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The eyes in the European Union are focused on the 21st century. In September 1998 negotiations will start on the future relationship between the European Union and 70 African, Caribbean and Pacific countries. Since 1957 consecutive Conventions have arranged the relations between the European Union and, at first, some African countries. It has been decided that it is now time for this relationship to enter a new phase. The debate on how this new relationship may be shaped takes place in the light of major changes ahead in the European Union, including the enlargement with Eastern European countries. It is, therefore, an important time to establish where aid has failed, and where it has been successful.

CO-ORDINATION IN A SOCIAL POLICY BASED APPROACH

The HDS resolution is particularly important because it sets out new practical avenues for a much more focused European Union development policy. Part of the thinking is that *governments from the recipient countries should be empowered to design and implement development programmes, which are then supported by a co-ordination of donors*. In the past this has not proven to be easy and it has been acknowledged that aid given by the various donors in manifold approaches is counterproductive. It is, therefore, important that current experiments on co-ordination of policies are further tested. These endeavours are currently happening in the field of education and health. Eventually the aim would be to create more coherent operations of policies focused to enhancing the macro-economic framework and other sectors of policy areas. This would also help strengthen the *ownership* of the development programmes by the recipient country. A precondition would be for the partner government and the donor countries to be committed to the process, as well as an involvement of civil society institutions.¹

HUMAN AND SOCIAL DEVELOPMENT IN THE EUROPEAN UNION

Current thinking in the Commission is that with the SDP's further co-ordination could eventually also be achieved with the World Bank, which has launched so-called Sectoral Investment Programmes (SIPs).²

It is important to note that such an approach paves the way for much stronger elements of *budget support* in development aid. This will eventually require a different nature of *aid conditionality*, linked to results which are measured in terms of the output achieved in recipient countries.

As was reported in *Social Watch* last year, the European Commission intended to give preferences in granting aid and commercial preferences to countries that respect basic social and labour rights. In 1996 the European Commission did an investigation concerning Burma, that had been granted the Generalised System of Preferences (GSP) in industrial benefits in 1995. The GSP offers developing countries preferential custom tariffs as a means of supporting their exports. The Commission proposed unanimously a withdrawal of the GSP because of forced labour practices. With this decision it implemented for the first time the human rights clause of the new GSP. An important element of the decision was that a withdrawal had been called for by Burmese opposition leader and Nobel Laureate Daw Aung San Suu Kyi who believed that the citizens of Burma did not benefit from enhanced trade of Burma with the European Union. The Commission based its decision on two observations «...namely that forced labour practices are systematically conducted by state authorities and that no effort is made to correct the situation.»³ This explanation is very important because it sets the decision in the context of the practice of the government and it would not necessarily be applicable to a country where these rights are violated by non-state actors, while the government attempts to remedy the situation.⁴ This shows that the Commission wants to move the practice of conditionality to «good governance» by the government.

¹ European Commission, Sectoral Development Programmes. Draft, *Internal Document*, 7/11/96.

² Although the SIP's at present suffer from neglect in key areas.

³ Comment by Josef Call I Carbo, spokesman for the Commissioner responsible for the issue. Manuel Marin, quoted in: «Europe» N° 6878, p.13, 19 December 1996.

⁴ The decision was mainly symbolic as Burma's losses would be worth only ECU 287 thousand in 1997. Although the criteria for the suspensions given by the Commission limit this decision to a very particular situation. It was ironic that France threatens to block the decision when it comes in the Council, because of its interests in Burma relating to the oil company TOTAL. However, France strongly supports the inclusion of a Social Clause in the WTO.

COUNCIL RESOLUTION ON HUMAN SOCIAL DEVELOPMENT

The European Union undertook a clear and specific commitment this year to the implementation of the Social Summit and the Women's Conference when the European Council adopted a resolution on Human and Social Development. The following are the key quotations of the text as it has been adopted by the Council.⁵ The Council calls on the Commission and the Member States to:

- a) *«Move HSD upstream into the core of macro-economic policy design and implementation; the macro-policy dialogue with partner countries and decisions on economic reform programmes and debt relief need to take full account and underpin policies of human empowerment, broadly based and equitable economic growth, expansion of employment and productivity, health and education; to achieve this there is a need to involve HSD specialists as well as macro-economists in policy dialogues, design and implementation.»*
- b) *«Secure a sufficiently high level of financial resources for HSD, especially in regard to health and education; in this regard, the Council recalls the agreement reached at the World Summit for Social Development in Copenhagen on a mutual commitment between interested developed and developing country partners to allocate, on average, 20 per cent of ODA and 20 per cent of the national budget, respectively, to basic social programmes.»*
- c) *«Accord high priority to HSD indicators when assessing the overall development performance of a particular country; (...) this implies a change in donor conditionality, with greater emphasis on efforts and results in poverty reduction and HSD.»*
- d) *«Increase effectiveness of support for HSD by strengthening initiative, responsibility and mobilising of partner countries in designing and implementing their own policies and by deepening co-ordination between partners (...) this implies a change in donor conditionality, with greater emphasis on efforts and results in poverty reduction and HSD.»*
- d) *«Increase effectiveness of support for HSD by strengthening initiative, responsibility and mobilisation of partner countries in designing and implementing their own policies and by deepening co-ordination between partners (...) It is, therefore, necessary to accelerate and gradually extend the (...) "Sectoral Development Programmes", whilst concentrating on the pilot countries for co-ordination (...); close co-operation with other donors, in particular the World Bank, will also be needed to implement the approach.»*
- e) *«Better integrate HSD considerations -including gender balance- into programmes and projects in other policy areas (...)*

«The Council calls on the Commission and the Member States to pursue these policy priorities and lines of action actively in the dialogue with developing countries; in the international fora and in their co-operation with other donors. It also calls on the Commission to report to the Council and to the European Parliament by the end of 1998, on progress achieved in the implementation of the present resolution.»

FUTURE DIRECTION OF AID

In the year 2000 the Lomé Convention will expire. In order to prepare for the negotiations the European Commission has presented a Green Paper, a discussion document.

The Green Paper observes that the relationship between the European Union and the ACP countries will enter a new phase; that this renewed relationship will have to be based in the reality of the new global context, and thirdly, that the innovations will have to increase the efficiency of the co-operation programme. It then considers the following framework.

Firstly, the set up of trade agreements need to be changed to

recognise the changing international trade regime set out in the World Trade Organisation. As a result of the acceleration of liberalisation the relative value of preferential trade agreements -a major component of European aid so far- will be diminished. The options proposed vary from maintenance of the status quo to a differentiated reciprocity scheduled towards regional Free Trade Agreements.

Secondly, differentiation will be required to respond better to specific economic and political realities in the ACP. The options vary from maintenance of the status quo to regional Lomé Agreements or a specific agreement between the EU and Least Developed Countries also outside the present ACP group. In the latter

⁵ European Council. *Human and Social Development and European Union Development Policy - Council Resolution*, 22.XI.1996. See also: Commission staff working paper, Human & Social Development (HSD) and European Union Development Co-operation, October 1996, SEC(96) 1827, unpublished.

case it would be envisaged that countries could 'graduate' out of the Lomé agreement.

Thirdly, the debate should take place within the context of the future shape and external relations of the European Union, which will be determined by the Inter Governmental Conference. It should seek to improve co-ordination between the EU Member States. For instance, consideration could be given to an agreement which also encompasses the bilateral programmes of the Member States. It would also be necessary to strengthen coherence of European Union policies.

Finally, the macro-economic framework of development should be enhanced by supporting the private and commercial sector through measures that foster private investment. This includes co-operation to reduce external debts.

Globally the design evolving captures the following elements: a development co-operation whose main objective is to contribute to the reduction of poverty, within a liberalisation of trade and possibly moving towards the establishment of Free Trade Areas. The European Union would consider orientating itself to global financial envelopes to support a more policy oriented type of co-operation. In such an approach programmable aid would be granted with greater selectivity based on criteria of «performance» and «good policy». In this approach the concept of «need» would be replaced by «good management».

SOME CRITICAL REMARKS ON THE GREEN PAPER⁶

Although various options in each area are being given the implicit proposal mapped out in the Green Paper seems to be:

- regionalisation and graduation of new agreements instead of a global Convention; this may well decrease the power of the ACP countries as a group.
- a differentiated reciprocity to bring trade co-operation in line with WTO agreement, even if waivers could in fact be obtained for the Least Developed Countries.
- Rationalisation of the programme from project support to budget support, with greater conditionality based on performance over longer periods in macroeconomic, monetary and social areas.
- finally, inclusion of new actors in the co-operation, particularly the private sector and NGOs.

Such a set of measures does correspond clearly with the overall direction of the EU external policies at present, including the developed countries. This prompts the following remarks.

Free Trade Agreements of the EU have been partial in liberalisation. Particularly major areas of agricultural policy are generally left out of the agreements. The fact that the EU's Common Agricultural Policy is not discussed in the document is, therefore, a major omission since it is both a major area of common European Policy and of fundamental importance to the trading base -and therefore the macro-economic performance- of ACP countries.

Although «poverty» is regarded as one of the main objectives of development co-operation in the Green Paper, there is no analysis of how elimination of poverty might be achieved from the proposed package of measures. This is particularly surprising as the resolution on Human and Social Development discussed above gives very clear indications of how poverty can be reduced through an approach which enhances human capita. Such an approach should in fact serve as the basis for any proposals elaborated in the Green Paper. Experience shows that it cannot be automatically assumed that the budget support is used for elimination of poverty. The European Court of Auditors notes in this respect «...Although the provision (...) of the Lomé Convention insists that particular attention be paid to the most vulnerable social categories, (...) it is clear that in some countries there has been a shift in favour of measures to restore the financial equilibrium to the public sector. In so doing, the EDF's resources have not been allocated in full to the poorest elements in society.»⁷

The discussion in the Green Paper of the relationship between Emergency Aid and Development Assistance is unsatisfactory, particularly given the fact that the proposed change which gives more «ownership» with the recipient government and greater conditionality based on performance suggest that an important task would be for emergency aid to fill the gaps in countries where governments cannot be supported through the proposed co-operation because they do not fulfil the criteria of success required.

The options suggested in the Green Paper are not related to the capacity for implementation of the European Community. This is particularly relevant as the present capacity is greatly unsatisfactory for proper implementation of the Convention.⁸

Disappointing is the lack of thorough consideration of how the involvement of private sector and NGOs might be shaped in the new agreements. Especially because they are likely to play a key role in increasing the accountability and good governance of the recipient governments, a precondition for the effectiveness of more budget support.

The proposals brought forward in the Green Paper to strengthen budget support require an advanced system of monitoring and

⁶ European Commissions, GREEN PAPER on relations between the European Union and the ACP countries on the eve of the 21st century. Challenges and options for a new partnership. UNPUBLISHED DRAFT, 14 November 1996. The Commission invites feedback, this can be returned to the Directorate for Development, European Commission, Rue de la Loi 200, B-1049 Brussels, Belgium. This section is based on: Mirjam van Reisen, Summary and Comments to the Green Paper on the Relationship between the European Union and the ACP countries. Towards the 21st century, Contribution to the Consultation meeting between Eurostep and Southern African partners, 26-28th November 1996b, Kadoma, Zimbabwe.

⁷ Official Journal of the European Communities. Annual Report concerning the financial year 1995, Luxembourg, 12.11.96: 312.

⁸ See for instance: Maxwell, S. Does European Aid Work? An Ethiopian Case study. Working Paper 46, IDS, Sussex, 1996.

well developed indicators to measure the progress made by the recipient countries. This would necessitate that independent evaluation would be given a very important role. It would be useful if some kind of independent complaints procedure could be established. Also the European Court of Auditors note that: «...the targeting of the counterpart funds should be less detailed (...) but should be accompanied by quantitative objectives to be achieved in the social sectors and by setting up of a monitoring and assessment system.»⁹ This area is overlooked in the Green Paper.¹⁰

Finally, more attention should be given to the crucial question as to how the European Community Programme may complement European bilateral programmes. The Community Programme should not be considered as 16th bilateral programme of the European Union. The additional value the EC programme has in terms of the role it can play to improve co-ordination of the EU bilateral programmes should be a primary target of the deliberations on the future of EU development assistance. This of course requires an intention of the Member States to work towards this end. It is the important conclusion of the Court of Auditors that: «In view of the very considerable needs of these countries (ACP, MvR) in the basic social service sectors (health, education), EDF funding of targeted expenditure does not by itself make it possible to limit the negative effects of structural adjustment on the most deprived of society. Indeed the budget does not necessarily favour the social dimension of public measures, and this is a fact over which the Commission does not in practice always have the necessary control. In this respect it looks as if budget support can only be a really effective instrument provided that it is linked to closer involvement of all donors...»

A NEW EUROPEAN DEVELOPMENT AGENCY?

One of the greatest difficulties regarding the feasibility of the proposed ideas is that the possibilities for failure or success almost entirely depend on the capacity of the administration to implement it properly. This is also a problem in relation to the resolution on Human and Social Development. While the intentions are excellent, the European Commission has an immense problem to implement its resolutions at present. The Commission's Directorate for Development is enormously understaffed both in Brussels and in the delegations and it has hardly any expertise in house on social and human development policy areas, let alone on gender. The staff is continuously pressurised by the Member States, while the Member States demand increasing control over what is being decided by the European Commission.¹¹

It is therefore suggested that the Commission establishes a separate agency outside the administration that is specialised in development co-operation. This would be an alluring idea if the European Union programme would succeed to encompass a framework in which national programmes would help strengthen a common European approach to poverty elimination. Whether this may be possible depends on the willingness of the Member States to establish some common objectives to work towards, and to give the European Commission a capacity that fits the tasks it is given to implement.

- EUROSTEP is a coordination of 22 non religious development organisations in Western Europe.

⁹ Official Journal of the European Communities, *ibid.*, 1996.

¹⁰ This becomes even more of an urgent matter as the European Parliament has cut the budget for the evaluation unit of the Development Directorate in the Commission for budget year 1997.

¹¹ Mirjam van Reisen, *ibid.* 1996b.