

**Directing EU Policy
Towards Poverty Eradication
From Commitments to Targets to Results...**

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Acronyms

AASM	Associated African States and Madagascar
ACP	Africa, Caribbean and Pacific
ALA	Asia and Latin America Programme
CEEC	Central and Eastern European Countries
CFSP	Common Foreign and Security Policy
CIS	Commonwealth of Independent States (of the former Soviet Union)
CSP	Country Strategy Paper
CSS	Country Support Strategy
DAC	Development Assistance Committee (OECD)
EC	European Community
EDF	European Development Fund
EIB	European Investment Bank
ESAF	Enhanced Structural Adjustment Facility
EU	European Union
GNP	gross national product
HIC	high-income country
HIPC	Highly indebted poor country
IMF	International Monetary Fund
IPRSP	Interim PRSP
ITeM	Instituto Tercer Mundo
LDC	least developed country
LIC	low-income country
LMIC	low- to middle-income country
MEDA	Measures to accompany activities in favour of Mediterranean partners
NIP	National Indicative Programme
NIS	Newly Independent States (of the former Soviet Union)
OA	Official Assistance
OCT	Overseas Countries and Territories
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OOF	other official flows
PHARE	Programme for Central and Eastern European Countries
PRGF	Poverty Reduction and Growth Facility
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
SAPRIN	Structural Adjustment Participatory Review Network
TACIS	Technical Assistance for the Commonwealth of Independent States
UN	United Nations
UNDP	United Nations Development Programme
UPICs	upper- to middle-income countries (and territories)
WTO	World Trade Organization

Preface

‘You want to know how I define poverty? How can you ask the question when you yourself see that I live in poverty? The definition of poverty is right in front of you. Look at me. I stay alone. I don’t have enough food. I have no decent clothing or accommodation. I have no clean water to drink. Look at my swollen leg. I can’t get to the clinic, which is too far for me to walk. So what kind of definition of poverty do you expect me to give you which is better than what you are seeing with your naked eyes?’

(Grandmother from Chipinge, Zimbabwe)

I would first like to make a personal comment on the terminology related to ‘poverty’. This paper is about poverty, and as such relates to people living in poverty. I do not like to refer to these people as ‘the poor’. The people living in poverty I have met are mostly remarkably resourceful and have an admirable wisdom and outstandingly practical view of life. Rarely have I benefited from tastier meals than those I received in the most remote areas, prepared by people who fit into the category of those earning ‘less than a dollar a day’. It is important to recognise that behind the mask of poverty there are real people of flesh and blood who are trying to live or survive. These are not ‘the poor’ by definition, but only because their circumstances make them so.

As another note on terminology, the Community aid programme comprises the programmes implemented by the European Commission and by the Member States. Strictly speaking, the term ‘Community programme’ can mean the Community programme including or excluding those of Member States. In this paper, the term refers to the Community programme implemented by the Commission, excluding Member States, unless specifically stated otherwise.

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1 Introduction

At the UN World Summit for Social Development in Copenhagen in 1995, the concept of poverty eradication was for the first time included in the language of the international community. Since then, progress has been made with integrating the concept into the international commitments of nations.

The recent policies of the European Commission dealing with poverty eradication reflect changes in the international community. While this is heralded as a new development, an historical analysis of Community aid shows that the commitment to poverty eradication dates back to the late 1970s. Furthermore, the resolutions of the European Parliament in the 1980s show remarkably little difference from their predecessors, despite numerous reforms by the Commission and important changes in the international context. Consequently, little use has been made of the wealth of experience in the area of poverty eradication.

The difficulty in attaining the goals of poverty eradication policies seems to be the conversion of long-standing commitments on paper into measurable actions and results. The Commission insists that its external policies are now geared towards poverty eradication. If this lofty ideal is indeed more than just rhetoric, it should be supported by structures and specialised staff who are able to implement those policies. The commitments should also be backed up with quantified data and evaluations of the impacts on poverty. Such yardsticks of progress are not available.

Europe can make a difference. Its commitment to poverty eradication should be translated into actions that yield visible results. The recent international context provides opportunities for doing so. The September 11 attacks on New York and Washington and the 2001 UN Conference on Racism and Xenophobia in Durban, South Africa, highlight the complexity of international affairs, yet global cooperation to reduce poverty and despair is essential for safeguarding world peace and contributing to the implementation of the Millennium development goals.

This paper examines the efforts of European institutions to redirect development policies to assist people living in poverty. These efforts are assessed within the international context of new ideas about how poverty eradication can best be achieved. This paper therefore addresses the following questions:

- What has changed recently in the policy orientation of the international community towards poverty eradication?
- What has been the policy of the European Community so far in relation to the eradication of poverty?
- How has the European Community responded to the policies of the international community intended to eradicate poverty?
- How can the activities of the European Community in poverty eradication be enhanced?

The Commission distinguishes three levels of poverty as the foci for directing Community aid. Under the primary poverty focus, aid is directed towards the poorest, least developed countries (LDCs). Under the secondary and tertiary poverty foci, aid is directed at the 'poorest sections' in developing, low-income countries (LICs) and middle-income countries (MICs), respectively. Accordingly, this paper analyses the European Community's policy to eradicate poverty at each of these three levels.

2 Poverty Eradication: The International Dimension

2.1 International Commitments to Poverty Eradication

At the UN World Summit for Social Development (the Social Summit) held in Copenhagen in 1995, 117 heads of state or government and the European Community made an historic commitment to eradicate absolute poverty, and adopted concrete plans and initiatives. The measures agreed were not some vague and general commitments, but included concrete and measurable targets in a number of areas that would have an immediate impact on the lives of people living in poverty. Among these, the governments committed themselves to achieving the following goals by 2015 at the latest:

- basic education for all;
- ensuring that 80% of children finish primary school;
- reducing by one-third 1990 infant mortality rates;
- providing blanket vaccination;
- reducing by one-half 1990 malnutrition levels;
- providing medical care for women during pregnancy and childbirth;
- increasing life expectancy to over 60 years;
- providing drinking water and sanitation for all;
- eliminating the gender gap in literacy; and
- ensuring equal access to primary school for girls and boys.

The rich countries also made a commitment to designate 0.7% of their GNP to aid, and to reduce their military expenditures. In establishing these commitments at the Social Summit and in subsequent processes, the international community adopted crucially important, measurable targets as part of the overall effort to eradicate poverty, acknowledging that:

- poverty can not be defined solely (and thus resolved) in terms of income;
- the eradication of poverty should be related to greater investment in social sectors;
- common targets need to be established and agreed upon in order to measure progress towards poverty eradication; and
- the progress in eradicating poverty can be measured using objective and quantifiable criteria other than the one-dimensional aspect of income.

In 1996, the group of industrialised countries that coordinate their aid through the OECD's Development Assistance Committee (DAC), including the Commission, elaborated and adopted time-bound targets, which were related to the commitments made in the United Nations.¹ Meanwhile, concerns were growing that in terms of implementation, public aid money was not adequately focused on the fight against poverty. The DAC members recognised the need to redirect their policies towards output- and results-oriented approaches, so that the successes of development aid would be more visible to the public. They also recognised that social development – particularly in primary education, gender equality and basic health care – was a crucial aspect in any strategy focused on the eradication of poverty. The importance of environmental sustainability and regeneration was also acknowledged.

¹ OECD, *Shaping the 21st Century: The Contribution of Development Cooperation*, Paris, March 1996.

Box 1: Achievability of the DAC Targets

In an assessment of whether the identified poverty reduction targets were achievable, the World Bank concluded that the evidence was mixed. If poverty is measured in terms of income, then poverty outcomes are a function of the overall level of economic growth and the extent to which the poor participate in that growth. The Bank concluded that there is an intimate link between poverty goals and social goals. The researchers concentrated their analysis on two goals: halving extreme poverty and reducing by two-thirds the child mortality rate, and concluded that ‘considerably more effort is needed today – in improved economic management, and in increased public and private efforts to improve the social conditions of the population at large’.²

The Knowledge Network for Poverty Reduction, a group of economists coordinated by the UNDP, examined the patterns of economic growth and poverty in 38 countries.³ The study found that high growth is not a guarantee of poverty reduction, and concluded that: ‘These results suggest that policymakers need to be concerned not just about the pace of growth but also its character. [...] Countries need to directly empower the poor and create for them an environment conducive to more employment and high incomes’. In its report, *Overcoming Human Poverty*, the UNDP noted that in order to reach the targets, the following key points must be acknowledged:

- ‘old-school’ prescriptions – supplementing rapid growth with social spending and safety nets – have proved inadequate;
- countries must link their poverty reduction programmes not only to their national policies, but also to their international and financial policies; this will include linking international trade policies to poverty;
- there must be responsive and accountable institutions of governance;
- capacity building, self-organisation and empowerment of people living in poverty are essential;
- resources must be focused on the poor.

2.2 Defining Poverty Eradication

The UN Millennium Summit, held in New York in September 2000, placed poverty in a broader context of *social exclusion*, reflecting the concerns that poverty is related to the process of social disintegration, and that economic liberalisation has undermined social cohesion.

Poverty can also be defined as a *denial of human rights*, emphasising that people living in poverty feel powerless and voiceless. Much work is currently under way to define poverty as a denial of rights, capabilities and access to resources. Understood in this way, the exacerbation of poverty can be interpreted as a violation of human rights, and thus poverty eradication is an *obligation* under the human rights treaties.

The DAC committed itself to reducing by one-half of the proportion of people living in (extreme) poverty. Based on the World Bank standard of \$370 per capita in annual income, or about \$1 per day, ‘it is estimated that 30% of the population in developing countries – some 1.3 billion people – live in extreme poverty, and that their numbers are increasing’.⁴ The DAC stated explicitly that the goal it had identified would not be the end-goal, and that it ‘obviously goes only part of the way toward meeting the global poverty eradication target identified at Copenhagen. But it seeks to give the target a concrete, attainable focus for the medium term’.

At the UN Millennium Summit, world leaders endorsed the target to halve extreme poverty by 2015. The Summit confirmed the definition of extreme poverty as ‘people whose income is less than one dollar per day’, and added ‘people who suffer from hunger and [those] who are unable to reach or to

² L. Demery and M. Walton, *Are Poverty and Social Goals for the 21st Century Attainable? Poverty Reduction and Economic Management Network*, World Bank, May 1998.

³ UNDP, *Overcoming Human Poverty, Poverty Report 2000*, New York, 2000

⁴ OECD, *Shaping the 21st Century: The Contribution of Development Cooperation*, Paris, March 1996.

afford safe drinking water'.⁵ Defining poverty in terms of income alone is problematic because it almost inevitably guides proposals for economic policies formulated in terms of economic growth, as the only parameter of so-called pro-poor policies.

The Community's definition of 'poverty' is a mixture of the above: 'Poverty is multidimensional. People are poor when they lack the capability to meet adequate standards of wellbeing, in terms of economic, social and human security levels, civil rights and political empowerment. Thus poverty reduction is closely intertwined with development issues'.⁶

2.3 National Strategies for Poverty Eradication

As an outcome of the 1995 Social Summit, the agreed programme of action was based on the idea that strategies for poverty eradication were the responsibility of national governments. At the same time, the international community was responsible for creating an economic and political environment that would be conducive to social development.

In committing themselves to the programme of action, the heads of government acknowledged that national 'ownership' requires a transparent and accountable government that recognises the rule of law and the independence of the judiciary. They also believed that encouraging partnerships with civil society and its representative organisations would enhance the quality of governance. Hence, the concepts of ownership, good governance and civil society are related and stem from the recognition that the national administration, led by a legitimate and representative government, should be in charge of national policies for development.

2.4 International Financial Institutions and Poverty Eradication Strategies

Until 1995 the International Monetary Fund (IMF) had denied any linkage between its activities and social development or poverty eradication. The World Bank, on the other hand, had been looking at ways to enhance its policies aimed at reducing poverty. In its 1989 annual report, the Bank stated that: 'The central goal of the World Bank is the reduction of poverty', and that ways to achieve this are 'at the heart of the Bank's activities'. In September 1989 the then President of the World Bank, Lewis Preston, made poverty reduction the Bank's primary objective.

In its 1990 *World Development Report* and in a 1991 policy paper, *Assistance Strategies to Reduce Poverty*, the World Bank explained its mission to reduce poverty. This strategy had two main elements. The first was concerned with the nature and rate of economic growth, including the macroeconomic framework for market liberalisation for private investment and expansion of the private sector. The second was concerned with providing services to the poor, including social safety nets 'designed to protect the poorest and most vulnerable people from extremes of privatisation'.⁷ The mounting criticism of this approach, culminating at the time of 1995 Social Summit, claimed that the strategy contained many contradictions. In particular, the macroeconomic policies that were designed to foster liberalisation were creating poverty, and social safety nets were by no means effective in redressing that problem.⁸

⁵ UN General Assembly, Millennium Declaration, September 2000.

⁶ Commission of the European Communities, *Measures taken and to be taken by the Commission to address the poverty reduction objective of EC development policy*, Commission Staff working paper, Brussels, 26 July 2001, SEC(2001)1317, p. 4.

⁷ World Bank, *Assistance Strategies to Reduce Poverty*, policy paper, Washington, DC, 1991.

⁸ Stiglitz, J., 'Better to have the new World Bank than the old one', Letter to the Editor, *Financial Times*, 31 August 2001.

The 1995 Social Summit recommended that the multilateral organisations needed to create an international framework that would allow national governments to run their own countries. In addition, the Summit agreed that the policies of the multilateral organisations would also need to be reviewed, in particular the World Bank and the IMF's structural adjustment policies, trade policies, including within the framework of the World Trade Organisation (WTO), and debt relief policies.

In September 1999, the World Bank and the IMF launched the new Poverty Reduction Strategy (PRS). As part of the strategy, the IMF's Enhanced Structural Adjustment Facility (ESAF) was renamed the Poverty Reduction and Growth Facility (PRGF). Through Poverty Reduction Strategy Papers (PRSPs), a government would produce its own national policy programmes, with a renewed emphasis on poverty eradication as the focus for its economic and social policies. One of the practical implications of the PRSP was that access to the PRGF would '... require a PRSP which has been *endorsed* by the boards of both the IMF and the World Bank'.⁹ The PRSP, or an Interim PRSP (IPRSP), would also be required for candidate countries applying for access to Highly Indebted Poor Country (HIPC) debt relief facilities or other forms of international assistance. The conceptualisation of the PRSPs departed from the Social Summit's premise that social development is the responsibility of the national government, provided that the government is representative and accountable, and that the administration is enhanced by interactions with civil society.

The IMF and the World Bank have concentrated on the issue of how to enhance national responsibility for social development and poverty eradication. However, they have not re-assessed their own policies, which are part of the 'enabling' environment, as structured by the multilateral organisations. As a consequence, by focusing on national responsibility, they have not reviewed the constituent elements of the structural reform policies that have exacerbated poverty.

2.5 Towards New Conditionalities

Although the conditionalities for funds under the structural adjustment facilities had originally been limited to measures in the macroeconomic area, the PRSP extended conditionalities to the policy areas of social development, poverty eradication, good governance and human rights. The redirecting of national policies in this way is in line with international commitments. However, the specific tying of these policies to approval from the boards of the multilateral organisations as a means of access to additional resources has created tension. The idea of 'ownership' does not sit comfortably with the required endorsement by the boards of the World Bank and the IMF. In other words, the principle of ownership of country programming has become a reality of conditionality.

The contradiction between ownership and conditionality is even more pronounced by the implication that the PRSP needs to be supported by all providers of external assistance. The need for coherence and coordination in donor support is well documented, and the PRSP provides an opportunity for preventing conflicts among donor policies, as external support would be mobilised around a single poverty reduction plan. However, the PRSP also increases the power of the donor community to dictate conditions – which is in contradiction with the notion of ownership.

The IMF and the World Bank persist in viewing a particular form of economic growth as the only policy option underpinning the PRSP. This view seriously limits the scope for governments to determine their own national policies for poverty eradication and social development, and hence undermines the very idea of ownership.

⁹ Original emphasis. European Commission, *ibid.*

2.6 The Role of Civil Society

Just as international conventions have focused on obtaining poverty eradication commitments from governments, civil society organisations have also adopted their own approaches to participate in and monitor the debate in the international arena, and to highlight anomalies in the strategies of the international community. For example:

- Established at the 1995 Social Summit, Social Watch is an international network of citizens' organisations working to eradicate poverty and promote human by means of advocacy, awareness raising, monitoring, organisational development and networking. The international secretariat of the Social Watch is based in Montevideo, Uruguay, and is hosted by the Third World Institute (ITeM).
- The Structural Adjustment Participatory Review Network (SAPRIN) is a global network of 1200 civil society organisations whose aim is to challenge the imposition of structural adjustment programmes on developing country governments. The initiative is in line with the ten commitments adopted at the Social Summit, at which governments agreed to review the impacts of structural adjustment programmes on social development.

3 The Evolution of Community Assistance

The Treaty of Rome and contractual obligations resulting from the convention on food aid provided the legal basis for Community aid. When the embryo Community was established, four of the six original Member States – Belgium, France, Italy and the Netherlands – were administering dependent territories. The Treaty of Rome made provision for the association of these Overseas Countries and Territories (OCTs) with the Community, and the European Development Fund (EDF) was created to offer them financial assistance. In subsequent years many of these countries became independent. In 1963, 18 former colonies (mainly French-speaking) formed the Associated African States and Madagascar (AASM), and signed a first agreement with the Community, the Yaoundé Convention, to pursue the established relations. In the early years, an additional instrument related to food aid was created, the costs of which were covered from the Community budget. This food aid initially consisted entirely of deliveries in kind taken from surpluses produced in Europe as a result of the Common Agricultural Policy.

The enlargement of the European Community in 1973 to include the United Kingdom raised the issue of the 20 developing countries that were members of the British Commonwealth. Several of these, other former British colonies in Africa and Ethiopia joined the African, Caribbean and Pacific (ACP) group of countries, when a new agreement, the Lomé Convention, was signed in 1975. The Yaoundé and Lomé Conventions were, and still are, intergovernmental agreements, and the resources for their implementation come from a separate fund to which the EU Member States contribute. Countries that had previously been part of the British Empire that did not join the ACP group (e.g. India and Bangladesh) signed separate cooperation agreements with the European Community. This coincided with the beginning of more general cooperation activities in developing countries, financed through the annual Community budget.

In 1984, following the accession of Spain and Portugal, the Commission proposed to increase substantially the assistance to non-associated countries, including the Mediterranean countries, under the heading ‘development’ in the 1985 budget. Proposals for increases in the budget lines were made despite the relatively low utilisation of existing resources under these budget headings.

4 1992–2000: Towards a General European Approach to Poverty Eradication

4.1 The Treaty on European Union

In 1992, the adoption of the Maastricht Treaty on European Union provided the Community with a legal underpinning for and formal competence over development cooperation. The Treaty established the objectives of European development cooperation:

- to fight against poverty in developing countries;
- to enhance the social and sustainable development of developing countries, particularly the least favoured among them; and
- to further the integration of developing countries into the world economy.

The Treaty stated that Community competence in development cooperation was to be shared with the Member States. It also established the Common Foreign and Security Policy (CFSP) as one of the pillars of the European Union. The Treaties provide four principles for EU development cooperation:

- Coordination: The Commission and Member States should coordinate their activities.
- Complementarity: The programmes of the Commission should be additional to the programmes carried out by Member States.
- Coherence: The policies of the EU towards developing countries should take into account the objectives of development cooperation.
- Consistency: The EU's development cooperation policies should be consistent with its external policies.

In recent years the principle of complementarity has received much attention. Both the Commission and Member States wish to set clearer demarcation lines between the responsibilities of the Member States and of the Community in development cooperation.

4.2 The Horizon 2000 Process

As a follow-up to the inclusion of development cooperation as a Community competence, the Council undertook to develop a series of resolutions and decisions to elaborate the relevant articles in the Maastricht Treaty, known as the Horizon 2000 process. In 1993 the Council and its Member States decided that the fight against poverty would be one of the main priorities of their development cooperation programmes.

In 1993 the Commission presented to the Council and the Parliament a communication on the fight against poverty, reflecting the growing consensus among donors in this area. The communication recognised the multifaceted concept of poverty, involving income, access to services and political participation. It drew specific attention to economic, social and political processes that actively exclude people living in poverty from participating in the benefits of development. In that year the Council adopted a resolution stating that the fight against poverty should be an integral element in the preparation and implementation of all development policies and programmes: 'the fight against poverty should occupy a central position in the framing of development cooperation policies and programmes'.¹⁰ In this and several other resolutions, the Council emphasised that structural adjustment programmes should 'take account of the essential components of the fight against poverty', including 'the reduction of inequalities in income distribution and access by the poor to social services'. The

¹⁰ Council of the European Communities, 1714th Meeting, Development, Brussels, 2 December 1993, Press Release 10641/93(Presse 215)-EN.

Lomé IV *bis* Convention, signed in 1995, recognised the objectives of EU cooperation policy, by including that: ‘In support of the development strategies of the ACP States, due account shall be taken of the objectives and priorities of the Community’s cooperation policy, and the ACP States’ development policies and priorities’.

In 1998 the Council approved new conclusions on poverty reduction that explicitly supported the DAC international targets, in which it acknowledged that the framework provided by the 1993 resolution had ‘proven difficult’.¹¹ The Council and the Commission agreed on the need to strengthen the commitment of the Community and Member States to ‘poverty elimination’, and to develop ‘a broader framework for understanding poverty and its causes and consequences’, as well as to understand ‘the costs and benefits of globalisation’. The Council also stated that particular attention should be paid to ‘the needs of the least developed countries, and to target numbers of poor people in other parts of the developing world’.

The Cotonou Agreement, signed in 2000, made even more explicit reference to the fight against poverty as its primary objective. This was given high priority, appearing in Article 1 under ‘Objectives of the Partnership’.

4.3 Cooperation with International Financial Institutions

The cooperation between the Commission and the World Bank dates from 1987, when the focus was on strengthening the role of private industry in the development of the Third World.¹² Subsequently, various investment instruments were developed in the Community programme, and a policy towards structural adjustment programmes began to emerge. The Council adopted a first resolution on structural adjustment programmes in 1988.¹³ The structural adjustments funds were worth ECU 1150 million under the Lomé IV Convention (1990–95) and ECU 1400 million under Lomé IV *bis* (1995–2000). In 1995, the Council adopted a new resolution to implement the Lomé Convention with greater emphasis on the social sectors.

The Commission and the EU Member States welcomed the World Bank’s new Poverty Reduction Strategy and approved of its main elements:

- PRSPs will provide a framework for mainstreaming *poverty reduction* in government and donor policies.
- *Country ownership* is paramount; governments will be responsible for both the design process and the final product.
- Strategies will reflect the outcome of an open and *participatory process* involving civil society and all relevant international institutions and donors.
- Strategies will be *tailored to individual country circumstances*, and will be based on an understanding of the nature and causes of poverty, and public actions that can help to reduce it. The strategies will include medium- and long-term goals that can be monitored, with results feeding back to design.
- The results of the strategies will be monitored using final and intermediate *indicators of success*. Reaching agreement on results to be achieved will be more important than the policies and the means to be employed.
- Strategies will also be *comprehensive*, embracing a combination of macroeconomic, structural and social reforms that can provide the basis for sustained growth and poverty reduction.

¹¹ Council of the European Union, 2093rd Meeting, Development, *Conclusions on the Fight against Poverty*, Brussels, No. 8531/98, Press 151, 1998.

¹² *Agence Europe*, No. 4510, March 1987.

¹³ Resolution, Doc. 6453/89.

- The issue of *good governance*, including the transparency and efficiency of public expenditure management, will be a fundamental ingredient of any strategy to reduce poverty and restore growth.
- PRSPs are *results-oriented*; they set goals for poverty reduction in terms of *outcome-related goals* that are tangible and *measurable*.¹⁴

4.4 Focusing the Community's Development Policy on Poverty

On 26 April 2000 the Commission adopted a communication on the Community's development policy.¹⁵ The communication, which included a joint statement of the Council and the Commission, confirmed the 'focus on poverty reduction as an overarching objective' of EC development cooperation and the selection of the 'main priorities for EC support in this context'.¹⁶ It outlined a new framework for the Community's development policy, setting it in the international context, specifically the OECD/DAC and the World Bank Comprehensive Development Framework, or the IMF/World Bank Poverty Reduction Strategy Papers.¹⁷ The communication also established an integrated framework for Community development activities, identifying six priority areas where Community action could offer added value: trade for development, regional integration and cooperation, support for macroeconomic policies, transport, food security and sustainable rural development, boosting institutional capacity, good governance and the rule of law.¹⁸

4.5 Enhancing the Poverty Focus in Community Aid: Definitions

In its communication, the Commission distinguished three complementary ways to enhance the poverty focus of Community aid:

- *Primary poverty focus*: concentrating efforts on less developed (LDCs) and other low-income countries (LICs). The primary focus is directly related to the OECD/DAC's categorisation of developing countries according to their level of income, first approved in 1996, and based on the income levels defined by the World Bank. In other words, the primary focus is on the poorest countries, including India and China.
- *Secondary poverty focus*: more poverty-focused cooperation programmes in middle-income countries (MICs), where there are nevertheless large numbers of people living in poverty. Specific attention should be paid to those countries where more than 20% of the population live below the poverty line of \$1 per day per capita. These include Brazil, Botswana, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Paraguay, Peru, the Philippines, South Africa, and Trinidad and Tobago.
- *Tertiary poverty focus*: more poverty-focused cooperation programmes in all other developing countries. This focus established a general policy direction towards poverty eradication, without identifying a specific group of countries.

¹⁴ Original emphasis. Poverty Reduction Strategy Papers (PRSPs), Comments on the joint statement presented to the IMF/WB Boards in December 1999 by Commissioner Nielson, presented as Annex 2 in: European Commission, DG Development, Director, Note to Heads of Delegation, Heads of Unit and Desk Officers, *Poverty Reduction Strategy Papers: Guidance Notes*, Brussels, 1 May 2000, B2(00)D/4371.

¹⁵ Commission of the European Communities, *The European Community's Development Policy*, communication from the Commission to the Council and the Parliament, Brussels, COM(2000)212, final, 26 April 2000.

¹⁶ Commission of the European Communities, *Measures Taken and to be taken by the Commission to address the poverty reduction objective of EC development policy*, Commission Staff Working Paper, 26 July 2001, SEC(2001)1317.

¹⁷ Commission of the European Communities, *The European Community's Development Policy*, *ibid.*, pp.4-5.

¹⁸ The Council welcomed the communication in its conclusions adopted on 18 May 2000. On 10 November 2000, the Council and the Commission adopted a statement of general policy that reaffirmed the Community's solidarity with developing countries, echoing the broad lines of the communication. The Council welcomed this joint initiative at its meeting in Nice in December.

5 Primary Poverty Focus: Evolution of Financial Resources

5.1 Focus on Least Developed and Low-Income Countries

The geographical expansion of the Community development programme has been matched by substantial increases in financial resources. Total aid, in commitments, increased from EUR 2.7 billion in 1990 to EUR 8.3 billion in 1999 (Table 1). All regions have benefited from the growth of the programme, although the proportion of aid to Asia and Latin America is still very small, particularly considering that the largest number of people in poverty live in Asia.

Table 1. Evolution of geographical programmes (commitments, at current prices), 1990–99.

	1990		1999		Average annual nominal growth rate, 1990–99
	ECU/EUR million	% of total	ECU/EUR million	% of total	
ACP countries	791	41.28	2600	38.79	14
Asia	208	10.86	439	6.55	9
Latin America	154	8.04	314	4.69	8
Mediterranean	238	12.42	1094	16.32	18
CEECs*	495	25.84	1444	21.55	13
NIS**	-		432	6.45	-
Balkans	-		251	3.75	-
South Africa	30	1.57	128	1.91	17
Subtotal (1)	1916	100.00	6702	100.00	15

* CEECs – Central and East European countries: former East Bloc countries that were not part of the Soviet Union.

** NIS – Newly independent states: countries of the former Soviet Union, excluding the Baltic states, that are members of the Commonwealth of Independent States (CIS).

Note: The European Commission also refers to the NIS and CEECs as ‘countries in transition’.

Source: Adapted from European Commission, *The European Community Aid: Medium-term Strategy of Poverty Reduction*, unpublished, December 1999, p.4.

The evolution of Community aid disbursements according to the income level of the recipient countries (Table 2) shows that the proportion of aid going to low-income countries (LICs) has declined. In terms of disbursements (actual payments) by region the changes have been more drastic, with disbursements to ACP countries decreasing from 70% in 1986/87 to 37% in 1996/97, and those to the LDCs from 75% in 1986/87 to 52% in 1999/98. Resources allocated to the Mediterranean and former East Bloc countries have increased. The large increase in aid to low- to middle-income countries (LMICs) is mainly due to the aid to the former Yugoslav republics, and to the Mediterranean basin. The increase in disbursements to upper- to middle-income countries (UMICs) is due to the growth in aid to the Mediterranean and Latin American countries (Argentina, Brazil, Chile, Mexico and Uruguay).

Table 2. Disbursements of Community aid according to the income level of the recipient countries (excluding countries in transition), 1986/87 to 1998/99.

	1986/87		1998/99	
	US\$ million	%	US\$ million	%
LDCs	1145	51.28	1359	32
LICs	537	24.05	846	20
LMICs	494	22.12	1739	41
UMICs	40	1.79	318	7
HICs	17	0.76	8	0
Total geographically allocated	2233	100.00	4186	100.00
Countries in transition	508		936	
Not allocated geographically			1395	
Total aid	2741		6517	

Source: DAC/OECD.

This shift in aid allocations from the LDCs towards the LMICs and UMICs has been the result not only of the expansion of the Community programme, but also of changes in the nature of the thematic budget lines. Within the ACP group, for instance, the MICs have benefited from the combined effects of several instruments such as STABEX, SYSMIN,¹⁹ banana support structures, fisheries agreements and European Investment Bank (EIB) support (Table 3).

Table 3. Contributions of selected instruments (STABEX, SYSMIN, banana support, fisheries agreements, EIB support) to the total aid to the various groups of countries, 1996/97.

Group of countries	%
LDCs	14
LICs	26
LMICs	52
UMICs	57

Source: European Commission, *European Community Aid: Medium-term Strategy of Poverty Reduction*, unpublished, December 1999, p.7.

Other instruments, food aid in particular, have tended to benefit the LICs. In 1996/97, some 59% of food aid was disbursed to LDCs and 20% to LICs, whereas 27% of emergency aid was allocated to LDCs and 43% to LICs. In the Financial Perspective 2000–2006, aid to several countries with economies in transition has been redefined in the Community budget as pre-accession aid.

5.2 Changing the Emphasis towards Least Developed Countries

Community aid to the LDCs is mainly arranged through the European Development Fund (EDF), as 41 out of 50 LDCs are members of the ACP group.²⁰ Although several Member States have been pushing for more aid to the LDCs, in reality, the division of Community aid instruments within and outside the budget creates critical obstacles to its realisation, such as:

¹⁹ STABEX aims to promote exports by helping export stabilisation through compensation for losses caused by price or quantity fluctuations. SYSMIN is a financial facility for mining products set up for those ACP states where mining is an important sector of the economy but is facing difficulties.

²⁰ The remaining nine LDCs are members of the ALA group of countries.

- EDF financing is based on a multi-annual scheme, whereas aid through the Community budget is defined annually, and as a result the two are not comparable.
- The EDF is not integrated into the financial perspectives under which long-term arrangements for Community spending are agreed. Consequently, a long-term agreement in which the balance between the different aid contributions is consistent does not exist.
- The process of allocating and disbursing EDF financing is very slow, and although the funds are agreed for five years, it often takes up to 13 years to conclude the payments from each fund. As a consequence, annual comparisons of what is politically agreed and made available show more than double the amounts actually disbursed to the LDCs. In other words, the administrative reality leads to a situation that is at odds with the political decisions to make more Community aid resources available to the LDCs through the EDF.
- The decisions concerning aid through the budget and aid through the EDF involve different political actors. While the Council is solely involved in setting the amount made available to the EDF, both the Council and the Parliament are involved in setting the budget. This creates unpredictability, as political commitments made by one institution do not necessarily determine the actual decisions.

In establishing the 2001 budget, Parliament's overall efforts were focused on ensuring greater transparency. The Parliament agreed that the budget proposals should also include the commitment and payment forecasts in line with the Commissioner's various public assurances that the 9th EDF would be depleted by 2006. A failure to exhaust the 9th EDF within the given timeframe (by 2006) will negatively affect the Commission's ability to achieve its primary poverty focus.

6 Secondary and Tertiary Poverty Foci

The Commission views the Country Support Strategy (CSS) as the main mechanism for promoting its poverty eradication policy. At present, the Commission uses two concrete instruments to promote its secondary and tertiary poverty foci: Country Strategy Papers, and Poverty Reduction Strategy Papers, in cooperation with the IMF/World Bank.

6.1 Country Strategy Papers: Qualifying Ownership

In the programmes for the ACP countries (under the Cotonou Agreement) and for countries in Asia and Latin America, the Mediterranean and Eastern Europe, new programming procedures have been assessed, with the following objectives:

- to enhance the quality and consistency of programming in order to reflect the EU's policy and priorities;
- to work with a longer-term perspective in a multi-annual planning framework;
- to harmonise programming procedures for the ACP countries and countries of other regions;
- to produce the 'right mix' for each country or region, incorporating both external assistance and other Community/EU policies and priorities (trade, the CFSP, etc.); and
- to take into account other policies such as interregional policies, and aspects of complementarity with Member States, international financial institutions and other donors.²¹

Under the new procedures, the CSS and the National Indicative Programme (NIP) are submitted to the Community for agreement 'on the basis of and consistent with its development objectives and priorities as expressed in the CSS'.²² The draft NIP specifies the sectors for focus, the most appropriate measures, and the required resources for projects and programmes.

Contrary to what was agreed in the Cotonou Agreement on leaving ownership of the CSS with the ACP countries, the EDF Committee approves the CSS. Subsequently, the NIP also has to be approved by a qualified majority of Member States through this Committee, in order to achieve 'a broad consensus on the general policy to follow in relation to a country'.²³ There seems to be some contradiction between the agreed principles and the practicalities relating to their implementation.

6.2 Poverty Reduction Strategy Papers

The Commission hopes that, in linking up to the PRSP process, it can have greater influence on the outcome of the PRS. The linking of the PRS and the CSS is advocated on the basis that it would lead to:

- enhanced ownership by the developing countries of policies directed to poverty eradication;
- greater coordination among donors in implementing strategies directed to poverty eradication;
- increased joint commitment – of both the governments of developing countries and donors – over a sustained period of time to policies that will contribute to the eradication of poverty;
- progressively more funding for social sectors, particularly health and education; and
- more transparent and measurable outcomes by establishing clear output targets and criteria for measuring impacts.

²¹ Commission of the European Communities, *Communication to the Commission on the Reform of the Management of External Relations*, 16 May 2000, Rev 8. The consistency and quality of programming are monitored by an interdepartmental quality support group.

²² *Ibid.*

²³ European Commission, internal memo by Poul Nielson, 12 July 2000.

For the Community, the key elements that should guide its policies are, therefore, to accept the need for multi-annual commitments to agreed policies, as opposed to flexibility, and for increased funding for social sectors, particularly health and education.

The Commission believes that future decisions on aid allocations should take into account the results of the recipient government's performance in implementing the desired policies, measured in terms of

- progress in implementing institutional reforms;
- the use of resources;
- effective implementation of current operations;
- poverty alleviation or reduction; and
- sustainable development measures and macroeconomic and sectoral policy performance.²⁴

In poor countries with very weak systems of governance, the Commission intends to concentrate its activities on strengthening the structure of governance. Alternatively, it may channel aid through alternative non-governmental routes, 'to ensure that poor people benefit'.²⁵ The Commission's role in the PRS process, however, will be determined by the scope allowed by the World Bank and the IMF for it to provide inputs.²⁶ The issue is how the Commission can have an impact on the outcome of the PRS, other than through participating in their financing through the EDF, since the World Bank and IMF evidently guide the process.

²⁴ European Commission, *Report on the Implementation of the European Commission External Assistance, Situation as at 01/01/01*, Staff Working Document, D(2001) 32947, p.91.

²⁵ *Ibid.*, p.9.

²⁶ In a letter to Sven Sandström, Managing Director of the World Bank (Brussels, B2(00)D/2992), Commissioner Nielson stated: 'I would like to make one observation. The effectiveness of the Commission's participation in PRSP discussions depends fundamentally on the role that we are invited to play and the amount of time and information that we have available to prepare. In some cases these issues still present a problem [...] often leaving us (and I suspect other donors) trailing in the wake of the Fund and the Bank and their discussions with Government'.

7 Measuring Progress

With regard to measuring poverty-related issues in the country strategy evaluations, the Commission has reported that: ‘Though the European Commission’s handling of issues related to poverty is improving, evaluations found this issue still needed much work’.²⁷ The Commission is currently working on a methodology to measure the success of the poverty focus of Community development cooperation. These endeavours have so far concentrated on preliminary work to measure the impacts of EU aid. The Commission appreciates that it might not succeed in this effort, given the number of methodological challenges: ‘It is impossible to isolate the impact on poverty indicators of an individual donor’s impact in a specific country, because the indicators may be influenced by many exogenous factors. Even when policy change is assessed as a whole (rather than attributed to individual donors), the measurement of counterfactual policy outcomes is problematic. There is also a time lag between inputs and their expected results’.²⁸

As the EU has linked up part of its efforts with those of the international financial institutions and other donors, it is increasingly difficult to isolate the impacts of efforts of individual donors. In addition, as EU aid is less focused on isolated projects, and increasingly directed towards budget support, the links between direct cause and effect, and the success or failure of its contributions are becoming progressively more difficult to establish. The crucial question, therefore, is how we can measure progress in directing the European Community aid programme towards poverty eradication.

7.1 Targeting Aid: The 20/20 Compact

At the UN Millennium Summit, it was agreed that the contributions of individual donors to the development goals would be measured in terms of their effects on human development and social sectors. The goals could be achieved if both the governments of developing countries and aid donors make a concerted effort to devote a minimum of 20% of their resources to improving basic social services: health, education, water and sanitation. This initiative – the so-called 20/20 compact – is based not on conditionality, but on ownership.

The compact is probably a more realistic alternative to the concept of ownership. It implies that aid is most effective if governments and donors are in agreement on the objectives and policy approaches, and if aid as well as government resources are used for common goals. The 20/20 compact aims to provide a financial underpinning for the strategies to eradicate poverty. For the Community, it raises the question of how better targeted and measurable allocations for poverty eradication can be made through the EU budget.

7.2 Measurable Sectoral Output Targets

The Parliament, as one leg of the budget authority, has emphasised that policies for poverty eradication need to be sustained by a sectoral approach, underpinned by the Community budget. The budget is dominated by a regional focus, with some smaller sector-focused lines bolted on. The sectoral focus could, therefore, be best achieved within the scope of the regional programmes. This would allow the Commission to programme in a multi-annual fashion, based on policy objectives. At the same time, it would allow the Parliament to execute its right, as a leg of the budget authority, to

²⁷ European Commission, *Report on the Implementation of the European Commission External Assistance, Situation at 01/01/01*, Staff Working Document, D(2001) 32947, p.156. Also, civil society involvement and capacity building were found to be weak in Community programmes.

²⁸ *Ibid.*

establish broad-based sectoral targets, thus avoiding the micro-management by Parliament of a proliferating number of small (sector-based) budget lines. This approach would have a doubly beneficial effect on the efforts to gear European cooperation policy towards those sectors most relevant to poverty eradication.

In 2000 the Parliament proposed that the 2001 budget include sectoral targets in the regional budget lines. The DAC provided a basis for reporting on the purpose of aid, by agreeing on a classification system for reporting on the destination of aid by sector, which was introduced for a three-year trial period. The sectors included, among others, (basic) health and (basic) education.²⁹ The DAC classification system corresponded largely with the one already used by the Commission on sectoral allocations for the EDF.

The Parliament built in a number of mechanisms to make sure that the sectoral targets enhance the Commission's new poverty orientation. These are global political targets, although they may vary from country to country, based on the needs identified in the programming exercise, and hence do not contradict the principle of 'ownership'. The Commission may also deviate from the targets if it demonstrates in its annual report that the needs identified by the recipient countries are different from the targets set by the Parliament, and if complementary activities by other Member States require it to prioritise sectors other than those proposed by the Parliament.

Box 2: Establishing the Purpose of Aid

The members of the OECD's Development Assistance Committee (DAC) requested that an output-oriented system be developed for monitoring the allocation of aid. Directives were therefore developed for reporting on the sector of destination of aid. After a three-year trial period (1996–99), the classification system was endorsed by the DAC.

The term 'purpose of aid' covers any or all of three dimensions: the sector of destination, the form or type of aid, and the policy objective(s) of a given transaction that is reported as official development assistance (ODA), official assistance (OA), or other official flows (OOF). Reporting is transaction by transaction in the DAC Creditor Reporting System (CRS) and in the form of annual aggregates.

The DAC classification system was developed in response to the donors' desire for greater visibility and transparency in relation to where aid is allocated. By agreeing to use a common system, donors will be able to track and compare the allocations of aid to various sectors. It will also allow donors to monitor the progress towards meeting the 2015 Millennium development goals, which require them to increase investments in the social sectors, particularly health and education. Once fully implemented, the classification system will be used by all DAC members, including EU Member States and the Commission, thus ensuring that the data obtained are consistent and compatible. The use of the system will enable comparisons and analyses of the various instruments within and outside the Community budget, and of the allocations made by Member States and the Commission. It will therefore provide a very useful and precise tool for assessing the *complementarity* of their activities.

7.3 The Commission's Responses to Sectoral Targets in the Budget

The Commission's responses to the Parliament's initiative on sectoral output targets have been mixed. The Commissioner for Development Cooperation initially assisted the Parliament in developing the output targets for the 2001 budget. The categories established by the Parliament were based on proposals submitted by the Commission to make them consistent with its databases. In parallel negotiations with Parliament, the Commission also committed itself to implement the sectoral output

²⁹ OECD, *Reporting on the Purpose of Aid*, Note by the Secretariat, DCD/(DAC), (99)20, 14 September 1999.

targets, particularly in the negotiations related to the discharge procedures that took place in 2000 and 2001 for the years 1998 and 1999, respectively.

In 2000 the Parliament accepted to grant discharge to the Commission for the year 1998, on the basis of an action plan provided by the Commission that responded to the Parliament's concerns. The action plan stated: 'The EC development cooperation has poverty reduction as its central objective and part of the priority areas will be the support to social sectors through structural adjustment programmes. Since health and education will receive more emphasis, the implication is that a greater amount of financing than in the past would be dedicated to these sectors. This, in turn, will allow EC development cooperation to respond more effectively to the internationally adopted DAC targets'.³⁰

The Commission's statement confirmed the priorities previously established in the policy paper on development cooperation, which stated that: 'The development of social policies such as health, food security, education and training [...] are of the utmost importance. [...] resources must be properly targeted towards the poorest of the poor'. The Commission also made an explicit declaration on how this sectoral orientation should be measured: 'More attention will also be paid to actual disbursement levels [...]. The reporting on EC development cooperation must evolve towards DAC-OECD standards and shift gradually from input orientation towards results. [...] adopting OECD standards on reporting *should be feasible by 2001*'.³¹ Thus the Commission acknowledged the desirability of the methodology adopted in the DAC-OECD context for establishing a reporting system for measuring output, and affirmed the feasibility of adopting the OECD standards on reporting by 2001. It should be stressed that the highly political context of granting discharge in 2000, in response to which the Commission made these declarations, put extra weight on its requirement to implement these pledges as stated.³²

Notwithstanding these pledges, the Commission failed to provide either implementation figures on the 2001 output targets for the preliminary draft budget for 2002, or prospective figures on the exhaustion of the 9th EDF as promised. The Commission now argued that sectoral output targets were not consistent with its cooperation policy. In a lengthy exchange with the Parliament, the Commission insisted that it required more 'flexibility', that it could not operate on the basis of the sectoral definitions in the budget, and that it could not implement the sectoral output targets.³³ Parliament persisted in its demand that figures be made available and that adequate resources be allocated to basic social services. A compromise was reached, and Commissioners Patten and Nielson ultimately accepted 'the need to give strong support to social infrastructure with the emphasis on basic education and health'.³⁴ The 2002 budget stipulates that 35% of the regional budget lines be allocated to social services. The issue of sectoral targets was further explored at the seminar 'Hitting the Target', organised jointly by the Parliament and the Commission in February 2002.

³⁰ Commission Action Plan, attached to the Resolution adopted by the European Parliament on the EDF (1998 discharge), PE 286.787, June 2000.

³¹ Original emphasis, European Commission, *ibid*.

³² In line with these commitments, the Commission also stated that: 'The Commission is at present improving its internal information systems to allow for a better analysis of aid flows and their impact on poverty reduction'. Commission of the European Communities, *Measures taken and to be taken by the Commission to address the poverty reduction objective of EC development policy*, Commission Staff Working Paper, Brussels, 26 July 2001, SEC(2001) 1317, p.10.

³³ For a further analysis of the Commission's motives for changing its position, see van Reisen, M., *European Integration and Enlargement: Is there a Future for EU Development Policy?* Brussels, October 2001.

³⁴ Letter from Commissioners Nielson and Patten to Mr Miranda, Chair of the European Parliament Development Committee, dated 7 December 2001, D(2001)3608.

8 Constraints and Opportunities

In improving the poverty focus of Community aid, there are a number of constraints and opportunities at various levels of policy and in relation to the different Community institutions. The formulation of an effective Community strategy for poverty eradication will therefore hinge on whether a number of key issues are successfully resolved:

- the integration and harmonisation of the Community development programme, and the utilisation of the DAC categories of low- and middle-income countries in the reporting on EU aid activities, including in the Community budget;
- the removal of existing contradictions between, on the one hand, the objectives of the PRS/CSS in poverty eradication, and on the other, the conditions related to the macroeconomic policies required by donors, which effectively create poverty;
- the development of an effective Community voice within the international financial institutions and the WTO, and a coordinated Community position on ‘issues of equity focusing [on] the allocation of assets and wealth and the implications of tax policy for equity’,³⁵ as well as on issues related to the liberalisation of trade and services;
- the enhancement of country ‘ownership’ by defining clear roles for the institutions involved in decision making, implementation, approval and control;
- the creation of mechanisms to ensure that ‘ownership’ includes the participation of civil society organisations in developing countries;
- the establishment of clear procedures for defining targets for the primary and secondary poverty foci throughout the whole Community aid programme. These targets should also be applied to the Community budget, and integrate the EDF; and
- the development of instruments to balance sectoral allocations; at present too much is allocated to the transport sector (particularly for the EDF), and too little to basic social services.

8.1 What Community Institutions Can Do

This section suggests a number of possible steps the various Community institutions could take to ensure that the issues listed above are resolved, and to enhance the Community’s contribution to the fight against poverty.

The Council

The Council plays a key role in defining the overall nature of the Community development programme, and also has the power to remove certain obstacles that are currently undermining its focus on poverty alleviation. In particular,

- the Inter-Governmental Conference could remove the declaration on the EDF from the Maastricht Treaty on European Union; establish a common Community policy towards the international financial institutions, based on the commitment to poverty eradication as the primary focus of development activities, and define Community competence in this area; and integrate into the Treaty on European Union the principle that the EU’s external policies should not contradict the development objectives laid down in Article 177(1), particularly the fight against poverty, and strengthen Article 178.
- In view of the Community’s significant contribution to ODA, the Council should seek to increase the visibility of Europe’s collective involvement in the implementation of the Millennium development goals, by including the activities of individual Member States in public information

³⁵ Commission of the European Communities, *Measures taken and to be taken by the Commission to address the poverty reduction objective of EC development policy*, Commission Staff Working Paper, 26 July 2001, SEC(2001) 1317, p.7.

on the EU's external aid programmes, and by publishing an annual report highlighting Europe-wide regional and sectoral aid allocations.

- The Council should actively strengthen the complementarity of development activities undertaken by the Commission and Member States, by agreeing to introduce the DAC classification system for reporting on regional and sectoral aid allocations in the EU Member States.
- The Council should redefine the roles of Member States' committees to ensure consistency with the principle of ownership, and reconsider their role in approving country support strategy and projects.
- As one leg of the budget authority, the Council should more actively contribute to ensuring greater harmonisation and transparency in the budget for development cooperation, including the assistance to ACP countries, and thus enhance the primary poverty focus.
- As one leg of the budget authority, the Council should ensure more specific sectoral policy definitions of the budget lines, and invest aid especially in countries that implement effective policies aimed at poverty eradication.

The European Parliament

- The Parliament should continue to insist that poverty eradication remains the primary objective of the Community aid programme, and extend this principle to the recipient countries, including those in the Mediterranean region.
- It is important that the Parliament continues to insist that the Commission, as the executive, implements the sectoral output targets in the regional aid programmes, as established by the budget authority, and that the Commission provides all relevant data requested by the Parliament.
- Greater emphasis could be given to the right of the Parliament in the discharge process to examine the Commission's implementation of the budget, including the implementation of sectoral output targets and the sectoral priorities identified in the comments to the regional budget lines.

The Court of Auditors of the European Union

- The Court of Auditors should give priority to examining the results of the Commission's efforts to focus the external aid programme on poverty, in view of the fact that the Council, the Parliament and the Commission have all insisted that poverty eradication should be the goal of the programme, and in view of the international commitments the Community has made to this effect.

The European Commission

- The Commission should ensure further integration of the Community programme and, above all, that the poverty focus is applied in its external aid programmes, including the EDF, the ALA and Southern Africa programmes, MEDA, TACIS and PHARE programmes. Special emphasis should be given to the implementation of the Millennium development goals in all developing countries, and not just in some isolated regions.
- The Commission should present a plan for prioritising allocations to LDCs by ensuring that the 9th EDF is implemented within the given time frame, so that it will be exhausted by 2006, thus avoiding the unnecessary under-utilisation of funds made available to the ACP countries.
- The Commission should provide annual data – related both to the Community budget and to the Member States – on the European contribution in terms of commitments and disbursements related to the implementation of the Millennium development goals, in terms of both regional and sectoral allocations, and ensure that these data are consistent and comparable across regions.

- A monitoring system should be put in place so that the contribution of Community aid to poverty eradication can be measured.
- The Commission should ensure that the Community position on the poverty reduction strategy, and the conditions for loans or grants from international financial institutions and other donors, do not contradict the main focus of the PRS process – poverty eradication – both at a generic level and in specific country situations.

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