

EU Development Policy



by Louis Michel, *European Commissioner*

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Ladies and Gentlemen,

Let's start with a figure: 56%.

56% is Europe's share of international development aid.

That puts Europe – the Member States and the Commission together – at the top of the international donor community, with €46 billion per year.

Development policy is undeniably one of the soundest and most ambitious projects of the European Union, and it must remain so.

It is also one of its most admirable expressions because it reflects our shared set of values: solidarity, respect for human dignity, equality, tolerance, freedom of opinion and expression, faith in mankind and its ability to build a better future.

Over a billion people live on less than one dollar a day.

11 million children die every year, i.e. 30 000 children a day; most of them are less than five years old and succumb to treatable illnesses such as malaria, diarrhoea and pneumonia.

One in four people does not have access to drinking water.

114 million children do not have access to primary school.

584 million women are illiterate.

Development is an end in itself; a fundamental duty of humanity and generosity must remain the driving force of our action.

But at the same time, if our development policy is nothing more than a large-scale charity operation, if our action boils down to nothing more than generosity, it will be doomed to failure.

It will be doomed to failure because it will not foster ownership.

It will be doomed to failure because it will lead to a dramatic erosion of the sense of responsibility of the very people we want to help.

It will be doomed to failure because it will be seen as neo-colonialism.

To avoid these stumbling blocks, European development policy must encourage an approach that sees aid as a mutual dependence, an approach that sees development as a partnership.

Mutual dependence means reciprocal benefits and interests.

I am not a cynic but neither am I naïve. For years our “good conscience” has prevented us from thinking of development in economic terms.

The upshot is that we are witnessing the growing power of China, Japan, Russia and the USA in gaining access to African markets. Despite our leading position, we fail to get the most out of European development policy and to achieve the influence or the impact that it should.

And yet the European Union is the main trading partner of the poorest countries: almost 40% of our imports come from the developing countries.

The EU is also the most open market to poor countries: in 2003, some 80% of the developing countries’ exports came into the EU duty-free or at reduced rates of duty.

Thinking of development in terms of mutual interest requires us to envisage a system that allows any abuse by either side to be avoided.

In my view, the development of an “ethical label” should allow us to meet that requirement: European firms would have easier access to African markets provided that they met a number of criteria, such as no child labour, a commitment to train the local population, compliance with tax rules and so on.

Development must also be conceived in geostrategic and political terms.

By tackling the deep causes of poverty and inequality in the world, European development policy makes a major contribution to the other objectives of the EU’s external action (upholding the EU’s values, safeguarding its fundamental interests and security; peace-keeping; conflict prevention; reinforcing international security).

It is clear that many development programmes – by tackling social exclusion, by promoting good governance, by supporting economic development, by creating

operational infrastructure – contribute decisively to preventing the rise of terrorist networks, which otherwise exploit the precariousness of people living in poverty.

It is equally clear that it is not just by improving the daily lives of millions of people that we are going to be able to manage illegal immigration into European countries any better.

The dangers of badly managed globalisation pose another challenge that can be mitigated by an external aid policy.

The phenomenon of globalisation has undoubtedly brought considerable benefits to many throughout the world. But because we have not been able to institute true global governance, globalisation has intensified inequalities in many parts of the world. It is not only our duty but in our own interest to do all we can to reduce these inequalities, which are perceived as a form of injustice.

Development policy is, I believe, the most relevant and effective instrument for coping with these threats.

There are many issues to be addressed as to how we should conduct our development policy (for example: budgetary aid or project aid, new sources of financing, the untying of aid, sustainability). Let's look at some of them.

Budgetary aid versus project aid

In my view, budgetary aid is an essential vehicle of ownership.

If we really want to allow the partner countries to become agents of their own development while maintaining the fruits of development to date, we must stop denigrating their state system. The state must remain the Commission's main partner in its development policy.

I know the argument of the fungibility of aid. And I think it is easy to refute. That risk is present also for projects implemented by players other than local authorities.

The uncertainties connected with the budgetary aid approach, too, can and must be greatly reduced by the tranches system and close monitoring.

New sources of financing

Obviously I am open to discussion on new sources of financing for development aid. But on the condition that these sources are additional. They can in no case serve as

a pretext for rejecting or reducing the commitments that we have already given. The simplest and most direct way of increasing the resources available for development is still to increase the share of national budgets allocated to development.

That said, there are some possibilities that could be explored to increase development aid, whether by allocating revenue from anti-trust fines to development, or by a tax on the international arms market. Remember that world military spending exceeded USD 1 000 billion in 2004. The total turnover of the 100 main defence companies is equivalent to the GDP of the 61 poorest countries in the world.....

Budgetising the EDF

I am among those who support the budgetisation of the European Development Fund. And I will make every effort to ensure that that process succeeds.

But it must be accompanied by absolute guarantees of protection of the development budget's resources. Our overall budget must not be affected – our means must not stagnate or be reduced.

We must take full advantage of 2005 to discuss these issues.

2005 is a crucial year for development with a series of major events decided not just by the experts but by the public too.

Development is receiving unprecedented support and interest, no doubt partly due to the emotions aroused by the tsunami tragedy. The outpouring of compassion over that terrible event must now be translated into lasting solidarity.

Development is at the top of the agenda of discussions in the highest international forums: the June European Council; the G8 in July; follow-up of the commitments given at Monterrey on development financing; finalisation of the Doha Agenda; the UN Summit devoted to examining progress made on the Millennium Development Goals in September in New York.

Europe must make its voice heard, not just because it is the leading donor, but also because if it can set ambitious objectives, it will encourage other players in the international community to do the same.

The Millennium Development Goals

Five years ago, the international community pledged to attain by 2015 a set of objectives commonly known as the "Millennium Development Goals". They aim to reduce

poverty, fight hunger and disease, educate children and give access to drinking water to a larger number of people, etc.

In September in New York, the international community will meet face to face to assess the progress made in attaining the MDGs.

We know already that not enough progress has been made: at the current pace we will have to wait over a 100 years before the Goals are achieved.

The findings of the report commissioned by the Secretary-General of the United Nations, Kofi Annan, to Professor Jeffrey Sachs are very clear: funding needs to be increased to the tune of USD 60 billion per year if these Goals are not to remain a dead letter.

Three Communications

The European Union must lead the international community in practical, proactive action. In this spirit, in April this year the Commission adopted three communications:

- One on the EU's contribution to the New York Summit. This communication includes a section on the priority to be given to Africa.
- Another on development financing, covering aspects of the volume of aid, but also the effectiveness and quality of aid.
- A third one on the coherence of development policies, i.e. how to get the EU's other policies to contribute to development. A list of 11 themes has been identified: trade, the environment, security, agriculture, fisheries, the social dimension of globalisation, migration, research and innovation, the information society, transport and energy.

At the end of May, the General Affairs and External Relations Council ratified the main elements contained in the three communications. The decision was taken to set a new intermediate collective target for official development assistance of 0.56% in 2010. By doing this the European Union secures additional funds of €20 billion per year as of that date.

It was not plain sailing. I must confess that for a long time we thought that it would be impossible to reach this agreement so quickly. The tour of capitals on which we are well embarked in the Member States enabled us to impress upon the authorities, national Parliaments and NGOs the urgency of meeting our commitments and setting ambitious targets.

But let's not stop at this intermediate target. €20 billion more each year as from 2010 is still a long way off the commitment that we all gave to devote 0.7% of our GDP to

development aid. What does €20 billion more each year as from 2010 actually mean? It means that each European citizen will give €49 more each year, which is equivalent to a tank of petrol, or 2 DVDs or a week's worth of cigarettes...

We can – we must - do more. But an ambitious action plan for development does not just mean more money. It also means more coherence and greater coordination in our action.

The “European Consensus”

From the very beginning of our mandate, we decided to make updating the European Union's development policy a priority.

The Commission defined its political framework of action in the development field in 2000. Since then, several events have influenced the objectives of development policies and made an update essential.

We have therefore drafted a “common development strategy” similar to what was produced in the security field, and presented it to the College in July.

While fully respecting the competences shared between the Commission and the Member States, we advocate closer coordination and common objectives for our co-operation.

On this basis, the “Brussels Consensus” or “European Consensus” should define, for the first time in 50 years of cooperation, the common framework of principles within which the EU and its 25 Member States will implement their development policies in a spirit of complementarity.

We propose to define a few major quantifiable objectives and set a timetable for them, the idea being that the Commission will then delegate some parts of this agenda to certain Member States, depending on competences, their sphere of influence or their specific areas of interest. “Intensified collaboration” will accordingly be established.

In each case we would like to see a new Member State systematically involved. These countries - which until a short time ago were themselves considered developing countries - must be rapidly made aware of development aid.

A “Partnership for Africa's Development”

We intend to give priority to implementing this new strategy in Africa. Africa and priority ... Two words that have so rarely gone together ... And yet, sub-Saharan Africa is

today the region that is furthest away from achieving the Millennium Development Goals.

By the end of 2005 we will present a "Partnership for Africa's Development", a strategy to channel Europe's drive and willingness to do better, more and faster.

We want a strategy that will respond to the new geopolitical environment in Africa.

The African Union has become a key political interlocutor, an engine of change for the continent. The energy and the quality of its project have made it a credible force. An ambitious political partnership between the European Union and the African Union is therefore, I believe, more vital than ever.

This structure should also be based on a network of links. In the broader perspective, the African construction needs to be set on solid regional building blocks; there will be no continental integration without strong and ambitious regional organisations.

Which areas should our partnership cover? We do not claim to have a detailed answer to this. We shall have to come up with that answer in a wide-ranging and comprehensive process with our partners. We shall therefore confine ourselves to proposing four possible areas for work.

Area one - governance.

The primacy of governance is today undisputed. To quote Ousmane Sy, Africa is not poor, but sometimes badly governed.

Here again, Africa is stirring. Efforts are being made on several fronts concerning governance.

The emergence of a civil society in various African countries is perhaps the most encouraging development of the last few years. It is the best guarantee of a viable democracy.

Efforts at decentralisation in various African countries form part of the same trend.

There is evidence too of a clear move towards democracy and a multi-party system. In the last five years, over two-thirds of sub-Saharan African countries have seen multi-party elections – some freer and fairer than others – and several democratic and peaceful changes of government. Burundi, the Democratic Republic of the Congo and 23 other African countries have ratified the International Criminal Court.

But the most striking feature of these past years is undoubtedly the fact that Africa has assumed its own vision, mission and principles in respect of governance. This fact,

taken up by the institution of the African Union and reflected by the vision of NEPAD, represents a break with previous practice.

This vision and these principles have not just been paid lip service. With the African peer review mechanism, Africa has a unique tool for the self-monitoring of Africans by Africans.

This mechanism deserves our full support. In our proposals for the UN Summit in September, we have suggested setting up a joint financial instrument with the African Union and NEPAD to support the reforms that the review recommends. Such a financial instrument would give an added incentive to the African countries to embark on governance reforms.

Area two, infrastructure and networks.

I think that we can all agree that without networks, without infrastructure, development is not possible.

Up until two years ago, a phone call from Kinshasa to Brazzaville would be beamed up to a satellite 36,000 km above the Equator, beamed back down to Europe and beamed up again to another satellite before finally arriving in Brazzaville, i.e. 7 km away on the other bank of the river. A regional mobile operator has set up a high-speed connection between the two capitals as a result of which international call rates have been cut by 70%.

But elsewhere in Africa, calls continue to go via Europe and the USA. In practice, this means that Africa currently wastes USD 400 million per year because of the lack of telephone infrastructure and networks.

It is therefore essential to improve infrastructure networks in order to accelerate economic growth and promote trade. This is why the Commission has proposed developing a Europe-Africa partnership on infrastructure and networks. We intend to support the development of "trans-African networks", which are essential for interconnectivity and the movement of goods, people and knowledge around the continent: trans-African telecommunications networks, railway lines, air lines, infrastructure to reduce isolation, ports, airports, waterways.

At the same time, we should innovate in terms of financing mechanisms, seeking private sector participation and other donors.

The third area, trade.

The time has come to draw up a strategy to help Africa to reverse the trend of its growing marginalisation in world trade. The statistics speak for themselves: despite

successes in a few countries, Africa's presence in world trade has gone on falling for the past 30 years. Africa's share in world exports has dropped by almost 60%. This corresponds to loss of USD 70 billion per year, i.e. over five times the USD 13 billion that come into Africa every year in the form of development aid.

We have to reverse this trend.

As you are aware, we are currently negotiating Economic Partnership Agreements (EPA) with six regions, including four in sub-Saharan Africa. It is therefore without question the most ambitious trade process ever negotiated between North and South. For the first time, the European Union is giving financial support to its partners' negotiating efforts. For the first time, trade agreements are being negotiated with the sole aim of our partners' development. For the first time, these agreements are based on our partners' regional integration. For the first time, our financial and technical cooperation can be used for reforms, budgetary support, measures to build capacity and increase supply, and to establish an environment conducive to investment and trade.

Some people continue to question whether the EPA are primarily a development instrument. We do not claim to have discovered a magic formula. But sometimes you have to wonder about the level of real information, if not the hidden motives of certain opponents in the business community.

The fourth and final area, culture.

Culture is a key dimension of development. Though often overlooked, it is in fact vital. Greater attention must be given to culture as an area of cooperation. On the one hand it is a question of preserving Africa's cultural assets and diversity, on the other of encouraging cultural production and developing the cultural heritage.

Culture is the soul and the expression of a people. It determines the functioning of a society and therefore also its economic structure. By taking account of the specific nature of Africa's society and culture, in all its richness and diversity, we can tailor our development aid to the actual situation on the ground and therefore increase its effectiveness.

Basic principles of the partnership

Apart from these areas for work, our strategy must clarify once and for all our approach towards Africa and the basic concepts that will shape the very nature of our partnership. What does African "ownership" mean? What form will the reciprocal obligations between Europe and Africa take? What is a political dialogue? And what can

we do to pursue a coherent policy by the European Union as a whole, i.e. the Commission and the Member States?

Without going into details at this stage, allow me to sketch out an answer.

One. The starting point of our partnership should be African ownership. It is essential that we make more efforts to respect Africa's leadership when it tries to offer African solutions to the problems that arise in its own territory.

This respect for ownership in all areas – including peace and security – will require firm discipline and perhaps, for some, a change of mentality.

Two. We believe profoundly in the need for an ongoing political dialogue, frank but always constructive with our partners. This is a fundamental principle based on the essential respect due to any partner in dialogue. It is also a question of common sense and mutual interest. This is why I continue to press for holding the second Europe-Africa Summit in Lisbon. Five years after the Cairo Summit it is time to hold the dialogue at a higher level.

Three. Pursuing a coherent EU policy towards Africa is without question one of the biggest challenges that we face. Today more than ever we need one single policy and not "25 plus 1". We need more coherence, too, between the EU's internal policies and development policy. The commitments given at the General Affairs Council last month to ensure greater coherence for development are therefore to be commended. Lastly, we need to aim for greater coherence between the different cooperation instruments for Africa. The European Union must adapt its response to a changing and more united Africa and create real operational links, viable bridges between the three cooperation instruments, namely the Cotonou Agreement, the agreements with the Mediterranean and African countries and the agreement with South Africa.

Ladies and Gentlemen,

The challenges we face are huge. But, today, we no longer have any excuse not to act. We are the first generation that can look extreme poverty in the face and say: "We have the money. We have the medicines. We have the know-how". But do we have the will to make poverty a thing of the past? Despite the figures which are alarming, despite an unprecedented level of awareness, development remains an issue that is "hard to sell": the countries concerned are far removed from our pampered western eyes, the fate of the suffering peoples seems to us to be sealed already.

Development policy is not just an extraordinary rallying around to collect funds when a tsunami brutally hits South-East Asia.

Development policy is not just a one-off, large-scale charity operation, when nothing else can be done.

Nelson Mandela put it best: *“Overcoming poverty is not a gesture of charity. It is an act of justice. It is the protection of a fundamental human right, the right to dignity and a decent life. While poverty persists, there is no true freedom.”*

Thank you for your attention.

European Commission

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