The European Union's contribution to the Millennium Development Goals

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The actual test of the EU's commitment to the Millennium Development Goals goes beyond the use of the EU's aid budget, or indeed the promotion of increased levels of ODA. Increased resources for the Millennium Goals will not succeed on their own. The EU can make an important contribution here, but its global responsibility also requires it to respond to challenges in other areas of the development paradigm, not least the macro-economic framework. Ultimately the EU will be judged by its willingness to take bold initiatives that help to secure an "enabling environment" for development.

The introduction of Euro notes and coins at the start of 2002 completes the replacement of national currencies in 12 of the current 15 member states by a single currency.[1] This is a tangible sign of the European Union's (EU) evolution and of its steady economic integration. Already the Euro is vying to compete as a global currency with the dollar, and over time "Eurozone" countries will increasingly act as a single voice within the International Financial Institutions.

The EU's global role will be further enhanced through the expected expansion from the current 15 to a potential 28 member countries over the next few years. It is expected that negotiations with 10 of the 13 candidate countries will be completed by the end of 2002 with the possibility that some, or even all of the 10, becoming members at the beginning of 2004.[2] This would coincide with the next elections for the European Parliament, scheduled for June of that year, and the appointment of a new Commission a few months later. Already, the influence of expected new members is being felt, with their heads of state and government invited to participate fully in the March 2002 European Summit.

To prepare the way for these substantial changes, a process has been launched to focus on the "future of Europe". In December 2001, EU leaders established a Convention tasked with bringing forward proposals on the future, and with making recommendations about changes that could be made to the Treaty on European Union. The treaty defines the objectives and scope of the EU, as well as the institutions, their powers and procedures. The aim is to reach agreement on amendments to the treaty before the European Parliament elections in 2004.[3]

On the international front, the EU has sought to promote itself as a champion of development, and particularly of the least developed and most marginal countries. In 2000, the EU adopted a development policy that made poverty reduction the principal objective of its development co-operation for the first time.[4] In May 2001, it hosted the Third UN Conference for Least Developed Countries (LDCs). In the lead up to this conference, it adopted the widely promoted *Everything but Arms* initiative, which provides duty and quota free market access for all LDC products for all exports into the EU apart from armaments.[5]

The EU has also been actively promoting the comprehensive "development" round of trade negotiations within the World Trade Organisation (WTO), particularly seeking to win support from developing countries for their agenda. At the same time, the EU has been seeking to establish a new generation of free trade agreements with groups of developing countries. For the 77 countries in the African, Caribbean and Pacific (ACP) group, whose terms of co-operation with the EU are defined by the Cotonou Agreement[6], there is a commitment to start formal negotiations on establishing Economic Partnership Agreements in September 2002.

Finally, in the lead up to the March 2002 UN Financing for Development Conference and the World Summit for Sustainable Development that will take place in Johannesburg six months later, EU leaders have started to promote the need for more official aid to support the implementation of the Millennium Development Goals. Not only have they re-endorsed the 0.7% UN target for Official Development Assistance (ODA), but have called for "tangible" initiatives to be taken towards achieving this goal.[7] The EU already provides more than half of total global ODA.[8] Four EU member states already provide more than the 0.7% target,[9] and others have set out timetables for reaching 0.7%.[10] There is already, therefore, a strong impetus to increase levels of ODA within the EU as a whole and it is on this basis that the EU is able to make a claim to global leadership. Even if the recent decision of the new conservative government in Denmark to cut aid by 10% undermines this claim, it does not fundamentally alter the picture as Denmark will remain part of the 0.7 club.

Even before these recent developments, the global economic power of the EU had been evident. Besides providing more than half of all ODA, the EU holds a third of the World's GNP, produces over a third of total exports on the world market and provides a half of the world's Foreign Direct Investment outflows. In addition the EU collectively holds the largest block of votes on the boards of the International Financial Institutions.[11]

Until now, the EU's political weight has not matched its economic influence in the international community. In the past, and even now, the EU's member states have been reluctant to compromise their individual external priorities,

1 The Eurozone countries include Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain. Notes and coins went into circulation on 1 January 2002 and by 1 March the national currencies in all 12 countries will no longer be valid.

2 The 13 countries are Poland, Hungary, Czech Republic, Estonia, Slovenia, Cyprus, Latvia, Lithuania, Slovakia, Romania, Bulgaria, Malta, and Turkey. Of these Romania, Bulgaria and Turkey are not expected to complete their negotiations with the EU by the end of 2002.

3 The Convention is a forum set up under former French president Giscard d'Estaing, to present proposals to the European Council in 2003. An Intergovernmental Conference will negotiate treaty changes to be agreed in the early 2004.

4 *The European Community's Development Policy - Statement by the Council and Commission*, November 2000.

5 Rice, sugar and bananas are excluded now with phase-in to be completed by 2008.

6 This refers to the ACP-EU Partnership Agreement signed in Cotonou on 23 June 2000. It establishes the terms of co-operation between the 77 countries of the ACP group and the European Union and is valid for 20 years. The financial instruments provided under this agreement are contained within the European Development Fund, which is negotiated every five years.

7 The European Council Declaration made in Gothenburg stated that *"the Union reaffirmed its commitment to reach the UN target for official development assistance of 0.7% of GNP as soon as possible and to achieve concrete progress to reaching this target before the World Summit for Sustainable Development in Johannesburg in 2002"*.

8 EU member states and European Commission combined.

9 Denmark, Luxembourg, Netherlands and Sweden.

10 Ireland has set itself a timetable to reach 0.7% by 2007.

11 Mirjam van Reisen, *EU Global Player: the North South Policies of the European Union*, International Books, 1999.

which reflect their own specific interests. Individual national approaches continue to undermine a common political position, but recent reform of the EU Treaty has started the gradual building of a common external political policy.[12] This is especially evident with regard to regions bordering the EU. With the coming of the Euro, the EU has added external political and monetary dimensions to its common positioning on trade.

In these three areas of policy, finance and trade, the internal interests of the EU are decisive in determining policy and practice, as is the practice of all states. The EU's current projection of global leadership, and its championing of the interests of the developing world, need to be set within that context.

At the level of the European Commission, the development of a common foreign policy is already affecting the traditional role of the EU in development co-operation. The European Commission manages almost a fifth of total world ODA. The new development co-operation policy adopted in 2000 stressed the needs of developing countries, placed the international development targets at the centre of the process, and promoted the concept of ownership by developing countries. However, the EU's stronger common foreign policy shows signs of eclipsing its development objectives.

There is concern that recent reforms of the European Commission will result in the marginalisation of development policy and that aid resources will be increasingly used to support the common political policies of the EU.[13] The latest reforms follow previous ones that were ostensibly pursued to improve the effectiveness of the Commission's aid programme. Already, development policy is being separated from the implementation of the aid programme. In addition, the current Commissioner for Development is directly responsible only for the country programmes for sub-Saharan Africa, the Caribbean and the Pacific, as well as for humanitarian aid.

Country programmes for Asia, Latin America and the Mediterranean fall under the Commissioner for External Relations – whose principal responsibility is external political relations. The External Relations Commissioner is also the Chair of the board that oversees the EuropeAid Office within the Commission.[14] EuropeAid was established as a technical office in early 2001. It is tasked with the complete cycle for implementation of most of the Commission-managed aid programmes. Consequently it has been growing rapidly in terms of personnel, initially at the expense of other parts of the Commission, particularly the Directorate for Development. The Commissioner for Development is a member of the board of EuropeAid, with the designation of Chief Executive Officer.

The European Parliament has sought, as part of its budgetary authority,[15] to establish a means by which the Commission-managed aid programme could be more clearly directed towards its principal objective – poverty reduction – and to directly support the achievement of international development goals. For the 2001 budget, the European Parliament succeeded in setting indicative output targets for EU programmes for ACP, Asia, and Latin America. These were set out in a form that identified indicative priorities for the use of resources in these regions according to the categorisation system of the Development Assistance Committee (DAC) of the Organisation for Economic and Development Co-operation (OECD).[16] The indicative figures drew on statistical information that the Commission provided on the use of its resources in previous years. The intention was for these indicators to be used as a comparison with the final figures when the European Parliament discharges the 2001 budget in 2003.

Initially the Commission's Directorate for Development was supportive of these proposals, but after interventions from External Relations the Commission sought to remove these targets. It was argued that these output targets put the Commission into a "straight jacket" when it needed flexibility. It was also maintained that setting targets contradicted the notion of developing country ownership. It was further argued that, since the EU's support was part of overall donor contributions, it may not be appropriate for Commission-managed finance to be used for supporting specific sectors as other donors might already be funding these sectors. Ultimately, the Commission also stated that it would not be in a position to provide the statistical information sought with the current systems in place, and therefore the exercise was in any case futile.[17]

The compromise reached between the European Parliament and the Commission for the 2002 budget is that within the EU's budget for the ACP, Asia and Latin America a global figure of 35% should be spent on social development. This was defined as "*including macroeconomic assistance with social sector conditionality, are allocated to social infrastructure, mainly education and health, recognising that the EU contribution must be seen as part of the overall donor support to the social sectors in a given country and that a degree of flexibility must be the norm"*.[18] This at least ensures that the issue of utilising Commission managed funds towards meeting the Millennium Development Goals remains a focus of accountability.

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Meeting the Millennium Development Goals also requires an "enabling environment" that is far from evident in most countries. Ultimately the EU will be judged by its willingness to take bold initiatives that help to secure such an environment. Central to this must be a willingness to ensure that its external policies give sufficient space to safeguard the interests of those beyond its borders, and not just pursuit of policies derived from internal self-interest. ■

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12 The Maastricht Treaty (1992) established the Common Foreign and Security Policy, but it effectively became operable only under the changes made in the Amsterdam Treaty (1999).

13 Mirjam van Reisen, *European integration and enlargement. Is there a future for European development policy?* Brussels, October 2001.

14 The Board of EuropeAid is comprised of the four Commissioners with external responsibilities: Chris Patten (External Relations) who is Chair; Poul Nielson (Development and Humanitarian Assistance) - Chief Executive Officer, Pascal Lamy (Trade) and Günter Verheugen (Enlargement). Pedro Solbes Mira, Commissioner for Economic and Monetary Affairs is also a member of the Board.

15 The EU's budgetary authority comprises the European Parliament and the European Council.

16 These were set out in five main categories: social infrastructure, economic infrastructure, production sectors, multi-sectoral/cross cutting and commodity aid and general programme assistance. The aim was to get increased support for the first category, and particularly for basic education and basic health.

17 The Commission is in the process of establishing a system that will provide DAC with compatible information.

18 Set out in the commentary of the relevant budget lines within the EU 2002 budget.