of a single administration covering both policy and delivery, and not subservient to foreign policy or the war on terror. In fact, we need an EU equivalent of the UK's Department for International Development, a portfolio of full Cabinet rank. Europe does not have this at present and seems unlikely to acquire it when jobs have to be found for new Commissioners from the accession states. There are various proposals circulating for a new college of 25 Commissioners and they are all bad – for example, a structure involving a team of external Commissioners with responsibilities for different regions of the world, all competing for influence and resources. Effective leadership of international development must not be sacrificed to national pride or lobbies.

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Second, a negotiation has already begun about the future EU budget, the so-called Financial Perspectives. This will fix EU spending for the period 2007–13, including that share of it devoted to external action. A part of the money spent on aid, devoted to the African, Caribbean and Pacific countries, the ACP, and within the framework of the European Development Fund, is currently outside this agreement, but is likely to be brought in – in the jargon, 'budgetised'. There are two main risks: that the development pot will be raided to pay for new foreign policy or security initiatives; and that money will be diverted from the ACP to less poor recipients, especially in the Mediterranean area, Eastern Europe or Latin America. The aid programme managed from Brussels already falls far behind most other donors in the share of aid spent in the poorest countries – only about half, compared to 90% in the case of the UK. EU countries have committed themselves to providing 0.39% of GNP as aid by 2006, mainly to help meet the Millennium Development Goals. The share of that aid spent through Europe needs to be ring-fenced for the poor.

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Third, there will be a mid-term review in 2004 of the European Development Fund. The current batch of

*Simon Maxwell is Director of the Overseas Development Institute national and regional programmes nominally reflect the priorities of the new development policy approved in 2000, but this was an eclectic document and the funding decisions have often been idiosyncratic: 30% on roads, for example, but only 8% on agriculture and rural development.

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Fourth, and related to the EDF review, there is some hard thinking to do about the ACP. For historical reasons, the ACP contains an eccentric mix of developing countries, which excludes, for example, the large South Asian developing countries. It also finds its special relationship with the EU eroded, if not undermined. This is because of the proliferation of regional agreements and relationships, the increasing conditionality of aid from the EU, and the erosion of trade preferences – for example, by virtue of the Everything But Arms initiative, which allows duty free access to imports from all least developed countries, both in and out of the ACP. It used to be the case that ACP countries had special political relationships, were at the top of a pyramid of trade preferences, and could count contractually on aid: pretty well none of that is true today. The Cotonou Treaty was signed with the ACP only in 2000, and ratified only in 2003. However, both sides should think anew. Can the political partnership be preserved, while accepting new realities in the fields of aid and trade? Should the membership of the ACP be reviewed?

Finally, decisions taken in 2004 will determine whether the Doha round can be rescued and to what timetable. There are different views about how far the EU can be blamed for the breakdown of the trade talks in Cancun last September; and different signals about the likelihood of the EU following the US lead in opting for bilateral rather than multilateral agreements. However, there will be a number of opportunities during the next year for the EU to demonstrate its commitment to a development round, perhaps starting at the UNCTAD meeting in June 2004, which will discuss what to do next. The CAP, of course, is at the heart of this.

All the above matter. From a UK perspective, the EU is our sole representative in trade negotiations. The EU is also a major intermediary for British aid, up to a third of the total in recent years. That is nothing to be ashamed of. Multilateral aid, of which EU aid is a variant, offers economies of scale, cheaper procurement and reduced transactions costs for both donors and recipients. Beware, however: those advantages are only realised if development cooperation is protected from predation by security interests and carefully targeted on poverty reduction in poor countries. If those requirements are not met, then the EU will fail, however fine the Constitution.

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