The Treaty of Lisbon and the new perspectives for EU development policy

The Treaty of Lisbon contains provisions designed to tackle poverty and social exclusion within the EU, something particularly significant at a time when 2010 has been declared the European Year for Combating Poverty and Social Exclusion, and when currently 16% of its population are poor. European resources for development cooperation have continued to increase in recent years. However, contributions to social sectors in developing countries, particularly in Sub-Saharan Africa, have been significantly reduced. The drastic decrease in the European Commission contribution to education and health in developing countries is unacceptable and must be redressed.

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The Treaty of Lisbon, which entered into force on 1 December 2009, was hoped to provide the European Union (EU) with "modern institutions and optimized working methods" to tackle the challenges of today's world both efficiently and effectively.[1] This simplification of working methods – something clearly needed in the EU – has been realized by the Treaty along with the need for transparency and the establishment of new democratic rules. In terms of external policy, political goals and the need to create new instruments for foreign affairs have been underlined in order to face the issues of our rapidly changing world and promote the EU as a global actor.

Following the ratification of the Treaty of Lisbon by all EU member-states, the European development cooperation policy goal has been clearly defined. The Treaty stipulates that all policy efforts should be geared towards "the reduction, and, in the long term, the eradication of poverty" (Article 208).

The Treaty also contains specific provisions for tackling poverty and social exclusion within the EU. According to Article 9, "In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health." Moreover, Article 3 clearly stipulates that the Union should "combat social exclusion and discrimination, and shall promote social justice and protection."[2] The year 2010 has been declared the European Year for Combating Poverty and Social Exclusion. This is especially relevant in 2010, as Europe is identifying how it will respond to the challenge of the financial stability of the Euro, which has challenged the EU as a whole.

The European Parliament has been given new powers to adopt trade agreements; a trade committee is now in place in the European Parliament to ensure greater checks and balances are in place for monitoring EU trade relations with third countries. In addition, the European Parliament has negotiated a greater role with regard to foreign affairs, and the High Representative for Foreign Affairs and Security Policy of the EU, Baroness Catherine Ashton, has agreed to report regularly to the European Parliament.

EU relations with developing countries

The EU's relations with developing countries are based on the principle of non-discrimination, and a leading objective in these relations is the eradication of poverty. The Treaty also identifies the four Cs – coherence, consistency, complementarity and coordination – as key elements. The "coherence" principle is of primary importance for achieving development cooperation policy goals, as it states that "the Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries" (Treaty of Lisbon, Article 208). This objective is applicable to all EU institutions, including the European External Action Service (EEAS). The Court of Justice of the European Union (CJEU) issued a judgment in November 2008 whereby European Investment Bank (EIB) operations in developing countries must prioritize development over any economic or political objective.

The implementation of the Treaty of Lisbon allows for the establishment of the EEAS, whose remits have been widely debated. The implementation of the EEAS is a significant change within the current European development policy framework. Its primary goal consists of providing a single diplomatic service for the EU, which will support Baroness Ashton. As a legal opinion drafted for Eurostep by Daniel R. Mekonnen pointed out: "The EU needs a system of development aid and cooperation that has these checks and balances in place. As a partner that manifests the criteria of good governance in its relationships with others, especially with weaker counterparts, the EU will be better positioned if it can advocate good governance not only in principle but also in practice."[3] There is a broad consensus that the EEAS must promote policy coherence for development, as the Treaty of Lisbon applies to its remit, which sets the eradication of poverty as a central objective for EU relations with developing countries.

The EC position paper on "Policy Coherence for Development: accelerating progress towards attaining the Millennium Development Goals," stressed the fact that aid alone is not sufficient to achieve the MDGs.[4] Covering 12 main areas: trade, environment, climate change, security, agriculture, bilateral fisheries agreements, social policies (employment), migration, research/ innovation, information technologies, transport and energy. The policy coherence document notes that trade and agriculture are the two main areas in which improvement of the Generalized System of Preferences of the EU and its current agricultural production pattern needs to be realized.

Missing from this list of priorities is climate change, which is surprising given the concern that European citizens have about this issue. According to Eurobarometer, the EU polling mechanism, 63% of citizens consider climate change as a very serious problem and 24% a fairly serious problem. Most Europeans (62%) believe climate change is not inevitable; only 10% consider it is not a serious problem and 3% do not know. Furthermore, 47% of respondents consider climate change to be one of the two most serious problems facing the world today. Interestingly, only poverty scores higher, being placed in the top two by 69% of those polled. This makes a joint approach to environment protection/climate change and poverty especially attractive and relevant. While sustainable development is well accepted as a crucial component of poverty eradication, there is an urgent need for a binding vision between the EU and developing countries, including good examples and opportunities that show how principles can be put into action.

Following the EC communication, in May 2010 the European Parliament adopted a resolution on

1 Full text available from: <www.europa.eu/lisbon_treaty/full_text/index_en.htm>.

2 Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union. Available from: <register.consilium.europa.eu/pdf/en/08/st06/st06655.en08.pdf>.

3 Daniel R Mekonnen, "The draft council decision on the establishment of the European External Action Service and its compliance with the Lisbon Treaty–Legal Opinion Drafted for European Solidarity Towards Equal Participation of People," Eurostep, May 2010. Available from: <www.eurostep.org/wcm/dmdocuments/Mekonnen_Legal_Opinion_100511.pdf>.

4 Available from: <www.eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2005:0134:FIN:EN:PDF>.

Policy Coherence for Development (PCD) which carried more than 70 recommendations. The resolution noted that:

- the so-called "Singapore issues,"[5] such as liberalization of services, investment and government procurement, new rules of competition and stronger enforcement of intellectual property rights, do not assist in achieving the eight MDGs.
- EU export subsidies for European agricultural products have a disastrous effect on food security and the development of a viable agricultural sector in developing countries.
- EU financial contributions within the framework of Fisheries Partnership Agreements (FPAs) have not helped to consolidate the fisheries policies of partner countries, largely due to a lack of monitoring of the implementation of these agreements, the slow payment of assistance, and sometimes even the failure to use this assistance.
- As a major arms exporter, the EU exports or facilitates the shipment of arms to the same countries where millions are spent on development assistance; the EU-15 spends approximately EUR 70 billion per year on development aid, while the value of the EU arms exports amounts to approximately EUR 360 billion annually.
- "Global Europe: competing in the world*,"* which outlines EU trade strategy, shows that bilateral and regional free trade policy strategies foster EU access to developing countries' raw materials markets, including agricultural commodities, by opening them to large EU companies at the expense of small-scale farmers and start-up industries.
- Financial liberalization, including speculative and volatile financial flows, over which developing countries have little control, has generated significant instability at international level with disastrous impacts on developing countries' economies.[6]

The European Parliament concluded that there are many more cases of incoherence that impact negatively on the achievement of the MDGs, which the European Commission should address.

Financial crisis impact on poverty within the EU

While the EU Treaty sets a clear legal framework for the eradication of poverty inside and outside the European Union; in reality, poverty has increased in Europe and in developing countries due to the financial crisis. Eurostat statistics assert that the effects of the crisis on the European labour market are far from over. In fact, in 2009 unemployment increased by over 5 million people to around 21.4 million in the EU, much of it due to job losses in the past 12 months.[7] According to the EU, about 80 million or 16% of the population are currently living in poverty.[8]

The subprime mortgage crisis, with its major adverse consequences for banks, financial markets and the real economy around the globe, sheds light on the inefficiencies of EU regulation and capacity to take appropriate actions to protect from speculation against the Euro. Following the early crisis effect in Europe and the financial collapse in Greece, the EU has strengthened its common approach to bring European national budgets under tighter control. Future sanctions are threatened against European governments with regard to managing their economies, and a willingness to tighten up the bloc's Stability and Growth pact – which sets limits for member states public deficits and debt – has been clearly stressed by European leaders.

However, besides reinforcing controls on national budgets, setting up a "preventative surveillance" system, there is no EU plan on how to shield poor citizens in the EU from the consequences of austerity measures, nor any EU policy on protecting social sectors in Europe. As underlined by Làzlo Andor, the European commissioner for employment and social affairs, "we should all see that we are still in a phase of fragile recovery." Andor emphasized that until he sees "robust growth in all member states," he will be more concerned "that premature austerity can undermine both economic recovery and the growth of jobs."[9]

Certainly, new forms of institutions are emerging which are not foreseen in the Treaty of Lisbon. As a good example, Herman Van Rompuy, the President of the European Council is chairing a task Force on European economic issues, a group consisting of ministers of finance of almost all the 27 Member States, and representatives from the EU institutions (such as Jean Claude Trichet, the President of the European Central Bank). While this group is working on fiscal sustainability and greater budgetary discipline, one of its first priorities is "the need to strengthen our fiscal rulebook: the Stability and Growth Pact," as Van Rompuy stated.[10] The institutional framework is moving, then, toward austerity policies.

There is concern that a rejection of a neo-Keynesian approach, to set up countercyclical measures against recession will lead to increased poverty in European countries, deepening the economic recession in Europe. In a recent address to investors, Van Rompuy emphasized the strength of the EU in its combination of a strong economy and well-developed social support system, including a highly educated population, as well as "Europe's attractiveness to investors and entrepreneurs... In fact, it is this double attractiveness which makes our continent unique. Europe's message to the world is that one can have both. Economic growth and social justice. Efficient political decisions and democratic accountability. Adaptation to the times and a preservation of one's heritage. A good place to invest and to live."

The EU president has also indicated that cuts in education, climate and social inclusion would not be acceptable: "We will stick to five main targets, all quantifiable. Research & development & innovation, education, employment, climate and social inclusion. (…) We have to preserve that type of expenditure (for instance on education) and tax deduction in a period of budgetary cuts. This is not a soft option."[11]

Repercussions outside the EU

In a time of economic crisis, developing countries need EU support more than ever. Partnerships should clearly be shouldered by the European Commission and the EU member states. From a developing country perspective, economic austerity responses to the crisis in European member states will undoubtedly have strong negative impacts on their still struggling economies. As the World Bank stated, "the recession has cut sharply into the revenues of governments in poor countries. Unless donors step in to fill the gap, authorities in these countries may be forced to cut back on social and humanitarian assistance precisely when it is most required."[12]

European resources for development cooperation have continued to increase from USD 11.2 billion

5 This refers to four working groups set up during the 1996 World Trade Organization Ministerial Conference in Singapore.

6 Parliamentary Committee on Development, *Report on the EU Policy Coherence for Development and the 'Official Development Assistance plus' concept:* explanatory statement, 2009, 17. Available from: <www.europarl.europa.eu/sides/getDoc.do?type=REPORT&reference=A7-2010-0140&language=EN#title2>.

7 Remko HIJMAN, « Population and social conditions, » *Eurostat Statistics in Focus*, 79/2009, 1. Available from: <www.epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-10-013/EN/KS-SF-10-013-EN.PDF>.

8 Committee of the Regions, *Local and regional responses to poverty and social exclusion*, June 2010.

9 European Voice, "Andor warns of hasty austerity measures," 24 June 2010, 2.

10 Keynote speech by Herman Van Rompuy, President of the European Council, at the World Investment Conference 2010, "Europe's Attractiveness in a Changing World," La Baule, France, 2 June 2010, 3. Available from: <www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/114883.pdf>.

11 *Ibid.*

12 World Bank, *Global Economic Prospects 2010: Crisis, Finance, and Growth, Washington, DC, 2010.* Available from: <siteresources.worldbank.org/INTGEP2010/Resources/GEP2010-Full-Report.pdf>.

in 2005 to USD 15.4 billion in 2009.[13] However, social sectors in developing countries, particularly in Sub-Saharan Africa have been significantly reduced. The European Court of Auditors in its 2009 report concluded that in "Sub-Saharan Africa, the health MDGs were most off track."[14] According to a recent article, "the Development Assistance for Health (DAH) to government had a negative and significant effect on domestic government spending on health such that for every USD 1 of DAH to government, government health expenditures from domestic resources were reduced by USD 0.43 to USD 1.14."[15] It appears that social sector support through General Budget Support does not automatically increase expenditure in those sectors.

On an overview of European commitments, basic health and education allocations have consistently decreased since 2005; as stated by Alliance 2015, "this has resulted in a total of only 5.7% of all aid managed by the European Commission being allocated to basic health and education in 2008, which is a decrease from 11% in 2005."[16] Allocations to basic health and education in Sub-Saharan Africa have dropped from 8% of total aid allocation in 2005 to 1.5% in 2008.[17] Figures show that the percentage of allocations to food decreased from 4% of total funding in 2005 to 1.5% in 2008, basic health from 4.7% (2005) to 1.3% (2008) and basic education from 2.7% (2005) to 1.1% (2008).[18] For achieving the MDGs in time, "the EC would have to increase funding from EUR 605 million to EUR 971 million annually for education and from EUR 460 million to EUR 1.5 billion for health to help close the financing gaps," according to Alliance 2015.[19]

The budget target of 20% of total aid for basic health and education for Asia and Latin America was reached in 2009. However, as noted, the concern is that the spending target for Africa is clearly plummeting. Applying the fundamental principle of non-discrimination enshrined in the Treaty of Lisbon, the European community must apply the 20% target to all other regions.

Policy for Coherence in Development sets as a central objective the need for the European Union to apply its standard of balancing the economic and the social as a measure of progress internally and externally. The European Commission and the EEAS should lead by example, especially as they will be increasingly representing the whole of the EU abroad. The drastic decrease of the European Commission contribution to education and health in developing countries is unacceptable and must be redressed. ■

13 Mirjam Van Reisen, ed., *The EU's Contribution to the Millennium Development Goals: Keeping the goals alive* (Prague: Alliance 2015, 2010).

14 European Public Health Alliance, "European Court of Auditors slams EC development health financing," Available from: <www.epha.org/a/3373>.

15 Lu, C. et al., "Public financing of health in developing countries: A cross-national systemic analysis," *The Lancet,* 9 April 2010.

16 Alliance 2015, *op cit.*, 21, table 2.1.

17 *Ibid.*, table 2.2.

18 "Alliance 2015 calls on the EU to agree to binding aid targets to reach MDGs," 2 June 2010. Available from: <www.alliance2015.org/index.php?id=25&no_cache=1&tx_ttnews[tt_news]=69&tx_ttnews[backPid]=9>.

19 *Ibid.*