

Poverty reduction and job creation in developing countries: the way forward

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The European Parliament adopted a resolution on poverty reduction and job creation in developing countries: the way forward.

The Parliament recalls that strong and sustainable economic growth within a stable, business-friendly environment helps create wealth and jobs and is therefore the surest and most sustainable route out of poverty. In this context, the Parliament supports the following actions:

Challenges for the developing countries

- **On the economy:** Members urge governments in developing countries to **diversify their economy** through the development of their manufacturing sector and to avoid overburdening businesses - especially SMEs - with excessive red tape. They also recall that 2.7 billion people currently have no access to credit, and that small enterprises, especially in the agricultural sector, need adequate financing to preserve existing jobs and create new ones. Accordingly, the resolution encourages developing countries to promote credit access, via micro-credit, micro-insurance and innovative credit agents, such as rural post offices. Developing countries are asked to treat the development of the agricultural sector as a priority when drawing up Country Strategy Papers and National Indicative Programmes. Members call on the EU to recognise the **contribution of the social economy** to job creation in developing countries, and to include the social economy in EU development programmes and cooperation strategies. At the same time, they stress the importance of all developing countries signing up to the ILO's Decent Work Agenda and the UN Social Protection Floor initiative, as well as the implementation of the right to freedom from forced labour and especially from child labour without exception, as without education children are condemned to a life in poverty.
- **On citizenship and governance:** all developing countries are asked to sign the UN Convention against Corruption urgently and EU Member States, and EU companies, must also respect the UN Convention. The Parliament believes that EU Member States should act as role models for developing countries in terms of **budgetary discipline**, tax collection and good governance. It urges all developing countries to foster independent parliaments, maximise involvement by civil society organisations in formulating public policy, and freedom of association for trade unions and the right to bargain collectively.

Shared challenges: Members reiterate their call for developing countries' national budgets and EU development aid to allocate at least **20% of their spending to health and basic education**. They also want a rethinking of privatisation policies, especially concerning utilities like water, sanitation and services of general interest. The resolution stresses the importance of **strong social protection systems**, and free and **full access for all to educational systems**, and the need for all development strategies to pay special attention to the most vulnerable and marginalised, especially women, children, older people and people with disabilities. The resolution also highlights the **problem of child labour** and recognises that it is one of the major obstacles to achieving universal primary education completion and reducing poverty. It calls for the promotion of inter-agency coordination and alignment in education aid and child labour policy through strengthening existing mechanisms, including the Global Task Force for Child Labour and Education.

Challenges for donors

- **On aid:** Members urge all rich countries, especially EU states, to keep their spending promises as regards aid, i.e. **at least 0.7% of GNI by 2015**. They underline that **export subsidies have led to the dumping of EU products** on developing countries' markets and contributed to job destruction by making local agricultural products uncompetitive and manufactured industrial goods uneconomical. The Parliament believes that **policy coherence** can bring fruitful results in terms of job creation. It calls therefore for a change in EU external policies as these have a direct impact on developing countries' economies and should be designed to support their sustainable needs in order to fight poverty. It also calls for **substantial additional funding** in order to combat the effects of climate change and the global economic crisis in developing countries, and wants basic education and public health to form the basis of development policies, insisting that the current situation cannot justify any reduction in national spending and international aid to these sectors. Members emphasise that the **EU has to revise its subsidy policies**, especially in the **agricultural sector** and in line with the needs of small and medium farmers in the EU, in order to facilitate fair trade conditions regarding developing countries. They ask all donors, once again, to adhere more faithfully to the aid effectiveness agenda, especially as regards donor coordination and accountability. The resolution also insists that the Commission make sure that the external dimension of the current reform of the Common Fisheries Policies will be mainstreamed with EU development policy as these are directly linked to the livelihood of the population in developing countries. The **fisheries sector** in many countries is crucial for employment and food security and therefore all developing countries should be eligible for EU sector support to develop their own sustainable fisheries industry, independent of any fisheries access agreement with the EU. Parliament expects that since policy coherence for development is now a Treaty requirement, EU policies in areas such as farming, trade, migration and fisheries will not in any way undermine development efforts. It intends to monitor closely how the EU fulfils this obligation. It calls on the Commission and the EU Member States to promote **sustainable enterprises with decent jobs creation as a specific sector of development cooperation** in line with the 2005 European Consensus on Development, and to foster its integration in more traditional sectors of development cooperation such as infrastructure, rural development, governance and trade-related assistance.
- **On new sources of funding:** Members want G20 nations to carry through on pledges to stamp out tax havens, to tighten up supervision of financial markets and to usher in tax information exchange. The resolution calls on the Commission and the Member States to enhance public financial support to small and micro enterprises and farmers in the developing countries, including the informal sector.
- **Capacity building and global governance:** the EU is urged to target its aid towards promoting capacity building in areas that will directly benefit the partner countries' economic fabric and create jobs, i.e. developing their productive capacity, building efficient tax systems, fighting corruption, strengthening institutions and civil society, facilitating access to microcredit and other sources of finance, etc. Members call for all EU development policies with an impact on job creation and poverty reduction to focus on measures which require governments, civil society, companies, foundations and local communities to **achieve the UN Millennium Development Goals (MDGs) by 2015**. The EU should take account of human rights and governance criteria when drawing up trade agreements and should not hesitate to **apply sanctions when states fail to respect their governance obligations**.

Parliament accepts the use of budget support only where there are watertight guarantees that funds will reach their intended destination and satisfy their original purpose and where recipients fulfil human rights and democratic governance criteria. It looks forward to more effective assessment and auditing of budget support to analyse if the intended goal is achieved and if governments in the recipient countries comply with the abovementioned criteria. It calls on the Commission to establish an IT-based scoreboard under the scrutiny of the European Parliament to assess the efficiency of Community aid in the field of poverty reduction, education and job creation.

Parliament calls for: (i) a coherent and credible proposal on EU post-election policy, which respects the free choice of the population in a given country;

(ii) a review of loan policies in order to support democratic and sustainable economic development choices by developing countries; (iii) concrete action to eradicate abuses of tax havens, tax evasion and illicit financial flights from developing countries and to promote these resources to be invested in developing countries; (iv) a new **binding global financial agreement** on the automatic disclosure by transnational corporate companies of the profits they made and the taxes they paid on a country-by-country basis; (v) support to the UN Social Floor Initiative to extend or implement sustainable social protection systems in developing countries by ensuring greater coherence in external relations policies and developing a Communication on Social Protection in development cooperation.

Challenges in the area of education: Members urge the EU to introduce assistance programmes for parents in various fields where poverty leads to a lack of knowledge with regard to bringing up children to ensure that children in developing countries have real opportunities. They also call on the Union to concentrate its efforts on identifying branches where developing countries have a competitive advantage whereby the establishment of work-based apprenticeships in these sectors shall be one of the main priorities of EU development aid.

Access to the market: lastly, Parliament calls on the Commission and the Member States to develop a coherent approach which respects the fundamentals of the free market and which guarantees reciprocity in the field of trade.