



Position Papers:

ACP-EU/Cotonou
Coherence
Education
Gender
Social Development
Trade

Partnership 2000 - A *Eurostep* Approach October 1996

EUROSTEP

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1. Introduction

The year 2000 will see an end to several important agreements which guide the European Union's approach to trade and aid with developing countries including the Lome IV agreement and the Asia and Latin America agreements (ALA). A crucial debate has begun on the future of European Union (EU) development co-operation which will have far-reaching consequences for people living in poverty and conflict across the globe.

With net disbursements of \$4.8 billion in 1994, the European Community is the fifth largest donor of funds for development in the world, and the second largest multilateral donor after the International Development Association of the World Bank. The European Community's development co-operation programme is of great benefit to many poor people because of its size; its concessional nature, with grants representing over 98 per cent of its financial assistance; its integration of trade and aid instruments, and its geographical spread. However, *Eurostep* believes that Europe's development co-operation can be improved enormously by increasing its poverty focus, ensuring greater coherence with other European policies, and by improving the mechanisms for its delivery.

This paper describes the principles which *Eurostep*, a network of twenty two European development agencies, wants to see applied to the task of creating a new framework for development co-operation for the year 2000 and beyond. Considerable improvements will be achieved if the best of the Maastricht Treaty and Lome Convention are combined, if major problems associated with the existing development framework are addressed and if a reinvigorated vision of Europe's relations with developing countries is incorporated.

2. Competing Visions

There are two competing visions of the future of EU development co-operation. One believes the efficiency and dynamism of free markets and foreign investment is the principal guarantor of economic growth. It is deeply sceptical of development co-operation, which it sees, at worst, as a motor for dependency and corruption, and at best as a lever to open up poor economies quickly to the benefits of the global market.

The other vision, which *Eurostep* shares, sees economic growth as a part of the means to the

end of human development. In this vision, the next generation of EU development co-operation must provide international leadership to promote growth with equity and to use its substantial resources to foster social development and poverty reduction which markets alone will fail to achieve. Trade and aid instruments can be effectively directed at poverty reduction, sustainable development and reducing social tensions and conflict. This co-operation is an essential tool to counter rising inequality which is further polarising an already divided world.

3. Poverty Focus

Current figures on global poverty makes stark reading. One in four of the world's population live in a state of absolute want, and that number is increasing. 70 per cent of the poor are women, a growing proportion of whom are younger single women who are heads of households. Global inequality has doubled in the last thirty years, with the poorest 20 per cent of the world's people sharing one sixtieth of the wealth enjoyed by the richest 20 per cent in 1995, compared to one thirtieth in 1965. And 27 million people are living in poverty as refugees or displaced people after being forced by war to flee their homes: there numbers have increased by nearly 60 per cent in the last five years.

There is growing evidence that global deregulation of markets and unfettered structural adjustment, in some regions of the world, have increased inequality and poverty levels. Rapid liberalisation is destroying rural livelihoods and food security while expanding urban drift, and exerting downward pressure on labour conditions.

There is increasing recognition by official aid donors, such as the European Commission and the World Bank, that the free market is incapable of solving many of these problems. This has led to changes in policy prescriptions to add on safety nets for those damaged by adjustment, and an emphasis, in their programmes, on basic social services of health and education, including training to improve the labour force competitiveness.

If the European Union's development co-operation is to be effective after the year 2000, it must go beyond an approach which bolts on safety nets to a flawed macro-economic framework. Instead it should aim consistently to encourage more inclusive patterns of growth which put the issues of equity, poverty reduction and conflict prevention at the core of the development process.

4. Geographical Focus

Eurostep believes that aid should be aimed primarily at the needs of the poorest. This will target the poor in the least developed countries (LDCs) of the world where 40 per cent of people below the poverty line live, as well as the poor in middle income countries such as the Philippines and Brazil, where the majority have been excluded from the benefits of economic growth.

The current trends in European Community aid appear to be in another direction. Between 1994 and 1995, aid to Africa, Caribbean and Pacific (ACP) countries, which include 35 of the 45 LDCs, has declined from around 50.6 per cent of the total budget to 33.8 per cent. Aid to the Mediterranean countries has increased from 3.6 per cent in 1991 to 10.9 per cent in 1995, while aid to Asia and Latin America has increased to 18 per cent in 1995.

The Partnership 2000 process should create a single European framework for development co-operation which focuses aid and trade measures on poverty eradication and promoting growth with equity. This framework should be based on the objectives of Title 17 of the Maastricht Treaty: development policy should promote sustainable development, particularly in the most disadvantaged countries; the fight against poverty in developing countries; and the smooth and gradual integration of developing countries into the world economy; co-ordination of member state's and the Commission's policy; and coherence of other international EU policy with the development co-operation objectives.

Within this framework there should be a special agreement with an evolving ACP group. This agreement should consist of an enhanced package of development tools including non-reciprocal trade measures and concessional finance which is ring-fenced for use in poverty eradication. The ACP group should evolve from its current identity based on previous colonial ties, to a group of nations characterised by lower human development indicators combined with a strong national commitment to reaching clear human development goals.

Grants should be restricted to low income countries in the group, with 50 per cent allocated to social development, and to programmes in middle income countries aimed directly at assisting the poorest to gain access to education, health and sustainable livelihoods.

Non-reciprocal trade agreements should be expanded to a broader group of countries in the evolving group and in sectors where there is a clear rationale in terms of poverty eradication and the promotion of equity.

There are proposals for the next co-operation framework to abandon the Lome principle of negotiating with a single group of poorer countries, and instead negotiate packages of co-operation specific to regions. While there will need to be flexibility in approaches to different regions and countries, *Eurostep* believes that it is vital that the broad agreement is negotiated with a single group of developing countries. This will ensure a more effective agreement through partnership, while this group also acts as an important lobby for the EU to maintain support for some of the poorest of the world's population. Its early evolution to a group committed to goals of improved human development will serve to enhance its influence and authority.

The European Union currently has an expanding variety of development co-operation agreements with developing countries and countries in transition. These are managed by four

different commissioners and the President of the Commission. Bringing these together into a single framework, managed by a single commissioner would achieve considerable gains in co-ordination, consistency and efficiency.

5. Aid With Impact

There is consistent evidence that the people of Europe want a generous and effective programme of European Community development co-operation. This public support will only be sustained if the Community can prove that it is effective in transforming poor people's lives through securing their human rights to food, security, health and education, and increasing their opportunity to live fulfilling lives.

EU governments struggling to maintain low inflation, cut budget deficits and meet the criteria for European Monetary Union have continued to take the easy option of cutting ODA budgets. The EU average of 0.38 per cent of GNP is shamefully below the UN recommended level of 0.7 per cent. Despite this, the EU member states transferred a substantial \$31.54 billion in ODA in 1995, representing over 46 per cent of total OECD DAC. The scale of these resources provides the EU with a major opportunity to help alleviate world poverty and address the rising number of conflicts in the world.

To achieve this, *Eurostep* believes that the member states and the Commission should work to increase the quantity and quality of EU aid. Any increase in aid controlled by the European Community should be contingent upon proof of high quality through investing in social development; promoting participation of local people in the design of policies; and ensuring coherence between Community aid and EU's wider trade and development policies. These improvements can only be achieved with adequate human resources within the Commission to implement the tasks required.

Essential to improving the quality of aid is the promotion of aid policy and programmes that promote the equal participation of women in society. Women provide most of the food consumed by poor households and perform more than three-quarters of the agricultural work in many countries. They manage common resources and are responsible for collecting firewood and water as well as bringing up children. Women's labour also accounts for a growing proportion of employment in industry and commercial agriculture. Yet according to the UNDP's Gender Development Index, in no society do women enjoy equal rights to men. This systematic discrimination has to be tackled at many levels. However, EU development co-operation can contribute by ensuring that trade and aid measures seek to redress discrimination, recognise women's central role in sustainable human development and promote women's right to equality, including equal access to land, property, inheritance, and credit.

European Community development co-operation would benefit greatly from adopting the goal-

oriented approach advocated by OECD in its paper *Towards the 21st Century* - defining a limited number of indicators of success by which its co-operation efforts can be judged in the future. This will make strategic decisions focus still further on their positive outcomes for the poorest. These successes can only be achieved with the participation of the poor.

5.1 Investing In Social Development

Investment in health and education is one of the most important determinants of human development. It is also increasingly recognised as an important determinant of employment, income, productivity, and economic competitiveness. Similarly, gainful employment, is a vital determinant of welfare, income and social cohesion.

Although there have been significant improvements in social indicators in the post war period, basic rights to health, education, food and employment continue to be denied to millions of people especially in the world's poorest countries. Today 1.5 billion people have no access to basic health services. More than 100 million primary school age children - two thirds of them girls - are not in school. More than 800 million people are hungry today. Some 120 million workers worldwide are unemployed with millions more suffering from underemployment, many of whom earn below the poverty line.

Despite the enormous need, only a small fraction of EU ODA is allocated directly towards basic social services and income generating schemes, where it can be most effective in poverty eradication. This is a missed opportunity. *Eurostep* believes that donors like the EU should be allocating at least 50 per cent of its ODA to social investment.

This should focus on:

- The basic social services identified in the 20:20 compact such as basic education and primary health care (including reproductive health), nutrition programmes and safe drinking water and sanitation, as well as the strengthening of local institutional capacity to deliver these services.
- Support to income generating activities for the poor in rural areas and the urban informal sector including small scale credit facilities, training, technical and marketing assistance; public investment/employment schemes to generate socially productive jobs that progressively transfer ownership of assets to the unemployed; and investment in local agricultural production and food security systems combined with land reform measures targeted at poor women and men.
- Strengthening social and civil organisations, for example farmers associations, women's organisations, co-operatives, trade unions, human rights organisations, to help increase their influence in policy decisions and their ability to access resources and secure their basic social and economic rights.

EU aid should give priority in its aid programmes to countries whose Government's make a mutual commitment to achieving the objectives in basic social services set out in the 20:20 compact.

Similarly, the EU should press the International Finance Institutions (IFIs) to introduce effective social conditionality so that the disbursement of structural adjustment loans is made conditional on government action to improve universal access to basic services, including the withdrawal of user fees.

Much aid is still not effectively targeted at the poor. The poorest 40 per cent in developing countries receive less than half as much aid per capita as the richest 40 per cent (UNDP). In large part this is because elites in poor countries capture the benefits of aid. This in turn may be related to weak institutional capacity and skills, and/or overburdening of tasks and conditionalities imposed by external bodies such as the IMF, WB, WTO, and other donors. Investment in local institutional capacity is essential to help poor countries implement effective social and economic development strategies for the poor.

5.2 Promoting Sustainable Livelihoods and Securing Human Rights

In parts of Latin America, Africa, Asia and the transition economies, rapid and unselective market deregulation and liberalisation promoted under Structural Adjustment Programmes and recent trade and investment agreements, are undermining livelihoods. Even under conditions of renewed growth, there is no guarantee that economic reforms in their current form will be capable of generating adequate new livelihoods to replace those lost during restructuring. Intensified global competition, combined with moves to deregulate labour markets, is exerting downward pressure on labour standards. In Latin America, for example, renewed growth between 1990 and 1994 failed to significantly reduce unemployment, and four out of every five new jobs were still being generated in the informal sector, where average productivity and real income decreased. Women, in particular, have suffered loss of livelihoods on the margins of the economy, while also receiving the burden created by severe cutbacks in state provision of basic services.

The EU should:

- Target its aid to improve competitiveness of small and medium-sized businesses in labour intensive industries, which benefit poor people by generating employment and incomes while providing goods and services locally or for export. Foci would include agricultural export activities, local food security, marketing co-operatives, new and alternative trading ventures. The latter could include support to targeted credit schemes, training, marketing information, technology transfer, research and development, infrastructure.
- Use its influence more effectively in IFIs to reform structural adjustment programmes (SAPs) to promote growth with equity. This should include: an expansionary economic environment oriented towards social and economic recovery, employment creation and poverty reduction; selective protection and support to labour-intensive industries and basic food production; careful analysis of SAP impact on women's labour and access to services; state intervention to manage agricultural markets in the interests of the poor; the promotion of land reform in favour of poor women and men; targeted provision of credit, extension services and economic infrastructure to poor women and men; and the effective protection of labour

standards.

5.3 Debt Reduction

The debt of sub-Saharan Africa is equivalent to over 100 per cent of its GNP. The European Commission has declared its commitment to poverty alleviation, and Horizon 2000 recognises external debt as a serious constraint on development and poverty reduction.

The European Commission has two roles to play in debt reduction:

- The Commission should play an informal role in coordinating EU member states at the World Bank and IMF, where together they constitute a quarter of all votes. This combined financial weight could direct the debate on debt relief and poverty alleviation, potentially bringing great economic benefit to poor women and men.
- While debt owed to the EU and its institutions is relatively small, it is not insignificant. The Commission should propose initiatives to cancel debt under previous Lome Conventions.

5.4 Conflict Prevention and Resolution

The world has seen a frightening rise in armed conflict since 1989, and a rapid increase in the proportion of civilian casualties in these wars. Four out of five casualties in contemporary conflicts are civilians, and around 80 per cent are women and children. Humanitarian and development co-operation must have conflict prevention and resolution as explicit goals.

This demands:

- An approach to development which is mindful of how co-operation can ease or foment conflict. An effective anti-poverty policy can make a long term contribution to preventing conflicts by attacking their structural causes. All programmes should be assessed according to criteria which indicate their contribution to promoting equity while managing the inevitable tensions this process can engender.
- An approach which addresses the structural roots of conflict and contribute to actors having a greater stake in peace than in war. The severity of the crisis in a number of countries such as Rwanda, Burundi, Liberia, Afghanistan, Angola, Haiti and Sudan demands a long term commitment which avoids aid dependency but provides substantial resources to developing the productive capacity and opportunities of the poor, while assisting in addressing profound governance failures.
- A commitment to uphold the basic rights to welfare of civilians in conflict (see Humanitarian Aid).
- Adequate resources to guarantee the rights to protection from violence for civilians, particularly women and children.
- Resources for appropriate social rehabilitation and treatment of trauma, particularly of women and children who are often the most psychologically damaged by war.
- Coherence of the Common Foreign and Security Policy with the EU's development co-operation objectives; complemented by strong collaboration and exchange of information between diplomatic and co-operation personnel.
- Support for women's rights, and support for gender sensitive projects which strengthen the voice of

women in civil society. Women often play a central role in conflict prevention and resolution, and are recognised as the key actors in creating conditions for reconstruction and rehabilitation at the local level. This role must be recognised and strengthened in programmes of European co-operation.

5.5 Humanitarian Aid

The EU is the world's largest donor of emergency aid, with an expenditure of 764,169 MECU in 1994. Adequate and effective humanitarian aid is vital to save the lives of hundreds of thousands of the victims of conflict and other disasters, and ECHO's actions have played a key role in achieving this objective.

Three principles should be applied to humanitarian aid to strengthen its role in protecting the basic rights of its recipients.

It must:

- Be *coherent* with other strategies to promote 'structural stability' and peace-building.
- Be *proportionate* to the threat which emergencies pose to the rights of their victims.
- Meet *standards* of effectiveness in protecting those rights.

In December 1995, Commissioner Bonino agreed the Madrid Declaration which stated: "Determination is required to take whatever resolute and decisive action may be necessary to resolve crisis situations - *and not to use humanitarian aid as a substitute for political action*". To guarantee *coherence* between these two requires the EU to agree a mandate for the Common Foreign and Security Policy which includes conflict prevention and resolution and the upholding of humanitarian and human rights law.

Humanitarian aid must be *proportionate* as commitment to international humanitarian and human rights law entails the principle that every person has the equal right to humanitarian aid, wherever she or he lives on the globe. Currently ECHO's distribution is unjustifiably skewed towards central and eastern Europe and the former Soviet Union which are allocated 45 per cent of the total in the 1996 budget.

Humanitarian aid must demonstrate its cost-effectiveness and high quality. To do this, we urge the European Community and member states to join with NGOs in developing *standards* in emergency aid, to demonstrate excellence in ensuring that the relevant rights - including those to water, food, shelter and health contained in the Covenant on Economic, Social and Cultural Rights and other human rights instruments - are upheld for people suffering in emergencies.

EC emergency aid must address the specific needs of women and children and their participation in programme management. A *gender-sensitive* analysis must be integrated into the guidelines on assessment, planning, monitoring and evaluation for EC emergency aid.

5.6 The Administration of Aid

Despite recent improvements in planning, policies and co-ordination, *Eurostep* shares the widespread misgivings about the effectiveness of EC aid. Its procedures are cumbersome and bureaucratic, the pace of disbursement is slow, it is highly centralised, and is ill-adapted to a more transparent and participatory approach to development. In addition, the current level and capacity of human resources within the Commission to handle that the broad geographical coverage and the spectrum of development instruments within the European Community programme is inadequate.

On gender policy, a number of reports note a significant gap between the general rhetoric on the importance of women in the development process and the practical applications. Similarly, while more funds are being earmarked for the environment, many development projects have failed to take into account environmental issues, and the Commission is frequently unable to carry out environmental impact assessments on its own projects.

The EC also has a poor record on accountability: member states, MEPs and NGOs have all encountered difficulties in eliciting adequate information from the Commission on project performance and the sectoral breakdown of aid. When monitoring and evaluations have revealed deficiencies in the process of project identification, design and implementation - whereby social and economic effects of investments have not been adequately taken into account - there is no practical means of redress available. These issues and recommendations on participation, accountability and transparency are dealt with further in sections 6 and 7.

6. Trade And Investment

For most developing countries, international trade and investment are far more decisive in determining their opportunities for equitable human development than aid flows. Europe's approach to trade and investment is therefore critical to its development co-operation goals.

European Union trade and investment policy is at a watershed. Shifts in the international trade environment are eroding traditional EU preferences for poor countries; the EU and US are increasingly intolerant of poor countries which seek to protect industries, even while they subsidise and protect their own industries. The EU, with the USA, played the central role in the design of the last GATT agreement, which is now widely perceived as detrimental, on balance, to the poorest in least developed countries, and damaging to long term food security. The EU appears determined to use emerging regional and cross-regional trade agreements as tools to prise open still further markets in developing countries with little or no regard for poverty eradication, basic rights or environmental goals.

The EU needs a re-shaped and coherent trade and development assistance policy for poor countries and poor people which is aimed at poverty reduction, strengthening the natural

resource base on which many poor women and men depend, and promoting basic rights and food security.

The EU has developed a variety of trade agreements with different regions. The most significant in development terms has been the Lome Convention. The latest assessments of the trade instruments of the Lome Convention indicate that some countries, such as Fiji and Mauritius, have benefited significantly from access and preferences. However, the Convention's development tools have not been able to overcome structural barriers to the development of trade in many ACP states, and have failed to diversify ACP exports.

The final years of the Lome IV agreement coincide with concern in Europe about high structural unemployment and a declining economic and trade performance of member states relative to North America and East Asia. This anxiety is provoking member states to look to short term, national self-interest in trade policy, just at a time when a long term and more global vision is required. The current negotiations for a free trade agreement with South Africa, with EU member states pouring in lists of products which must be excluded on the grounds of national interest, is an illustration of how protectionism is an immediate response of EU member states to almost imperceptible effects on their interests, while the EU is increasingly intolerant of efforts to protect industry by poor countries.

Eurostep believes the following principles should underpin the development of future trade and investment policy of the European Union with least developed countries:

6.1 An Integrated Trade and Development Policy

The EU must integrate its trade policy and development assistance strategy, in dialogue with southern governments. Special emphasis should be placed on assisting least developed countries and those reconstructing after severe conflict. Strategies need to be developed to make the benefits of trade policy reach the poor and reduce inequality of income and access to resources.

Eurostep proposes a negotiation to draw up a new trade agreement with LDCs as well as with ACP countries which would:

- Establish explicit development objectives including the promotion of growth with equity, poverty reduction, food security, workers' rights and environmental improvement, including the natural resource base on which many of the poor depend for their livelihoods.
- Affirm the poverty eradication goal of the trade agreement by providing the preferences given to ACP countries to other LDC countries currently excluded from preferential trade.
- A new approach to trade preferences, particularly ones that are non-reciprocal, which allow them to be targeted effectively at products which are particularly helpful to poor producers and sectors where minimum standards of worker's rights are guaranteed.

Currently, preferences and access for poor countries for many products are not targeted at sectors which would assist the poor. In some circumstances, preferences currently generate huge profits for commercial farms and international marketing corporations. EU development assistance, including trade, should be better targeted to enhance the market opportunities of small and medium-sized businesses, more marginal producers as well as larger companies which adhere to minimum environmental and labour standards. Trade policy should be designed to promote productive capacity, and productive employment in labour-intensive industries, which international markets cannot be relied upon to create.

6.2 Regional Trade Agreements

The EU is putting considerable emphasis on promoting and strengthening regional and inter-regional trade agreements. The benefits of regional integration, however, depend upon the goals which are set for it. The European Union could play a central role in promoting integration which brings considerable economic benefits for the poor, and promotes stability and security between neighbouring countries and peoples.

However, at this time, regional and inter-regional integration is being used predominantly as a means of pursuing rapid and indiscriminate liberalisation of trade and investment, the promotion of free and unhindered movement of goods, services and capital.

While this has potential benefits for many developing countries if well managed, in terms of increased market access and trading opportunities, it also has dangers, particularly for the livelihoods of poorer and weaker sections of society. Without planned assistance, the poor do not have the capital or technical advice to take advantage of new opportunities by moving into the more sophisticated and capital intensive export sector. EU promotion of regional and inter-regional trade agreements should ensure they are designed to maximise trading opportunities for developing countries while not undermining the livelihoods of vulnerable groups or endangering the environment.

European Union assistance should promote fair and equitable trade within regions. This approach requires EU co-operation to promote models of integration which address structural inequalities in a region. An equitable approach would include structural funds, possibly created by debt relief or financial support, and EU technical assistance for social and environmental chapters to regional trade agreements, which would prevent social dumping and promote a clean and sustainable environment.

These regional agreements should also receive strong technical assistance from the European Union to support the establishment of regional competition policies and business regulation. Competition policy is vital to guard against the emergence of monopolies, particularly foreign companies who may very easily swamp infant indigenous companies in an environment of liberalisation and deregulation. Regional business regulation has the potential of neighbouring

governments agreeing on what is socially and culturally acceptable from foreign and domestic companies, in terms of the treatment of workers, communities, the environment and the fiscal returns to the nation and region from their commercial activities.

6.3 Social and Environmental Goals in Trade

Under the right conditions, trade liberalisation can have a positive impact on labour and environmental conditions through a more efficient allocation of resources and increases in productivity, leading to social development and higher wages. None of these impacts are automatic.

Eurostep believes that trade agreements must include environmental and social considerations if they are to be effective in poverty eradication and development. Trade agreements with the EU should include a set of minimum standards which establish a floor of acceptable practice in the export sector regarding the basic rights of communities, workers and protection of the natural resources on which the poor depend. Given the sensitivities of these development tools, the agreement on the content and application of these standards must apply to all EU inter-regional trade agreements and be negotiated with the evolving ACP group as well as parties to other area trade agreements. The complaints and enforcement mechanisms should be designed to reflect the partnership nature of the accord, and to guarantee objectivity.

Their contents should be based on already existing international agreements such as the core International Labour Organisation (ILO) conventions (freedom of association, right to collective bargaining, right to equal remuneration for men and women, freedom from discrimination, and the abolition of forced labour) and global environmental treaties to which most states are already signatories.

Standards should be applied universally, however given the proliferation of regional trade agreements, the proposed minimum standards have the advantage of furthering basic rights while not eroding the comparative advantage of many developing countries: their cheap labour.

Developing countries would need commitment from the EU to provide economic and technical assistance in reaching standards. This could be achieved through technology transfer, debt relief, and funding.

6.4 Multilateral Agreements on Investment

Dissatisfied with the Trade Related Investment Measures (TRIMs) agreement of the Uruguay Round, the OECD members are developing a Multilateral Agreement on Investment (MAI) which essentially prevents national governments from imposing trade-related restrictions on investments. Strongly promoted by the EU, the MAI would 'guarantee generally free entry and

establishment for foreign investors, full national treatment for established investments and high standards of investment protection'.

Foreign investment can be of great benefit within an appropriate policy context. It is particularly critical for the governments of developing countries to continue to have the right to regulate the terms and conditions for the entry and operation of foreign investment in various sectors of the national economy. Control of foreign investment is vital to nurture domestic capacity and allow local enterprises to become more competitive. The EU should provide technical assistance to developing countries to strengthen their capacity to negotiate investment agreements which promote emerging industries, guarantee minimum labour and environmental standards, while encouraging foreign investment in a fashion which promotes sustainable development and global competitiveness.

6.5 A New EU and LDC Agreement and the WTO

The European Union, along with the rest of the world, must face up to a rising number of global problems which require international solutions. World trade agreements are one area where the EU must combine its own legitimate right to pursue its self-interest with its international obligation to seek a stable and equitable global economy which has the support and confidence of all nations.

If the European Union and LDCs build an integrated trade and development policy for the next era, they should seek to lead global debates on international trade and investment. The World Trade Organisation (WTO) is an organisation with one country one vote, where together the EU and LDCs would form a substantial bloc if they acted together. The potential to improve the Uruguay Round agreement by introducing social and environmental goals and standards is considerable. The WTO will discuss social and environmental clauses at its meeting in December 1996, and the agreements on Trade Related Investment Agreements and Trade Related Intellectual Property Rights are to be reviewed in the next two years. The European Union, as the largest trading bloc, acting in concert with least developed countries in international fora could play a decisive role in the creation of global institutions for regulating international markets to improve human welfare, and create conditions for stability, jobs creation and sustainable economic growth. The potential of this approach for real impact on poverty and conflict would be enormous.

7. The Importance of Partnership

Partnership is a fundamental principle of the relations between Europe and the ACP states within the Lome Convention. Under Lome, partnership means equality between partners, respect for sovereignty, solidarity, mutual interest, and interdependence; as well as the respect for the right of a state to determine its own political, social and economic policies. An inequitable balance of power between the European Community as donor and the ACP states

as recipients inevitably compromises this principle. However the benefits of ownership of the development process, predictability of the relation, and dialogue are crucial to the quality of co-operation and should continue to underpin economic and political relations under a future framework for development co-operation.

7.1 Accountability, Political Dialogue and Respect for Human Rights

The European Union can play an important role in promoting respect for human rights in its external relations. The values underpinning the EU's own ethos include the promotion of peace and the settlement of conflict, the consolidation of democracy, and the observance of human rights and fundamental freedoms.

The once politically neutral Lome Convention now provides for political dialogue between the EU and ACP partners, as well as human rights conditionality on aid. While social and human rights conditionality is a contentious issue, if it is designed sparingly and with the participation of all relevant parties (governments, social organisations, NGOs) within a mature partnership, it does allow the expression of the fundamental values which both donors and poor people in LDCs and middle income countries see as essential to sustainable development.

There is widespread scepticism about the motives of official donors, with their diverse foreign policy objectives, in invoking concern for human rights and poverty reduction to pressure for internal reform in recipient countries. The EU itself has been particularly inconsistent in suspending aid or trade on human rights grounds for reasons of economic or political self-interest.

This failing must be addressed through:

- Conditionality based on universal human rights enshrined in international law, and defining relations not just between governments but with NGOs, the private sector and social organisations.
- The design of transparent criteria and objective mechanisms within the partnership agreement to ensure consistent and fair application of conditionality in all co-operation agreements.

Accountability of all parties is crucial to a mature and effective partnership. The Lome IV Convention provides a mechanism to prevent non-compliance with agreements on respect for human rights, the rule of law, and the promotion of democratic principles. It states that if one party fails to fulfil an obligation in respect of these agreements, consultations will take place with representatives from ACP, member states and the Commission with a view to assessing the situation in detail, and if necessary, remedying it. However, this mechanism does not effectively extend to cases where lack of due diligence by the European Community cause the rights of people to be violated, through badly planned development programmes. Currently no effective mechanisms exist for presenting complaints and for obtaining redress. It is essential that provision is made for a complaints procedure.

Many governments in poor countries make genuine attempts to promote respect for human rights and consolidate the rule of law and democratic principles, but may not have the capacity to comply with all that this entails. Developing an effective, fair and independent judicial system, or an effective civilian police force, accountable to public scrutiny are essential to building respect for human rights but are difficult and complex tasks. Conditions should not be imposed that the donors themselves do not respect, and care should be taken not to block funds because of a failure to meet conditions that could only be satisfied by using the funds withheld.

For EU development co-operation to become accountable, it must establish a monitoring system, based on impact and efficiency for each project and programme at the design stage.

7.2 Participation

Eurostep believes that the quality of participation is a critical determinant of the quality of development co-operation. Under the current framework of EU development co-operation, the objectives and design of EU-funded national development strategies are created, almost exclusively, by officials of the recipient government and the EU. Little provision is made to consult with the beneficiaries or potential beneficiaries of programmes or with organisations already working in a particular sector.

The European Union has provided significant funds for development and humanitarian programmes of NGOs in the North and South, but co-operation with governments has often excluded organisations which could be crucial to a strategy's success: women's organisations, trade unions, farmers' and business organisations, decentralised public authorities, NGOs, and beneficiaries of particular projects. NGOs and similar organisations must not be encouraged to substitute for the state's role in basic service provision, but decentralised co-operation policy is recognition of the importance of a wide variety of actors in the development process. Unfortunately these same actors are not appropriately included in the design of national strategies.

The next generation of EU development co-operation must include effective mechanisms for broader participation in design, implementation and evaluation. To foster greater participation, accountability and transparency, reforms should be established that promote a greater role for organisations of civil society. NGOs have considerable expertise, particularly in social development, and are often representative of broad and diverse constituencies whose participation is essential to success.

A precondition to effective participation is access to information. Currently it is often extremely difficult to get information on strategies and programmes. Local communities, NGOs and wider civil society have usually been kept in the dark about development priorities, financing agreements and contracts. Future development co-operation agreements should include an

information disclosure policy that is based upon a presumption in favour of disclosure - national development strategies for particular countries, indicative programmes, and financing agreements. Going further than the limited but positive changes at the World Bank, these EU documents should all be in the public domain to improve transparency, efficiency and accountability.

8. Coherence of EU Policy

All European Community and EU member-state policies that have an impact on developing countries should seek to complement one another and promote development. Article 130v of the Maastricht Treaty states '*The Community shall take account of the objectives referred to in article 130u in the policies that it implements which are likely to affect developing countries.*' To date there has been little effort to establish effective mechanisms for achieving coherence through implementation, monitoring and evaluation. The incoherence of the objectives of policies that impact on developing countries is the central weakness undermining the EU's efforts to achieve its central objectives relating to its campaign against poverty, consolidating democracy, the rule of law and respect for human rights, and promoting the social and economic sustainable development in developing countries.

There are a range of EU specific policies where mechanisms for demonstrating and monitoring coherence need to be designed:

Common Foreign and Security Policy: the revised mandate should make explicit commitments to conflict prevention, uphold humanitarian and human rights law, and be coherent with development co-operation objectives and humanitarian action.

Trade and Investment: EU trade and investment policy should aim to promote social development and sustainable livelihoods. A development co-operation framework which succeeds Lome IV must include trade concessions for ACP and LDC countries, and uphold minimum labour and environmental standards. The EU could also use its substantial negotiating power at the WTO to revise the Uruguay Round agreement to promote human welfare as well as economic growth (see section 5).

One of the greatest areas of damaging incoherence is the EU Common Agricultural Policy (CAP). The EU has financially supported efforts to achieve improved food security in developing countries. Yet the CAP, through direct payments to farmers and food dumping artificially reducing the world market price, has systematically undermined food producers, particularly the poor and mainly women. These producers of staple food stuffs have seen their comparative advantage unfairly eroded, and their markets and livelihoods destabilised. The distortions in the CAP, which consumes over half the European Community Budget, currently serve the interests of large farm enterprises, the agro-chemical industry and grain traders. For new development co-operation agreements to be most effective, major reform of the CAP is

required. The CAP should promote sustainable farming systems which will end structural over-production and the need for export dumping.

Furthermore, the EU Common Fisheries Policy (CFP) is in direct conflict with the aims of development co-operation to promote locally based artisanal fishing industries in which the majority employed are women and who play a crucial role in satisfying nutrition requirements in coastal developing countries. The main priority of the EU in negotiating fisheries agreements is to secure access for EU vessels to the exclusive economic zone of coastal states where 95 per cent of fish stocks are found (LC report). Future fisheries agreements between the EU and developing countries must in no way undermine the development of the local artisanal fisheries sector.

The Maastricht Treaty development co-operation policy also sets a further objective, and makes provision for European Community and EU member-state co-ordination and complementarity of their respective development . There are considerable efficiency savings to be made here which would increase the impact of EU co-operation. Decreasing aid levels make the efficient use of resources for development assistance more important than ever. One critical area in which EU member-states could do more to co-ordinate their policies with those of the European Commission's, is that of commitments made at UN Conferences such as the programmes of action of the World Summit for Social Development and the Fourth World Conference on Women.

9. Conclusion

European Union relations with countries in poverty and conflict are at a crossroads. Global inequality is increasing and more than half the people on the planet have income of less than \$2 a day - more than 3 billion people. Governments of the Union are under pressure to seek short term gains in balance of payments and competitiveness through cutting aid budgets and prioritising commercial relations. At a time when vision and international leadership is required, the Union often appears to be inwardly focused and unsure of its role in the world.

The negotiation of the next generation of EU development co-operation presents a rare opportunity for member states to commit themselves to promote international economic justice and human rights. *Eurostep* intends to work with organisations in the South and North to make sure our voices influence the negotiations in favour of a new and courageous framework for European co-operation with peoples in poverty and conflict.