Chapter 2

Understanding the Development Policy of the European Union
2.1 Introduction: The North South Debate

A country, which has a low per capita income and is trying to improve its internal economic condition, is termed as developing country. On the other hand, developed country is technologically advanced, highly urbanized, and wealthy, and generally evolved by both economic and demographic transition. According to the World Development Report 2000-01 of the World Bank, poverty is the result of economic, political and social process that interacts with each other and frequently reinforces each other in ways that exacerbate the deprivation in which the poor people live. There is vast disparity between rich and the poor countries and this have not changed much in the last decade. More than 100 countries, with combined population of 1.6 billion people ie. more than a quarter of world’s population continues to experience economic decline. Eighty-nine countries are worse of now in terms of income then ten years ago, and thirty-five has experienced a greater fall in per capita income then occurred at the height of the Great Depression in the 1930’s. Worldwide, more than six hundred million people are homeless and World Bank estimate that by the year 2010 more than 1.4 billion people will live without safe water and sanitation. These figures illustrate the prevailing condition of disparity in the world. There is a big difference between developed and developing country and to fill this gap developing country requires assistance and equitable term of trade from the developed country. Official assistance continues to play a crucial role in supplementing the resources of many developing countries, particularly for the poorest amongst them.

The role of North in the development of South recognized after the end of the Second World War, which is also the period of decolonization. The process of decolonization provided the much-struggled independence for the underdeveloped nations but poverty continued to plague the newly independent states even after the extinction of foreign rule. The chronic cycle of poverty in the developing countries was the result of exploitation and wealth drain during the colonial rule. Thus, much of the argument was made that

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developed nations must fulfil their responsibility in the terms of providing assistance and for maintaining just term of trade with the poor and developing nations of the world. The theoretical basis for the Official Development Assistance (ODA) imbibed in the theories of economic development formulated during the post-war period. The demand and rationale of ODA strengthened after Walter Rostow in 1960 gave a model of growth, based on the five stages of development. Rostow argues that within a society sequential economic step of modernization can be identified\(^2\). The stages that define these steps of economic growth are as follows.

a) Traditional Society: This is a society where agriculture is the main economic work and productivity of the person-hour work is low.

b) The Precondition for Take Off: Higher investment is the critical characteristic of this stage. Higher investment will paved the way for industrial development.

c) Take Off: This stage is characterised by dynamic economic growth.

d) The Drive to Maturity: The high investment continues to shape the things, and this stage is dominated by economic and technical progress.

e) The Age of High Mass Consumption: This is a stage where every individual of the society are living in prosperity with abundance and multiplicity of choice.

According to the Rostow’s model of growth majority of the newly independent countries are trapped in the first stage and is termed as traditional society. The main economic activities in all these countries, is agriculture and they lack investment to overcome the first stage and to go in the second stage. In theoretical terms, developing countries are in low-level equilibrium trap coupled with low rates of domestic savings and investment. To achieve self-sustaining growth or for “take off” it is necessary to raise the level of investment, subsequently linked with capital formation. This would have a multiplier effect on income and growth. Foreign savings in the form of foreign aid were consistent

with emphasis on capital formation, which is a key to economic transformation.\(^3\) Even the dependency theorists have not completely ruled out the effect of foreign aid and assistance in the economic development of a country. They acknowledged that capitalism, including foreign capital, could play an economically useful role in developments; its considerable social and economic costs, however, brought it within the realm of discussion and debate in political arenas.\(^4\)

**Poverty and Disparity:** The question of widespread poverty and disparity in the world had generated an international debate on the responsibility of the developed countries. This debate was intensified and developing countries forwarded four major demands. Firstly, developing countries wanted more aid and that too from the multilateral organizations. The second demand was for the unilateral preference system for manufactured exports of the less developed countries in the market of the developed countries. The third demand was for the international commodity agreements to raise and stabilize the prices of primary products exported by the developing countries. The last demand was for the creation of new international reserve or liquidity with distribution of substantial part of the new money as aid to the less developed countries.\(^5\) The debate on the responsibility of the developed countries led to the United Nation conference on Trade and Development (UNCTAD). The intense pressure from the developing countries forced the United Nation to establish UNCTAD in 1964 as a permanent intergovernmental body and regarded it as a principal organ of the United Nation General Assembly dealing with trade, investment and development issue. UNCTAD’s goal is to maximise the trade, investment and development opportunities of developing countries. The North-South question also comes in the New International Economic Order (NIEO), where South argued that the developed nations must take the responsibility for bringing


economic prosperity and equality in the world.

The enough force from the developing countries and the heated debate generated by the South on the role of North for the assistance got much response, and it was agreed that North must address the concerns of South. Hence, Foreign aid/official assistance is an important instrument of external policy of every capitalist nation and organization. European Union (EU), which is regarded as one of the strongest regional organization and has strong say in the international relation also accepts its responsibility and deliver on the international development agenda. EU is not military or purely economic power, but the one that works through ideas, opinion and consciences. This is the reason why the policies of the EU are of much relevance for the other actors in the international relations, in this development policy of the EU gets prominence and generally viewed as an innovator for other capitalist nations.

2.2 What is the Development Policy of EU?

EU has a unique role in international development co-operation agenda. It is both bilateral donor – granting assistance through European Community (EC) – and a multilateral donor embodying the effort of its twenty-seven member states. The sum of these two dimensions make it the largest provider of the foreign aid in the world. In 2006 its channelled about 59 billion US dollars, which represent the 57 percent of the aid provided by the members of the Development Assistance Committee (DAC). The commitment of the member states for the development fund is noteworthy putting development policy on the top of the EU agenda (see table 2.1, 2.2 and 2.3). The most impressive part is the commitment of the newly inducted member states for the development policy. This explains the importance of development policy in the overall agenda of the EU.

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Table: 2.1 EU's Contribution in Official Development Aid from, 1995 – 2005
(In Million US Dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>22,313</td>
<td>24,023</td>
<td>27,497</td>
<td>31,875</td>
<td>33,036</td>
<td>42,919</td>
<td>55,690</td>
</tr>
</tbody>
</table>

### Table 2.2: Volume of Aid by the EU Member States, 2001-2006 and Beyond (percentage of GNI)

<table>
<thead>
<tr>
<th>Name</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>Future commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>0.32</td>
<td>0.38</td>
<td>0.41</td>
<td>0.41</td>
<td>0.47</td>
<td>0.47</td>
<td>0.7 in 2012</td>
</tr>
<tr>
<td>Germany</td>
<td>0.27</td>
<td>0.27</td>
<td>0.28</td>
<td>0.28</td>
<td>0.36</td>
<td>0.36</td>
<td>0.51 in 2010</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0.31</td>
<td>0.32</td>
<td>0.34</td>
<td>0.36</td>
<td>0.47</td>
<td>0.52</td>
<td>0.7 in 2013</td>
</tr>
<tr>
<td>Denmark</td>
<td>1.03</td>
<td>0.96</td>
<td>0.84</td>
<td>0.85</td>
<td>0.81</td>
<td>0.80</td>
<td>Above 0.8</td>
</tr>
<tr>
<td>Netherlands</td>
<td>0.82</td>
<td>0.81</td>
<td>0.81</td>
<td>0.73</td>
<td>0.82</td>
<td>0.81</td>
<td>Above 0.8</td>
</tr>
<tr>
<td>Sweden</td>
<td>0.77</td>
<td>0.83</td>
<td>0.70</td>
<td>0.78</td>
<td>0.94</td>
<td>1.03</td>
<td>Above 1</td>
</tr>
<tr>
<td>Finland</td>
<td>0.32</td>
<td>0.35</td>
<td>0.34</td>
<td>0.37</td>
<td>0.46</td>
<td>0.39</td>
<td>0.7 in 2010</td>
</tr>
<tr>
<td>Belgium</td>
<td>0.37</td>
<td>0.43</td>
<td>0.61</td>
<td>0.41</td>
<td>0.53</td>
<td>0.50</td>
<td>0.7 in 2010</td>
</tr>
<tr>
<td>Ireland</td>
<td>0.33</td>
<td>0.40</td>
<td>0.41</td>
<td>0.39</td>
<td>0.42</td>
<td>0.53</td>
<td>0.7 in 2012</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>0.76</td>
<td>0.77</td>
<td>0.80</td>
<td>0.83</td>
<td>0.86</td>
<td>0.89</td>
<td>1.0 in 2012</td>
</tr>
<tr>
<td>Greece</td>
<td>0.17</td>
<td>0.21</td>
<td>0.21</td>
<td>0.16</td>
<td>0.17</td>
<td>0.16</td>
<td>0.51 in 2010</td>
</tr>
<tr>
<td>Italy</td>
<td>0.15</td>
<td>0.20</td>
<td>0.16</td>
<td>0.15</td>
<td>0.29</td>
<td>0.20</td>
<td>0.51 in 2010</td>
</tr>
<tr>
<td>Portugal</td>
<td>0.25</td>
<td>0.27</td>
<td>0.21</td>
<td>0.63</td>
<td>0.21</td>
<td>0.21</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>0.30</td>
<td>0.26</td>
<td>0.25</td>
<td>0.24</td>
<td>0.27</td>
<td>0.32</td>
<td>0.7 in 2012</td>
</tr>
<tr>
<td>Austria</td>
<td>0.29</td>
<td>0.26</td>
<td>0.20</td>
<td>0.23</td>
<td>0.52</td>
<td>0.48</td>
<td></td>
</tr>
<tr>
<td>Cyprus</td>
<td>0.02</td>
<td>0.02</td>
<td>0.03</td>
<td>0.03</td>
<td>0.03</td>
<td>0.11</td>
<td></td>
</tr>
<tr>
<td>Czech Republic</td>
<td>0.05</td>
<td>0.11</td>
<td>0.11</td>
<td>0.11</td>
<td>0.12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estonia</td>
<td>0.01</td>
<td>0.01</td>
<td>0.04</td>
<td>0.05</td>
<td>0.07</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hungary</td>
<td>0.02</td>
<td>0.03</td>
<td>0.07</td>
<td>0.10</td>
<td>0.12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latvia</td>
<td>0.02</td>
<td>0.01</td>
<td>0.06</td>
<td>0.07</td>
<td>0.06</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lithuania</td>
<td>0.02</td>
<td>0.01</td>
<td>0.04</td>
<td>0.06</td>
<td>0.08</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malta</td>
<td>0.01</td>
<td>0.07</td>
<td>0.18</td>
<td>0.17</td>
<td>0.15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>0.02</td>
<td>0.01</td>
<td>0.05</td>
<td>0.07</td>
<td>0.09</td>
<td>0.17 in 2010</td>
<td></td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>0.06</td>
<td>0.05</td>
<td>0.07</td>
<td>0.12</td>
<td>0.10</td>
<td>0.17 in 2010</td>
<td></td>
</tr>
<tr>
<td>Slovenia</td>
<td>0.13</td>
<td>0.10</td>
<td>0.10</td>
<td>0.11</td>
<td>0.12</td>
<td>0.17 in 2010</td>
<td></td>
</tr>
</tbody>
</table>

Development policy of the EU is one of its oldest policies and embedded in the treaty of Rome\(^8\) (1957), also considered as the initial treaty for the establishment of EU. In fact, EC development policy was one of the first common policies and from late 1950’s until the early 1980 it was ubiquitously described in the community literature as a ‘cornerstone’ of European integration\(^9\).

The policy of development cooperation defined in title XX of the treaty of establishing the European Community. Title XX reads as follows.

1) Community policy in the sphere of development cooperation, which shall be complimentary to the policies pursued by the member states, shall foster

(i) Sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them.

(ii) The smooth and gradual integration of the developing countries into the world economy.

(iii) Campaign against poverty in the developing countries.

2) Community policy in this area shall contribute to the gradual objective of developing and consolidating democracy and the rule of law, and to that of respecting human rights and fundamental freedom.

3) The community and the member states shall comply with the commitments and take account of the objectives they have approved in the context of the United Nations and competent international organizations.

Title XX of the treaty of establishing of European Community sets proper guidelines for

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\(^8\) In 1957 treaties of Rome was signed which give birth to two fundamental organizations European Atomic Energy Community, and European Economic Community. These two organizations regarded as the starting pillar of the EU.

EU as well as for every member state as how to proceed on the policy of aid for developing and poor countries. Development policy includes almost all areas of concerns, which are marked as hurdles in the development of poor countries.

**Political Economic Reason:** It is very clear that EDP is one of the central policies of the EU and there is a political and historical context for this. During the first five years of operation of the treaty of Rome\(^1\), most of the overseas territories of EEC member states had become independent but member countries wanted to maintain a formal relations with ex-colonies primarily for economic reasons. Development policy appears to be straight and non-political, but this policy is a result of pressure from many imperialist European countries. Several member states of the EU were the metropolis of developing countries and even today have major share in the economies of ex-colonies. During the establishment of the EU/EEC quite a few aspirants states raised the question of preferential treatment in trade for their ex-colonies in order to manage and control the booty of past. France was one such nation, which from the inception of European Community wanted the inclusion of its overseas territories in the Custom Union. France had highly politicised relations with its former colonies especially with French speaking black Africa\(^1\). Economic reason pushed France towards Europe but economics in addition with to political and symbolic rationale barred it from leaving Africa. It was on the insistence of France that from the very beginning special provisions in the Custom Union was introduced for its two ex-colonies, Morocco and Tunisia. Hence, the policy to accommodate the ex-colonies of the France for some special treatment in trade and commerce becomes the base for the development policy of EU.

The Development policy framework of the EU is not uniform and is different for different regions. Traditionally, the group of former colonies of Africa, the Caribbean and Pacific (ACP) has been central to the EU development policy. From time to time EU has

\(^1\) Treaty of Rome signed in 1957 between six European countries to form European Economic Community.

several conventions to regulate the EC-ACP countries relations since 1964. EC support for the ACP is been financed from the European Development Fund (EDP), which is separate from the regular budget of the Union and is funded by member states. Similarly, EC also supports developing countries of other regions. The EDP does not fund the assistance to the developing countries of the other regions but development project in countries other than ACP comes from the regular EU budget. Likewise, after the end of the cold war EU had a more active policy for the neighbourhood\textsuperscript{12}. This is to meet the development concerns and is known as ‘European Neighbourhood Policy (ENP)’. ENP covers countries of Mediterranean, Middle East, and Eastern Europe, Balkan and of erstwhile Soviet republic that get external assistance and this amount superseded the amount of the Asian countries (see Table 2.3). These are the three broad direction and target of the EU development policy making it unique and region specific.

Table 2.3: Regional Distribution of Aid to Developing Countries (ODA) 2003-07  
(In Million Euros)

<table>
<thead>
<tr>
<th>Region</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>640</td>
<td>733</td>
<td>780</td>
<td>1069</td>
<td>1062</td>
</tr>
<tr>
<td>Africa</td>
<td>2645</td>
<td>2916</td>
<td>3161</td>
<td>3341</td>
<td>3779</td>
</tr>
<tr>
<td>North of Sahara</td>
<td>346</td>
<td>558</td>
<td>559</td>
<td>658</td>
<td>692</td>
</tr>
<tr>
<td>South of Sahara</td>
<td>2299</td>
<td>2357</td>
<td>2602</td>
<td>2683</td>
<td>3024</td>
</tr>
<tr>
<td>Regional</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>63</td>
</tr>
<tr>
<td>America</td>
<td>502</td>
<td>535</td>
<td>645</td>
<td>666</td>
<td>776</td>
</tr>
<tr>
<td>North and Central</td>
<td>228</td>
<td>308</td>
<td>305</td>
<td>365</td>
<td>454</td>
</tr>
<tr>
<td>South</td>
<td>210</td>
<td>152</td>
<td>233</td>
<td>246</td>
<td>275</td>
</tr>
<tr>
<td>Regional</td>
<td>64</td>
<td>75</td>
<td>107</td>
<td>56</td>
<td>47</td>
</tr>
<tr>
<td>Asia</td>
<td>1126</td>
<td>1302</td>
<td>1484</td>
<td>1596</td>
<td>1496</td>
</tr>
<tr>
<td>Middle East</td>
<td>409</td>
<td>511</td>
<td>420</td>
<td>494</td>
<td>574</td>
</tr>
<tr>
<td>South and Central</td>
<td>463</td>
<td>526</td>
<td>661</td>
<td>699</td>
<td>604</td>
</tr>
<tr>
<td>Far East</td>
<td>202</td>
<td>210</td>
<td>257</td>
<td>295</td>
<td>263</td>
</tr>
<tr>
<td>Regional</td>
<td>52</td>
<td>55</td>
<td>147</td>
<td>108</td>
<td>55</td>
</tr>
<tr>
<td>Oceania</td>
<td>40</td>
<td>54</td>
<td>73</td>
<td>64</td>
<td>55</td>
</tr>
<tr>
<td>Developing Countries Unallocated</td>
<td>777</td>
<td>876</td>
<td>846</td>
<td>790</td>
<td>856</td>
</tr>
<tr>
<td>ODA Multilateral Aid</td>
<td>602</td>
<td>510</td>
<td>508</td>
<td>602</td>
<td>472</td>
</tr>
<tr>
<td>Total ODA</td>
<td>6331</td>
<td>6926</td>
<td>7497</td>
<td>8130</td>
<td>8493</td>
</tr>
</tbody>
</table>

Source: Annual Report 2008, European Commission, Aid Cooperation Office, Brussels

Development policy of the EU is as old as the formation of EU and has undergone several changes. In the contemporary time particularly after the demise of Soviet Union, many structural and policy changes have been introduced in the development policy and for a proper understanding, it is necessary to study development policy of the EU in the various region.
2.3 Development Policy for African, Caribbean, and Pacific (ACP) Countries

History is chronological record of events, as of the life or development of the people or institution. Coming to the history of development policy is it important to go through the chronological process of development policy as it has changed several times to incorporate many alterations in the international relations. This will not complete without understanding the approach of the development policy towards the ACP countries. To know the history of the development policy it is essential to go through the details of various conventions and agreements, between EU and the ACP countries.

Yaoundé Convention (1963-1975): Yaoundé convention was the first negotiated comprehensive agreement between EU and any group of sovereign developing countries. Yaoundé convention is the first step to bring the provisions of ‘Treaty of Rome’ of 1957 in real shape and EEC (European Economic Community) and developing countries came together for a common issue. Eighteen African countries and Madagascar signed this convention in July 1963 at Yaoundé, the capital of Cameroon. Yaoundé convention is regarded mainly a trade agreement between EEC and former French and Belgium colonies. By the virtue of this agreement, concession to certain goods from African countries is given in the form of duty free access to European market including trade preference. A total amount of 7.4 billion Euros was budgeted by the EEC for development finance. Yaoundé- I convention lasted for five years and it was superseded by Yaoundé –II, in which more developing countries were brought into the category of beneficiaries. Yaoundé – II convention was signed in 1969, and was just an extension of Yaoundé – I. Some minor changes were introduced that too only in the import policy. Rest of the things in the Yaoundé- II convention remain identical to Yaoundé- I.

Lomé – I Convention (1975-1979): History of EU is also the history of its enlargement, which substantially influenced its policies more than any other changes. Number of adjustments were made in the development policy of the EU after each enlargement. First enlargement took place in 1973, when Britain, Ireland, and Denmark joined the EEC. The first enlargement of the Union in 1973, especially the accession of the UK
meant that the EU has to consider an arrangement for the British Commonwealth’s Least Developed Countries (LCD) similar to that of the eighteen ACP countries. Soon after this enlargement, Britain argued for inclusion of its ex-colonies in the development policy arrangement. Britain, which was one of the biggest colonizers amongst all the European power, had its empire extended almost in all the corner of world. This led to a problem at the policy level as how to bring commonwealth countries under the purview of EDP. After a prolonged debate and discussion at the policy level, a consensus emerged that only some of the commonwealth countries be incorporated in the EDP. On the exclusion of many commonwealth countries from the purview of the EDP, one section of the theorist of the international relation is of the view that it happened because Britain does not have the influence just at the time of joining the EEC. Britain initially rejected the proposal of joining the European Community and when it joined later, the bargain power of the Britain was not enough to influence the major policy of the EEC. Under all these debate Lomé-I was signed between forty-six ACP countries and nine members of the EEC on 28th February 1975 and it came into force from 18 April 1976.

Lomé-I had several changes in comparison to the Yaoundé convention. In Lomé - I convention a non-reciprocal preference for most exports are given to developing countries. Lomé I convention also gives importance to the domestic policy of the developing countries, like right to determine its own policy, respect for the sovereignty etc. Amongst them the most important aspect of the Lomé I was the Système de Stabilisation des Recettes d’Exportation (STABEX) system. It introduced to compensate ACP countries in shortfall earning due to the fluctuation in the prices of the exported commodities. This has been the long-standing demand of the ACP countries; whose economies are highly dependent on the revenues of very few primary products’ export.

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On STABEX, EU spends a lot in the form of sending funds to the respective countries (see table 2.4). Many changes to favour the ACP countries are introduced in STABEX in the subsequent Lomé conventions. Apart from this, protocols, which were in the favour of the ACP countries are created for commodities like Beef, Sugar, Veal and Bananas. The other important aspect of Lomé I convention was that the number of developing countries in the agreement was increased from eighteen to forty-six.

Table 2.4: STABEX Resources in Lomé conventions

<table>
<thead>
<tr>
<th>Convention</th>
<th>In Millions (ECU)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lomé I</td>
<td>390</td>
</tr>
<tr>
<td>Lomé II</td>
<td>664</td>
</tr>
<tr>
<td>Lomé III</td>
<td>1449</td>
</tr>
<tr>
<td>Lomé IV</td>
<td>1600</td>
</tr>
<tr>
<td>Lomé IV (mid term review)</td>
<td>1800</td>
</tr>
</tbody>
</table>


Lomé’-II (1979-1984): Lomé II signed in 1979, and total ACP countries in Lomé-II exceeded from forty-eight to fifty-eight. No major changes were introduced in this convention and likewise Lomé I it also given major thrust to the issues of infrastructure and agricultural programme funding. Lomé II has introduced new system, which is termed as SYSMIN. By SYSMIN, focus given on the mining industries, as it is the backbone of the economy of almost majority of ACP countries. SYSMIN has referred to a system for stabilizing export earning from mineral products, which was previously part of the STABEX. Under SYSMIN, any country whose fifteen percent of total export is consist of minerals can apply for assistance.


It is also to be noted, that during the first two Lomé conventions there was very fluctuating political condition in the international relation. The crisis in the West Asia has led to the hike in the oil price and the great recession in the world economy had affected the European countries. EC wanted to ensure the flow of raw material from the developing countries and this is one of the reason why the EU in the first and second Lomé convention gave extra importance towards the stabilizing the import from the developing countries.

**Lomé- III (1985-1990):** After the end of two Lomé conventions, its advantage and disadvantages were well known to both the parties ie to EEC and to the developing countries covered under Lomé. Lomé III was more stable and absolute in comparison to the earlier two Lomé conventions. Lomé III's trade provision become operational from March 1985 and its aid provision came into force from May 1986. Lomé III was the unique document in which there were substantial alterations and it added one more step in the EU- ACP cooperation. The key words of the Lomé III were, dialogue strategies, rural development, long term, with recurring concern for effectiveness. Rural development was the central theme of the Lomé III. Rural development was the need of the hour because many developing countries were becoming more food dependent and in order to provide food security to the citizens of the developing countries it was essential to target development specially controlling drought and desertification. Significant focus was given to the environment in Lomé III convention and it was decided that no funding under EDP should affect environment, thus for the first time focus was on sustainable development. More concession to the ACP countries was given in trade particularly for the agricultural products.

It is also important to note that when Lomé III convention came into existence world politics was more stable in comparison to past. More peaceful world order had its shade on Lomé III agreement, and for the first time in preamble of the convention, human rights

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was mentioned. This term purposely avoided in the era of bi-polar world order because there was intense difference on its definition and the developing countries raised objection on the western definition of human rights.

Lomé IV (1990-2000): Lomé IV is important from several points of view. For the first time convention was signed for the period of ten years although, financial protocol was attached with it for the period of five years. Lomé IV was signed in the context when the cracks in the Soviet Union were very much visible to the world and bipolar world order was about to finish.

Lomé IV gave importance to the Structural Adjustment Programme (SAP) initiated by World Bank particularly for the African countries. SAP, is a guidelines for the country to go for economic liberalization which include free market, privatization, and globalization. SAP also includes devaluation of the currency, lifting of import restrictions and balancing the budget through price control and by reducing subsidy. In the Lomé IV convention, political conditions were attached along with some new economic conditions. Although implementation of SAP was a general condition for the African countries in the World Bank, and IMF (International Monetary Fund) funded programmes and also in the Lomé IV but there was difference. For World Bank and IMF, SAP was the essential condition for obtaining credit facilities whereas Lomé IV provided fund to implement SAP and not imposed it as an essential condition\(^\text{19}\). On the political plane good governance, respect for democracy, and human rights get prominent place in Lomé IV.

Lomé IV, agreement concluded for the period of ten years with the provision of mid-term review. The mid term review of Lomé IV launched in May 1994. Originally, the review envisioned as being primarily about the levels of aid to be given by the EU member states, but under article 366 of Lomé IV, additional measures could be reviewed

if both sides agreed\textsuperscript{20}. In the mid term review other political conditions pertaining to recognition and application of democratic principles and consolidation of rule of law are inducted. Many scholars summarizes the result of the mid term review by emphasizing that the fall in the real value of the aid funds combined with the number of political conditions and control initiative indicated as declining commitment to the ACP group, particularly in contrast with the growing volume of the other regions\textsuperscript{21}. It can be safely concluded that from Lomé' IV convention some other regions were brought into the focus of development policy.

\textbf{Contonou Agreement (2000 onwards):} Contonou agreement replaced Lomé agreement, which was the long history of maintaining the external relation of the EU member states with their ex-colonies. Contonou agreement was signed for the period of twenty years with a clause of mid term review in every five year. This agreement was signed between EU and seventy-nine ACP countries in June 2000 at Benin, and came into force from 2002. Contonou agreement is one of the lengthiest development policy agreements of the EU with ACP countries. Political dimension is one of the important characteristic of this agreement with the objective of reducing poverty, sustainable development, and integration of ACP countries with the World Economy.

Contonou agreement has five main pillars viz- political dimension, promotion of participatory approach, development strategies and priority for poverty reduction, establishment of a new framework for economic and trade cooperation, and finally reform for financial cooperation\textsuperscript{22}. Each one of them have its own relevance and make this agreement entirely different from the past Lomé conventions. For the first time EU inducted almost all the important aspects of the international relations in the development

\textsuperscript{20} Marjorie Lister, op cit. p.189.


policy through Contonou agreement. To understand Contonou agreement it is essential to discuss five pillars, which formulate the basis of this agreement.

1) Political Dimension: This is the first pillar and in this preference given to political dialogue and resolution of conflict through peace building measures. There was expectation from the parties of the agreement to take preventive measures in controlling violence and sharing information and implementing Rome Statute of International Criminal Court. It is also required that developing countries should share the information of the terrorist groups and to check the proliferation of weapon of mass destruction. Equal importance in the agreement given to human rights, and democratic principles, based on transparent and accountable rule of law in the developing countries. In short, security and good governance are the centre of this pillar.

2) Promotion of Participatory Approach: Substantial role envisaged for non-state actors in development strategies and programmes. Position of civil society and non-governmental organisations was strengthened for implementing development policy.

3) Development Strategies and Priority for Poverty Reduction: This pillar focused on private investment and macroeconomic reforms. Development of industries, trade, tourism, and knowledge-based industries gets priority. Social sectors get importance putting health and education at its centre. Issues of youth and cultural development also brought in the core of the development policy agreed under the Contonou agreement. Endowment was also given for increasing regional cooperation in different regions.

4) Establishment of a New Framework for Economic and Trade Cooperation: Several changes made to bring existing agreement on the line of WTO. In this respect, the annulling of non-reciprocal trade preference for the ACP countries was the first step in making development policy congruent to rules and
regulations of WTO. Intellectual property right, trade and labour standards also came into the arena of ACP- EU cooperation.

5) Reform for Financial Cooperation: Consistency, flexibility and efficiency was the key words under the head of reforms for financial cooperation. Indicative financial allocation and participation of non-state actors was given due recognition. Dialogue at local level and period regarded as an important section in reforms of financial sector.

These are some pioneering changes inducted for the first time in the development policy of the EU for the ACP countries through Contonou agreement.

There are many changes introduced from the commencement of the development policy for the ACP countries through conventions from time to time. These changes are for accommodating the emerging current in the development theory and practise. Table 2.5 will throw light on these changes.
### Table 2.5: Changes in Development Policy for the ACP Countries

<table>
<thead>
<tr>
<th>Year</th>
<th>Convention/Agreement</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963</td>
<td>Yaoundé I</td>
<td>Signed only with 18 African and Malgache countries to provide commercial advantages and financial aid.</td>
</tr>
<tr>
<td>1969</td>
<td>Yaoundé II</td>
<td>Just an extension of Yaoundé-I</td>
</tr>
<tr>
<td>1975</td>
<td>Lome I</td>
<td>Commonwealth Countries are included. Non-reciprocal preference for export. Introduced STABEX.</td>
</tr>
<tr>
<td>1979</td>
<td>Lome II</td>
<td>Introduced sysmin system to help the mining industry of ACP countries.</td>
</tr>
<tr>
<td>1985</td>
<td>Lome III</td>
<td>Promotion of industrial development, self-reliant development. Food security</td>
</tr>
</tbody>
</table>

**Source:** Based on Different Conventions

### 2.4 Development Policy for Asian and Latin American (ALA) Countries

Today more than 2000 projects of EC are in the two continents and are functional in around 33 countries.\(^{23}\) Still the history of development policy in the non-ACP countries is comparably short and precise. Weighing against the ACP countries, developing countries

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of Asia and Latin America (ALA) were largely ignored in the development assistance initiative of EU. Trade preference and aid both component of the development policy does not give much importance to the ALA countries. In the pyramid of EU trade preferences ALA countries in fact comes at the bottom, similarly, flow of aid also remain small despite larger population of ALA as compared to that of African countries (also see table 2.4). In comparison to the ACP, countries there were no provisions for the tariff preference and financial support in the treaty of Rome for ALA countries. The first major policy statement for the ALA countries from the EC came in 1981, although the aid for ALA countries started much before 1974. The development policy of the EEC/EU was primarily been formed to continue trade and aid relations with the African countries and ALA countries came into the serious discussion and consideration after three distinguished events, two are related to the EEC/EU and one in the world politics. The EEC/EU’s involvement with the non-ACP countries for the first time evolved by the European Commission after the Paris Declaration of 1971 which focused on the broadening the range of the policy along with the coordination and harmonization of member states on the individual strategies.

Second, change in the position of the EU towards the ALA countries witnessed after the induction of Britain in the EU in 1975. Before the joining of Britain to EEC, the benefit of development policy went mostly to ex-colonies of France and Germany. After Britain joined the EU the debate on extending the scope of development policy simmered but the other member States (led by France) objected the inclusion of British Commonwealth countries in the agreement negotiated with the ACP countries. The commonwealth countries are many in number and there was a contest on the nature of development requirement for these countries. France also has the apprehension that the inclusion of the British Commonwealth countries in the ACP countries framework will change the course of the development policy. Despite objection from France it does not able resist the new changes in development policy for a longer period since in the world system developing countries are jointly pushing the agenda of development assistance. From here, the third point is connected and the international debate generated by the developing countries in late 1960 about the NIEO led to the formation of the UNCTAD. The North- South debate
on development assistance made it obligatory for every international and regional organization to focus on the development concerns of the South. The EU too accommodated this concern by expanding the scope of development policy by focusing on the other developing countries apart from ACP countries.

*Need for Geographical Balance*: In 1981, EU through a Council regulation agreed for financial and technical assistance to the non-ACP countries. Despite this regulation, the sphere of the development policy in the ALA countries was limited to the general rule and was just taken as a geographical balance. The programmes of EEC/EU in ALA countries target the poorest section of the society giving impetus to food production and improving the rural environment to face the challenge of disaster\(^\text{24}\). This approach towards the ALA countries underwent a change with the new evolving situation in international relations in the early 1990's. The period was marked with the demolition of the Berlin wall and going down of the Soviet Union. Demise of the Soviet Union put EU in the central focus of European politics. This is the period when on 4\(^\text{th}\) February 1991, Council adopted conclusion on the guidelines for ALA countries covering area of economic cooperation along with strengthening the ongoing financial and technical assistance. The 1992 regulation of Council for ALA clearly mentions that, ‘whereas both the European Parliament and the Council, while confirming traditional fields of action, have identified new priorities relating, in particular, to the environment, the human dimension of development and the need for economic cooperation to take place in the mutual interest of the Community and its partner countries\(^\text{25}\).

*Importance of Maastricht Treaty*: The treaty of Maastricht is one of the most important step in the EU-ALA countries relationship. Maastricht Treaty of 1992 popularly known, as the treaty of European Union, is another milestone and most important feature in

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defining the relationship between EU and ALA countries. Maastricht treaty is based on three pillars, the first pillar and the central one alludes to the community dimension and comprises the arrangement set out in the EC, ECSC, and Euratom treaties. The issues involved in the first pillar are of Union citizenship, Community Policies, and Economic and Monetary Union. The second pillar of the Maastricht treaty, which is important in the context of EU-ALA countries relation, is the issue of Common Foreign and Security Policy (CFSP). The third pillar refers to the Police and Judicial Cooperation in the criminal matters and it is supplement part of the second pillar. Discussion on the CFSP for the first time opened the debate of extending the role of EU in international relations and a consensus emerged that development policy can be used as one of the instrument of CFSP. This in sense increased the significance of the ALA countries for the EU.

Other relevant point for the ALA countries in the Maastricht treaty reflected in title XVII that mentions in detail about the development co-operation policy of the EU. Despite this shift in the approach, it is equally important to understand this fact that EU has taken all necessary steps to keep ACP and ALA countries separate from one another in its development policy. This is mentioned in point three of article 130w of the same title, which categorically states, “The provision of this article shall not affect cooperation with the African, Caribbean, and Pacific (ACP) countries in the frame work of ACP-EEC convention.” Title XVII put it in plain and clear terms that EU development policy towards the ACP countries governed by the ACP-EEC convention will continue without any alteration in the set paradigm, although the significant changes introduced for ALA countries. This makes Title XVII of the treaty of Maastricht a formal way or guidelines for the conduct of the development policy in other developing countries, which remained out of the ACP-EEC conventions.

The EU’s shift towards the ALA countries in the early nineties also has some other dimensions. Many new elements are included in the financial and technical assistance in the development policy, which was not there for the ALA countries before 1990’s. The

new advancement is the result of changes that came in the agenda of international
development assistance. In 1990s' the international development assistance focused on
promoting economic reforms in developing countries this also influenced the
development policy of the EU, and attention paid for the improvement of environment for
the private sectors through microeconomic and sectoral reforms and opening of more
comprehensive dialogue with international financial institutions like World Bank and
IMF. Other distinct feature of the of the EU- ALA countries relations in the 1990’s was
the first time focus on the economic cooperation. The economic co-operation, which was
the new feature in the EU-ALA countries relations aims at helping ALA countries to
build up their institutional capacity, to create an environment more favorable to
investment and development. Even amongst the ACP countries most favoured are the
ones who pursue macroeconomic and structural policies open to trade and investment and
conducive to technology transfer, "in particular by protecting intellectual property
rights". The tools will be training schemes, transfers of expertise, the improvement of
institutional structure, and support of undertakings27. In short, after the demise of the
Soviet Union a concerted effort was taken by the capitalist economies to promote the
agenda of free market economy, ALA countries in this context comes in the priority of
the EU, and simultaneously ALA countries started getting importance in the development
policy of the EU.

Maastricht treaty of 1992 brought a paradigm shift in the development policy and EU
acquired big space in the field of international development assistance. Maastricht treaty
spells out development policy of the EU, which was accommodative, comprehensive, and
looked beyond the ex-ACP colonies. The three basic objective of the Maastricht treaty
give it a grand shape. The three distinct features of the Maastricht treaty can analyze this.
Firstly, Maastricht treaty is clear on the role of the community to foster sustainable
economic and social development of the developing countries and particularly of the least
developing countries. Second focal point of the Maastricht treaty was the gradual
integration of the developing economy into the world economy and starting of a

27 Fegerico Birocchi, op cit.
campaign against poverty. Thirdly, Maastricht treaty is specific on the promotion of
democracy, rule of law, respect for human rights and fundamental freedom.\textsuperscript{28}

In short, the process of making development policy available for other parts of the world is a phenomenon alteration of last couple of decade. ALA countries presently are in the priority of the development policy but still much of the development agenda and focus of the EU is ACP countries. The present form of development policy covers wider spectrum and universal in nature but has natural assimilation for the ACP countries. ALA countries still amount to only fifteen percent of the combined member's country aid. Even the partition of aid between the Asia and Latin American countries is not equitable and it is in principal fixed as seventy-five and twenty five percent respectively. In practice, it comes to seventy percent for Asia and thirty percent for Latin American countries. This division in the present policy produces a high disproportion in aid per capita between the two regions and there is a need of a balanced approach for both ACP and ALA countries.

\textbf{2. 5 Development Policy for Other Regions}

Similar, to that of ACP and ALA countries, EU has development policy for other regions. These regions include the countries, which are close to the EU border. These regions primarily cover the countries of Mediterranean and Middle East, East Europe and countries of former Soviet Union. EU formulated two programmes to provide assistance for the countries close to its border. The first programme is termed as Technical Aid to the Commonwealth of Independent States (TACIS). Under TACIS, twelve countries of Eastern Europe and Central Asia are included. These countries are Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan,

Ukraine, Uzbekistan and Mongolia (Mongolia was later been included in ALA countries). TACIS was launched by the EC in 1991 with the objective of providing assistance for the promotion of democracy and to help the economic transition in these countries.

The other programme launched for providing assistance to Mediterranean region was termed as Euro-Mediterranean Partnership (MEDA). The foundation of MEDA linked to the Barcelona Declaration of Euro-Mediterranean Partnership of 1995\(^29\). MEDA is EU’s principal financial instrument to support three objectives set by the Barcelona Declaration. The first one is to strengthening political stability and democracy in a common area of peace and security. The second is to create an area of shared economic prosperity and support the creation of free trade regime between the EU and its Mediterranean partners by 2010. The last objective is to establish a closer link of the EU with the people of these countries through cultural, social and human partnership. MEDA programme covers twelve countries of the Mediterranean region viz, Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, the Palestinian Territory, Syria, Tunisia and Turkey.

**Quest for Secure Europe**: MEDA and TACIS are the two programmes, specially structured to assist the development projects in the bordering countries of the EU. Till 2004, MEDA and TACIS are used to promote the development agenda in the neighbouring countries of Europe, but a change took place after the EU come up with the European Security Strategy paper titled ‘A Secure Europe in a Better World’ in 2003. European Security Strategy (ESS) paper elaborates the strategic concerns of the EU in the present world order. Peace, stability, and security are the key elements and basis for the formation of the EU. The violence of the first half of the 20th century in Europe made the countries of the continent to think for a common institution for promoting peace and prosperity. EU envisaged to meet the urge for a common institution for a peaceful Europe and by combining the economic interests the founding fathers of the EU succeeded in

checking economic-political tension. With the end of the cold war, globalization and market economy became the central theme of the world politics but terrorist attacks of 9/11 has once again brought the agenda of security in the discussion of international relations.

The case of Europe was different where the security become a provocative question soon after the demise of the Soviet Union and first of its impact was witnessed in civil conflict of ex-Yugoslavia. Deprivation and conflict are fillers for each other and under this light EU seriously looked for a neighbourhood policy. The security strategy of the EU in the pretext of its enlargement accept that on the one hand integration of the acceding countries are increasing the security but at the same time it is bringing EU closer to the troubled areas. EU, give attention for the well governed countries in the east of the EU and on the borders of the Mediterranean. EU accepts that, ‘It is not in our interest that enlargement should create new dividing lines in Europe. We need to extend the benefits of economic and political cooperation to our neighbours in the East while tackling political problems there. We should now take a stronger and more active interest in the problems of the Southern Caucasus, which will in due course also be a neighbouring region’. To meet the challenges from the enlarging border of the EU come up with a new policy termed as ‘European Neighbourhood Policy’ (ENP) in December 2004. The ENP formulated to support the efforts to realize the objective of the ESS. The ENP designed to prevent the emergence of new dividing lines between the enlarged EU and its neighbours and to offer them a chance to participate in various EU activities, through greater political, security, economic, and cultural co-operation.

European neighbourhood is the region beyond the frontier of the European Union. It comprises primarily of developing countries, who have the programme of getting integrated either in EU, if not then get closely integrated with the EU economy. ENP should not be confused as a policy for those countries joining EU or covered under the


Stabilization and Association process. The countries covered in the ENP includes all of the Mediterranean shores of African and Asia, European Commonwealth of Independent States (CIS) (with exception of Russia and Kazakhstan) in the Caucasus and Eastern Europe. Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Occupied Palestinian territory, Syria, Tunisia and Ukraine, comes under the ENP.

MEDA and TACIS, which was a part of the development policy for the two different regions, put under one financial structure of the ENP. Until 31 December 2006, EC assistance to the countries of ENP comes under the various programmes of MEDA and TACIS. There was a change in this arrangement and from 1 January 2007, a single instrument called ‘European Neighbourhood and Partnership Instrument’ (ENPI) replaced MEDA and TACIS. It happens so because EU analyzed that it is difficult for cross-border cooperation along with EU’s external borders due to the need of internal funding instruments like Regional/Structural funds with external funding instruments like MEDA and TACIS. In this way EU came up with the new policy for its neighbourhood motivated by security concern, and also accommodated the development agenda and objective set by the EC. The Commission’s Development Policy Statement of July 2005 is significant in this respect. The statement set out development agenda relevant to the developing countries but differentiated in accordance with the different needs and circumstances of different regions. ENP is in line with the Development Policy Statement of the Commission, paying special importance to the reforms and governance issue, which are of particular relevance for these countries.

2.6 Development Policy in Present Form and the Past Changes

Over the years, the development policy of the EU has undergone several changes, accommodating shifts in the international agenda to meet the development requirements of the developing country and to promote its own interest. The development policy, initially envisaged for providing financial and technical advantage to eighteen African and Malgache countries in 1963 through Yaoundé I convention is now active in almost
every region of the world. From the inception of the development policy until now many international events in the world politics shaped its character. Amongst the international events of last couple of decades, two are the most influential eclipsing the entire world order, reshaped every international document, and has its impact on the development policy of the EU. The two events are discussed in this study before, one is the collapse of the Soviet Union marked with the end of the cold war and second is the terrorist attacks of 9/11. These two events had influenced the political economic aspect of the development policy but Millennium Summit of the UNO) has also reshaped the goal of international development assistance. The Millennium Summit of the UNO held in 2000 is of paramount importance, this summit had influenced the policy and direction of international donors and development policy of the EU also made adjustments to accommodate the goals set by the Millennium Summit.

While discussing events influencing the course of development policy, it is necessary to study those changes and its impact on the development policy. In recent times, disintegration of Soviet Union, and terrorist attack of 9/11 on the US, had its impact on the development policy of the EU. The former incident, which took place in the cradle of Europe, has influenced the entire structure of the European Union with no exception to any of its policies, which include the development policy. The collapse of Soviet Union led to three major evolutions around the EU. Firstly, the number of states increased by fifteen in the European vicinity. Secondly, the East and Central European countries which were considered to be the part of Socialist bloc were out of it with no proper policy vision as how to come out of the command economic system. Third related to the second is the apprehension that without any direction conflicts of different natures and proportion might plague the East and Central Europe. The outbreak of conflict in the erstwhile Yugoslavia strengthens the scepticism that is will expand its horizon and can engulf other East and Central European countries.

*Development Policy as an Instrument of CFSP:* For the countries of the East and Central Europe it has been decided that the EU will go for an enlargement and some of these countries will get membership of the EU. The other problem of Yugoslavia was the test
of time for the European Union. As soon as the problem started in Balkan region, EC sends its Troika three foreign ministers, representing the past, present and next members of the Presidency of the European Council of Ministers, to Yugoslavia to attempt to reach a resolution of the conflict. The Troika members entered the Balkan with the confidence that this is the hour of Europe and not the hour of Americans but this effort on part of the EU failed to bring changes. Problems in Balkan was the time of crisis for the EU and need felt for common policy approach. This put the impetus for the shaping of a CFSP of EU. In the true sense, the discussion around CFSP gained coin in the late 1980 when economic and material inequality, unemployment and other such distress led to a high mobility of people from East to West Europe. The idea of political cooperation was very much there in the theme of the EU which until late was considered as an economic bloc but collapse of the Soviet Union made the quest of political co-operation the more evident.

The search for CFSP open the way for several changes in all the external policies of the EU including the development policy of the EU. Treaty of Maastricht is a milestone in formation of the CFSP. It is evident by the fact that CFSP was established as a second pillar of the European Union in the treaty. The treaty of Maastricht also redefines the development policy and guidelines were set for the integration of the aid given by the EU. The treaty of Maastricht besides giving legal basis to the development policy concentrated on the theme of ‘Coherence’ for the development policy. This was the first major change in the development policy from its inception and EU accepted development policy as a major tool of the EU foreign policy in the future. There is an entire title in the treaty of Maastricht devoted to the development policy of the EU. Title XVII of the treaty

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35 Maurizio Carbone, op cit, pp2-3.
of Maastricht elaborates the EU’s conception of the development policy and its future as perceived by the EC. Five articles (from 130u to 130y) are devoted to the development policy and setting a clear direction for the member states to follow in respect of the development agenda\textsuperscript{36}. Several references to the development policy are there in many of the articles in the Treaty of Maastricht. Like article 12 which is devoted to the ‘shared competences’ and its paragraph six reads as follows, ‘in the area of development cooperation and humanitarian aid, the union shall have competence to take action and conduct a common policy’. Thus, Treaty of Maastricht put the development policy at the centre of EU’s external policy. It also converts the development policy as an instrument of external relation with the developing country rather than being just an aid policy.

Amongst the many relevance of the Maastricht treaty, the foremost is the structure, which it provides to the development policy by putting the term ‘Coherence’ in its application. Article 130u of the development policy is very clear on the objective of coherence. It is so specific that many commentators term this article of the Maastricht treaty as a ‘coherence article\textsuperscript{37}’. The term coherence provides development policy a multi-dimensional approach. The term coherence for the development policy is pointing out at three specific way of conducting EU policy implementation on both internal and external levels. Firstly, through article 177 and 178 the Treaty of European Community (TEC) on the coherence between development policy and other internal competence. It is precisely for the policy implemented by the EU or by the member state that have implications on the developing countries. Secondly, coherence means national action and community actions in the field of development. This is also been cleared in the article 180 of TEC. Thirdly, coherence implies that there should be coordination between development policy

\textsuperscript{36} The Maastricht Treaty, op cit.

and other external community actions. According to the article three of Treaty of Europe (TEU) Council and Commission must ensure this coordination.\(^{38}\)

Common CFSP is the second pillar created by the Maastricht treaty and in this policy; coherence for the development policy makes it important for the CFSP.\(^ {39}\) The urge and guidelines for a unified, collaborated development policy was the outcome of the much need by the EU in the early 1990's due to the emerging situation in the Europe. Development policy of the EU covers almost every region of the world making it universal than any other policy of the EU and in this regard, it is in the fundamental part of the CFSP of the EU. In short, it can be summarised that after the fall of Berlin wall, scope of development policy was increased and acquired bigger role for the conduct of EU in world politics. The immense importance of post-cold war development policy lies in the fact that it becomes the instrument of CFSP of the EU.

*Millennium Summit 2000*: The other major change in international development assistance came in September 2000 during the Millennium Summit of the UNO. The Millennium Summit was held in the New York City and the most brilliant outcome of the Summit was the United Nation Millennium Declaration (UNMD). Through UNMD, all the nations agreed and made the commitment to reduce the extreme poverty in the time bond manner.\(^ {40}\) The deadline set with the approval of the members for the reduction of the extreme poverty was 2015. Part three titled ‘Development and Poverty Eradication’ of the nine-page resolution adopted by the General Assembly in the form of United Nations Millennium Declaration on 18th September 2000 changed the course of development policy of every nation and organization. UNMD set the eight development

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agenda, to be achieved in a time bound manner. These eight development agenda are known as MDG. Following are the eight MDG.

1) Eradicate Extreme Poverty and Hunger
2) Achieve Universal Primary Education
3) Promote Gender Equality and Empower Women
4) Reduce Child Mortality
5) Improve Maternal Health
6) Combat HIV/ Malaria and other diseases
7) Ensure Environmental Sustainability
8) Develop a Global Partnership for Development.

The target is more specific and time frame has been agreed for its meeting these goals (see box 2.1).
The box above shows the approach of the UN in countering and dealing with some of the abject human problems of our century with a timetable. A year and half after the declaration of MDG by the Millennium Summit of the UN, international conference on ‘Financing for Development’, held in Monterrey reiterated the need for international
partnership. With the respect to Official Development Assistance in particular, it establishes a compact relation between developed and developing countries, by which the former would increase both volume of aid and quality – through better co-ordination, while the latter would strive to make the aid more effective through improved governance and development management\textsuperscript{41}.

MDG represent the most determined effort in history to galvanise international action around a common set of development target. Every international and regional organization engaged in the aid and development task has readjusted the policy according to the principles set by the MDG. The development policy of the EU also accommodated the agenda of the MDG and made necessary change in the policy framework to meet the objectives and goals set by MDG. The commitment to carry forward the task of development set by the MDG reiterated by the EU even after the accession of the ten new members to the EU. This is evident by the statement issued by the European Council after the process of accession in June 2004, which goes, as ‘the Union must continue to strengthen its leadership role in the fight against global poverty. The European Council express its concern at the faltering progress towards the achievement of the Millennium Development Goals, especially in Africa. It reiterates that the EU will intensify its effort to fulfil the commitments undertaken in Monterrey, including through the exploration of innovative sources of financing, and will strongly support UN attempts to accelerate progress towards the achievements of the Goals’. The statement of Council makes it clear that the priority of the EU development policy after 2000 is to achieve the task set by the Millennium summit of the UN and it will not be diverted by internal development of the Union.

Since 2000, EU member states and the European Commission, have made or in the process of making an effort to align their development co-operation policy and practices for the overall objective of poverty eradication and the achievements of the MDGs. The

national MDG report gives the full detail of this process. The table given below will focus on the initiative taken by the member states in the direction of implementation of the MDG in their development policies.

Table: 2.6 Development Co-operation Policies of Different EU Countries and MDG

<table>
<thead>
<tr>
<th>Name</th>
<th>Effort to Implement the MDG</th>
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<tbody>
<tr>
<td>Austria</td>
<td>Austria’s Development Cooperation Act 200/2003 defines as general objectives the elimination of poverty, maintenance of peace and human security, and protection of the environment. The rolling three-year programme on Austrian Development Policy 2005-07, refers to the MDG as the overriding orientation for development cooperation.</td>
</tr>
<tr>
<td>Belgium</td>
<td>The law on international cooperation of May 1999 formulates the global objective of Belgium development assistance as “sustainable human development” to be achieved through poverty reduction based on the partnership approach. This coincides with the Millennium Declaration.</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>In January 2002, the government adopted the concept of ‘Czech ODA for 2002-2007’. The concept was based on the multidimensional approach for poverty eradication.</td>
</tr>
<tr>
<td>Cyprus</td>
<td>Not Available</td>
</tr>
<tr>
<td>Denmark</td>
<td>The Danish development strategy, established in the light of the Millennium Declaration, is closely linked to all the MDG’s and in particular to the MDG on health, education and gender. The priorities are underlined in the Government’s document titled ‘Vision of New Priorities in Danish Development Assistance 2005-09’.</td>
</tr>
<tr>
<td>Estonia</td>
<td>Estonian development policy is based on the ‘Principles of the Estonian Development Co-operation’ approved by the Parliament. The objective of this policy is congruent to that of MDG.</td>
</tr>
<tr>
<td>Finland</td>
<td>The resolution on Development Policy of February 2004 reaffirms the Finland’s commitment to the Millennium Declaration and the MDG.</td>
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<tr>
<th>Country</th>
<th>Description</th>
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<tbody>
<tr>
<td>France</td>
<td>France constituted an Inter-Ministerial Committee for International Cooperation and Development. This committee decided to have more focused and selective country planning to have MDG achieved.</td>
</tr>
<tr>
<td>Germany</td>
<td>The German government’s ‘Programme of Action – 2015’ published in April 2001, describes German’s contribution to the Millennium Declaration and provides the development policy framework for the fight against poverty.</td>
</tr>
<tr>
<td>Greece</td>
<td>Law established the legal basis for the Greece development cooperation in 1999. The objective of poverty reduction and achievement of MDG are at the core of Greece’s Development Policy.</td>
</tr>
<tr>
<td>Hungary</td>
<td>The ‘Concept Paper of the Hungarian Development Co-operation Policy of July 2001 set out the institution, legal and financial framework of Hungarian Development Co-operation. This concept paper based on the objectives of MDG.</td>
</tr>
<tr>
<td>Ireland</td>
<td>The report of the Ireland Aid Review Committee, approved by the government in 2002, endorsed the MDG framework and reconfirmed the Irish commitment to poverty reduction.</td>
</tr>
<tr>
<td>Italy</td>
<td>Italy’s development cooperation policy intended to achieve the objectives of eliminating poverty and fostering economic and social development, along with the promotion of health, starting with fight against the major diseases. Hence, the development policy of the Italy is in line with MDG.</td>
</tr>
<tr>
<td>Latvia</td>
<td>The Latvian government adopted the ‘Basic Principles for Development Co-operation Policy’ in February 2003. The policy is well in line with the goals set by the Millennium Declaration of the EU.</td>
</tr>
<tr>
<td>Lithuania</td>
<td>Government has approved a policy paper for the provision of development in 2003. The overall objectives of the Lithuanian development co-operation are based on MDG.</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>Poverty reduction and sustainable development are the key perspective of the government, thus the government working in the direction of</td>
</tr>
<tr>
<td>Country</td>
<td>Description</td>
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<tr>
<td>Malta</td>
<td>A unit governs Malta’s development co-operation, which work under the Ministry of foreign affairs. Malta’s development co-operation policy is also on the lines of MDG.</td>
</tr>
<tr>
<td>Netherlands</td>
<td>In a policy memorandum, ‘Mutual Interest and Mutual Responsibilities: Dutch Development Co-operation Policy for the Coming Years’ which is issued in October 2003, Dutch government confirms that MDG are the central to its policy.</td>
</tr>
<tr>
<td>Poland</td>
<td>The ‘Strategy of Poland’s Development Co-operation’ of October 2003, mentions poverty reduction and sustainable development as its overriding objectives, thus complying with the MDG.</td>
</tr>
<tr>
<td>Portugal</td>
<td>Portugal is pursuing its development co-operation policy in line with MDG. The policy view to achieve the ultimate goal of reducing poverty and promoting education, health, governance, civil society and social service.</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>Slovak government set its aid mechanism in 2003. The Slovak medium term strategy set the basis for Slovak’s development co-operation programme. The Slovak government gave its unconditional support to MDG.</td>
</tr>
<tr>
<td>Slovenia</td>
<td>Slovenia focuses its development co-operation on the countries in South-East Europe. This policy is based on the government’s decision of 1999 concerning the Stability Pact for South East Europe and is following the principles incorporated in meeting the MDG.</td>
</tr>
<tr>
<td>Spain</td>
<td>The fight against poverty is the objective of the ‘New Master Plan for Spanish Cooperation 2005-2008’, which aims to align itself with the objectives established in the MDG.</td>
</tr>
<tr>
<td>Sweden</td>
<td>Sweden’s ‘Policy for Global Development’ adopted by the Parliament in December 2003. The overall policy has the aim to contribute towards the fulfilment of MDG.</td>
</tr>
</tbody>
</table>
| United Kingdom   | The Department for International Development has made MDGs the focus of all its work. Development Policy is set out in a series of White
European Community

Papers and through the International Development Act, which came into force in June 2002, and establishes the legal basis for UK development assistance.

Since November 2000, the community has had a single overall framework, which guides its development policy and cooperation with developing countries. The EC policy statement is compatible with the Millennium Declaration objectives and orientations, in particular with the overall objective of the reduction and eventual eradication of poverty. The early 2005, the Commission has initiated a process of reviewing the 2000 development policy statement, in the view of further enhancing its effectiveness and its alignment with internationally agreed commitments, including the MDG.


Above table throws light on the fact that EC and all the members states has either moulded or reformulated their development co-operation policy to accommodate MDG.

Impact of 9/11: Another change, which has influenced all aspect of international relation, is the terrorist attack of 9/11. This terrorist attack once again brought agenda of security in the forefront of international relation. However, there is a big difference between the security concern of the cold war and the one, which emerged after the terrorist attack on the United States. Non-state actors pose a threat to international peace and for the first time terrorism regarded by international community as danger to humanity. Not only terrorism but the post 9/11 world order also put impetus on trans-sovereign problems. Trans-sovereign problems are the one, which move beyond sovereignty and traditional state responses. These problems are the products of the new system that is more open and easily assessable to all due to the open arrangements of the globalised world. The opening of societies, economies, and technologies led to what international theorist called

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as 'new risks'. This 'new risk' is the sum total of problems like drug trafficking, transnational organised crime, nuclear smuggling, refugee movements, uncontrolled and illegal immigration, environment risk and above all international terrorism. These are not the new source of potential conflict, they all existed in some form or other during the cold war but largely ignored in the tussle between the two super-powers. The terrorist attack of 9/11 makes them the central agenda of discussion in the international relations and much effort is concentrated in dealing with these 'new risk'.

The threat emerged due to 'new risks' has its impact on the development policy of the donor states and organizations. This impact is the outcome of intense debate on the connections between deprivation, poverty, and terrorism. There is a group of scholars holding the view that conflict and poverty has no interlink. These scholars are of the view that there is no empirical evidence to support the hypothesis that condition of poverty cause conflict. It is been argued that pervasive poverty alone is not a sufficient condition to create a major conflict, or even cause individual to commit an act of violence. Alan Krueger and Jitka Maleckova refutes the argument on the link between terrorism and deprivation and in their words - “Suicide bombers are clearly not motivated by the prospect of their own individual economic gain, although the promise of larger payments to their families may increase the willingness of some to participate in the suicide-bombing mission. We suspect their primary motivation results from their passionate support for their movement.”

On the contrary, there are number of scholars, who support the linkage between poverty and conflict. The argument extended by the scholars that ultimate defeat of extremism

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linked to establishing robust and inclusive political and economic processes, building social justice and peace, and removing exclusion nationally and internationally\textsuperscript{48}. The theorization of Jose Cuesta and Mansoob Murshed is very interesting. Jose and Mansoob explain the micro level economic causation of conflict on the basis social contract\textsuperscript{49}. Social contract means a framework of widely agreed rules, both formal and informal, that govern the allocation of resources, including resource rents, and the peaceful settlement of grievances. The breach of social contract can result in conflict as a viable, credible, and enforceable social contract is sufficient restraint to the conflict but the opportunistic behaviour such as large-scale theft of resources will lead a path towards conflict. Social contract in a way stresses that unequal and dishonest distribution of wealth and resources are the cause of grievances thus giving birth to the social conflict.

Not only the scholars but also the international institutions like World Bank accept the fact that deprivation and conflict are complementary in many ways. In a report of the World Bank titled ‘Breaking the Conflict Trap: Civil War and Development policy’ which was published in 2003, argument is made in the report suggesting that unequal distribution of wealth exacerbates societal tension. This report suggests that lack of development or failed development is a major cause of civil war in a country. The report very specifically underlines that, ‘War retard development, but conversely, development retards war’. This double causation gives rise to virtuous and vicious circles. Where development process succeeds countries become progressively safer from violent conflict, making subsequent development easier. Where development fails countries are at higher risk of becoming caught in the conflict trap in which war wrecks the economy and increases the risk of further war\textsuperscript{4}.3

Despite the debate on the link between conflict and deprivation and with the difference of views over it, majority scholar of the field favours that deprivation, poverty and

\textsuperscript{48} Tuan N. Hassan Wirajuda, “When Society Fail, Terrorism Step In”, \textit{International Herald Tribune}, Paris, 13 November, 2002

alienation leads to conflict and unrest. In the interconnected world, the unrest in one region or country has a contagious affect on other part of the world. The World Bank report discussed above made it clear that lack of development has adverse affect on society and effort should be taken to meet the concern of development thus providing them bare minimum required for subsistence. As of now there is an increasing recognition that the MDG will not be achieved unless more is done to prevent and resolve conflict.

In the light of this debate, EU also adjusted its development policy to focus on the issue of conflict prevention. Several documents of the EU related to the development cooperation policy are relevant in this regard. Shift in the agenda of the development policy is evident in the two policy statement issued by the EC, one is of year 2000 and another is of year 2005. ‘European Consensus on Development’ issued by the EC in 2006 is another such documents that throw light on the security concern in the core of the development co-operation policy of the EU. Along with this move to securitize, the development cooperation policy of the developed countries is clear in the two documents of Development Assistance Committee (DAC). These two documents are ‘Helping Prevent Violent Conflict’, and ‘Development Co-operation Lens on Terrorism Prevention’. The two documents of DAC are important to understand the changes in the development co-operation policy of the EU. In this DAC document ‘Helping Prevent Violent Conflict’ is before the terrorist attacks of 9/11 and issued in 2001, and ‘Development Co-operation Lens on Terrorism Prevention is of 2003 in this regard it is the report which came after the terrorist attacks. There is a basic change in both these

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51 DAC is the principal body through which the OECD deals issues related to co-operation with developing countries. It is the key forum of major bilateral donors. They work together to increase the effectiveness of their common efforts to support sustainable development. DAC consist of 23 members, of whom 22 are the biggest donors and the 23rd is the Commission of EU, in charge of development policy at the EU level. Members of DAC expected to have certain common objectives concerning the conduct of their aid. Hence, the members of DAC are obliged to follow the objectives.
documents regarding the approach towards development and conflict prevention and conflict management.

The first document ‘Helping Prevent Violent Conflict’ argues that conflict prevention is a precondition and central to poverty reduction and sustainable development. The first document clearly states that, ‘development agencies now accept the need to work in and on conflicts rather than around them and make peace building the main focus when dealing with conflict situation. The paper discuss that donors recognize that all aid can influence conflict situations and create incentives of disincentives for peace. They are taking steps to better understand, monitor and foresee how development programmes affect divided societies by dealing with peace building both at the national/regional and at project level. It is further argued that poverty and insecurity systematically reinforce each other. The requirement for the security in this context go beyond the classic requisites of defence from military attack and extend to the well being and the protection of persons and property. To sum this document is focusing on human security, which is central to the well being of an individual making him secure enough and preventing him to be the part of conflict. Although this document calls for ‘conflict-related development assistance’ and aims for achieving peace and security in the developing world, but the long term objective remains the sustainable development and conflict-related assistance must serve that purpose.

Second document on the subject of conflict prevention and development assistance from DAC, titled ‘A Development Co-operation Lens on Terrorism Prevention’ came in 2003 and has discussed the issue in a different syntax. The change in vocabulary of the two documents in the title itself explains the shift in the agenda of development assistance in context with conflict prevention. ‘Prevent Conflict’ of the first document is replaced ‘Terrorism Prevention’ in the second text. This document altered the role of development policy and focused it on the tackling the threat of terrorism and root of terrorism. In the language of the document, development co-operation does have an important role to play

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in helping to deprive terrorist of popular support and addressing the conditions that terrorist leaders feed on and exploits. Many condition that allow terrorists to be politically successful, build and expand constituencies, find recruits, establishes and finance terrorist organizations, and secure safe heaven within the realm and primary concern of development co-operation. Donors can reduce support for terrorism by working towards preventing the conditions that give raise to the violent conflict in general and that convince disaffected groups to embrace terrorism in particular. The primary incentive for the employment of development cooperation policy is tackling the threat of terrorism deriving form the developing world is not the security and subsequent development of the global south, but the protection of donor countries from terrorism. This is first step to securitize the development co-operation policy.

In the light of two documents of the DAC the development co-operation policy of the EU has also underwent changes and accommodated the guidelines mentioned in the DAC documents. As we have seen two different approaches towards the development and security (linked with conflict prevention) in the DAC documents. This difference linked to the post and pre 9/11 terrorist attacks, similar differences witnessed in the EU development co-operation policy. In the year 2000, the Development Policy Statement adopted by both Council and Commission and it sets out a clear and coherent strategy for the European Community’s development Cooperation policy. The statement confirms the commitment for poverty eradication as the main objective of the Community’s development policy. According to the statement, poverty reduction strategies must contribute to the consolidation of peace and the prevention of conflict in the developing countries. It further says that, “strengthening of democracy, gradual integration into the world economy, to more of the social and environment aspects with a view to sustainable development, to equality between men and women and public and private capacity-building” is also core to the development policy. Conflict prevention and conflict management were listed in the five horizontal issues in the Development Policy statement of 2000, but it was not significant objective and development cooperation policy is much
guided by normal development objectives such as poverty eradication and sustainable
development.

After the DAC second document ‘A Development Co-operation Lens on Terrorism
Prevention’ came in 2003, the EU’s development policy also introduced certain agendas
congruent to the DAC document. The two important policy documents of the EU on the
development policy, which came after the DAC’s document of 2003, addresses the
international concern of development co-operation and terrorism prevention. The EU
Development Policy statement of 2005 makes security concerns as the second most
important agenda for the development co-operation policy after the task of achieving the
MDG. Based on the new Development Policy Statement in 2005 EU came up with the
European Consensus on Development (ECD) in the same year, which in its ‘Common
Objective’ discuss about the fragile state. According to the ECD, ‘the EU will improve its
response to difficult partnerships and fragile states, where the third of the world’s poor
live. The EU will strengthen its efforts in conflict prevention work and will support the
prevention of state fragility through governance reforms, rule of law, anti-corruption
measures and building of viable state institutions in order to help them fulfill a range of
basic functions and meet the needs of the their citizens. The EU will work through state
systems and strategies, where possible to increase capacity in fragile states. The EU
advocates for remaining engaged, even in the most difficult situations, to prevent the
emergence of failed states.

Although the priority of EU’s development co-operation policy still is eradication of
poverty but security is now one of the central points of development co-operation policy.
It is evident from the agreements that EU is entering with the developing countries. The
political conditionality formulated by the EU includes counter terror priorities, as there is
a systematic integration of a clause on co-operation in the fight against terrorism and
weapon of mass destruction in all the agreements. Furthermore, in the Cotonou

54 Sivin Grimm, Marie- Laure de Bergh and Christian Freres, “A New European Development Policy
URL: http://www.euforic.org/docs/200508311205493743.pdf?&username=guest@euforic.org&password=9999&
groups=SID
Partnership Agreement Review 2005, Article 11b deals with the ‘Co-operation in Countering the Proliferation of WMD’. This clause is now in the essential element of the agreement, meaning it represents an obligatory condition for the aid and for the co-operation with the respective country.\(^{55}\)

2.7 Objectives and Operational Part of the Development Policy

In the words of European Commissioner for Development and Humanitarian aid Louis Michel, ‘Development policy is undeniably one of the soundest and most ambitious projects of the European Union and it must remain so. It is one of the most admirable expressions because it reflects our shared set of values, solidarity, respect for human dignity, equality and tolerance, freedom of opinion and expression, faith in mankind and its ability to build a better future.\(^{56}\)’ This statement signifies the importance of development policy and the amount of relevance development policy has in overall EU policies. EU is one of the world’s largest donors thus making development policy critical not only for EU but for the entire world particularly for developing countries where numerous projects and programme are financed by EU. Like any other policy, development policy of the EU also has certain structure and objectives. In this, it is important to understand the objectives, priorities, and operational arrangement of development policy.

**Objective of Development Policy:** Primary objective of EU development policy is to eradicate poverty and to achieve MDG. The ‘EU Vision on Development’ presented in the ECD briefly explains the objectives of the development policy. The ‘EU vision on Development’ reads as ‘the first part of the ECD sets out common objectives and principles for development cooperation. It reaffirms EU commitment to poverty eradication, ownership partnership, delivering more and better aid and promoting


\(^{56}\) Louis Michel, *EU Development Policy*, (Luxembourg: Commission of the European Communities, 2005) p. 3.
coherence for development\textsuperscript{57}. Poverty eradication is the main objective of the development policy but equal weight given to sustainable development, including good governance, human rights and political, economic, social and environment aspects.

Two other objectives added up in the recent past is the promotion of gender equality and addressing the state fragility. Gender equality was accepted a key to development cooperation activities of all donors countries and organizations after the ‘Beijing Declaration’ which was made in the Fourth World Conference on Women. In the 36-point declaration, all participant countries and organizations agreed to promote gender equality\textsuperscript{58}. In light of ‘Beijing Declaration’ EU accepted promotion of gender equality as one of the core objectives of development policy. The ECD on the gender equality states that, the promotion of gender equality and women’s rights is not only crucial in itself but is a fundamental human right and a question of social justice, as well as being instrumental in achieving all the MDG. Likewise, EU has also set the objective of addressing state fragility as an important objective of the development policy. Giving priority to state fragility is the present theme of all the development cooperation documents and recognized as an important theme.

\textit{Priorities of Development Policy}: EU has also set six specific priorities with intend to achieve the objectives of the development policy. These priorities are set by Commission in the year 2000, and still regarded as essential for the implementation of development policy. These six priorities are, linking trade with development, support for regional integration and cooperation, support for macro-economic policies, promotion of equitable access to social service, transport, food security, rural development and capacity building. These priorities are the basis for the formulation of specific development policy for a particular region or for a country. Besides these priorities, EU set certain broad themes for the conduct of development policy opening the scope and giving freedom to the member states to carry their development policy without compromising its basic

\begin{itemize}
\item \textsuperscript{57} European Consensus on Development, op cit. p. 5.
\end{itemize}
objectives. There are six such themes giving development policy a board shape for the conduct and implementation of development policy by its members. These six themes are as follows.

1) Development of human resources and citizen’s rights: This covers measures concerned with human rights, heath care, population, AIDS, education, training, culture and gender.

2) Governance for development and security: This covers support for good governance, strengthening of civil society, conflict prevention, linking relief and development.

3) The environment and sustainable management of natural resources (including forests, water etc)

4) Economic growth, a factor for sustainable development: Measures include support for the development of trade, the private sector and economic cooperation, employment, energy, information & communication technologies, access to transport etc.

5) Land use planning: This includes rural and urban development programme and local development.

6) Combating inequality and promoting social cohesion: Measures include social progress and protection, employment, redistribution, social dialogue etc.

These themes focus on the fact that development policy is not rigid on few guidelines but are open to accommodate policies of different member countries provided it targets to achieve the goals of development policy. These themes also provide opportunities and make the member countries capable of taking on board the diversity of situations encountered in the developing countries.

Operational Part: Development policy is not just one of the oldest policies of the EU but also have internal and external dynamics. Internally, EU development policy linked with the policies of all the EU institutions and member states through the abiding principle of

‘coherence’. Externally, development policy executes EU relations with the developing world covering all the regions on the world geographical map. Wide reach and involvement of the development policy make it a unique and its operational parts involve certain principles and bodies of the EU. The format and operative part of development policy is not complex but principled, interlinked, smooth, and region specific. For every country, the European Commission has ‘Country Strategy paper’, which is the basic document for the conduct of EU’s operation in that specific country. For the ACP countries the structure and institution of development policy is different with that of ALA countries. For ACP countries the fund for the development comes from the EDF, it is looked by the Development Commission, whereas for the ALA development fund come from the general EU budget, and the policy is looked by the External Relation Commission. Still there are some common principles for the conduct and for operational part of development policy in all the regions and it comes in the thematic part of the development policy.

In this ‘Coordination, Complementarity, and Coherence’ are three features for the conduct of the development policy and commonly known as three ‘Cs’. During a workshop held in Brussels in 2003, the European Union’s Heads of Evaluation Taskforce agreed upon definitions for each ‘C’. Coordination has been defined as activities of two or more development partners that are intended to mobilize aid resources or to harmonise their policies, programmes, procedures and practices so as to maximize the development effectiveness of aid resources. Complementarity is intended to ensure that Community’s development policy shall be complementary to the policies pursued by the member states. This indicates that development cooperation is a shared competence between the Community and the member states, which can be jointly exercised. Coherence, probably the most debated of the 3 Cs is defined as, the non-occurrence of the effects of policy that are contrary to the intended results or aim of the policy. 60

Similar to the policy matter, EU has established guidelines for providing aid. There are several aid modalities of development policy suit the specific nature and character of the developing nation and for supporting the essential role in the broader context of the EU external action. These aid modalities are as follows.

1) Budget Support: this instrument used increasingly by the Community, recognized as the most effective of harmonizing interventions and aligning them with national policies and priorities. It is capable of responding current spending needs and keeps transaction costs down. The approach developed by the Community with the viable tranches linked to results; provide an incentive to pursue result-oriented poverty-reduction strategies.

2) Debt Cancellation: this offers an original response but one, which is, limited in time and even in volume. It is akin to the budget aid and used for a group of countries selected in accordance with objective criteria and with the level of commitment demonstrated by the country. The criterion is that the country must be heavily indebted and it must be poor and is committed to poverty reduction strategies and macroeconomic stabilities.

3) Sectoral Aid: this is often in the form of budget aid, but possibly delivered in a project form, given to support a particular sector policy.

4) Project Aid: individual projects or preferably projects that are apart of the Sectoral programme. These projects have advantage of being viable in certain circumstances such as crisis and post crises, and when the management conditions are not met and allow for involvement of a great variety of partners, particularly civil society and local authorities.

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5) Funds managed by the European Investment Bank: Until recently bank had rather passive role in the European development policy, but recently bank has provided funds to many ACP countries.

6) Micro-project Approach: this is programme-supporting investment in basic community structures aimed at fostering local development of essential services and political dialogue at various level.

7) Twinning: this finances the secondment of civil servants from the EU member states to beneficiary countries. It can be used to implement all institution capacity-building projects. Beneficiary countries select the twin member states and commit to undertake the funding reforms, while the member states commit to accompanying themselves to undertaking and funding reforms. This programme used to fund mostly the EU accession candidate countries and for ENP.

These modalities make development aid more effective and result oriented without much of diversion. The development policy is just not about aid but development policy of the EU is beyond aid and also covers trade. In fact, the development policy at its inception envisaged as a policy to provide trade concessions to the ex-colonies of France. Even the contemporary development policy both aid and trade has importance. EU has several preferential trade agreements with developing countries providing duty free access to the numerous commodities of the developing countries in the European market and this too come under the development policy of the EU. The development policy of the EU in that sense assists the developing countries to develop trade relation with the community and this is in line with the demand of the South to have trade and aid both as a part of development policy for donors.

To sum up the objectives of the development policy is well set in accordance to the changes in the world politic accommodating all the relevant concerns. Measures are taken to ensure that development policy of the Commission and of the member state remain harmonious. To manage the development cooperation policy of twenty-seven
states and of the community is not an easy task and under the conditionality of three Cs. Precise goals and instruments are the key for a proper conduct of development policy. The operational part of the development policy is unique avoiding any clash between development policies of two member States or between that of Community and member State. The priorities set for the conduct of development policy on the one hand zero it on certain areas to meet the basic objectives and on the other hand making it easy for the EU member State to formulate their agenda. The themes for the development policy are also its inimitable part. Themes provide wider scope and spectrum for the pursuit of development agenda without compromising on the basic structure of the development policy.

2.8 Assessing the Development Policy

Development co-operation policy was there in the basic draft which establishes the European Union, but it acquired significance in the post-cold war era when the Treaty of Maastricht in 1992 reconstructed it. Development policy is now looked as one of the important instrument of CFSP and connecting EU to the people living in the poorer regions of the World, which constitute presently 4.9 billion of total world's population and will increase to approximate 7.7 billion by the year 2050. Today, for the development policy, ACP countries are as important as bringing stability in the fragile Afghanistan. From poverty reduction to conflict prevention, to attaining the MDG, all are the equally important for development policy. This reflects upon the character of development policy, establishing the fact that international political events have its impact in deciding the direction and role of development policy.

In short, we can conclude that EU development co-operation policy has three distinct features. Firstly, it works on the principle of ‘coherence’ as established by the treaty of Maastricht. By ‘coherence’ it is applied that institutions and member states of the EU will co-ordinate and pursue the development co-operation policy under a common understanding. Secondly, achieving MDG is a basic and foremost target of the development co-operation policy. The policy of the Commission and of member states in
the area of development has primary task of poverty eradication. The aim poverty reduction is in the development co-operation policy of every member state of the EU (see table 2.6). Thirdly, the EU development policy has also accommodated the ‘development and conflict prevention’ theme and made certain provisions to bring the security agenda at the centre of the policy. These are the three features of the EU development co-operation policy in the contemporary time.

It also emerged in the above discussion that role, and scope of the development policy has increased in last couples of decades, and it will further increase in future. The character of development policy has undergone several changes in the past and is dependent on the international events. To sum up, EU has presently emerged as an important development partner of developing countries and it will play a significant role in the near future. Development policy will also shape the EU’s relation with the developing countries and regions and in this respect, the study of its role in South Asia is important. With clarity on the nature and character of development policy, it will now be easy to precede scrutinizing its implementation in South Asia.