

TACKLING POVERTY

A proposal for European Union aid reform

Abbreviations and Definitions

ACP	Countries of Africa, Caribbean and Pacific regions
ALA	Asia and Latin America programme
DAC	Development Assistance Committee
EC	European Community
EDF	European Development Fund
EIB	European Investment Bank
EU	European Union
LDC	Least Developed Country
MDG	Millennium Development Goals
MEDA	Programme for Mediterranean countries
OA	Official Aid
ODA	Official Development Aid
OECD	Organisation for Economic Co-operation and Development
PDB	Provisional Draft Budget

AID Tackling Poverty refers to 'Official Development Assistance' as 'aid' for the sake of simplicity. There are important distinctions between different forms of development assistance. The OECD DAC defines EU pre-accession aid as 'Official Aid' rather than 'Official Development Assistance' (ODA), as it does not go to developing countries. 'Aid' in 'Tackling Poverty' refers to official development assistance, unless otherwise stated.

EUROPEAN COMMUNITY (EC) AND EUROPEAN UNION (EU) 'Tackling Poverty's main focus is EC aid. The report includes recommendations for both the quantity of EU member state national aid, and the European Community aid programmes under the External Actions budget and the European Development Funds.

2 INTRODUCTION

4 Understanding poverty reduction

5 WHAT'S GOING WRONG The lack of poverty focus in EC aid

8 HOW TO FIX IT Targets

11 HOW TO FIX IT Roadmap

13 CONCLUSION EU as development actor tackling poverty?

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BOND is a network of over 250 development non-governmental organisations (NGOs) in the UK. BOND's membership reflects the huge diversity of UK civil society's response to international poverty and injustice. This paper represents a collective position of BOND members on EU aid.

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INTRODUCTION

poverty eradication vs. foreign policy?

“Community development policy is grounded on the principle of sustainable, equitable and participatory human and social development ... The main objective of Community development policy must be to reduce and, eventually, to eradicate poverty.”¹

The European Community's 'Development Policy Statement', November 2000

People will support official development assistance if they understand what it is trying to achieve and believe that it is effective in working towards those ends. Yet European Union aid and development policy appears increasingly dwarfed by other agendas, such as trade, agriculture, foreign and security policies and the changing balance of powers within the EU

institutions. This has serious consequences for Community aid programming. The ineffective use of EU taxpayer money and badly needed funds for development should be a matter of public concern, across Europe and in developing countries. Tackling Poverty sets an agenda for reforming and safeguarding the effectiveness of EU aid.



There are currently 125 million children globally who receive no education at all, two thirds of whom are girls. An estimated \$10 – 15 billion a year would be needed to achieve education for all in developing countries.

Efficient aid targets those who need it most. Yet EC aid to low-income countries has fallen to an all-time low: from 70% in 1990 to a dismal 39% in 2000. Funding investment in Europe's 'near abroad', middle-income countries in the Mediterranean and Eastern Europe, may be in the interest of EU member states, but it does not constitute poverty-focused developmental aid. EU co-operation with middle-income countries requires better poverty-focused targeting of aid and increased use of other trade, investment and political options. The geo-political allegiances and security prerogatives of some member states now risks overshadowing and diluting the very definition of EU development policy. EU aid is a ship adrift – lacking direction – its effectiveness and reputation suffering as a result.

For EU external relations to be coherent with its rhetoric on development, policy frameworks must be followed up with concrete goals and their implementation, supported by improved reporting to guide the reforms. European governments signed up to the UN 'Millennium Development Goals' in September 2000 -targets include halving the number of people living on less than one dollar per day by 2015. Meeting these targets will require substantial increases towards social sectors – Community aid to basic health stood at only 2% of total allocations in 2000. Donor governments increasingly push discussions on aid from quantity to quality, with an emphasis on governance problems in recipient countries. The EU needs to get its own house in order.

September 11th and its aftermath awakened the European public to the long-term costs of abandoning developing countries to extreme poverty, crisis and conflict. But the recent merging of foreign, security and development agendas has led to a lack of clarity in EU external relations. It is now time for the EU to commit to a clear roadmap for raising and reforming EU aid.

The over-arching 21st Century imperative for aid is poverty reduction. Unchained from national political priorities, the pooling of resources at the EU level could be a tremendous force for good. The Future of Europe Convention and the 2004 EU

Targets for poverty focused EU aid

- Increase aid levels to 0.7% of GNP
- Increase allocations to low-income countries
- Increase allocations to social services to meet basic needs
- Increase EC transparency and co-ordination
- Demonstrate the poverty reduction value of all aid programming

Why are the Tackling Poverty targets important?

- Stress different factors and causes of poverty
- Identify mistakes we shouldn't be making
- Emphasise measurable outcomes and allow for comparisons across the EU
- Set goals against which EU governments may be held to account
- Build support for effective development assistance amongst the public
- Help create a sense of common purpose
- Effective aid will save lives and contribute to sustainable development

intergovernmental conference (IGC) should place poverty reduction and development at the heart of a consolidated EU foreign policy. Tackling Poverty identifies the obvious mistakes we should not be making. It constitutes an NGO proposal for reforming EU aid quantity, quality and direction towards tackling poverty.

understanding poverty reduction

A better understanding of poverty-focused, good quality aid is essential for an informed debate.

Measuring poverty reduction

In the past, development was measured in terms of GDP per capita; food security in terms of food availability; and poverty in terms of income deprivation. The contemporary human rights-based approach has broadened our understanding of poverty and development to include deprivation in human capabilities such as knowledge or living standards. In this context, access to basic services like health and education, should be accompanied by innovative policies for economic and political participation. Rights-based development moves the economic agenda beyond welfarism towards a sophisticated analysis of empowerment – the difference between aid as a hand out or a hand up, dependence and independence.

Economic empowerment

Tackling poverty requires a sophisticated analysis of links between economic growth and poverty: what excludes and what engages the poor in economic development as a means to enabling their productive capacities. Aid, whether disbursed in projects or indirectly via budgetary support to recipient country governments, should direct resources towards equitable economic development. Improving the access of the poor, especially women and other marginalized groups, to financial services strengthens the productive assets of the poor, and increases their potential for achieving sustainable livelihoods.

Meeting basic needs

The allocation of aid to meet basic needs, such as water and sanitation, is essential. This requires a package of policies to address the range of variables identified as key to human development. Certain core services need to be provided in order to tackle chronic poverty. Until people can educate their young and care for their sick, they will be prevented from engaging sustainable in economic activity. Until countries are pulled out of chronic poverty, hunger or environmental crisis, they cannot begin to benefit from appropriate trade and investment policies on a sustainable basis.

Democracy, governance and civil society

Successful aid programming requires full public participation at country level, with the proactive engagement of the poor, women, indigenous peoples, the disabled and other marginalized groups. The concept of 'local ownership' in the designing of aid programmes stresses the importance of national responsibility for social development, reflecting the inter-linkages between good governance and an empowered civil society. Sustainable development requires an inclusive and active participation of civil society, in which people have a say in their development choices.

Poverty reduction in middle-income countries

Aid allocations to middle-income countries should be restricted to programmes with strictly defined poverty reduction objectives. The sustainable integration of the so-called economies-in-transition into the global economy requires a sophisticated, phased pro-poor policy package that provides for the cost of adjustment to liberalisation and other reforms, and which includes measures to counter inequity, social exclusion and poverty.

WHAT'S GOING WRONG

the lack of poverty focus in EC aid

EC aid is failing the poor in terms of quantity, direction, quality and co-ordination.

... POOR QUANTITY

EC aid is insufficiently resourced

Poor political will has resulted in a striking decline in aid levels over the last decade, with aid often disproportionately hit by budget cuts.

EU member state aid levels fall far short of the long-promised UN target: 0.7% of GNP. This year, at the UN Financing for Development conference in Mexico, EU member states pledged to raise average aid to 0.39% of GNP by 2006. This pledge is still far below 0.7% and insufficient to meet the shortfall in resources needed to fight global poverty. Spain, Germany and Italy have been particularly obstructive in agreeing aid increases during the EU negotiations towards the Financing for Development conference. Donor governments are trying to avoid attention to their poor record on aid quantity by moving the debate on to aid quality issues – this reflects poorly on their commitment to delivering the Millennium Development Goals.

... POOR QUALITY

Aid quality refers to how effective or ineffective aid expenditure is in terms of poverty reduction.

EC aid fails peoples' basic needs

Whilst EU development policy framework outlines progressive commitments to funding social sectors, these have yet to become fully operational. The EU is committed to the World Summit on Social Development "20/20" declaration in Copenhagen (1995) that called for 20% of donor aid and 20% of recipient government budgets to be allocated to social services. Again, commitments have failed to translate into implementation.

The EC is a very poor performer in social services when compared to its member states and to the OECD donor average. Provision of basic health and education constitute the essential components for poverty reduction. Yet in 2000, the Community allocated only 4% of all its aid resources to basic education, and only 2% to basic health.

Aid levels of EU states

	% of GNP to aid (ODA) 2000
Austria	0.22
Belgium	0.36
Denmark	1.06
Finland	0.31
France	0.33
Germany	0.27
Greece	0.20
Ireland	0.30
Italy	0.13
Luxembourg	0.70
Netherlands	0.82
Portugal	0.26
Spain	0.24
Sweden	0.80
United Kingdom	0.32

Confusion and fragmentation in EC aid

The Community aid budget under 'External Actions Category 4' includes several non-poverty related budget lines, such as co-operation with industrialised countries, migration, nuclear energy and pre-accession aid to Turkey, Cyprus and Malta. The current lack of clarity in EC External Actions budget prevents comparison with OECD Development Assistance Committee classification of aid expenditure.

EC aid is further fragmented by the split between EU aid allocated under the general European Community (EC) budget and that allocated to African, Caribbean and Pacific countries (ACP) under the European Development Funds (EDF).

Of the world's 48 least developed countries, 39 are in the ACP group of states. Co-operation between the EU and these states is governed by the Cotonou Agreement, with aid channelled through the EDF. This fragmentation perpetuates many of the

Problems in the EDF

- Late ratification of the EDF by member states. To date only 4 out of 15 Member states have formally approved the latest agreement with ACP countries, the Cotonou Convention. As a consequence, none of the EDF resources pledged by member states for 2000-2005 have been allocated or disbursed;
- Insufficient staff capacity in the European Commission to implement programmes;
- Insufficient delegation of decision-making to ACP at country level;
- The role given to the EDF Member States Committee in approving Country Strategy Programmes and specific projects, unnecessarily delaying implementation;
- Repetition of procedures resulting from the split in European Commission administration between the Directorate General for Development and EuropeAid in programming and implementation;
- Emphasis on complex programmes for infrastructure, rather than allocated budget support to recipient governments, which would have a much faster rate of implementation.

Targeting regional allocation

Asia is home to over two thirds of the world's poor, yet it received only 7% of EC aid in 1998/9. The European Commission's preliminary draft budget for 2003 proposes raising aid to developing countries in Asia to 11.2% of total EC aid. A move in the right direction, but not good enough.

inconsistencies and poor co-ordination in current EC aid programming.

Cutting off the EDF funds from the Community aid budget allows member states to maintain a tighter control over how the money is spent. As a consequence, the EDF suffers from the whims, belated ratification and weak commitment of member states.

All EC aid, whether to ACP or non-ACP, least developed, low-income or middle-income countries, should be determined by poverty reduction, not by contemporary allegiances or historical precedence.

EC aid is not reaching the poor

EU member states have allowed their geo-political allegiances and economic interests to influence regional aid allocation. Historically, Germany has lobbied for increased aid to Eastern Europe, whilst Spain and Italy push for Mediterranean countries to receive more resources. Against the explicit poverty reduction objectives of the EU development policy statement, national interests have prevailed over good development sense. This detracts from the purpose of aid as a poverty reduction tool, leading to an inefficient allocation of resources.

Efficient aid targets those who need it most. Yet, EU aid to low-income countries has decreased from 70% of its total development assistance in 1990 to only 39% in 2000. Whilst EC aid to other regions has grown rapidly, allocations to least developed and low-income countries have decreased in absolute, as well as proportional, terms. This mirrors a decline in bilateral member state aid, with the drop in EC aid even more significant as a result.

Funds to the near abroad may fit under the heading of aid, yet these allocations reflect the foreign policy interests of EU member states, not poverty reduction.

Participation on paper, but not in reality

At country level, the EC is not translating its rhetoric on civil society participation into the reality of its aid programming. The EC's Country Support Strategies, Country Strategy Papers (CSPs) and National Indicative Programmes (NIPs) are marred by insufficient accountability to recipient governments or civil society. CSPs and NIPs are allied with the IMF and World Bank Poverty Reduction Strategy Papers despite the EC having no influence over those processes. Efforts to decentralise decision-making power to the Commission delegations in recipient countries have faced delays in implementation. This begs the question "whose ownership is this?" Certainly people living in poverty have little more than

a token participation in programming and implementation. Furthermore, the EU EDF Committee alone approves the CSPs and NIPs, without participation of ACP countries or the European Parliament. EC aid programming should be accountable to those it is aimed at helping, namely people living in poverty in recipient countries. This is not the case at present.

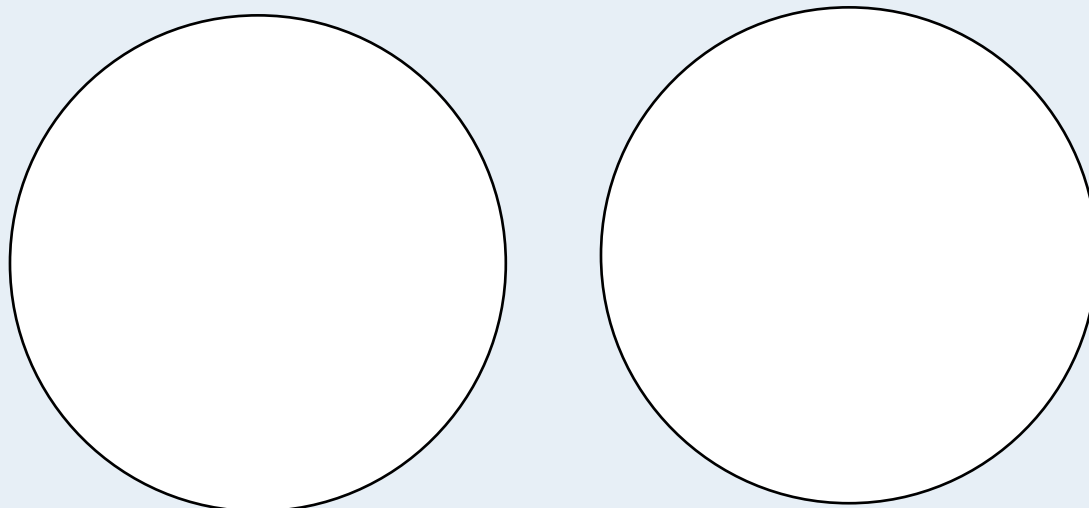
Main recipients of EC bilateral ODA

<i>1989-1990</i>	<i>1994-1995</i>	<i>1999-2000</i>
Côte d'Ivoire	Morocco	Yugoslavia
Cameroon	Ethiopia	Morocco
Mozambique	Egypt	Bosnia and Herzegovina
India	States Ex	States Ex-
Ethiopia	Yugoslavia	Yugoslavia
	Côte d'Ivoire	Egypt

Allocation to low-income countries (1998-1999 average)

	<i>% to LDCs</i>
Greece	97
Ireland	85
Portugal	82
Denmark	80
Italy	75
Finland	73
Sweden	73
Belgium	71
United Kingdom	71
Netherlands	63
Luxembourg	62
Germany	55
EC	52
Austria	49
France	49
Spain	43

EC disbursements by income group in 1990 and 1999



HOW TO FIX IT

setting targets for reform

Millennium Development Goals

- Reduce the number of people living in poverty by one half by 2015
- Halt and reverse the spread of HIV/AIDS by 2015
- Halve the number of underweight under-fives between 1990 and 2015
- Halve the number of people without access to safe drinking water by 2015
- Achieve universal primary education by 2015
- Achieve equal access for boys and girls to primary and secondary schooling by 2005
- Reduce maternal mortality ratio by three-quarters by 2015 and achieve universal access to safe and reliable contraceptive methods by 2015
- Reduce under-five mortality by two-thirds by 2015
- Implement national strategies for sustainable development by 2005 so as to reverse the loss of environmental resources by 2015

The Millennium Development Goals, agreed in November 2000, compile the key UN commitments relevant to international development and poverty eradication with deadline of 2015. EU heads of state have made repeated made high-profile pledges to deliver on the Millennium Development Goals. It is time the EU Council agreed and implemented a clear timetable towards 2015.

The following Tackling Poverty targets would ensure an adequate EU contribution to the campaign against global poverty with a deadline of 2015.

QUANTITY 0.7% 0.7% of GNP to aid

September 11th and its aftermath should have taught us the consequences of the political and economic abandonment of developing countries. Global aid flows must more than double in order to meet the Millennium Development Goals and the EU should take the lead. A EU timetable for reaching the long-promised 0.7% target would revitalise the global political discussions on aid – laying down the challenge to the other major donors. The current proposal to raise the average EU aid spending to 0.39% of GNP is insufficient. Member states should agree a clear and binding timetable for raising aid to 0.7%.

QUALITY 100% Increase allocations to social services to meet basic needs

Forthcoming EC aid programming should be targeted at financing the key social services sectors relevant to the Millennium Development Goals. The EU's combined budgetary authorities, in the Parliament and Council, have set themselves a 35% of total EC aid for social services target. Bold incremental increases in the Community budget should be followed by a binding allocation of 35% in the 2006 EU Financial Perspectives. A target of 20% minimum should be set for funding basic health and education. To be credible, the EU should focus on integrating increased spending on health and education throughout its programmes, rather than focus its efforts on high profile 'global funds'.





Each day 40,000 people, the vast majority in poor countries, die from diseases the West has come to regard as preventable and treatable: chest infections, diarrhoea and measles. A geographical lottery condemns the poor to die simply because treatment is too expensive.

Demonstrate the poverty focus of all aid programming

The European Commission has developed progressive policy models towards poverty eradication, but those commitments are yet to be fully operationalised. The first publication of an Annual EU Development Report in 2001 was a well-received initiative, but failed to satisfy development NGOs and other stakeholders in its substance.

Country Support Strategies, Country Strategy Papers (CSPs) and National Indicative Programmes (NIPs) should be reformed to promote recipient government and civil society 'ownership' of development strategies.

Recommendations for Country Strategy Papers and National Indicative Programmes:

- 1) Transparent and verifiable civil society participation in CSP and NIP processes in recipient countries.
- 2) Reforming the role of the EU EDF Committee by including ACP governments and civil society in decision-making.
- 3) Increasing the role of the European Parliament in scrutinizing the implementation of the EDF in accordance with the Convention.

Proportional allocation of Member States aid to social services

	%
Greece	62
Luxembourg	56
Ireland	41
France	40
Germany	39
Belgium	38
Denmark	35
Finland	35
Sweden	32
Austria	30
UK	29
The Netherlands	25
Portugal	22
European Community	22
Spain	20
Italy	18

Examples of projects supportive of poverty reduction

- Ensuring food security
- Improving access to clean water and sanitation.
- Improving provision of shelter.
- Access to small-loan facilities for people without collateral.
- Organisation, self-empowerment and participation of people living in poverty through organisation in civil society groups representing specific community and development interests, such as trade unions, community organisations, farmers cooperatives, fisheries communities, women's organisations, and children's organisations.
- Capacity-building of government at regional, national and local levels.
- Contribute to measures for the protection of the environment in developing countries.
- Contribute to the protection of human rights, with particular emphasis on the protection of vulnerable groups.

Increase transparency and co-ordination

Tackling the lack of clarity and co-ordination in the EC aid budget and programmes will lead to a strengthened ability to target and monitor interventions for poverty reduction.

- The European Development Fund should be incorporated into the EU budget in order to enhance coherence of aid programmes across the board. All EC aid programmes should build on the political and economic co-operation embodied by the Cotonou Agreement: integrating aid, trade and political co-operation. This model should be strengthened and extended consistently to all least developed and low-income countries, including non-ACP states.
- The EU should report on the sectoral output of its funding by using categories consistent with those used by the OECD Development Assistance Committee. The EC budget lines for international development and poverty reduction should be transparently differentiated from other non-poverty related allocations currently included under the 'External Actions Budget Category 4'. This would allow for greater transparency and monitoring of EC funds, and facilitate comparisons with other donors.

Best practice in Member States allocation of aid to low-income countries (1999)

Country	% aid to low income countries
Greece	97%
Ireland	85%
Portugal	82%
Denmark	80%
Italy	75%
Finland	73%
Sweden	73%
Belgium	71%
UK	71%

DIRECTION 70% Substantial increases to low-income countries

EC aid should reflect best practice in poverty-focused aid. As nine out of the fifteen member states spend more than 70% of their aid budget on low-income countries, the EC should aim for 70% allocation to low-income countries. In February 2002 the European Parliament adopted a resolution backing a target of 70%. If the EC is committed to poverty eradication or wishes to maintain its credibility as a multilateral donor, then it must significantly increase aid to low-income countries. Allocations to low-income countries had dwindled to 39% of the EC total in 2000 – this trend must be reversed.

HOW TO FIX IT

roadmap

> SEPTEMBER 2002

Johannesburg, World Summit on Sustainable Development

Timetable for achieving the 0.7% target

It is imperative that a strict timetable is agreed to meet the 0.7% ODA/GNP target at the earliest opportunity in order to finance the Millennium Development Goals. The current timetable towards 0.39% as the EU aid average is woefully inadequate so the EU must commit to further aid increases. A binding timetable should be agreed at the earliest opportunity, ideally in the run-up to the World Summit for Sustainable Development in Johannesburg in August 2002.

2002 > 2003

Future of Europe Convention

> 2004

EU Intergovernmental conference

Poverty eradication firmly rooted in a future Treaty

The Convention on the Future of Europe has an instrumental role in enhancing a poverty focus within EU development co-operation. It should lay the foundations of a future Treaty which sets in stone the prime objective of the European Community aid programme: the achievement of the Millennium Development Goals, including the eradication of poverty. Furthermore, the international development consequences of other EU policies should be included in the Convention and reviewed as part of the Sustainable Development Strategy at EU heads of state summits.

EU Financial Perspectives

EC aid resources under the External Actions budget are decided at five year intervals in framework budget reviews entitled the 'Financial Perspectives'. ACP aid funds within the EDF are currently not included the European Community budget reviews. Negotiations for the next Financial Perspectives will be finalised in 2006.

2002 > 2006

New EU Financial Perspectives

Increased transparency within the EC External Actions Budget Category 4 will facilitate effective aid allocation. Tackling Poverty calls for non-poverty lines, such as pre-accession aid to Cyprus, Malta and Turkey, to be absorbed within the relevant sectoral and regional financial envelopes under the 2006 Financial Perspectives.

Increase aid to low-income countries

The EC should increase aid to low-income countries with the following actions and timetable:

- Increase aid to low-income countries towards 70% of total allocation, particularly to the least developed countries in Sub-Saharan Africa, Central and Southern Asia and Latin America. 70% should become the binding allocation under the next Financial Perspectives in 2006.
- EDF 9 should be ratified before Autumn 2002 so that commitments and disbursements to the ACP countries can be made and implemented.

September 2002: World Summit on Sustainable Development:

UN conference, ten years after the Rio summit, a deadline for the international community to deliver on its promises on North-South co-operation.

2003: Future of Europe Convention

The EU consults with all stakeholders on the Union's future: reforms to the EU treaties and institutional structures.

2004: EU Intergovernmental Conference

The EU member states decide on the Union's future: reform of the EU treaties with enlargement to the East and institutional re-structuring at the top of the agenda.

2006: Financial Perspectives

The EU decides how the EC budget will be arranged and allocated for the following six years (2006 to 2011).

Increase aid to basic social services

Incremental increases in the EU budget to be followed by a binding agreement on allocations in the 2006 Financial Perspectives. A minimum of 35% of total EC aid should be allocated to core social services, with 20% directed to basic health and education.

Increase aid to sectors relevant for poverty eradication

Forthcoming EU External Actions budgets should reflect poverty reduction as the key priority for all grant aid, with a comprehensive review towards 2006. Aid allocation should target the sectors directly relevant to poverty eradication and the achievement of the Millennium Development Goals.

Increase EC transparency and co-ordination

The EC should incorporate the European Development Funds within the general EC budget with the following actions and timetable:

- The European Commission should present a strategy for how EDF 9 will be exhausted by 2006.
- The EDF should be integrated into the negotiations on the 2006-2013 'Financial Perspectives'.
- The budget should include figures up to 2006 on commitment and spending appropriations for the EDF.
- EDF programming and implementation should be



Bolivian women's cooperative group making fair trade pineapple jam, El Alto, La Paz.

incorporated in a single European Commission Directorate General under the responsibility of one Commissioner responsible for development co-operation. Development should not be subordinate to foreign policy within the decision-making structure of EuropeAid or the wider RELEX family.

- Coherence between the trade and aid components of the Cotonou Agreement should be prioritised during the forth-coming negotiations of new trade relations with ACP states. This will necessitate substantial increases in aid levels.
- Increase the number of staff available for the implementation of ACP cooperation.
- The European Commission to publish Communication on participation of the candidate countries in the implementation of EU development policy and participation in future decision-making, addressing issues of administrative capacity, legal and political framework and budget allocation.

Middle-income countries

The EC should review all forms of assistance to middle-income countries to ensure that aid is kept to a minimum of poverty-focused programming. EU member states should support enhanced trade and investment options for middle-income countries.

- Re-orientation of EU co-operation with middle-income countries towards loans, investment, trade and market access, with grant aid restricted to projects demonstrably benefiting the poor.
- Promote reform policies for the European Investment Bank, European Bank for Reconstruction and Development and commercial and regional banks supportive of foreign direct investment contributing to sustainable development and poverty reduction;
- Reform of Common Agricultural Policy to give due consideration to economic and sustainable development prerogatives for agricultural producers in middle-income countries and the near abroad;

CONCLUSION

EU as development actor tackling poverty?

“Poverty reduction is central to development co-operation. The Community’s new development policy made this clear. (...) It goes without saying that this persistent gap between policy statements and practice does not add to the credibility and trustworthiness of rich countries.”

Development Commissioner Poul Nielson, Speech at the European Parliament, 26 February 2002

European Community aid and development policies have been increasingly defined in terms of poverty eradication yet those policies have failed to translate into Community aid effectively targeted at poverty reduction. The proliferation of budget lines and focus of political will on high profile emergencies, global funds and the near-abroad now acts to the detriment of a coherent poverty eradication strategy.

The Future of Europe Convention and the review of the EU treaties at the 2004 IGC provide excellent opportunities for reforming EC aid. Development decision-makers in the institutions and member states should formulate a roadmap for reform. EU reforms must place international development at the heart of future external relations policies, not an afterthought or subordinate to other policy imperatives.

For the EU to realise its potential as a global player, it should demonstrate global leadership in financing the Millennium Development Goals. Attaining a credible level of EU overseas development assistance necessitates a doubling of current levels: from an average of 0.33% of GNP to the 0.7% UN target. Community aid should be at least as good as the best practice in its member states in terms of sectoral and geographical allocations targeted at poverty reduction. This is not the case at present.

The developmental consequences of all EU policies should be reviewed. Despite EU rhetoric to the contrary, the disastrous impacts on developing countries of major EU policies, such as the CAP or liberalisation as the sine qua non for trade relations, remain unresolved. In both cases, further substantial increases in poverty-focused aid will be core elements for a developmental policy reform.

Engaging the accession countries in targeting EU aid towards poverty will be a crucial test. History shows the haphazard evolution of EU aid with the accession of new member states with new priorities for aid. Lessons can be learned on both sides.

Acting as bloc, the EU could act as an honest broker between North and South, exercising a model of mutual accountability and partnership in its relationship with developing countries and supporting a macroeconomic and political climate in which tackling global poverty is a realistic goal. Poverty reduction efforts prioritise equity and social inclusion in order to promote a democratic and sustainable approach to development.

The legitimacy of the EU rests upon its citizens believing that the competencies and objectives of its institutions and policies are transparent, accountable and effective in their workings. Public support for European Community aid also requires that it be clear in its objectives, and demonstrably effective in striving towards those ends. Strengthening the poverty focus in EC aid is a key component in that effort. It’s time that we got EC aid right.

ANNEX 1: DAC List of Aid Recipients (2000) and ACP countries

Non-ACP countries are indicated in italics.

PART I: AID TO DEVELOPING COUNTRIES AND TERRITORIES (OFFICIAL DEVELOPMENT ASSISTANCE)						PART II: AID TO COUNTRIES AND TERRITORIES IN TRANSITION	
LDCs	Other LICs (per capita GNP <\$765 in 1995)	LMICs (per capita GNP \$766–\$3035 in 1995)	UMICs (per capita GNP \$3036–\$9385 in 1995)	HICs (per capita GNP >\$9385 in 1995)	CEECs/NIS	More advanced developing countries and territories	
Afghanistan Angola Bangladesh Benin Bhutan Burkina Faso Burundi Cambodia Cape Verde Central African Republic Chad Comoros Congo Dem. Rep. Djibouti Equatorial Guinea Eritrea Ethiopia Gambia Guinea Guinea Bissau Haiti Kiribati Laos Lesotho Liberia	*Armenia *Azerbaijan Cameroon China Congo, Rep. Côte d'Ivoire East Timor Ghana Honduras India Indonesia Kenya Korea Dem. Rep. *Kyrgyz Rep. *Moldova Mongolia Nicaragua Nigeria Pakistan Senegal *Tajikistan *Turkmenistan Vietnam Zimbabwe	*Albania Algeria Belize Bolivia Bosnia Herzegovina Colombian Costa Rica Cuba Dominica Dominican Rep Ecuador Egypt El Salvador Fiji *Georgia Guatemala Guyana Iran Iraq Jamaica Jordan *Kazakhstan Macedonia Marshall Islands Micronesia	Botswana Brazil Chile Cook Islands Croatia Gabon Grenada Lebanon Malaysia Mauritius =Mayotte Mexico Nauru Palau Islands Panama St Helena St Lucia Trinidad & Tobago Turkey Uruguay Venezuela	Malta Slovenia	*Belarus *Bulgaria *Czech Republic *Estonia *Hungary *Latvia *Lithuania *Poland *Romania *Russia *Slovak Rep *Ukraine	=Aruba Bahamas =Bermuda Brunei =Cayman Islands Chinese Taipei Cyprus =Falkland Islands French Polynesia =Gibraltar Hong Kong-China Korea Rep of Israel Kuwait Libya =Macao =Netherlands Antilles =New Caledonia Northern Marianas Qatar Singapore United Arab Emirate =Virgin Islands	

Moldova was included in Part I of the list as of 1 January 1997; it is classified as an LMIC.
= Territory.

receipts are minimal, to ensure comprehensive reporting of financial flows.
CEEC/NIS; + territories.

Part II as from 1996: until 1996, aid to these countries is accounted as ODA, in line with the decision of 1992. More advanced countries and territories in this category are retained on the list even where aid

Part I countries are listed in ascending order of GNP. Countries whose GNP is not accurately known are grouped below the dotted line in the category in which they are estimated to fall, in alphabetical order.

Source: OECD/DAC, Development Cooperation: Efforts and Policies of the Members of the Development Assistance Committee, 2001 Report, Paris, 2001.

ANNEX 2

EU (including member states) disbursements of bilateral by income group (1998-1999 average)

EC ODA DISBURSEMENTS

	<i>US\$ million</i>	%	<i>sub-total</i>
LDCs	1359	32	
Other low income	846	20	52
Lower middle income	1739	41	
Upper middle income	318	7	48
High income	8	0	0
Total	4270	100	100

TOTAL ODA DISBURSEMENTS

	<i>US\$ million</i>	%	<i>sub-total</i>
LDCs	7704	23	
Other low income	10260	31	54
Lower middle income	12537	38	
Upper middle income	1832	5	43
High income	1040	3	3
TOTAL	33373	100	100

1. AUSTRIA ODA DISBURSEMENTS

	<i>US\$ million</i>	%	<i>sub-total</i>
LDCs	79	20	
Other low income	114	29	49
Lower middle income	187	47	
Upper middle income	14	4	51
High income	2	1	1
TOTAL	396	100	100

2. BELGIUM ODA DISBURSEMENTS

	<i>US\$ million</i>	%	<i>sub-total</i>
LDCs	157	45	
Other low income	91	26	71
Lower middle income	86	25	
Upper middle income	16	5	29
High income	0	0	0
TOTAL	350	100	100

3. DENMARK ODA DISBURSEMENTS

	<i>US\$ million</i>	%	<i>sub-total</i>
LDCs	3405	52	
Other low income	216	28	80
Lower middle income	122	16	
Upper middle income	35	4	20
High income	0	0	0
TOTAL	0	100	100

4. FINLAND ODA DISBURSEMENTS

	<i>US\$ million</i>	%	<i>sub-total</i>
LDCs	76	40	
Other low income	65	34	73
Lower middle income	45	23	
Upper middle income	6	3	27
High Income	0	0	0
TOTAL	192	100	100

5. FRANCE ODA DISBURSEMENTS

	<i>US\$ million</i>	%	<i>sub-total</i>
LDCs	928	21	
Other low income	1174	27	49
Lower middle income	1146	26	
Upper middle income	325	8	34
High income	757	17	17
TOTAL	4330	100	100

6. GERMANY ODA DISBURSEMENTS

	<i>US\$ million</i>	%	<i>sub-total</i>
LDCs	830	22	
Other low income	1247	33	55
Lower middle income	1402	37	
Upper middle income	260	7	44
High income	37	1	1
TOTAL	3776	100	100

7. GREECE ODA DISBURSEMENTS

	<i>US\$ million</i>	<i>%</i>	<i>sub- total</i>
LDCs	41	59	
Other low income	27	39	97
Lower middle income	1	1	
Upper middle income	0	0	1
High income	1	1	1
TOTAL	70	100	100

8. IRELAND ODA DISBURSEMENTS

	<i>US\$ million</i>	<i>%</i>	<i>sub- total</i>
LDCs	82	77	
Other low income	9	8	85
Lower middle income	10	9	
Upper middle income	6	6	15
High income	0	0	0
TOTAL	107	100	100

9. ITALY ODA DISBURSEMENTS

	<i>US\$ million</i>	<i>%</i>	<i>sub- total</i>
LDCs	323	46	
Other low income	205	29	75
Lower middle income	115	16	
Upper middle income	59	8	25
High income	2	0	0
TOTAL	704	100	100

10. LUXEMBOURG ODA DISBURSEMENTS

	<i>US\$ million</i>	<i>%</i>	<i>sub- total</i>
LDCs	26	33	
Other low income	22	28	62
Lower middle income	24	31	
Upper middle income	6	8	38
High income	0	0	0
TOTAL	78	100	100

11. NETHERLANDS ODA DISBURSEMENTS

	<i>US\$ million</i>	<i>%</i>	<i>sub- total</i>
LDCs	516	35	
Other low income	406	28	63
Lower middle income	359	24	
Upper middle income	51	3	28
High income	135	9	9
TOTAL	1467	100	100

12. PORTUGAL ODA DISBURSEMENTS

	<i>US\$ million</i>	<i>%</i>	<i>sub- total</i>
LDCs	164	82	
Other low income	1	0	82
Lower middle income	35	17	
Upper middle income	1	0	18
High income	0	0	0
TOTAL	201	100	100

13. SPAIN ODA DISBURSEMENTS

	<i>US\$ million</i>	<i>%</i>	<i>sub- total</i>
LDCs	75	10	
Other low income	241	33	43
Lower middle income	387	53	
Upper middle income	26	4	57
High income	0	0	0
TOTAL	729	100	100

14. SWEDEN ODA DISBURSEMENTS

	<i>US\$ million</i>	<i>%</i>	<i>sub- total</i>
LDCs	298	45	
Other low income	190	28	73
Lower middle income	137	21	
Upper middle income	42	6	27
High income	0	0	0
TOTAL	667	100	100

15. UNITED KINGDOM ODA DISBURSEMENTS

	<i>US\$ million</i>	<i>%</i>	<i>sub- total</i>
LDCs	684	38	
Other low income	588	33	71
Lower middle income	350	19	
Upper middle income	172	10	29
High income	2	0	0
TOTAL	1796	100	100