Revamping Development Efforts

An assessment of development policy in the EU

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Foreword

This year has witnessed a revival of development policy at global level. It has mainly occurred due to the review of the Millennium Development Goals (MDGs) that will take place in New York in September, and the great focus that donors have put on Africa. So far, we have seen encouraging movements towards increasing the quantity of aid and reducing the burden of debt on the poorest countries.

The European Policy Centre's Work Programme on the EU and Global Governance has been very active in the analysis of, and debate on, this policy area. This project is born out of that work and the conviction that there is a need to devote more intellectual efforts to development policy. It attempts to avoid getting into the rather pessimistic (and contagious) debate which often characterises reviews of development policy. Rather it focuses on the need to reignite the public's interest and confidence in this area, to explain better the substance of the issues, and to re-engage people in an active debate on the key challenges, be they old or new. It acknowledges the need to look at the world beyond the prism of governments and institutions. It encourages the EU to take the lead in this process, combining its long experience in development cooperation with a more substantial interpretation of the evolution of globalisation.

We have selected a number of key areas or issues which are addressed by several renowned experts and practitioners. Their contribution is key in this collective effort to raise awareness and maintain the pressure on the EU not only to keep up it efforts, but also to lead the way with a more proactive and coherent approach towards achieving results.

The first two contributions provide valuable assessments from the political arena. **Poul Nyrup Rasmussen** gives an overview of the international political agenda and pinpoints areas where the EU should be much more effective, including more and better aid, being more assertive in multilateral fora and stressing the importance of employment in development policy. **Carin Jämtin** explores the much-debated issue of the need to increase coherence, insisting that aid alone is not enough. Drawing on Sweden's global development policy, the Minister welcomes the advances made, but stresses that there is still a long way to go to achieve a real and sustainable model in which all policy areas play a key role.

The ensuing contributions concentrate on more concrete themes, with the experts giving an assessment or providing new ideas on how the EU could do better. **Jeffrey Sachs, John McArthur and Guido Schmidt-Traub** welcome the agreed increase in Official Development Assistance (ODA) and argue that it provides a good opportunity to create a more effective mechanism for the delivery of aid. They explore a range of ideas and and put forward a series of recommendations on how the European Development Fund could be reformed to enhance its efficacy and value.

Nigel Harris concentrates on migration and development, and suggests how the interests of the different parties involved (the migrant, the source country and the receptor country) could be reconciled, and how migration could be turned into a positive reinforcement of development efforts. **Pierre Defraigne** provides a fresh and insightful view on what is, without question, one of the most controversial issues; namely, the relationship between trade and development. Drawing on his long experience, he avoids the simplistic analysis all too common in discussions on this topic and highlights both the positive and negative aspects of EU policy in this area. **Carin Norberg** focuses on another controversial theme – the role of good governance in development – and makes a series of recommendations for improving the EU's strategy when it comes to tackling corruption and the promotion of good governance. Finally, **Federico Mayor** explores the increasingly important and influential role played by civil society in today's world, and argues that Europe should be a moral and intellectual engine of solidarity.

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> "Never doubt that a small group of thoughtful committed citizens can change the world; indeed it's the only thing that ever has"
> *Margaret Mead 1901-1978*

Introduction

by Carlos Buhigas Schubert

One of the most powerful multinationals in the world unexpectedly files for bankruptcy, and thousands of workers lose their jobs and savings. The head of the company is compensated by the Board to the tune of $205 million days before the company is officially declared bankrupt.

A group of world democracies, supporters of effective multilateralism, gather at a meeting behind closed doors to choose a new head for one of the most influential international organisations. The whole world will be affected by its policies. The majority of humanity is excluded from this decision.

Oil is found in a developing country. Enormous amounts of private foreign investment foster a vicious circle of massive corruption, environmental destruction, human rights abuses and unparalleled levels of social inequality in the country concerned.

A genocide is occuring in one of the poorest countries of the world. Every day, images of the suffering are broadcast around the world by the media. The international community is unable to intervene to protect civilians.

A natural catastrophe shakes a densely populated region of the world. There is an explosion of international solidarity. People from all over the world call non-governmental organisations, governmental bodies and international organisations offering to help. There is no way of tracking what happens to a big percentage of the money which has been donated.

None of these are isolated cases, and almost everyone would agree that all of them are morally unacceptable. However, they are all topical examples of the negative side of globalisation and risk becoming intrinsic elements of the current global dynamic. In a way, they describe well the complexity of the world today.

In 2000, at the start of a new millennium, the whole world signed up to a new project designed to make the 21st century the stage for a new, collective drive for peace and prosperity.[1] Barely five years later, it is striking how dramatically the mood has changed. These days, both governments and the public at large are sending positive signals to the developing world, paying more attention to the need to eradicate poverty. However, many believe the Millennium Development Goals (MDGs)[2] stand very little chance of being achieved, and the public has become aware of the lack of commitment to the cause. This has added to a sense of disillusionment with governments around the world.[3]

Today's world offers endless possibilities for development and prosperity. The steady endeavour to expand human knowledge led to a man being sent to the Moon four decades ago, and there are astonishing new advances in science and technology every day. Yet attempts to create a climate for fostering basic human dignity have repeatedly failed.

Development policy plays a vital but often uncomfortable role in these developments. In Europe, it is complicated by wider foreign policy considerations, the enormous complexity of development issues and the broader general challenges facing humanity. This Paper refrains from giving (yet) another assessment of what does not work in development policy. Its purpose is to revitalise the debate on an issue which risks being (increasingly) marginalised and becoming almost the exclusive domain of development experts. It aims to suggest ways in which development policy can be put back at the core of the global debate and shed some light on what Europe could do better. Development policy should neither become another field for accountants nor a marginalised laboratory for expected miracles. It should become a realistic tool to contribute positively to the challenges that humanity faces today.

The Millennium Declaration

In an ideal world, there would be a new culture of global political responsibility, where accountable and responsible democracies would enforce global agreements and manage the shared problems facing the world collectively. An independent media would monitor their work and inform the public. An active civil society would work towards the creation of a civil economy, where the private sector would be held accountable for its performance. Investments in infrastructure and social development would lead to balanced economic prosperity, social inclusion and the protection of the environment.

This ideal is not all that far from the 'Millennium Declaration', agreed in September 2000 following the largest-ever gathering of world leaders. It includes a statement of values, principles and objectives for the international agenda in the 21st century. It also outlines a number of collective actions and a deadline for achieving them. The content of the Millennium Declaration is not that different from many other declarations which have been made calling for a more peaceful, prosperous and just world; what makes it different is the large number of world leaders who signed up to it.

The agreed overall framework

In the last few decades, development policy has become increasingly complex. It is, in a way, haunted by a recurring reputation for unachieved results. It was initially conceived as a way to achieve economic growth, but other goals were progressively added – such as social development, sustainable development, good governance etc. – providing a more accurate and complete roadmap of the conditions needed for development.

The prevalence of the 'Washington consensus' in the Nineties resulted in a strategy which had, as its main objective, the integration of developing countries into the world economy. The recipe for this would include achieving macroeconomic stability, privatisation, removing barriers to international trade and investment, and reducing the role of the state. This period saw dramatic reductions in the volume of official aid and mediocre results in the fight against poverty.

The MDGs gave the process a new impetus. Key targets which could realistically be achieved were identified and a worldwide commitment was given to achieve those goals. The Monterrey Consensus[4] in March 2002 reversed the previous trend in terms of aid, with the donor community pledging to increase its Official Development Assistance (ODA). At the same time, the Doha Round of Trade negotiations[5] was launched with the aim of making world trade fairer, and the Conference for Sustainable Development[6] underlined the need to take a closer and more substantial look at the broader global challenges.

Other factors have also been identified as essential requirements and useful tools for development:

- The importance of good governance and solid public institutions;
- The role of education, innovation and technology in helping developing countries catch up with their more prosperous neighbours;
- The crucial role of employment as a major force for empowering people and a driver for social inclusion and economic sustainability;
- The possibilities for updating international fiscal policy to take greater account of the realities of the modern world;
- The need for increasing levels of convergence between international institutions and donors both in methods and practice;

■ The importance of involving the corporate sector and civil society organisations in a more coordinated manner, etc.

Within this framework, real progress seems possible. There is a strong coherence and the targets which have been set appear to be consistent with the needs and possibilities of our time. Why, therefore, are these goals in danger of not been achieved? Where are the cracks in the system?

From international agreements to global challenges

Paragraph five of the Millennium Declaration expresses a view about the way globalisation has expanded in the last decade which is generally shared by governments and international organisations.

"We, heads of State and Government, believe that the central challenge we face today is to ensure that globalization becomes a positive force for all the world's people. For while globalization offers great opportunities, at present its benefits are very unevenly shared, while its costs are unevenly distributed. We recognize that developing countries and countries with economies in transition face special difficulties in responding to this central challenge. Thus, only through broad and sustained efforts to create a shared future, based upon our common humanity in all its diversity, can globalization be made fully inclusive and equitable. These efforts must include policies and measures, at the global level, which correspond to the needs of developing countries and economies in transition and are formulated and implemented with their effective participation."

In other words, globalisation is the characterising dynamic of a new chapter in human history. It influences the way the world economy operates and how that affects international relations. The declaration acknowledges the dangers of unleashing unregulated forces of economic competition, raises concerns about the world's collective capacity to govern them, and appeals for measures to guarantee decent levels of equality and respect for human dignity.

This has so far been the basic question underpinning the debate on how to manage globalisation: how to reconcile the economic with the social to achieve higher levels of equality and stability on the international scene. To achieve this, different measures have been proposed, including regulation at different levels; more shared and active participation in the management of the world economy; recognising the potential of regional integration; redefining the role and responsibilities of the international community; evaluating the extent and feasibility of a system of global governance as a response to concrete challenges, etc.

But today's world is much more complex than that. As valid as the previous analysis might be, it underestimates and excludes much more daunting challenges which go beyond the conventional management of the economic and social spheres. New concepts such as human security and the unavoidable challenges posed by the need for a common agenda for a sustainable future are just confirmation of that complexity.

Unpredictability is a word often repeated when analysing what Anthony Giddens describes as a "world which has taken us by surprise".[7] An explosion of networks has added to that unpredictability, constantly challenging the capacity of governments to react due to their very rigid and slow-moving nature, and altering the way ordinary citizens perceive their governments. As Manuel Castells asserts: "Networks matter because they are the underlying structure of our lives. And without understanding their logic, we cannot change their programmes to harness their flexibility to our hopes, instead of relentlessly adapting ourselves to the instructions received from their unseen codes."[8]

In parallel, western "hegemonic" ideologies and values are beginning to acknowledge and accept the emergence of a multipolar world, where powers and people with different views will need to work together. Civil society is raising its voice, transcending traditional borders, and is becoming more international both in character and influence. All this adds up to an enormously complex world which does not respond to a single theoretical model of reference and, therefore, provides no easy answers to the question of how to design practical solutions to tackle its problems.

EU development policy...on the right track but could do better

So how is the EU adapting to this changing world? And, in particular, how is its development policy adjusting to it?

The European Commission and the Council of Ministers released a joint statement on EU development policy in November 2000. This document has become an important point of reference because, for the first time, it sets out an overall development strategy for the EU, outlining a number of objectives and priorities to guide EU development cooperation. These include tackling poverty as the main focus of the EU's efforts and the concept of concentrating assistance on a limited number of areas, such as trade and development; support for regional integration and cooperation; support for macroeconomic policies; transport; food security and sustainable rural development; and institutional capacity-building, mainly in the area of good governance and the rule of law. This would be accompanied by a series of cross-cutting issues, including human rights, gender equality, children's rights and the environment.

This was undoubtedly a step in the right direction. However, it has not been matched by the EU demonstrating the unity of purpose and strong voice in the world that most Europeans would like it to have. Unfortunately, this may not happen until the EU is able to define and rationalise its foreign policy to give itself a fully coherent and cohesive way of positioning itself in the world. EU Member States agree on the goal of effective multilateralism, but are still unclear as to what this really means or how to make it a reality. So far, the EU has succeeded only in becoming the target for constant criticism for inaction or lack of coordination.

As Eberhard Rhein, Senior Policy Advisor at the EPC, puts it: "Jointly, the EU-25 have at their disposal by far of the biggest foreign policy machinery on earth. Each of the Member States maintains between 40 and 220 diplomatic missions inside and outside the EU. In addition, the EU Commission runs more than 100-odd diplomatic missions. Jointly, the EU-25 have the luxury of almost 3,000 diplomatic missions with a total of close to 30,000 diplomats. The USA needs less than one tenth of the missions and half of the diplomatic staff in order to 'impose' its foreign policy views on the rest of the world."[9]

The architect Rem Koolhas also draws an analogy in this regard: "Increasingly, the seemingly charming ineptness of Europe representations is proving to be a serious political liability that erodes internal support and unnecessarily weakens external performance."[10]

Most people know that the EU is the biggest donor of aid in the world, accounting for more than half the total. This should be something to be proud of, but many rightly ask why the Union pays the most and gets so little credit for it.

Towards the MDGs Review

2005 has been described as the year of development, with the MDGs due to be reviewed at the United Nations World Summit in New York in September. The signs so far have been encouraging, with the EU pledging to increase its ODA and the G8's plan to cancel the debt of the 18 poorest countries in the world and devote more coordinated efforts to eradicate poverty.

In September, the EU will present a common proposal outlining three main areas for future reform:

■ *Raising the quantity and quality of aid.* Fifteen members of the EU have set themselves the goal of spending 0.56% of GDP on world development aid by 2010, and reaching the UN target of a minimum of 0.7% of GDP by 2015. This will mean increasing public development aid by more than €20 billion over the next five years.

■ *Increasing the coherence of policies.* The EU plans to improve the coordination of its policies in recognition of the fact that almost all policy areas have an impact on developing countries.

■ *Putting more focus on Africa.* Africa has been identified as a priority for Europe. The European Commission has called for the formulation of a European response to the continent's problems encompassing issues such as the quality and quantity of aid, elements of good governance, infrastructure, etc. Half of the increase in aid that EU Member States have agreed to (up from €46 billion in 2006 to €66 billion in 2010) will go to Africa.

These measures are consistent with the EU's commitment to shift its emphasis progressively onto the achievement of the MDGs. The numbers seem to be on track. So what then could the EU do better?

There are a number of issues which are the subject of constant debate and will determine the structure and delivery of EU development policy in the years to come:

■ *The place of development policy.* The EU needs to clarify whether it should be an intrinsic part of foreign policy, used as a tool to express or project the Union's values and ideas, or should be a more specialised, distinct area because of the complexity of the issues that it deals with.

■ *The evolution of European foreign policy.* It has been mentioned before that this is, at present, often ineffective. The lack of coordination mechanisms is a natural consequence of the hybrid nature of EU foreign policy, seeking as it does to take account of both national and European interests.

■ *Coherence between EU partners and other donors within the sphere of development policy.* In the European Commission's view, "progress in coordination and harmonisation remains well below what is possible. This lack of harmonisation imposes administrative burdens and unnecessary costs on Member States. Although the EU has managed to agree common strategies in some tricky and sensitive areas (such as the European Security Strategy, to name just one), it has not been able to do so in a policy area where it is one of the biggest players and where there is a comprehensive framework of multilateral commitments".[11]

■ *Consistency in the context of the multilateral institutions.* The EU supports effective multilateralism and is a key player in multilateral institutions. However, concrete steps have yet to be taken to achieve higher levels of coordination and cooperation in the construction of a more effective system of global governance.

■ *Coherence and coordination with other policies.* It is evident that a great deal can be achieved through better coordination of policies within the EU. This remains one of the main challenges, not only to ensure that the Union takes a more coherent approach towards developing countries, but also that it has a more consistent approach to the role it aims to play at a global level.

■ *The efficient use of aid.* The effectiveness of the assistance delivered to developing countries has been a hot topic for a long time. More innovative sources of aid should complement the traditional ones (project aid, budgetary support, etc) to provide more predictable and effective assistance to developing countries.

Revamping development efforts

In the context of the changing world described above, the structure and delivery of development policy often impedes, rather than promotes, its likely chances of success. The challenges ahead are immense: from the demographic timebomb to environmental concerns, and a huge array of issues relating to energy, security concerns, diseases, etc. As was stated at the outset, development policy is a phenomenally complicated area, because it calls for the implementation of a huge volume of measures touching on virtually every policy area – from agriculture to research and development. In addition to this, those measures need to be applied in very diverse conditions. This task becomes even more complicated when it is framed within the strict logic of programmes, projects or bilateral relations with third countries. The latter is particularly sensitive, as development policy can all too easily become a tool to be adapted to more "strategic" goals in bilateral relations. This is just one of the many different "methodological" obstacles which development policy encounters as it strives to achieve its objectives.

Financial procedures, administrative mechanisms, inter-institutional agreements, etc. all too often impede the achievement of development policy objectives in general, and aid in particular. There is, of course, a clear need for rules and accountable procedures, but it is crucial to strike a clear balance between means and ends, and to avoid being swallowed up by the rationale of bureaucratic methods. In addition, development policy tends to operate within a world of its own, with a notable accumulation of expertise but not always with the necessary capacity to look beyond this particular area of study, take account of the contradictions that frequently arise between theory and practice, and make the necessary linkages with other changes in the global environment.

This leads to some methodological and conceptual weaknesses on the donors' side which reduce their capacity to deliver aid. These weaknesses are becoming widely recognised and needlessly undermine trust in their ability to deliver and the coherence of the efforts pursued by governments.

If the EU is to fulfil the leadership role in global development efforts, as many people want it to, it needs to take a number of key steps:

1. Mainstream development policy

It is not difficult to predict the consequences of paying too little attention to the needs and challenges of today's world. Unfortunately, that is very much the trend we see. Development policy needs to stop being an isolated and 'soft' policy, with aid regarded as little more than charity. It is an integral part of the modern world and, therefore, needs to be incorporated in a broader and more coherent vision of reality – "to contribute to an environment supportive of poor people's own efforts to improve their quality of life".[12] This is not a question of streamlining development assistance, but of a much more responsible global mentality towards the common good. A new and fresh debate on the essence of the policy in the context of a broader view of globalisation should be considered.

2. Put coherence at the forefront

While acknowledging the difficulties involved in achieving higher levels of coherence between different policy areas, this is nevertheless what the EU must constantly strive to achieve. It goes beyond the need to improve the relation between trade and development. The reconciliation of economic, social and environment needs is an integral part of the European model of development. More advances, with the cooperation and support of the private sector and civil society organisations, are urgently needed. It should not be a question of simply living up to others' expectations, but rather a defining characteristic of the values and ideas which Europe projects to the rest of the world and the role it wants to play in the global arena.

3. Speak with one voice

After the rejection of the EU constitution in France and the Netherlands, it is difficult to see how ground-breaking reforms can be made to the way the EU deals with external issues. However, in spite of the obvious difficulties in this regard, it is imperative that the EU plays a much more assertive role. It needs to speak with one voice in global economic governance, through the IMF and the World Bank. It is striking that the EU is the biggest donor of development assistance in the world and has a proactive role in trade negotiations, and yet it still lacks a consistent voice in global financial governance. This is even more striking given that the European model of financial governance, mixing liberalisation and regulation, would be much closer to the needs of a global model.

4. Promote good governance

Nothing erodes trust and the chances of success more than corrupt governments or failed public sectors. Corruption easily spreads through all the policy areas (from security and trade to environmental issues) and does immeasurable harm to public confidence. The EU must enhance its efforts to formulate a comprehensive approach to the promotion of higher levels of transparency and accountability. It should promote the fundamental importance of the state and a solid public sector for the development of a balanced, fair and dynamic society.

5. Provide value for money

There are, of course, limits on the financial resources available. The good management and distribution of aid is therefore a key issue. However, there is no real likelihood of achieving the desired results without the necessary resources. It is disingenuous to pretend otherwise. The current system is characterised by the volatility of the commitments made. The rationale for any development plan should be what the country concerned needs, rather than what uncoordinated donors can provide. There is growing awareness of this, and an increasing level of convergence between donors and institutions, but too many resources and efforts are still being wasted.

6. Give up the accounting tricks
Both ensuring the predictability of aid and achieving sufficient levels of investment in social development and infrastructure are crucial to attain the objectives set out in the MDGs. Debt relief and emergency relief are not 'net resources' being sent to developing countries and therefore should not be counted as part of aid transfers. To do this makes little sense. Treating the promotion of consultancy services in technical-assistance projects as aid is also very difficult to justify. Aid should remain the essential transfer of resources.

7. Stop practising self interest
When solidarity is hampered by national 'marketing' and self-interest, efficient results cannot be expected. This is, by far, one of the most self-defeating aspects of development policy in the EU Member States. Europe, with its enormous number of agencies, is still trapped in this problem, even in areas where there has been significant convergence in terms of policy. It leads to duplication and an enormous waste of resources - and is utter nonsense from the point of view of European taxpayers.

8. Take people into account
Governments are wrong if they believe that they can conduct their business without the support of the public. There is a growing backlash against processes in which people feel they do not participate, and where their interests and opinions are not taken into consideration. The world has never been so visible, and better-informed and better-educated people are engaging in the political debate, albeit in different ways. The availability of information increases the demand for a better performance from governments. At the same time, there is a clear need for signs of international solidarity. Nobody wants a leaderless Europe. On the contrary, what people want is a Europe which is competent and willing to assert its values and sense of purpose. So far, the results have been disappointing.

9. Make sure you use all the possible resources
The rapid pace of change in today's world is problematic to manage, not least because it requires a change in traditional mindsets. In some cases, however, it can contribute to the goals pursued by development policy and have a multiplier effect. This is the case, for example, in migration policy, where remittances, labour policy, education, greater investment in science and knowledge, etc. can help to make civil society more participative and self-confident. All these factors need to be further explored, as they are here to stay and could provide new paths for catching up quickly without requiring an increase in resources.

Finally, a more conceptual and overarching factor needs to be discussed; namely, what factors should determine how development aid is allocated? In the run up to the G8 meeting at Gleneagles in July, there were huge demonstrations all over the world in favour of more generosity towards the developing world. Younger people, in particular, are calling for greater international solidarity. They are eager to participate and are demanding concrete expressions of shared humanity. Even if moral considerations are divisive, development policy should respond to a clear moral logic founded in human values. In this sense, moral considerations should be the rationale behind the allocation of development assistance. Obviously, this should be complemented by the creation of a more "functional" environment for development, enhancing participatory roles in economic and social progress, and moving towards the construction of fairer and more even societies. Unfortunately, today, the allocation of development assistance does not really follow this logic. Should that matter? Yes, and it may be more dangerous than it looks in theory, because the exercise of common moral foundations is vital at a time of strong divergence in terms of values and faiths, and the uneven impact in societies and cultures of the relentless advance of economic and technological progress.

Final call for development

by Poul Nyrup Rasmussen

Development has become a policy area where world leaders take pride in emphasising the importance of action, but lack the political will to prioritise when negotiations get tough and budgets become tight. A handful of summits have been devoted to the issue and a huge number of declarations have been signed. Goals have been set and measures to achieve them outlined. But not enough has happened. Most Heads of State and Government have been reluctant to put their money where their mouths are.

Oil prices, exchange rates, consumer confidence, trade agreements, inflation levels, economic growth, output figures and unemployment alongside the prevention of terrorism, possible nuclear proliferation, collapsing tyrannies and the future of nascent democracies are high on the agenda when the key decision-makers meet to discuss world affairs – and many times, for good reason. National constituencies expect swift action on unfavourable economic developments and security threats. Third-world development, on the other hand, never has the same kind of urgency and can always wait.

This tendency toward realpolitik has created a great paradox in today's international politics. A strong, international consensus on promoting development has emerged in recent years – the Millennium Declaration, and the commitments made at Monterrey, Doha and Johannesburg are all proof of this – yet, so far, this understanding has not been cemented through new, concrete results within development aid and action. The consensus and goodwill has been put on hold because of other, more urgent, problems. A lot of attention has thus been given to the events in Afghanistan and Iraq, the tsunami disaster in Southeast Asia, possible nuclear proliferation in Iran and North Korea, and the economic growth of China and India. Not much attention has been paid to the stagnation of development in sub-Saharan Africa.

Could it be any different, one might ask, given that foreign affairs have become the battleground for national politics at a time when more and more European and American citizens feel insecure about their immediate future, and in a world where an electoral agenda of raising taxes to increase the development budget has yet to get a single politician elected? Under these conditions, rocketing textile imports and the booming trend toward off-shoring will make headlines, with poverty, child mortality and poor sanitation hardly sparking any media coverage or capturing political interest. As these conditions are not likely to change, advocates of a new development agenda face a great challenge. As there, apparently, will always be a more imminent crisis or catastrophe than the effective development of regions and peoples to deal with, proponents of third-world development will have to be consistent, patient and strong in making their arguments.

A role for the EU

The EU should be first among these proponents. Our starting point should be the recognition that the development agenda will only be moved forward if we give it the necessary momentum. Europe has long been the world's main donor of development aid. Since the latest enlargement of the Union, we have also become the world's largest economy. This gives us a great responsibility. Thus, we should act as the world's 'social conscience' – not in a paternalistic and arrogant sense, but respectfully, modestly and in a focused manner; acting as the global 'reminder', consistently pointing out the problems of our world and ways in which these can be solved, not by pretending we always know better, but acknowledging that we have responses to offer. We should, thus, push forward a progressive development agenda that, for once, will have a lasting impact on the impoverished regions of the world: an agenda that combines development aid and debt relief, secures fair loan and trade conditions, and puts forward fair and clear demands for democratic reforms, all with the aim of creating sound states and sustainable economic development that materialises in decent work for all in the third world.

This year is crucial – both for development in general and for the advancement of a progressive development agenda. The UN's General Assembly will review the achievements of the Millennium Development Goals (MDGs) in September, and the WTO's Doha Development Round should be finalised at the Ministerial Meeting in Hong Kong in December. The EU will, moreover, review its development policy, and together with the G8, dedicate much of its work to Africa and sustainable development. The stakes are high: in six months, we may look back on a year that symbolised a great leap forward, or our evaluation could prove to be a disheartening 'business as usual' for development. Ensuring that the former, not the latter, is the case is, to a great extent, up to the EU.

Quantity and quality

0.7% in 2015? It is a figure most of us are all too familiar with, but would have to be very optimistic to believe will come true. Official Development Assistance (ODA) currently stands at only around 0.23% of the GDP of all donors. Over the last couple of years, a number of countries have reiterated their willingness to reach 0.7% by the target date of 2015. This spring, the EU's development ministers decided collectively to aim at reaching 0.56% of gross national income (GNI) by 2010. It is an important first step in meeting our obligations, but globally, we will still be far off target. The Millennium Project suggests that the amount of overall ODA required to reach the MDGs in 2015 is $135 billion in 2006, rising to $195 billion in 2015 – the equivalent of 0.44% and 0.54% of donor GDP respectively. Although the world's military budget at the moment is at $900 billion a year, such figures represent a distant dream.

Financial resources are central for development. Direct aid and assistance, attractive loans and debt relief are therefore the foundation which governments must commit to creating. Thus, the British initiative which secured a total debt write-off for 18 countries by the G8 countries in June 2005 should be applauded. It is, however, not likely that aid, loans and debt relief will be provided to the necessary extent. Not least for this reason – but also because development policy has, in many cases, failed to pull developing countries out of poverty – donors should do their outmost to improve the quality of their aid and assistance. We in Europe should start by changing our policy in these areas.

Overall, our development policy must undergo a paradigm shift away from the failing 'Washington Consensus' toward an approach that corresponds with the conditions of developing countries in the 21st century.

This approach should have five pillars. Firstly, it should see a redirection of finances toward social and basic services such as education, health, water and sanitation, as well as limiting the excessive privatisation of basic supplies which has accompanied much aid and assistance. Secondly, it should aim at creating internationally competitive, income-generating jobs in developing countries. Thirdly, it should assist in ensuring sound states that are able adequately to confront and tackle their own challenges and, thus, consistently give strong support to initiatives emerging from developing countries themselves – letting these countries take more and more control of their own development policies. Fourthly, it should combine progress in agreements for free and fair trade with upholding the core values of the International Labour Organisation (ILO), so that growth and prosperity are accompanied by the creation of new rights and higher labour standards. Finally, it should take the necessary steps to end the protective regimes of agricultural support in Europe and North America, which hinder most developing countries from progressing through the use of their most obvious comparative advantages.

The 25 Member States of the EU and the European Commission currently direct Union development policies more or less independently of each other. Consequently, there is a lack of coherence in the Community's approach. Hence, to make the European impact more effective, better coordination, aiming at larger synergies, should and must be guaranteed. Strengthened cooperation should ensure that the old target for ODA of 0.39% of GDP in 2006 and the new target of 0.56% of GDP in 2010 are met, as well as providing commonly agreed guidelines and targets, and facilitating the sharing of best practice. It is obvious that the EU can get much more out of the resources it is using for development than it is at the moment.

Aside from improving the quality of its policies, the EU should also do more to explore new sources of funding for development policies. This should ensure that financing is eventually decoupled from national budgetary constraints, which we know will tighten in the future due to the awaited impact of the demographic changes in Europe. In spite of endless discussions and numerous studies on a global tax, the debate on this issue remains deadlocked and has lost none of its controversy. This makes it difficult to approach the issue in a pragmatic, balanced way. But to make progress, it must be done.

Whether it be as a tax on currency transactions, a carbon tax or a tax imposed on armaments, a global levy would be able to generate vast resources for development and global governance. A tax rate of 0.1% on global currency transactions would raise revenues in the range of €200-300 billion a year and even a small tax rate of 0.02% would yield at least €40 billion. A standard carbon tax of $2 per barrel of motor fuel would generate a total of $125 billion - or close to €100 billion - a year. An advantage of the latter is that it can function successfully without being globally enforced. As a regional tax, it could be imposed by a group of countries which take a responsible lead in financing development. The EU is the most obvious contender for such leadership. Its finance ministers have already taken a positive first step in this direction with the recent proposal to introduce a voluntary tax on airline tickets. It is a positive start – but only a start. More and stronger commitments must be made to meet the financing needs.

Ensuring conditions for development through fair credit and fair trade

Just as important as aid, assistance and debt relief are the conditions third-world countries meet when struggling to develop. These are seldom fair, productive or relevant. Lending and trading is paramount for countries to develop, but the conditions imposed on borrowing countries by international financial institutions and international trade arrangements are hindrances to – rather than facilitators of – further development.

There are several problems with the conditionality attached to loans from the international donors – primarily developed countries and the World Bank. They are more than often unrelated to the borrowing countries' abilities to repay these loans, weakening the recipient countries' autonomy and challenging their local, democratic processes. They, moreover, frequently ignore the individual countries' specific contexts and circumstances by applying 'one-size-fits-all' solutions – most often in the form of neo-liberal recommendations of privatisation, de-regulation and austerity on public spending. Such remedies have, so far, not created sustainable development anywhere in the world.

The EU should do its utmost to ensure more appropriate conditionality. It is not a question of whether or not to apply conditions, but of the type of conditions we apply. Hence, the EU should guide its Member States towards proper conditionality and the appropriate use of these elements in international institutions. To do so, however, it must be able to speak with one voice. If it did so in the World Bank, the EU would represent 27.98% of shareholder votes in the bank – compared to the US' 16.39%, and those of the largest European shareholders: Germany with 4.49%, and the UK and France with 4.3% each. Thus, together we could do much more. Such unity in the World Bank should be used to demand that the bank directs its policies toward achieving the objectives of the MDGs.

More broadly, the central objective among the international institutions determining the future of developing countries must be greater coherence. The IMF, the World Bank, the United Nations Development Programme (UNDP), the ILO and the WTO must work towards the same overall goals but avoid overlap in the execution of their tasks.

Existing international trade agreements currently handicap most developing countries by barring them from using their competitive advantages. They are unable to export the products they are best at producing and their national markets are flooded with subsidised goods from the West. Trade barriers must be brought down and unfair market support ended. On its own, trade facilitation will not be enough to bring about development. But more open markets are, nevertheless, an essential ingredient for development. No country has developed by turning its back on trade.

The EU has played an honourable role in putting development issues firmly on the WTO agenda. It took the lead in working toward creating the new 'development' round and has consistently argued for development as the key aim of the negotiations. Success in the Doha Round, however, requires more than a commitment to development by EU negotiators. On the biggest issue of all - agriculture - the EU, together with the US and other industrialised countries, has failed to live up to its development rhetoric. The rich North presently allocates around €300 billion to itself in farm subsidies every year. The poor South, on the other hand, receives less than one-sixth of this amount through different forms of development assistance. The hands of the EU negotiators in the WTO remain tied by the failure of their governments to face up to the urgent task of reforming the Common Agricultural Policy (CAP), but radical reform of the CAP is needed. Through its import barriers, for example, Europe keeps the price of sugar three times above market levels in the EU, while dumping the price of the commodity outside the Union through export subsidies.

It is through fairer rules on agricultural trade that the Doha Development Round can make its biggest contribution to the fight against world poverty. Hence, EU governments should face up to their responsibilities – making a success of Doha and thus making it a genuine development round – by being ready to take the necessary decisions on the CAP. This could lead to a substantial opening of agricultural markets and the scrapping of export support by all developed countries.

All in all, radical changes are needed to ensure a fair deal for the world's poor, to ensure that trade rules do not override national sovereignty on non-trade issues, and to make the world trade system more open and accountable. Global markets must be supported by global rules and institutions which place human development and the public good above the interests of corporations and national advantage. Trade must answer to the demands of society, not vice versa.

The aim? Decent jobs for all!

Most importantly though, the EU should shift the aims of its development policies towards income-generating jobs as the primary policy objective, as well as working to advance this new aim among its international development partners. Recent decades have shown that economic growth alone does not eradicate poverty. Far from it. 'Trickle down' theories have been proven wrong. Wealth from new and stronger growth remains concentrated among elites in most developing countries, where unemployment remains high and most work does not pay anywhere near a decent living. Without stronger emphasis on creating more and better jobs in the third world, this scenario will continue.

The labour market is the means through which wealth is redistributed and poverty can be tackled. It is, therefore, time to make full and sustainable employment a central – not residual – macroeconomic aim of the Bretton Woods Institutions and national governments. The time is right to put employment at the heart of global development strategies and give strong support to employment in national poverty-reduction strategies. Thus, development policies should focus on creating jobs that are both more productive, internationally competitive and of higher overall quality. The first aim (productivity) can, however, jeopardise the second (quality), since productivity is often enhanced through competition and 'creative destruction' – features which may lead to a 'race to the bottom' in labour standards. Hence, policies should promote both industrial progress and ensure an adequate social base. They must, in other words, both promote 'best practice' and prevent the use of 'worst practice.'

To this end we must generate an understanding in developing countries that higher labour standards and social rights are not a 'Northern' protectionist instrument against the poor 'South' – they are a legitimate claim for human dignity and fair working conditions. We must emphasise that rights and standards are not a burden but a source of new productivity and efficiency, as has been illustrated in Europe.

Due to our own experiences, the EU should be the prime promoter of 'decent work for all' as a new, all-encompassing objective for development. We should direct our own policies towards this aim and ensure a wide implementation and monitoring of the ILO's main principles and prevent the IMF, the World Bank and the WTO from violating core labour standards and begin, instead, to promote these widely.

As already mentioned, this is a crucial year - for development, for the developing countries in particular, and for the rest of the world more generally. It is time to show that the international consensus on advancing development is more than empty rhetoric; time to show real commitment to the development agenda. The EU can play its part in making the year a success by showing a strong will to regenerate its development policies, ensure new funding for development, secure fair lending and trade conditions, and advance the objective of decent work for all. This is, obviously, no small task. If accomplished, though, it will be one with truly historic impact.

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Coherence for poverty eradication

by Carin Jämtin

Lately, working on development cooperation has become a little easier. Today, there is a stronger consensus than ever before on the need to address global injustice and poverty. Not only in the United Nations and at the multilateral development banks, but also at the International Monetary Fund (IMF), the World Trade Organization (WTO) and the Organisation for Economic Co-operation and Development (OECD), world leaders find it necessary and politically relevant to discuss poverty alleviation in Africa as well as the linkages between human rights, development and security.

In the EU, we have formulated our response to these challenges, focusing on three areas: Official Development Assistance (ODA) levels, development in Africa and policy coherence for development. Within my own government, we all agree on the need to give priority to these issues and allocate 1% of our gross national income to development cooperation.

A greater focus on poverty and commitments to both increased ODA levels and debt reduction are necessary measures to address the acute resource constraints facing the poorest countries. On their own, however, these will not bring lasting solutions to the problems. We must build a sustainable policy environment in which our international bodies are legitimate and effective, and our national policy-making is coherent, recognising our global interdependency and focusing on equitable and sustainable global development. There is still a lot that needs to be done.

The non-coherent reality

While we sit in summits and academic seminars, and attend political rallies, poor people around the world are struggling to survive: the farmer in Honduras struggles to find a market for the fruit he grows; the woman from Laos who had to move to Thailand to get a job pays unreasonable charges to send home the little money she earns; and the orphaned Liberian girl is trapped in a refugee camp in Guinea in the absence of resources and plans for her return home.

These are all examples of a lack of resources, marginalisation and conflict. They are the result of national as well as global injustices and of a failure to deal with conflict in a comprehensive manner. These failures are policy failures; it lies within our reach to remedy them. We have the institutions, whatever their flaws, and we have the resources as well as the policy instruments to address them. It is a matter of applying a rights-based perspective and the perspective of the poor to our policy-making and resource-allocation decisions.

The farmer in Honduras would be better off if we got our trade policies right, as well as considerably lowering our agricultural subsidies; the Laotian woman working in Thailand would feel more pride in her contribution to development at home with better rules for remittances; and the orphaned Liberian girl would have some hope for the future if conflicts and development were treated in an integrated manner.

From aid to financing to policy coherence for development

It is obvious that aid alone will not be sufficient to address the issues at stake in these and other countries. We also need to look at systemic issues associated with global resource transfers. Sustainable resources are resources which are generated by production, trade and investment. People have the right to earn a living and support their families. Decent jobs, favourable conditions for agricultural production, trade opportunities, etc., are all ingredients of a sustainable strategy for development. Local, national and global financial systems serve to create as favourable conditions as possible for resource mobilisation, and our international financial institutions are there to provide support when the market fails to allocate resources where they are most needed. We discussed these issues in Monterrey and they are still high on the agenda when we meet in the World Bank, the IMF, the WTO and other fora.

Adequate ODA levels and a well-functioning financial system assisted by legitimate and efficient multilateral financial institutions are thus necessary conditions for our joint mission to eradicate poverty. But if we are serious about this mission, we must also bring these issues 'home' and address them in our policy-making at the national as well as EU level. We can no longer advocate a progressive development cooperation policy while sidestepping difficult choices in agricultural policy, security policy or migration policy. We can no longer discuss resource transfers to low-income countries and trade liberalisation without addressing our own farm subsidies. We can no longer support health systems and medical training without looking into our own migration policies. All policy areas have a joint responsibility to contribute to an equitable, sustainable and coherent policy for development.

In December 2003, the Swedish Parliament took a decision to adopt a new policy for global development. This policy makes contributing to equitable and sustainable global development the overarching goal for all policy areas. All actions, positions, committees, etc. must be assessed in terms of their contribution to this goal, proceeding from a rights-based approach and from the perspective of the poor on development. Our collective decision-making process, in cabinet as well as in the government offices, provides a basic infrastructure for increased policy coherence. We are now in the process of refining our toolbox so as to increase capacity at the different ministries to analyse, assess and redesign policies in order to achieve a transboundary policy-making process that will contribute to equitable and sustainable global development.

Areas in which Swedish policy has already managed to integrate a development perspective include environment, trade and agricultural policies. Instructions sent to our representations in Brussels, Geneva and New York have been thoroughly discussed and development aspects have been a natural component of the analysis. Security and migration policies are two areas in which we are currently having fruitful and interesting discussions on how better to integrate development.

The Swedish policy for global development is not a policy for development cooperation. Although development cooperation certainly is a crucial part of the policy, the momentum lies in mobilising normative policy-making in our different national and international fora for equitable and sustainable global development. Policy coherence for development is about reorienting policies to make them more sensitive and responsive to developmental aspects and consequences. Policy coherence is also about adapting development cooperation to take advantage of the openings and opportunities created by a more coherent trade policy, agricultural policy, security policy, migration policy, etc.

In late May 2005, we delivered our second annual report to Parliament on the progress of this new policy for global development. In the report, we concluded that we have taken the first important steps in implementing this long-term policy. The infrastructure is slowly coming into place, different policy areas have started to define their own contribution to the overall policy, and some have managed to integrate a global dimension.

However, we still have a long way to go before global development aspects are truly integrated in our overall policy-making. The capacity to understand the linkages between our policies and the aspirations of poor people around the world is of strategic importance for the future. We need to strengthen our ability to see the link between the circumstances of the poor farmer in Honduras, the migrant worker in Thailand and the orphaned girl in the refugee camp in Guinea, and our own policies on trade, agriculture, security and migration.

One important mechanism to broaden the potential of the Swedish policy for global development is the Forum for Global Development currently being set up in Sweden. When Parliament passed our bill, it encouraged us to take this initiative. The idea is to establish an independent body that will serve as a forum for dialogue and debate with different stakeholders in Swedish society – NGOs, the business community, trade unions, academia, and so on - all of which contribute to the multifaceted interface that constitutes Swedish relations with the developing world.

Working for policy coherence in the EU

Creating a stronger framework for policy coherence in Sweden will, however, not be enough. Our membership of the EU offers great potential to have a strong impact on behalf of equitable and sustainable global development. With a population of 450 million and almost a third of global GDP, with the world's largest trade area by virtue of the internal market and more than half the world's development assistance, the EU is undeniably a global actor. What the EU does and does not do has a great impact on development in the world. As with our Swedish policy, the challenge is to reinforce and give visibility to EU efforts to address major global challenges. The key issue is the need to use the instruments that we have at our disposal in a more efficient and coordinated manner in order to ensure that our resources have the maximum impact. The long-term objective is to address certain major global challenges, many of them belonging to the Millenium Development Goals (MDGs), more effectively and coherently at EU level.

Policy coherence for development can be strengthened by intensifying the implementation of existing goals and strategies/statements in the EU external actions sphere, such as the Barcelona Commitments on Financing for Development, the European Climate Change Programme (ECCP), the European Security Strategy (ESS), the European Sustainable Development Strategy (SDS), etc. These should be regularly reviewed in order to ensure consistency between policy areas and to set forth EU objectives in tackling the global challenges.

At the meeting of development cooperation ministers in May 2005, we took major steps forward. First of all, an agreement was reached on a firm timetable for reaching the international ODA target of 0.7% of GDP (a major accomplishment indeed!), but perhaps equally important in a longer perspective was the general recognition by ministers of the importance of policy coherence and the invitation to the European Commission to present a biennial report on policy coherence for development. This new instrument will give us the opportunity to follow, assert and sharpen progress towards policy coherence on a regular basis in the years to come.

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A European Development Fund for the MDGs

by Jeffrey Sachs, John McArthur and Guido Schmidt-Traub

With the European Council's recent announcement that all EU-15 Member States' Official Development Assistance (ODA) will reach the target of 0.7% of gross national income by 2015, Europe has clearly established its global leadership in donor financing for the Millennium Development Goals (MDGs). The central issue for European ODA policy is now, therefore, how to use these new resources most effectively. Anchored in the new timetables to reach the 0.7% goal, a reformed and expanded European Development Fund (EDF) is needed to support the achievement of the MDGs, with a particular focus on sub-Saharan Africa.

The case for more aid

The recent major reports by the UN Millennium Project, the Commission for Africa and the UN Secretary-General highlight the feasibility of the MDGs, but only if development assistance is rapidly increased. More specifically, OECD donor countries need to follow through on their longstanding commitment to the target of spending 0.7% of GNI on ODA by setting timetables to reach this target by 2015. Since sub-Saharan Africa is the poorest continent and is also furthest away from achieving the Goals, the bulk of ODA increases needs to be focused on supporting countries in this continent.

To achieve the MDGs, most of the new ODA resources must focus on supporting rigorous, practical and locally owned national development strategies that are ambitious enough to achieve the Goals. Many well-governed African countries – such as Ethiopia, Ghana, Senegal, Tanzania, and Uganda – are able to invest this ODA immediately in scaled-up programmes for health, education, basic infrastructure and environmental management. Indeed, if such countries are to start making the practical investments needed to achieve the MDGs within a decade, they urgently need to be "fast-tracked" with scaled-up donor assistance, starting in 2005. Other countries should similarly be encouraged to put forward such MDG-based strategies as soon as possible, backed by donor commitments to provide adequate finance once these strategies are ready for implementation.

In the near term, a significant portion of new resources should also be allocated to 'quick wins' - actions that can be implemented immediately within current capacity to save and improve millions of lives. Examples could include a joint EU-New Partnership for Africa's Development (NEPAD) initiative to fight malaria through the mass-distribution of long-lasting insecticide-treated nets and artemisinin-based combination therapy; a global initiative against hunger focusing on school meals, using locally produced food; or the ending of all user fees for essential healthcare and primary education, backed up by increased development assistance to make up for the revenue shortfall. Each of these quick wins requires significant upfront funding in 2005-2008.

The need for an effective European aid mechanism

Taken together, the EU-15 countries already devote 0.35% of GNI to development assistance, which compares to an aggregate average of 0.19% for the non-EU donors. Four EU countries have already surpassed the 0.7% target: Denmark, Luxembourg, Netherlands, and Sweden. A fifth 0.7% donor, Norway, is part of the European Economic Area. Six other EU Member States – Belgium, Finland, France, Ireland, Spain and the UK – have set targets to reach 0.7% before 2015. The remaining five – Austria, Germany, Greece, Italy, Portugal – have committed themselves to reaching at least 0.51% by 2010 and 0.7% by 2015. Meanwhile, the new EU Member States have agreed to raise their ODA to 0.17% by 2010 and 0.33% by 2015. Taken as a whole, the EU will mobilise an additional estimated €30 billion by 2010 and €54 billion by 2015 compared with 2004 levels (at 2003 prices and exchange rates).[1] If this is focused on sub-Saharan Africa, the EU will be able to finance most of the continent's ODA needs for achieving the MDGs.

Yet even with these commitments to increased aid volumes, the coordination, quality and effectiveness of European aid must be improved if it is to deliver on its potential to reduce poverty. Currently, the EU-15 aid is delivered by 16 different sets of development agencies (including the European Commission) which are only partly coordinated. This fragmentation is a key factor contributing to the insufficient quality of existing ODA. Based on OECD/Development Assistance Committee (DAC) data, the Millennium Project estimates that less than one quarter of bilateral aid to low-income countries directly supports ground-level investments to achieve the Millennium Development Goals. In comparison, the share of multilateral aid that directly supports the Goals is more than 50%.

Unless this fragmentation of European development assistance is overcome, the high costs of coordination will continue to curtail the effectiveness of European ODA. In parallel, despite being the most generous donor region in the world, the EU and its Member States will continue to get much less international credit than they deserve for the development assistance they do provide. Coordinating essential policies, such as trade and competition, at the EU level is of course nothing new for European countries. The same principles underline the need for coordinated European development finance.

Making the most of Europe's increasing development assistance will require the pooling of resources and joint disbursement through a common mechanism. Fortunately, such a mechanism already exists in the form of the EDF. A major share of the programmed increases in ODA should therefore be channelled through the EDF. However, the EDF will need to be fundamentally reformed to be able to live up to its promise.

A reformed and expanded EDF would combine several characteristics to yield significant benefits for both its contributors and its beneficiaries:

- *European.* Strategic collaboration in aid would provide Europe with the international credit it deserves.
- *Effective.* Pooled resources would ensure the most effective use of public resources for development assistance by overcoming current donor fragmentation and offering an effective means of providing needed budgetary support to well-governed countries. A single vehicle could be used to serve the needs of many countries across all sectors.
- *Immediate.* A reformed EDF would allow Europe to launch global initiatives for the quick wins immediately and to support the "fast-tracking" of countries for the MDGs.
- *Predictable.* The funds allocated to a reformed EDF could be committed over longer periods of time than typical one- or three-year national budget cycles, pooling the risks of macroeconomic instability and allowing recipient countries dramatically greater ability to invest in needed long-term investments, such as those for human-resource development and capacity-building.
- *Flexible.* The reformed EDF would constitute an ideal vehicle for implementing innovative financing mechanisms.
- *Scalable.* The reformed EDF can be scaled up in due course using contributions from the new EU Member States and other partners as new donors.

A unique opportunity for reforming the EDF

The need to reform the EDF has been clear for some time. Funding and reporting procedures are notoriously bureaucratic and, as a result, large shares of EDF funds have not been disbursed to recipient countries. The complexity of EDF procedures prevents many countries from applying for EDF funding. Most development professionals do not understand how the EDF works and how funding can be applied for. While EU Member States and the Commission agree that the EDF needs to be reformed, recent initiatives seem to have fallen short in bolstering the programme's efficacy.

There is no doubt that reforming the EDF will be a political challenge, but, right now, Europe has a unique opportunity to achieve just such a structural breakthrough. The landmark May 24 announcement by the Council of Ministers of its intention to achieve the 0.7% target by 2015 and the upcoming September World Summit in New York – expected to be the largest-ever gathering of world leaders – have focused the minds and attention of European decision-makers on implementation of the MDGs. In addition, the ongoing budget negotiations for the period 2007 to 2013 and the programming of the 10th EDF mean that EU budget processes are in phase with a fundamental reform of the EU's development finance architecture.

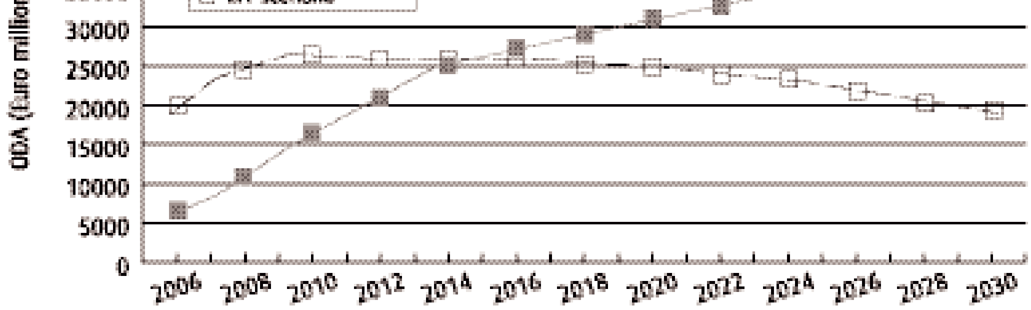
While the details of the reform are complex and will need to be worked out over coming months, some key elements of a solution can already be identified. A key obstacle to past reform efforts has been uncertainty over the level of funding provided to EDF by each EU Member State. The Council's announcement offers a framework for removing this obstacle. For example, member countries can agree to channel 50% of incremental development assistance through a reformed EDF. To ensure effective delivery of aid, programming for the 10th EDF should follow the example of one of the most successful multilateral financing mechanisms – the World Bank's International Development Association (IDA). Aid would be made available in the form of concessional budget support on the basis of MDG-based national development strategies prepared by developing countries. Indeed, the EDF would no doubt work in tandem with the IDA on many programmes targeting countries where aid can be used effectively. Unlike the IDA, however, the EDF needs to provide 100% grant financing as required to meet the MDGs in the poorest countries. It should also fund broad multi-country initiatives, such as an African initiative to fight malaria, regional infrastructure programmes or regional environmental management initiatives. In addition to capital costs, the EDF should also finance recurrent expenditures, which account for the bulk of resources required in the social sectors.

A financing scenario for the reformed EDF

Currently, roughly €3.5 billion of European ODA is programmed through the EDF. An expansion of the EDF could be financed through an agreement by EU Members to set aside 50% of their planned ODA increases for this. If all EU Member States meet the ODA targets announced by the Council of Ministers, the EDF would receive approximately €4.7 billion in 2006, rising to €15.1 billion by 2010 and €26.8 billion by 2015 (at 2003 prices and exchange rates). Additional funding could be secured, as appropriate, by reprogramming aid from existing Community-wide funds like EuropeAid and European Community Humanitarian Office (ECHO).

The financing of the EDF could be bolstered by a European Finance Facility (EFF), based on the International Finance Facility concept championed by UK Chancellor Gordon Brown. An EFF could enable the frontloading of aid to support the urgently needed step-increase in development assistance during 2006, as underscored by the Africa Commission and the Millennium Project. Such an EFF would make a critical contribution to financing MDG-based development strategies and quick wins over the next two to three years. It would also firmly anchor Europe's leadership role in supporting practical programmes to achieve the MDGs.

Figure 1 shows two possible EDF disbursement paths over a 25-year scenario, respectively with and without frontloading support from an EFF.[2]



Medium-term innovative financing options

The recent Landau Report established a strong case for innovative financing mechanisms to supplement development assistance for poor countries and finance international public goods. Several new mechanisms, such as an EFF, can be implemented right away through the voluntary participation of supporting countries. Others will take longer to implement, but should nonetheless be explored as expeditiously as possible as sources of financing for increased development assistance.

A reformed EDF offers an effective vehicle for implementing innovative financing mechanisms on a Europe-wide basis. A particularly compelling financing option consists of the partial selling of carbon emission rights under the EU's Greenhouse Gas Emission Trading Scheme. Instead of handing out all emission permits free of charge, as is currently the case, a small share of permits (say 10%) could be auctioned to emitters during 2007, when the next round of permits will be issued. Such a partial selling of carbon emission rights constitutes an efficient tax and could contribute substantially to funding the EDF.

Other promising innovative financing mechanisms, such as taxes on passenger air travel, are described in the Landau report and should be considered over the coming years. They could complement national efforts to reach the 0.7% target by 2015 to ensure that sufficient funding is available to support the achievement of the MDGs and other longer-term development objectives beyond 2015.

The need for urgent action

In the first half of 2005, European leaders have already taken historic steps to help halve extreme poverty within a generation. The challenge now is to translate this political breakthrough into practical programmes which will help developing countries, especially African countries, to achieve the Millennium Development Goals. A unique window of opportunity exists to engage the political leadership of the EU Member States and the European Commission in reforming the European Development Fund. Fortunately, the technical and political challenges will undoubtedly pale in comparison to the rewards of meeting the Goals under European leadership. European leaders have shown that they can, and indeed must, rise to the occasion by announcing the urgent expansion and reform of the EDF this summer.

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Europe, economic migration and the conquest of poverty

by Nigel Harris

Introduction

In the recent past, migration in and from developing countries has most often been seen by governments as both abnormal and a sign of chronic social breakdown – an implicit indictment of a society's capacity to provide the social and economic conditions which permit people to lead an adequate way of life in the place where they were born.

Many newly independent governments attributed internal migration to the damage inflicted by colonialism – or capitalism – and assumed that the newly liberated powers of the state could be used to end territorial inequalities and create the economic homogeneity across the national territory which was supposedly the promise of nationhood. In essence, population immobility – i.e. a settled nation – was seen as the norm. In those societies where nomadism was a significant phenomenon, the cruellest measures were introduced to force people to settle (as in the well-known cases of the Roma in Eastern Europe and the Kazakhs in the inter-war Soviet Union).

From the 1950s and with the increasing tempo of urbanisation in newly independent countries (particularly those which grew economically most swiftly), this negative attitude towards migration was reinforced by the fear that the modern economy and local government would be overwhelmed by the numbers of migrants and the spread of vast squalid squatter settlements and shanty towns. At the beginning of the 1980s, a UN survey reported that a majority of governments in developing countries were dissatisfied with the internal distribution of their populations, and were either actively pursuing or considering policies to change it. In some cases, this led to draconian policies of expelling large numbers of families from urban areas or shifting populations by force to places where the government thought people should be.

It is amazing that this set of negative attitudes towards migration – and the associated singularly cruel policies of enforced relocation or immobilisation – could have been sustained so long. For the evidence was abundant and available that migration was always not only one of the most powerful mechanisms for the redistribution of income – in remittances – from rich to poor areas, but also an indispensable means whereby poor households were able to diversify their incomes and ensure their survival.[1]

Now governments supposedly committed to reaching the UN Millennium Development Goals have to reverse this policy and instead of blocking migration or expelling people from cities, facilitate mobility and the protection of families on the move.

Parallel to this recognition of the positive and important role of internal migration in redistributing income between rich and poor areas, and in alleviating poverty, has come an increasing awareness that the same generalisations apply to international migration.[2] International remittance flows are emerging as major sources of revenue for developing countries. Indeed, of all the various economic linkages between developed and developing countries that are involved in the reduction of poverty (capital, aid, trade), one of the most important – migration for work – is usually almost completely absent from the discussion.

Migration and development

In the 1990s, the dynamic of Europe's labour market attracted much larger numbers of regular and irregular workers from outside Europe. Globalisation has, as it were, become inescapable on the streets of Europe's big cities. The by-product of this change has been an extraordinary increase in the flow of worker remittances to their home countries (increasing rapidly and now possibly worth between two and four times the levels of official development aid worldwide, if you include estimates of unofficial transfers in cash and kind). In development terms, this is a remarkable and unexpected increase in the revenues of developing countries. In addition, remittances are, in contrast to other revenue and investment flows, counter-cyclical (they increase in a recession), do not generate counter-flows (payments for imports, profits on foreign investment), and often go directly to those in need in some of the poorer localities. In sum, it has become apparent that one of the key restrictions on developing countries' capacity to increase their inhabitants' income is the political control of immigration in developed countries; it is these controls which frustrate the potential for the developing countries to exploit to the full their comparative advantage in low-cost labour.

Governments in developing countries, after some reluctance, have become eager to harness this new source of revenues for development.[3] The most striking case is not in Europe but in the area of much larger flows, between Mexico and the US. The 400 or so hometown clubs of the Mexican diaspora in the US have mobilised to finance development projects in their home localities – to pave a road, build a health clinic, primary school etc. Mexican local, state and federal governments have, in some states, offered $3 to match each dollar remitted by a worker abroad and re-aligned domestic anti-poverty, health and educational programmes (Progresa, now Opportunidades) to reinforce the impact of remittance flows.

Migration, however, can remove the most skilled, energetic and enterprising workers from the labour force of a developing country, making the task of conquering poverty much more difficult. It would be quite wrong for Europe to seek to secure the welfare of its inhabitants at the cost of developing countries. Are there ways in which migration could be turned into a positive reinforcement, rather than a reduction, of development efforts?

Immigration in developed countries: the interests at stake

There is clearly a conflict of interest here between the developed countries, on the one hand, which need to recruit workers abroad to reinforce their existing workforce (albeit without necessarily encouraging settlement), and the developing countries, on the other hand, which need to retain their skilled workforce (but without losing the enrichment of their skills through work abroad), and finally the interests of migrants themselves. At the risk of oversimplifying the complexities, on what basis might these interests be reconciled?

The source country

The interest of governments in the 'sending' countries is in retaining the skilled labour force while permitting skill-enrichment through experience and training abroad. The system which would best meet this requirement would be temporary circular migration, with the migrant ultimately returning to his or her original country with enhanced skills. The migrant, while abroad, retains his or her social ties in the home country and is discouraged from permanent exile.[4] Similarly, a source country government might encourage the emigration of the low-skilled in order to maximise remittances. In the course of this, the low-skilled workers might enrich their capacities through training and work experience, at which stage, the source country might want to encourage the worker to return with those skills, with savings, knowledge of the market, contacts etc. Again, temporary circular migration might be the option most favoured here.

The migrant

As noted earlier, migration is one of the most important mechanisms for the redistribution of wealth from rich to poor areas. Most of this migration is internal. Take the example of China, with something in the order of between 98 and 120 million migrants outside the province of their birth,[5] remitting sums to families left behind now nearly equal to 60% of rural household incomes (that is, a greater proportion than is earned in farming). In terms of helping the poorest families to survive, it is an enormous injection of income. It is also a vivid illustration of migration as a means to diversify the income of poor households (particularly in the agricultural off-season), thereby allowing most households to meet the costs of continuing to live in the same place.

International migration is much more costly to undertake once, let alone many times. However, its great advantage lies in the difference in purchasing power values between developed and developing countries: a low income in the first becomes a middle income if spent in the second – what we might call the "international migrants bonus". Not only does this make the incentive to work abroad initially much stronger than that suggested simply by wage differences compared at official exchange rates, it also makes for a willingness to work at wages well below those expected in a developed country. That, however, is only true if migrants do not spend where they earn. If they are obliged to support themselves in the developed country, a low income will yield only the standard of living of the poor - the migrant's bonus is lost. It is here that immigration controls exercise their most destructive effect by preventing circulation and forcing migrants to settle as the condition of continued access to work.

Wherever immigration controls are introduced, it ends circulation and forces migrants into "immigration"; that is, settlement. It substitutes for temporary work abroad in order to continue living at home; i.e permanent exile. In terms of the interests of worker-migrants, temporary circulation for work, we can infer, would perhaps be the best form of migration so that they are able to return with their earnings - and benefit from the bonus.

However, public debate in developed countries too frequently assumes that all who enter wish to settle – to join the national club – sooner or later. Of course, the sheer numbers entering show this not to be the case. Legal temporary work has the effect of opening a legitimate space between entering and working in a country and settling there. Such systems already exist and, with proper management, succeed without great losses. However, having two classes of inhabitants – those who are members and those who are not – raises questions about the nature of the nation state, democratic government and sovereignty which lead to legitimate apprehensions among the existing citizenry. However, these seem of lesser significance in remedying the economic problem – labour to staff the developed country's economy and a means of pumping resources to developing countries.

The destination country

The developed countries of Europe seek to compensate for any demographic decline in the labour force, as well as recruiting scarce skills as the structure of the economy changes more swiftly than the training system – but to do so without offending the xenophobic sensibilities of the settled electorate; that is, without significant permanent settlement.

Temporary circular migration would meet the first requirement – workers migrating for one or two years to work, build up their savings and return home. There would be many problems of short-term adjustment (particularly in terms of language skills), in managing the social security system, etc., but none which render circulatory migration, in principle, impossible.

The second requirement is more difficult. The permanent recruitment and retention of highly skilled workers from developing countries is perhaps only sustainable if the developed countries pay – either to repay the costs of training existing skilled workers or of future skilled workers (something already undertaken by some aid programmes).

However, a compromise might benefit both countries if all migration became training and work experience, modelled on foreign student and work experience programmes: that is to say, a partnership programme to enhance the human capital of developing countries for the attack on world poverty. Aid programmes might be usefully refocused in support of such a campaign.

European aid to developing countries

Official aid programmes to developing countries play a great variety of roles, from supporting macroeconomic balance and reforms to financing responses to emergencies and projects. Project aid has a mixed record of achievement and can, in certain circumstances, lead to the subordination of developing country's requirements to the interests of the donor. This does not happen with remittances, which have no political strings attached. Furthermore, the lack of local development agents can jeopardise the outcome of aid projects. Donors employ governments in developing countries, consultants and, increasingly, NGOs to play the role of local implementing agents. However, with circulatory migration and return, returnees could act as development agents. Aid programmes could then be employed to reinforce the efforts of returnees, the impact of remittance flows and, as now, the efforts of developing country governments and NGOs.[6]

Enhancing human capital is widely seen as one of the most important issues in economic development, and circulatory migration can contribute to this aim. On the one hand, temporary migration includes a large number of students who come to Europe to study. In many cases, they are also allowed to work. On the other hand, if we were to apply the student model to all circulatory migrants (including in study, work experience, on-the-job training and the enhancement of professional skills), then migration could simultaneously meet Europe's requirements for workers and enhance the human capital of developing countries through returnees. In addition, treating all migrants on the same basis would militate against the current tendency to create a two-class system in which the highly skilled are able to move fairly freely, work and settle, but the low skilled are expected to be tied to the soil of their native land. Aid programmes, in conjunction with host-country educational institutions, could be enlisted to organise the training, education and professional development programmes of migrants, track returnees and offer follow-up programmes in the student's country of origin.

Conclusions

The national management of migration exists less for any defensible economic reasons than, above all, to reassure the citizens in developed countries that their way of life will not be overwhelmed. Here, national politics and the fears of electorates confront the pressures generated in domestic and world labour markets to integrate in a global economic order. We are well advanced in comparable processes in trade and capital, even though still very far from free trade. But it would seem most likely that a similar evolution will occur in migration to free and unrestricted migration – if efficiency and equity are to be secured.

The problems are at their most severe in the transition to the global integration of what were semi-closed, self-sufficient national labour markets. However, if this transition is slow enough, there is time for electorates to become accustomed to unprecedented levels of mobility and the relocation of parts of the world economy – for example, from the Atlantic area to east, south and south-east Asia. National economies become less territorially bounded economic complexes, and more logistical and management centres for unbounded global networks, including many activities which are beyond the authority or even knowledge of the governments concerned.

The danger is that the fears will so overwhelm us that some will try to reverse the process of integration, to draw back and restore the old national fortresses. War is the great force which drives the world back to the old world, the triumphs of which were two World Wars in the last century. After 200 years or so of building nation states and the appropriate national identities, at least some people might find the cumulative effect of these processes undermines psychic stability – and the economics of labour migration become disastrously mixed with the politics of personal identity.

The dangers in mismanaging the transition to global integration are thus considerable, but the rewards in terms of the reduction of world poverty even greater.

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Trade and domestic reforms

by Pierre Defraigne

With respect to trade and development, a few points seem self-evident: the linkage between trade and development is more complex than is commonly agreed amongst columnists and politicians. Secondly, no country, even the largest, has ever developed in autarky, with China providing the best example of what economists have long underlined. Thirdly, over the last half century, world growth has been fuelled by trade liberalisation, which has resulted in the expansion of the share of global output traded on international markets. As world output has increased at an unprecedented pace since World War II, a series of development indicators have shown considerable progress worldwide: life expectancy, literacy, food availability, fertility rate control have all improved.

Yet it would be wrong to advise developing countries to open up their markets and expect growth and development from free trade alone.

First, world growth results from three major trends: technological progress, institutional reforms, and, indeed, trade and investment liberalisation. The latter accounts for a more efficient international division of labour based on economies of scale and competition on open markets. But trade is just one key component of a complex world growth process.

Second, differentiation between countries is the rule: first, there are the 'movers'; i.e. the industrialised countries which are richly endowed in capital and technology and whose multinational corporations reap the largest share of the harvest. Then, there are the emerging economies, mostly in East Asia, which are catching up thanks to foreign direct investment, manufactured goods and export-led growth strategies. Then there are the laggards – most Arab and Latin American countries. Lastly, there are the so-called 'left-behinds' – the countries of sub-Saharan Africa.

Third, the difference between true winners, half winners and losers is less the degree of trade liberalisation itself, and more the capacity of these countries to deal effectively with the challenges of globalisation. The key factor in this respect is the quality of domestic policies: is there a genuine willingness to develop among the elites? Are the macroeconomic fundamentals right? Is the business environment safe and predictable? Does the State provide enough public goods and services, such as infrastructures, education, security and health?

Only when these basic requirements are met can trade policies even be considered as a factor for development, as trade supposes a supply capacity which calls for strong domestic and, if possible, foreign investment.

Does the country have to open up first or should it do it gradually? It depends on many factors, although a small country which maintains high tariffs should give up any hope of being competitive on the export market. But when one considers the genuine success stories, such as those of the Asian Tigers, it is obvious that there is no standard rule. All of these opted for different trading regimes: Hong-Kong chose a tariff-free policy, while Korea and China kept high levels of protection during their initial 'take-off' phase.

What about other developing countries? Except for India, which is smoothly, but slowly, moving towards a more open strategy, most other developing countries are facing a failure of domestic policy, which prevents them from exploiting the potential of more open markets in industrialised countries. Africa is confronted both with severe institutional weaknesses and supply-side constraints, in particular with regard to infrastructure and education.

How can industrialised countries help? First, they can open up their own markets, particularly for agricultural products, textiles, footwear and electronic components, for which developing countries generally have the highest comparative advantage either because of the availability of cheap low-skilled labour or vast land resources. Existing preferential trading schemes have given the most competitive developing countries limited access to developed countries' markets, while the least developed countries have profited from full access through the "everything but arms" scheme. The Doha Round should go further in reshaping the international division of labour inherited from the colonial era towards a direction which is both consistent with the new and changing global comparative advantages and is conscious of the limits set by the principles of environmental sustainability.

The EU has been championing the cause of the developing countries within the WTO and is the leading donor of autonomous trade preferences. Moreover, the EU is the largest provider of trade-related technical assistance and capacity building. Additionally, it is the largest aid donor and in that capacity can help developing countries, particularly the poorest, to cope with their supply-side shortcomings on infrastructure or education, for example.

The EU is also fostering regional cooperation among developing countries through, for example, the Economic Partnership Agreements (EPA) with African, Caribbean and Pacific countries (ACP) and the Euro-Med Free Trade Area to be created by 2010 within the Barcelona framework. Furthermore, the Free Trade Agreements (FTAs) under negotiation with Mercosur and the Gulf Cooperation Council and under consideration with ASEAN serve the same purpose. The EU is indeed convinced, on the basis of its own experience, that WTO-compatible regionalism is a building block, and not a stumbling block, on the road towards multilateral trade liberalisation. Nothing can better prepare developing countries for the existing realities on the global market than competition among neighbours and peers within regional trade arrangements.

Will all of this suffice to offer developing countries, particularly the least developed countries (LDCs), fair and effective market access to developed and emerging economies?

The answer is: only to a certain extent! New obstacles to trade – technical standards and regulatory measures such as sanitary and phyto-sanitary norms – arise even after market access is granted, due to consumer demands regarding health, safety and the environment. These partly nullify the positive effect of granting preferences "at the border", through tariff reductions and the lifting of quotas. The EU is trying to cope with this new set of difficulties through technical and financial assistance to developing countries but, overall, the challenge is a very serious one.

In addition, the multilateral reduction of tariffs within the Doha Round will reduce the preferential margin granted to LDCs. This so-called "erosion of preferences" issue could be partly offset by more preferential access for LDCs' exports to emerging economies markets such as India, China and Brazil. Mode 4 (i.e. the temporary movement of persons, not definitive migration) in the liberalisation of services would also contribute to an increase of migrant-worker remittances to their home country. Nevertheless, one has to admit that trade liberalisation for products such as clothing, sugar and bananas, where competition is fierce between developing countries with different levels of competitiveness, creates different consequences for these countries. The international community cannot ignore the detrimental impact of a number of trade liberalisation moves on the weakest economies. Assistance to facilitate adjustment so as to ease the diversification of exports from LDCs should be part of a holistic approach in the trade and development nexus.

Sometimes, the true alternative lies in according greater priority to the inner dynamics of national development. This is true for China, which should move towards a more endogenous development model sooner rather than later to stimulate its energy, minerals and agricultural commodity purchases from least developed countries. In turn, the latter should, through appropriate agricultural policies, exploit their potential for good production and rural development to the full.

Returning to the statement made at the outset of this article, only countries willing and able to interact with global markets will eventually be among the winners from trade and investment liberalisation. Thus, domestic policies remain the key to development; a supportive international environment is a prerequisite, but the end result will eventually depend on developing countries themselves.

The EU could further improve its advocacy of sustainable development in the South if it actively promoted coherence between the three pillars of the global economic governance system – trade, finance, multilateral norms-setting – with a view to projecting its own vision abroad consistent with the overall European development model.

Such a vision would entail supporting only those governments in developing countries which promote effective development strategies, while remaining flexible with regards to the specific development path they have chosen, provided it works. This would mark a clear departure from the "one size fits all approach" embodied by the "Washington Consensus"; it would allow for a policy space which would allow for the co-existence of "different policies that work". The recent history of development indeed indicates that exchange controls in Malaysia during the 1997-98 crisis, industrial policy in Korea and financial policy in China delivered remarkable growth performances, despite the fact that they were considered "second best" policy choices. All those familiar with Africa expect that some day, an "African way" will emerge from the present chaotic situation. Before being overly critical, the developed world should allow new development strategies some time to take effect.

Overall, the EU will only be able to play in the 'big league' of international donors when it speaks with one voice at the IMF and the World Bank on development strategies and prospects, in the way it has done with tremendous success for half a century in WTO. In order to speak with one voice, Europe will have to define a common doctrine on development, in the same way as it has done for trade.

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Good governance and anti-corruption reforms: some perspectives on a new EU development policy

by Carin Norberg

The EU is a major player in the development league. Nearly half of the money spent on supporting development and growth in developing countries comes from the EU and its Member States. How they do their business and what they do therefore has great significance for their partner countries. The encouraging news is that the European public expects the EU to act as driving force for development. According to a February 2005 Eurobarometer survey, 54% of people in Europe believe that EU development aid contributes to the democratisation of the beneficiary countries. Furthermore, as many as 74% consider that the level of aid should be linked to these countries' efforts to encourage and support democracy.

The EU has taken a series of important decisions recently related to the volume of aid. In order to reach the level of 0.7% in 2015, the year laid down in the Millennium Development Goals, gradual increases must be made. In 2003, the EU reached an average of 0.34% of ODA/GNI.[1] If commitments by Member States are confirmed, the EU will collectively reach an ODA level of 42% of GNI in 2006 and 0.56% in 2010 (EU-15). The expected increase in EU aid flows, combined with other international efforts to reduce debts, will hopefully result in a substantial and much-needed increase in total aid volumes.

Against this background, the decision in 2005 by EU Commissioner for Development and Humanitarian Aid, Louis Michel, to organise a wide-ranging debate on the review of EU development policy and aid was a welcome initiative. Transparency International (TI) made use of this opportunity to focus on the aspects of good governance and anti-corruption reforms.

The TI recommendations on anti-corruption measures include:

- Anti-corruption should be made an additional cross-cutting issue
- A new EU development policy should include references to the UN Convention Against Corruption
- Both the supply of and demand for, bribery and corruption must be addressed in the policy
- Anti-corruption measures should be added to the list of issues, reflecting the EU´s values in policy dialogue
- The ongoing work by OECD/DAC to improve donors' effectiveness in fighting corruption needs to be taken further into account
- The policy should include policies and standards for transparency and accountability
- A commitment to the development of a coherent anti-corruptions trategy must be spelled out in the policy.

In what follows, these recommendations and a few other aspects will be further elaborated.

Anti-corruption: a cross-cutting issue

Security, trade, migration and the environment are already treated as cross-cutting issues to development. Anti-corruption should also be handled in this way. In various contexts in the area of trade, it has been underlined that corruption is a major obstacle to free international trade and fair competition. In the area of environmental policy, TI and the Forestry Integrity Network have shown how corruption in the forestry sector constitutes a major threat to the environment. The existence of secret bank accounts not only makes it possible to hide money from tax collection or corruption, but also to launder money from criminal activities and illegal arms trading.

Adherence to international anti/corruption conventions

The new EU policy on development should include references to the international anti-corruption conventions as a framework for the EU's Partnership and Cooperation Agreements. In addition, individual country agreements could lay down specific objectives with references to regional conventions such as the OAS Anti-Corruption Convention, the African Union (AU) Anti-Corruption Convention and the Council of Europe conventions. Inadequate international regulations on issues such as tax evasion, money laundering and bribery facilitate corruption on a global scale, and in relation to poor countries' resources. This is particularly true for African countries. As long as it is possible to put money into financial havens where the origins of the funds are obscured, corruption will flourish. According to a recent Oxfam International statement, there are at least 63 global tax havens which enable multinational firms and developing country elites to avoid their tax obligations. The secrecy of these tax havens sanctions corruption, as companies and individuals can hide the origin of their funds.

Supply and demand side of corruption

The supply and demand side of corruption must be addressed. Member States as well as partner countries should be advised to implement and monitor the UN Convention on Anti-Corruption (UNCAC) as well as the other relevant regional conventions (the AU Anti-Corruption Convention, the OECD Convention against Bribery of Foreign Public Officials etc.). More attention needs to be paid to the private sector and civil society, as they play a crucial role in promoting or impeding efforts to enhance good governance and transparency. TI recently published a Progress Report on Enforcement of the OECD Convention covering 24 countries accounting for 95% of OECD exports. Out of 24 countries surveyed in 2005, there have been no prosecutions in only three countries – the UK, Denmark and Finland. Signing up to important international conventions was made mandatory in the accession process for the EU's ten new Member States, which were required to sign the relevant Council of Europe conventions. This could be used as a model in development relationships, and made mutually obligatory.

Advocacy and the role of civil society

TI has noted with interest the recently issued 'EC Guidelines on Principles and Good Practices for the Participation of Non-State Actors in the Development Dialogues and Consultations'. Civil society plays a significant role at all stages of the development process: planning, implementing and monitoring. Support for civil society is therefore crucial. Equally important is open and transparent information on all aspects of the development relationship, enabling civil society to play an active role in monitoring development. The provision of timely and transparent public information on the aid relationship between the EU and partner countries should be given higher priority.

DAC revised principles for donor action in anti-corruption

The work presently pursued by the Development Assistance Committee (DAC) to harmonise and make aid more efficient, including the adoption of guiding principles for improving donors' effectiveness in fighting corruption, should be reflected in the new EU development policy. Public procurement is particularly prone to corruption. It should therefore be made a precondition of aid that public procurement be subject to competitive tender and transparent processes. According to observations made by some TI National Chapters, the decentralisation of European development aid, while having many advantages, has led to a significant increase in corruption in tenders for supplies, works and services funded by the European aid funds and issued in the beneficiary countries.

Values underpinning good governance and anti-corruption reforms

Integrity, transparency and accountability should be reflected in the EU's values for policy dialogue, and that anti-corruption measures should be added to the list of issues which normally will be part of the discussions between the European Commission and the recipient country government. When addressing corruption, the Commission should keep in mind those factors which promote corrupt practices, such as unaccountable and weak public institutions (e.g. the judiciary and media); low salaries and weak management; under-resourced public sectors; and low accountability of governments to citizens. These conditions can be addressed by, for example: (a) supporting public institutions financially and with the development of human capital; (b) promoting independent institutions which enhance good governance and transparency, such as the judiciary and media; (c) ensuring that public and private institutions adopt, publish and implement a code of conduct which outlaws corrupt practices such as bribery, provides a safe means for whistleblowers to report on corrupt practices, and includes annual publication of financial statements independently audited to international standards; and (d) encouraging the broad development of powerful audit institutions with independent audit procedures to international standards.

The Paris Declaration

The issues of increased aid and debt relief are high on the international agenda. At the OECD/DAC High-Level Meeting on 2 March, 2005, 100 countries agreed to harmonise their systems to make aid more efficient. The meeting resulted in a joint statement, the so-called Paris Declaration. This statement is a model in the sense that it includes commitments made by both donor and partner governments. With regard to strengthening public financial capacity, partner countries have pledged to publish timely, transparent and reliable reports on budget execution. They have also promised to provide reliable indicative commitments of aid over a multiannual framework, and to disburse aid in a timely and predictable fashion according to the agreed schedule. Both these aspects are crucial for a more open and transparent process. EU support for the implementation of this framework is of course crucial, given the volumes of aid involved.

More and better aid

The Millennium Project report, "Investing in Development; a Practical Plan to Achieve the Millennium Development Goals", calls for increased Official Development Aid (ODA). The report from the Commission for Africa set up by Tony Blair concludes with the message that the developed world must increase and improve its aid to Africa – and stop doing the things that hinder Africa's progress. As TI focuses on corruption and the role it plays in diverting resources from development budgets, we believe that preventing corruption in aid and development cooperation is a priority area. The EU should: (a) promote policies and standards for transparency and accountability in development cooperation; and (b) develop a coherent anti-corruption policy to guide its work. Ensuring aid is not being wasted because of corruption is probably one of the most important steps in reinforcing and broadening confidence in the development process in EU Member States.

The UN anti-corruption convention

The UN anti-corruption convention is a milestone in the fight against corruption. Not only does it stipulate that international cooperation is essential to prevent and control corruption, but it will also be the first global legally binding instrument on corruption and is a comprehensive document which includes measures on prevention, criminalisation and international cooperation. Furthermore, it breaks new ground in many of its provisions, including those relating to asset recovery. In December 2003, more than 100 UN member states signed the convention in Merida, Mexico. To make the convention legally binding, it requires 30 ratifications. As of June 2005, no EU Member State had ratified it. All EU Member States should do so rapidly. The convention will constitute the framework within which further action to combat corruption can be coordinated, implemented and monitored.

Conclusions

The European Union has an important role to play in relation to the promotion of good governance and anti-corruption reforms. First and foremost, it has a responsibility to promote good practice in its own

25 Member States. Secondly, it has a responsibility to promote transparent and accountable aid cooperation programmes. Thirdly, it has a responsibility to support the development of institutions and civil society in its partner countries. The Cotonou agreement was seen as a good model when it was concluded in 2000. The time has now come to evaluate and to advance.

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The 21st century – the century of the people

by Federico Mayor

Civil society and solidarity

The introduction to one of the most inspiring documents of our time, the constitution of UNESCO – created in London in 1945 "to construct peace in the minds of men" – declares that: "A peace based exclusively upon the political and economic arrangements of governments would not be a peace which could secure the unanimous, lasting and sincere support of the peoples of the world, and that the peace must therefore be founded, if it is not to fail, upon the intellectual and moral solidarity of mankind."

If we look back carefully at developments since then, we note that people have never been the focus. We have been submissive, ploughing other people's furrows, fighting for causes frequently opposed to our own. Now the moment has arrived to get involved, to be listened to and to be full citizens.

The moment has arrived, born of the solidarity encouraged and exerted by civil society on the basis of the brotherhood proclaimed in Article 1 of the Universal Declaration of Human Rights, which states: "All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood" - infinitely different (each human being is unique), but fundamentally equal, without preeminence of any order, united by essential values, accepted by all. "Respect for the diversity of cultures, tolerance, dialogue and cooperation, in a climate of mutual trust and understanding are among the best guarantees of international peace and security," states the Universal Declaration of UNESCO on Cultural Diversity. And yet, too often, in democratic countries, citizens have been counted at elections and in opinion polls, but their views have not been truly taken into account.

It was at the end of a particularly horrible world war, characterised by repulsive acts of killing, genocide and by the number of victims and the depth of the suffering, that the Charter of the United Nations, sent to the world from San Francisco in 1945, conveyed a great message of hope: "We, the peoples of the United Nations have resolved to save succeeding generations from the scourge of war..." This constituted a preventive decision, adopted by all and having as its a point of reference the commitment to future generations. In order to achieve it, which is essential to turn that dream – the deepest wish of people since the beginning of times – into reality, it is necessary to look ahead, to build the bastions of peace, to move from a secular culture of imposition, dominion, force and violence, to a culture of dialogue, conciliation and peace.

It is necessary to speak out in order to participate, to contribute to the establishment of genuine democracies, where education is the key to fostering attitudes of reconciliation, understanding, listening and love – education as "personal sovereignty" for "directing consciously our own life", according to the definition of Francisco Giner de los Rios; education which neglects the perverse adagio "if you want peace, prepare for war" and promotes the construction of peace. If you want peace, support its construction through your daily conduct. If you want peace, demonstrate your solidarity by sharing part of your time, your means and resources, and your knowledge.

Solidarity for development

Development must be integral, endogenous, sustainable…and human! In 1974, the United Nations General Assembly recommended that the most prosperous countries donate 0.7% of their GDP to less-advanced countries in order to promote their internal development in such a way that the inhabitants of those countries could, at least, contribute to the exploitation – with better benefits for all – of their own natural resources. Unfortunately, it did not work out like that (except in the case of the Nordic countries, to which tribute should be paid). The donations became loans, granted on such conditions that the "donors" became beneficiaries instead of givers, and the recepient countries' external debt continued to increase.

Loans instead of aid and prices instead of values. "It is of fools to mistake value and price," warned the poet Antonio Machado. At the end of the Cold War, "We, the peoples" was replaced by "We, the powerful ones", and the market replaced the moral principles of reference. "We" were not "all", but a few. Promises were not honoured and those who no longer hoped, but were still waiting with outstretched hands, saw themselves marginalised and deceived, and frequently followed a process characterised by progressive frustration, radicalisation, antagonism and resentment, often resulting in migratory flows of desperate people, manifestations of violence, etc.

In spite of everything, the United Nations doggedly continued to give points of reference: in 1990, the World Declaration on Education for All; in 1992, the Rio Declaration on Environment and Development; in 1995, the World Summit on Social Development; and, the same year the Declaration of Principles on Tolerance. But the United States, the world leader and the country which promoted the UN system and the Declaration of Human Rights, is no longer supportive.

Take just one, sad example: the Kyoto Protocol – already very diluted – is not being implemented in the US because it does not comply with the short-term interests of the great North American industries. States weakened by a process of excessive privatisation contrast with the limitless influence of big multinationals. Impunity is vividly demonstrated by the collective shame represented by tax havens, safe berths for the proceeds of all kinds of trafficking (drugs, arms, people) without limits. At the same time, the gap between the most and the least advanced countries increases. Each day, more than 50,000 people die of hunger, while the subsidies paid by the richest countries for agricultural production amount to $1 billion a day.

Europe, united in its diversity, can became the watch tower so badly needed at this turbulent time. With its immense creative capacity, it could, before long, be at the forefront of "intellectual and moral solidarity".

The Heads of State and Government, meeting in the United Nations in September 2000, solemnly declared that they would make an effort to achieve the goals in the Millennium Declaration:

I: Values and principles;
II: Peace, security and disarmament;
III: Development and poverty eradication;
IV: Protecting our common environment;
V: Human rights, democracy and good governance;
VI: Protecting the vulnerable;
VII: Meeting the special needs of Africa; and
VIII: Strengthening the United Nations.

It will soon be five years since this solemn declaration was made. Again, commitments remain unfulfilled. Again, a culture of might, imposition, and violence prevails over one of dialogue, understanding, listening and peace. However, things may change. Societies, non-governmental organisations, the peoples of the world, are not going to keep quiet. No longer will they remain "passive and docile", as Jesus Massip reproached in his poem "Of the Hours". The mass media, even if over-influential at times, can help to raise awareness and show our dissent or our conformity, our applause or our revulsion. It can become, through the Internet and mobile information and communication technologies, the best expression of the voice of the peoples and solidarity on a global scale.

Civil society now has, in addition to playing a leading role in the fostering international solidarity, the chance to be not only heard, but also to be listened to. For the first time in history, it is not a question of localised demonstrations, which risk being violently crushed, but of the peaceful and firm expression of citizens' views: to achieve the Millennium objectives; to eradicate poverty; to be able to sleep at night without thinking of our brothers who lack the minimum resources for subsistence; to make sure that the voice that we owe to future generations is heard and listened to.

The moment is approaching when the people will count; the moment of real democracy. The 21st century finally can be the century of the people. Ours. Everyone's.

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Endnotes

Introduction

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3. Special Eurobarometer, "Attitudes Towards Development Aid", Fieldwork, November-December 2004. The results show that upon being briefed on the origin and objective of the Millennium Development Goals, few respondents convey their absolute confidence that the goals will be achieved by 2015. For each goal, one in ten or less respondents are of the opinion that the targets will "definitely" be met by the set date.
4. International Conference on Financing for Development, Monterrey, México, 18-22 March 2002.
5. Doha WTO Ministerial Declaration, adopted 14 November 2001.
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11. Communication from the European Commission to the Council, the European Parliament and the Economic and Social Committee, "Speeding Up Progress Towards the Millennium Development Goals," COM(2005) 132 final, Brussels, 12 April 2005.
12. Government of Sweden, "Shared Responsibility: Sweden´s Policy for Global Development," Government Bill 2002/03:122, Stockholm, December 2003.

A European Development Fund for the MDGs

1. GDP and ODA figures are based on 2003 OECD/DAC data. The authors would like to thank Mr. Brian Hammond at the OECD/DAC for his input on this piece and for making this data available.
2. The schematic EFF scenario is net of repayments and calibrated to yield the same NPV as the non-EFF scenario (assuming a 5% interest rate).

Europe, economic migration and the conquest of poverty

1. See Harris (2004), Ellis and Harris (2004).
2. There have been a number of efforts to estimate the beneficial effects of the end, or of a reduction of immigration controls on developing countries or the world economy – see Hamilton and Whalley (1984); Walmsley and Winters (2004); Winters et al. (2003); Iregui (2002); Moses and Letnes (2202).
3. As have financial institutions, development banks, aid donors etc. – see DFID-World Bank (2003).
4. Of course, this is most difficult where economic migration cannot be distinguished from the search for asylum – the regime ruling in the country from which the migrant comes is intolerable.
5. Report of a survey by the Chinese Ministry of Agriculture, Financial Times, 26 February 2004.
6. There have been proposals in Europe to link aid to migration, but less to reinforce development than punish governments for not preventing emigration.

Good governance and anti-corruption reforms

1. Official Development Assistance/Gross National Income.