The new aid modalities for MDG financing: will the European Union keep its promises?

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TABLE 1. EU aid pledges at a glance

TARGET YEAR	EU 15 MEMBER STATES (AUSTRIA, BELGIUM, DENMARK, FINLAND, FRANCE, GERMANY, GREECE, IRELAND, ITALY, LUXEMBOURG, NETHERLANDS, PORTUGAL, SPAIN, SWEDEN AND THE UNITED KINGDOM)		EU 10 MEMBER STATES (CZECH REPUBLIC, CYPRUS, ESTONIA, HUNGARY, LATVIA, LITHUANIA, MALTA, POLAND, SLOVAK REPUBLIC AND SLOVENIA)	
	INDIVIDUAL MINIMUM	COLLECTIVE AVERAGE	INDIVIDUAL MINIMUM	COLLECTIVE AVERAGE
2006	0.33%	0.39%	-	-
2010	0.51%	0.56%	Country specific	0.17%
2015	0.7%	0.7%	0.33%	0.33%

Note: All percentages are ODA as a proportion of Gross National Income.

Source: Joint European NGO Report (2006). *EU aid: Genuine leadership or misleading figures?*

In 2005 the European Union (EU) positioned itself as the global leader in mobilizing resources for achieving the Millennium Development Goals (MDGs). The EU is currently negotiating its funding framework for 2007-2013, covering almost entirely the period up to 2015. The nature of these negotiations gives a strong indication, in terms of available funding and the prioritization in their implementation, of whether increased commitments to the achievement of the MDGs are being made.

EU pledges in funding

For the first time, a timetable was set for reaching the long-standing UN target of 0.7% Gross National Income, by the EU as a whole. While the majority of donor countries have not achieved or surpassed this target, those that have are members of the EU.[2] With an interim target for the EU to reach an average minimum level of 0.56% by 2009, the current commitment is for the 15 "old" member states to reach the 0.7 % target by 2015, coinciding with the deadline for achieving many of the MDGs, including the principal one of halving the proportion of people living in absolute poverty.

The European Commission funds for overseas development aid (ODA) will remain the same, and therefore the increase in funding will be channelled largely by the EU Member States directly.

Broadening the definition of development aid?

The commitment to supporting the MDGs are also confirmed in revised development policy statements adopted by the EU at the end of 2005. The European Consensus on Development (European Parliament, 2005), which sets out the EU development policy for the coming years, and the EU Strategy for Africa (Council of the European Union, 2005) both give prominence to the centrality of the MDGs in the EU cooperation strategies towards developing countries and in the use of its aid. However both these documents also give increased emphasis to issues related to security in the context of the "war on terror" and proliferation of weapons of mass destruction, and migration. The guidelines which are used for the programming of EU development aid from 2007 to 2013 include guidelines on the war on terror and migration, demonstrating the European Commission is serious in its intent to use development money for these purposes (Eurostep, 2006).

EU policies are increasingly in agreement to integrate the European Commission and Member States' development funds, in line with the Paris Declaration on harmonization of aid. Therefore the widened scope for development to include the war on terror and migration has implications not only for the aid from the European Commission but equally for aid given by all 25 EU Member States.

In addition, considerable funds are set aside by the European Commission to fund transport and infrastructure works. In its programming to African, Caribbean and Pacific (ACP) countries, a third of all allocable funds are aimed at such works. While these fit the ODA criteria, their significance for the achievement of the MDGs is less clear, and the rationale – from the perspective of the MDGs, for these programmes is lacking.

At the same time the definition of development is challenged as well to include new aspects of spending within ODA thus increasing the possibility for donors to increase their levels of ODA without necessarily providing additional finance to developing countries. The European Commissioner, Benita Ferrero-Waldner, recently stated that the Commission wanted to broaden the definition of development to allow it to use funds designated for development in the context of a new legal framework to govern the EU development aid. While the Commission has failed to provide any specific reasons why a change in the definition would be needed, they do say it specifically relates to the EU cooperation with countries such as China and India – large growing market economies to which the EU would clearly like to have increased market access (EEPA, 2006b).

The Paris Declaration

The European Union is spearheading the implementation of the 2005 Paris Declaration on aid harmonization, alignment to Poverty Reduction Strategy Papers (PRSPs) and National Development Programmes, and donor coordination. The European Commission intends to programme 50% of its aid for 2007-2013 through general or sectoral budget support. The European Commission also argues that through budget support, it will target the MDG sectors.

In its 2006 Resolution on corruption the European Parliament warned that corruption and shifts in the budget may undermine the effectiveness of budget support in achieving the MDGs and recommends that only sectoral budget support focusing on the MDG sectors, especially health and education, be agreed. Given the size of funds intended to be allocated through budget support for the period up to 2013, the EU is taking a formidable risk in that if budget support does not work to increase investment in MDG sectors, there will be insufficient corrective measures to turn investment to the MDGs.

The European Commission is setting up incentive tranches for countries which receive budget support and perform well. It is crucial that the performance indicators give high priority to the MDGs, if the MDGs are to be achieved through budget support. If not, incentive will be lacking for partner countries to invest in the MDGs (European Commission, 2006).

In addition the question needs to be raised as to how performance is measured, and which indicators are used to measure performance in budget support. This might be an important area for Social Watchers to develop further expertise.

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2 Denmark, Luxembourg, the Netherlands, and Sweden all provide at least 0.7% of their GNI annually in ODA. Norway is the only country outside the EU that is a member of this club.

Cross-cutting issues are particularly vulnerable through budget support, given that these are not treated as sectors. Social Watch and Eurostep published a report identifying this question in 2005, called 'Accountability Upside Down' (Eurostep/Social Watch, 2005), which lead to a conference organised by UNIFEM with the European Commission in 2005 identifying how gender equality would be implemented by the new aid modalities. The conference identified a number of instruments, in particular gender budgeting and monitoring the implementation of international instruments promoting gender justice, CEDAW, the Beijing Platform for Action and the Millennium Declaration. The Social Watch Gender Index was presented as a tool for performance indicators on gender equality.

Currently, Ghana is a pilot country for the EU to implement budget support in a co-ordinated fashion with EU Member States. Given that the revision of the Paris Declaration will also take place in Ghana in 2008, it is clear that the EU is hopeful that results with budget support in this country will prove to be successful. It will be important to identify whether budget support is helping to produce shifts in the national budget in the direction of the MDGs, and whether these budget shifts lead to greater investment in the MDGs and increased output towards their realization.

SOME CONSIDERATIONS REGARDING BUDGET SUPPORT

Cecilia Alemany (Social Watch)

A trend of the New Financial Perspectives 2007-2013 of the European Union is the fact that budget support is becoming widespread as an instrument for channelling cooperation in the developing countries. This mechanism involves reducing the high costs of mediating and administering cooperation, and points to expanding the strategic lines of national budget performance.

Although there are already some successful cases, the efficiency of budget support is still not clear. For one part, the requirements for payments can vary and in some cases present a new bottleneck, and for another, oversight mechanisms need to be clarified not just for the sake of the EU as the donor but also for the civil society and the local citizens.

Citizen oversight of budget support and budget performance is viable in some countries and even formal settings, while in others it seems that the conditions are still not ready because governments do not always have a culture of consultation or of policies of transparency. In addition, budget support will also be applied to some governments in which there are high rates of corruption. It would seem contradictory that while the EU points to the problems of governance in some developing countries, it simultaneously injects direct funding into their budgets.

On the other hand, budget support is part of the donor countries' trend toward aligning and harmonizing the donors (a trend that surged from the Paris Declaration) and assumes that the donors will negotiate in many cases in conjunction with the national authorities. This presents the logic of efficiency from the perspective of the EU, but one cannot ignore that this limits the receiving countries´ room for negotiation and conditions cooperation even more on the will of the donors. In a certain sense, while the empowerment of the national counterparts, efficiency, harmony and alignment of international cooperation are all heralded, the social organizations of the developing countries might ask themselves if this is not a resurgence of the ancient conditions of aid disguised in politically correct language. ■

Trade

The trade agenda is a key issue for the EU, in which the European Commission plays a central role.[3] Within the current Doha Round of the World Trade Organization (WTO) the EU has continually stressed that it is taking an approach to trade defining new trade rules that champion the interests of developing countries. This is not the view of most developing countries, however, who criticize the EU for maintaining an agricultural trade subsidy regime that gives unfair advantages to European producers, thus undermining the competitiveness of producers in developing country. A recent document on the EU budgetary proposals made a direct statement that EU trade policy was motivated by defensive and offensive measures to protect its own key interests (EEPA, 2006b).

The EU *Everything but Arms* trade regime for Least Developed Countries (LDCs) has failed to provide any real meaningful options for producers from those countries as it fails to tackle the constraints on producing goods to an acceptable EU standard.

Alongside the WTO negotiations the EU has been negotiating with different regional groups to establish regional free trade agreements. For the African Caribbean and Pacific (ACP) group of countries, the scope for negotiating Economic Partnership Agreements (EPAs) was embodied in the Cotonou Agreement, as a successor agreement to the Lomé Convention. The EU forced the inclusion of the EPA negotiations on the ACP so that by 2008 the EU trade arrangements would become compatible with WTO rules. In the face of substantial criticism that within the EPA negotiations the EU was once more failing to address the supply side constraints of ACP countries, the EU countries have stated that they will provide aid for trade to support adjustment costs of the EPAs once they are in place. However, this will be financed from the existing aid budget and therefore the compensation for losses of the ACP countries will be paid from the development budget and will therefore reduce the funds for the MDGs. Already, within the current budget negotiations the 'additional' money promised to compensate for the reform of the EU sugar arrangement with ACP countries, is arranged to be financed by a cut of resources for social development, affecting especially MDG sector funding for health and education. This is in addition to other cuts on the budget line which specifically targets the MDGs (EEPA, 2006a).

Debt cancellation

While the EU 2005 commitments on achieving the MDGs have been welcomed, concern remains on how these will be put into practice, and moves to change the framework in which the EU co-operation is pursued. A report published in May 2006 analized the current use of EU aid. Put together collectively by a number of NGOs from across Europe, the report concluded that a third of all official aid provided (some USD 14.4 billion[4]) in 2005 from the EU (Members States and European Community taken together) did not reach developing countries and remained within the donor country. Such expenditures include debt cancellation (USD 9.6 billion of which most was the cancellation of Iraq's export credit debts), financing the costs of migrants arriving from developing countries (USD 1 billion), and costs of education for foreign students (USD 1.2 billion). While these costs can be counted as official aid according to the definitions established by the OECD/DAC,[5] this does not provide resources for use in developing countries targeted at achieving the MDGs. For instance in the case of debt cancellation donor governments made a commitment at the Monterrey Financing for Development Conference in 2002 that debt cancellation would be implemented through the use of new resources. Since these were debt write-offs, these cancellations did not translate into additional funds being available for the MDGs. The countries being granted debt cancellation would not have been able to repay the debts that were cancelled, and so the additional levels of aid registered by donors was simply a bookkeeping exercise that inflated ODA levels.

Conclusions

Unfortunately, everything indicates that the implementation of the pledges is merely an accounting trick, rather than an increase in investments in the MDGs. The "war on terror" and migration issues are included

3 The European Commission is responsible for managing EU's trade policies and for negotiating trade rules and agreements on behalf of the EU.

4 Equivalent to EUR 12 billion.

5 The Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD).

GENDER BUDGET INITIATIVES IN CEE/CIS REGION

Network of East–West Women (NNEW)

After the first women's budget was established in Australia, in the mid - 1980s it has become an inspiration for several of the current initiatives all over the world. However it took a bit longer to implement the idea in Europe and especially in Central and Eastern Europe. The Commonwealth Secretariat (ComSec),[1] to which Australia belongs among others, has had an explicit programme of support for gender budget initiatives since 1996. The United Nations Development Fund for Women (UNIFEM) has not had an explicit programme but has, nevertheless, provided support of various kinds under other programme headings.[2] In 2005 the Council of Europe published a Gender Budgeting Report,[3] so the strategy of Gender Mainstreaming and Gender Budgeting itself are becoming more and more influential. Also in some countries in the CEE/CIS region Gender Budgeting has become quickly popular, especially in Kosovo and Georgia.

Kosovo[4]

Women's NGO Shoqata Afariste e Gruas SHE - ERA[5] has prepared the first analysis in Kosovo of Gender Budget and the impact of fiscal policies on the poverty level of rural women in the municipality of Gjakova. Their study presents the findings of research in Gjakova, focusing on the possibility of applying a gender perspective to the budget allocations of the Gjakova municipality. This research identified causes, problems and opportunities for introducing a gender balance in the allocation of resources, starting at the local level with a focus on the Department of Agriculture. The research revealed that the application of gender balanced policies in the agriculture development sector has five main constraints: the need to empower women farmers in the rural areas of Gjakova, a lack of ownership by women over the land they farm, municipal budget limitations and inadequate support from the local government towards rural agriculture development, the constant need to build the capacities of the Municipal Gender Office, the need to build the capacities of civil society for advocacy on gender balanced budgeting in municipal policies of all sectors.

1 Fifty-three independent states working together in the common interests of their citizens for development, democracy and peace: www.thecommonwealth.org

2 Budlender D., "Review of gender budget initiatives", Community Agency for Social Enquiry, 2001, http://www.internationalbudget.org/resources/library/GenderBudget.pdf

3 "Gender budgeting: Final report of the Group of specialists on gender budgeting (EG-S-GB)", Directorate General of Human Rights, Strasbourg, 2005

4 For further information, contact Mirlinda Kusari: lindawba@yahoo.com

5 The Story Behind the Numbers: Women and Employment in Central and Eastern Europe and the CIS: "Gender Budget analysis and the impact of fiscal policies on the poverty level of rural women in the municipality of Gjakova in Kosovo", Shoqata Afariste e Gruas/ Women's Business Association, Gjakova, Kosovo, 2006

Poland[6]

Network of East-West Women has raised the topic of Gender Budget in Poland. The Association coordinated "GdaÒsk Gender Budget Initiative", which main objectives were to point out to areas which demand improvement and present recommendation for action and advocacy. In the Report[7] many issues having an immediate impact on the lives of the inhabitants were raised. Due to the complexity of the research NEWW applied an interdisciplinary approach to the analysis. Among the most important problems that the inhabitants of Gdansk have to face are: lack of programs for seniors (both women and men), unequal treatment of women and men on the labour market and poor professional activation of women, long term unemployment of women and men. This report was an invitation to further discussion on the problems vital to GdaÒsk and finding possible solutions. It was also a suggestion that analyses of that type can be a tool to fight discrimination. The project presented Gender Budgeting as an excellent instrument for the city, local authorities and local community to advocate and apply more transparency in spending meant for the benefit of the local community. ■

6 For further information, contact Zofia Lapniewska: zofia@neww.org.pl

7 Balandynowicz-Panfil K., Opacka U.:ÑGdaÒsk Gender Budget Initiative", Network of East-West Women, Gdansk, Poland 2005

in aid programmes as a "broadening" of the definition of ODA next to long-standing priorities in infrastructure which remain in place. New aid modalities piloted on a large scale in the follow-up of the Paris Declaration – which the EU is spearheading – de-link aid to allocation in particular areas. While these new aid modalities may provide some opportunities, the hypothesis that these might advance the MDGs is untested. Given that the EU is by far the largest contributor to ODA, the largest sponsor of the MDGs, and currently heavily involved in large-scale testing of the new aid modalities, it may be concluded that there is considerable risk that the investment in MDG sectors will remain minimal, and that ODA is not targeted towards their achievement. In addition, the direction of the trade negotiations seems to fail to assist developing country partners and where compensation or extra measures are due, these are taken from existing development finance and redirected from direct investment in MDG areas.

The achievement of MDG 8 by the EU can therefore be regarded as extremely weak and currently lacking conviction and political will to implement the pledges made for the realization of the MDGs. ■

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