The Reform Agenda of the EU’s Development Policy

Dr. Stephen Dearden, Manchester Metropolitan University, UK
Email – s.dearden@mmu.ac.uk

Introduction
As an aid donor in its own right the European Commission (EC) should offer a number of significant advantages; it should ensure the coherence of EU policies – especially between aid and trade policies – offer the effectiveness of untied aid and achieve economies of scale in its own administration. In its relationship to the bilateral aid programmes of the Member States (MS) it should encourage coordination and complementarity, both with its own programmes and between bi-lateral aid programmes. The EC should also have a central role in administrative harmonisation, reducing the administrative burden on recipient government and encouraging the adoption of best practice. Politically it is possible that the multilateral funding of the EC may offer more ‘objective’ and consistent development assistance, free of the commercial and political considerations that often characterise national aid policies. In this paper I will be addressing the question as to whether the EC’s development programme has realised these expectations and how the Commission has responded to criticism.

Evaluation
Concern as to the effectiveness of the EC administered aid programme rose up the political agenda in the mid-90s. Principally driven by the impending renegotiation of the African, Caribbean and Pacific (ACP) groups Lomé Convention and the poor economic performance of these states, it was also influenced by the increasing share of total EU aid represented by the ECs own aid programme. Thus in 1995 the Council of Ministers requested a comprehensive evaluation of EC aid to the Mediterranean, Asia and Latin America and the ACP countries.

Here I will focus upon Monte’s et al (1998) assessment of the EC's ACP development programme, which was representative of the Commission’s general approach. They evaluated the programme in terms of clear objectives, coordination
with international donors, transparency and accountability, and focused upon the institutional capabilities and political commitment of recipient governments.

Until 1985 the objectives of the EC's development policy were not explicit. It was not until Lomé III, in 1985, that poverty reduction is mentioned, followed by gender objectives in Lomé IV and an emphasis upon human rights, good governance and the rule of law under Lomé IV bis (1995). But at the same time the number of instruments multiplied; a product of the expanding policy agenda of the EU - e.g. the European Parliament had generated a significant number of special budget lines – regardless of the administrative capacity of the EC. Although the ACP aid programme (European Development Funds) was administered by the EC, funding was divorced from the general budget of the EU and control lay with a separate EDF Committee, but this failed to coordinate with the Council of Ministers. At the same time Montes et al concluded that "EC aid has spread its activities too thinly and does not concentrate its resources where its strength lies. (page 5)."

Wider donor coordination, especially with the IMF and World Bank, had also been poor. The later emphasis upon structural adjustment conditionality and Policy Framework Papers provided some focus, and the Council of Ministers issued Guidelines for strengthening coordination in 1998. At the international level the problem had been addressed through mechanisms such as the Special Programme for Africa

In the original formulation of the Lomé Conventions it was assumed that ACP governments would themselves identify their development priorities and function as co-managers. However the economic crises of the 80s and the emphasis upon conditionality by the World Bank/IMF, led the EC to take a more interventionist stance. At the same time the limitations of many ACP administrations had become apparent, presenting major obstacles to efficient coordination. In some ACPs the EC, as with other donors, had created parallel administrative structures, often staffed by its own Technical Assistants as well as locally hired administrators. But with the EC taking the lead in development policy formulation there was a danger of the loss of local ‘ownership’, including ACPs’ governments’ commitment to reform\(^1\). Montes identified the danger of conditionality multiplying the number of objectives and

\(^1\) In the case of a number of micro projects, where there has been close involvement of civil society, there was evidence of greater project effectiveness.
instruments and overloading an already overburdened EC administration.

Finally, in terms of transparency and accountability the problems arise not only from the complexity of the EC’s aid programme but also from the weaknesses of the Commissions own management structure. Montes particularly identified the poor scrutiny of DG8 and expressed concern at the placing of the evaluation function within the Common Service (SCR - now EuropeAid).

Turning to the results of their review of previous evaluations and of their own case studies, Montes et al focused upon four criteria - the EC’s success in achieving poverty reduction and other priority objectives, the quality of the policy dialogue with the ACP governments, institutional strengthening and donor coordination. Their assessment concluded that the EC had only had limited success in achieving poverty reduction, good governance, gender equality and protection of the environment, except for a few localised targeted programmes, which often involved high administrative costs. Structural Adjustment Assistance (SAA) had not been linked to a commitment by ACP governments to reform nor had it succeeded in protecting the social sectors. STABEX (balance of payments support for ACPs dependent upon commodity exports) was more successful in targeting the poor but also lacked any association with a reform agenda. Public infrastructure expenditure in transport, agriculture and education lacked local participation and poverty impact assessments. Only in the health sector did Montes et al identify any real and sustained contribution to poverty alleviation.

The EC was found to have had even less focus upon the objectives of gender equality, democracy, rule-of-law and governance. It was not until Lomé IV bis that these issues appear on the agenda, as they had with the World Bank and IMF. As for the commitment to promoting environmental sustainability, a separate EC commissioned evaluation had found no clear strategy for integrating environmental objectives into country programmes or projects.

Failure to coordinate aid had led to donors pursuing competing objectives, duplicating programmes and overburdening ACP administrations. Nor had the donors attempted to share their expertise, carry out joint evaluations or exploited any specialist ‘comparative advantage’. A clear policy framework, strong public expenditure management systems and effective donor coordination, are regarded as central to any effective aid programme. These requirements applied equally to the relationship between the EC and the Member States as to the EC's relationship to
other international donors.

**Internal Administration**

Turning to the administration of the EU's development funds, Montes et al found an organisation with a focus upon administrative procedures and disbursement rather than results, with decision-making centralised in a fragmented Brussels bureaucracy. The Member States and the European Parliament had generated multiple budget lines and instruments but without coherent objectives, to be administered by an overstretched administration, both in Brussels and in the local Delegations. At the same time there was little effective monitoring or evaluation of EC aid.

Attempts had been made to introduce more rigor and consultation in the preparation of both the Country Strategy Papers (CSP) and the National Indicative Plans (NIP), but these were inconsistently formulated across both countries and sectors. In the case of the NIPs the quality of the consultation remained understandably poor in the case of those ACPs with weak civil administrations. The failure to link the NIP process with the ACP governments own budgetary exercises created additional burdens and may have contributed to the failure of the NIPs to reflect ACP priorities. The increasing emphasis upon Structural Adjustment Assistance (SAA) had also presented difficulties. Brussels had been unable to provide the necessary support to the local Delegations to ensure coordination with other donors and dialogue with the ACP governments. The degree of micro management and the extent of conditionality were perceived to be a problem. Overall SAA, especially in the health and education sectors, was believed to have delivered relatively little. However Montes et al regarded the shift to SAA as a useful part of the transition to a policy based approach, prefiguring the later emphasis upon general budget support, but they argued that the EC's macroeconomic expertise required strengthening.

Although the introduction of Project Cycle Management in 1993 had led to improvements, each stage in the cycle still demonstrated weaknesses. During project preparation the initiative for project proposals usually lay with the Commission or consultants rather than with the ACP governments. As a result projects were often unsustainable. The poor quality of many projects also reflected the lack of effective evaluation. Responsibility for quality control lay with the EDF Committee, but its limited technical capacity and its position at the end of the project preparation phase,
compromised its effectiveness.

With the implementation phase unnecessary delays occurred as a result of the excessive application of ex ante financial and administrative controls. At the same time ex poste monitoring was weak. This arose from the shared responsibility with the ACP governments, the focus upon financial audits rather than evaluation and the lack of a standardised monitoring system. The EC's limited in-house resources for evaluation suggested a need to focus upon key studies and where possible undertake joint evaluation with other donors. The transfer of responsibility for evaluation to the SCR also raised concerns about its institutional independence.

Within the Commission the internal structure of DG8 was highly fragmented. Coordination between the 7 geographical units and the 49 technical units was poor, especially for the thematic units (governance, gender, poverty and environment). However these weaknesses were recognised and DG8 was reorganised into a matrix structure of 12 geographical units and 9 ‘thematic’ units. The geographical units, together with the Delegations, had responsibility for identifying tasks, including the preparation of the country strategies, utilising the NIPs and annual Country Reviews. They then assembled teams to undertake the necessary work, drawing upon the thematic units. Implementation, after completing of the financing agreements, then passed to the Common Service (SCR). This division of policy from implementation was identified as a possible source of difficulties, particularly as the EC sought to focus its assistance upon supporting the reform agendas in the ACPs. Nonetheless the reorganisation of DG8 and the creation of the SCR were seen as the first stage in transforming the EC administration into a results-orientated ‘learning’ institution.

The Delegations themselves were found to have poorly defined responsibilities and limited decision-making power. Despite often possessing the most useful knowledge of ACP conditions and needs, authority was concentrated in Brussels. Delegations were often under-staffed, with a mismatch of skills and responsibilities. Project preparation frequently lacked adequate manpower, creating a reliance on Technical Assistants.

Montes et al made a series of detailed recommendations for change, not only in the approach of the EC itself, but also in the role of the Member States and their relationship to ACP governments. They called for transparent and simple performance criteria for assessing both the performance of the ACPs and of the efficiency of the EC's aid management; for the restructuring and simplifying of the Lomé institutions;
for the strengthening of the ACPs own aid management capacity, with the EC concentrating on ex poste monitoring. Where ACP governments lack commitment then the emphasis should shift to developing mechanisms to operate through partnerships with the civil society and NGOs.

Montes et al recommended general intensification of contacts between Member States and the EC at all levels, with the appointment of ‘lead coordinators’ for each ACP sector from amongst the Member States and the EC, to liaise with both the government and other donors. At the same time the EC was recommended to encourage joint reviews and evaluations with the Member States and pilot joint programming exercises, integrated with the ACPs normal budget procedures. The EC should prioritise the development of the ACPs own administrative capacity with a particular focus upon public expenditure management.

Finally within the EU itself there was a call for a more systematic approach by the Council of Ministers, with a strategic statement of development policy and the creation of multi-year work plans. At the same time the coordination of the EDF Committee, the Council of Ministers and the European Parliament needed to be significantly improved. The EDF Committee in particular was seen as fulfilling the strategic role of setting broad policy, coordinating with the Member States and adapting policy in response to evaluations. A strategic approach would allow the EC to focus upon those areas of activity where it had a comparative advantage - transport and Structural Adjustment Programmes (SAP). Since SAP required intensive evaluation this was a potentially important role for the EC, but would require strengthening of its macroeconomic expertise. Montes et al however argued for caution in any emphasis upon ‘regional cooperation’, as in the past this had proved relatively unsuccessful. A move to fewer aid instruments, with fewer budget lines, was to be welcomed, but they expressed caution in the shift of emphasis from project aid to sectoral programmes, given the limited administrative capacity of the ACPs.

In terms of the internal organisation of the EC they recommended revision of the 1991 Financial Regulation to allow greater flexibility in the allocation of funds and in the application of ex ante controls, while developing rigorous ex poste audits. They expressed some concern as to the fragmentation of aid management, with the creation of the SCR, and called for a clearer identification of the roles of all departments and units, with the creation of measurable performance objectives. Similarly the responsibilities of the Delegations needed to be more clearly defined. Peer review and
monitoring was seen as essential, with a central role to be performed by the Inter-
service Quality Support Group (IQSG), employing a clear set of performance
indicators and the systematic use of the evaluations, providing feedback to the process
of project and programme preparation. Given the essential role of the evaluation
function they questioned its incorporation in the SCR and argued for a separate unit,
reporting directly to the EDF Committee, and undertaking joint evaluations with the
Member States and ACPs wherever possible. Finally they advocated greater
decentralization, with greater responsibility devolved to Delegations, subject to
adequate resources being made available.

As we shall see most of these issues were to be addressed in subsequent
administrative and organisational reforms.

The Statement on Development Policy

The problem of a lack of clear policy objectives was addressed in April 2000 with the
adoption of a Statement on Development Policy by the Council (EC 2000b),
complemented by detailed administrative reform proposals (EC 2000a). Poverty
reduction was identified as the main objective of Community development policy,
with priority in resource allocation being given to low-income developing countries,
but this was qualified. The EU recognised the need to focus upon those areas of
activity where the Community had a comparative advantage. However, again this was
broadly drawn to include seven areas – the link between trade and development,
regional integration, macro-economic support, transport, rural development, health
and education, and institutional capacity building.

The Statement reaffirmed the ‘prime importance’ the EU attaches to the ‘quality
of the dialogue with the partner countries’. Through this dialogue the problems of
ensuring coherence with the LDC’s own domestic policies were to be addressed..
Similarly the benefits of coordination and the exploitation of complementarity in the
aid programmes of the EC and the Member States, together with the IMF/World
Bank, is explicitly recognized. This is an important consideration if the EC is to
concentrate its activities on a limited number of areas where it is perceived to have a
comparative advantage. However the need for coherence across the Community’s
own policies was given far less emphasis.

The Statement is of particular value in that it outlines the approach that will be
taken to implementing these broad objectives. It incorporates the arrangements agreed
in the post-2000 Cotonou Agreement for the ACPs, as well as anticipating the detailed proposals for reform of the administration of the EC’s external aid programme outlined below. It signals the move to decentralised decisions making and the reallocation of resources to the Delegations (‘deconcentration’), the strengthening of the programming process and the enhancement of the evaluation function. The move to ‘rolling programming’ is regarded as central to this process of flexible but efficient allocation of resources. The need to shift the focus of the EDF Committee from detailed control to consideration of strategic issues is specifically mentioned, as is the need to address the relationship between emergency relief and long-term development assistance ie. the ECHO problem. The commitment to a “more important place being afforded to programming, by the orientation of programming towards results, by the development of an appraisal culture…”, could have been written by Montes et al.

Reform of the Management of External Assistance
Complementing the broader Statement on Development Policy, the ‘Communication on the Reform of the Management of External Assistance’ (EC 2000a) identified in greater detail the problems that had arisen and outlined the actions that were proposed to tackle them. The inadequacies of the administration is seen most graphically in the long lags been commitment and disbursement. By the end of 1999 this was averaging 4.5 years and €20 bn. remained outstanding. The existing multi-annual programming documents were seen as failing to “define the framework for the management of different phases of the project cycle in sufficient detail. Expected results are often vaguely described and therefore difficult to monitor and control.” In response the Member States were becoming involved in micro management of individual projects rather than concentrating on broader policy issues. Changes in the organisational structure of the Commission had further compromised performance, although it was felt that the creation of the Common Service (SCR) in 1998 was already delivering improvements; with a reduction in payment delays and in the rate of growth of outstanding commitments, harmonised tendering procedures, standardised grant and procurement contracts.

The reform proposals reiterated the desire to shift primary administrative responsibility to the recipient LDC authorities, where they had sufficient administrative capacity (co-management). Where this was absent the option of co-financing with other donors, including Member State agencies who might take overall
management responsibility, was specifically identified. Where it remained necessary for the Commission itself to provide ‘in-house’ management, staff resources were to be reallocated to the Delegations.

The proposed new approach was to begin with the preparation of ‘Strategic Framework Papers’ reflecting the EU’s overall strategic priorities, these were then to inform the preparation of the individual Country Strategy Papers (CSP). These central documents, were to emerge from discussions with other donors, including the Member States, and with the recipient LDC government. They were to reflect the social, political and economic situation of each LDC. An Inter-service Quality Support Group (IQSG), situated in DG Dev but reporting directly to the RELEX Commissioners, was to ensure quality control in the preparation of the CSPs and to promote the adoption of best practice, including responses to evaluation results. Indeed evaluation was to be given much greater emphasis, with the Evaluation Unit also reporting directly to the RELEX Commissioners. The CSPs were then to form the basis of the NIPs in the case of the ACP states. In the six stages of the project cycle – programming, identification of projects, appraisal, financial allocation, implementation and evaluation – the role of the SCR was to be extended, from only implementation and evaluation to all stages except programming. The SCR was to be redesignated an Office (EuropeAid) governed by a Board composed of the RELEX Commissioners. Thus DG DEV (for the ACP) and DG RELEX (for other LDCs) were only to undertake the determination of the overall development strategies for each LDC and region. Some exceptions remained. DG ENLARG would continue to manage all of the cycle for the pre-accession instruments, DG ECOFIN macro-financial assistance (eg. debt relief) and ECHO for emergency aid.

**The International Development Committee**

In April 2002 the International Development Committee of the House of Commons (HC) published their latest review of the effectiveness of EC development aid.\(^2\) Whilst welcoming the clear commitment to poverty reduction in the Statement on Development Policy, the Committee believed that substantial work needed to be done to operationalise this in the process of formulating the EC’s broader policies, especially in the Doha Round of the WTO trade negotiations and the reform of the

---

\(^2\)For earlier reviews of the effectiveness of EC development assistance see Bossuyt et al (2000) and House of Commons (2000)
CAP. They continued to express concern at the bias in EC assistance towards middle-income developing countries; in 2000 EC ODA to low-income LDCs had fallen to 39% of the total. In part this reflected the EU’s focus upon the "near-abroad" (the Mediterranean and the Central/Eastern Europe) where security issues, rather than development objectives, dominated. The tendency to raid development budget lines to fund unforeseen needs - e.g. the Balkans crisis – had also been a cause for concern. The method of budgeting, where the "financial perspective" fails to map into activity based budget headings, contributed to this tendency and undermined transparency.

In organisational terms they welcomed the creation of EuropeAid, which had already delivered a reduction in bureaucracy and improvements in coordination. But they remained concerned at the division between policy and implementation; a view shared by the DG DEV Commissioner Poul Nielson. Similarly they regarded the division of responsibility between DG DEV and DG RELEX as irrational and believed that there was a clear need for a single Development Commissioner. An attempt has been made to clarify the relative roles of the two DGs and EuropeAid in an Inter-Service Agreement (2001). However a recent Internal Audit Service report has criticised the current external relations structure. The Committee was concerned that a single institutional focus should remain for EC development policy, covering both ACP and non-ACP states.

Again the Committee welcomed the adoption of CSPs as a central feature of development policy formation, but expressed concern at the effectiveness of local consultation, while recognising that the lack of ACP government capacity or commitment, or weaknesses in local civil organisation, may present serious difficulties in achieving local ‘ownership’. The process of ‘deconcentration’, with responsibility for implementation passing down to the Delegations, was seen as assisting in the development of the consultation process, as well as yielding better donor coordination and enhancing the Delegations "role in the generation and implementation of coherent national development plans" (p.25). Over the period 2001-2003 decentralisation to 78 Delegations was expected to be achieved, but the Committee was concerned as to whether the EC would allocate sufficient staff resources to the Delegations to ensure the success of this restructuring. There was concern that the quality of the ‘deconcentration’ project was being compromised by the demands for rapid change.
In terms of clearing the backlog of commitments substantial progress had been made. In the year to November 2001 95 pre-’95 commitments had been reduced by 45%, disbursements had risen 17% in 2001 and the delay between commitments and full disbursements reduced from an average of 5 years in 1998 to 4 years in 2001. Meanwhile ECHO, with a new Financial Regulation, had reduced the number of contractual procedures from 46 to 8 and introduced a ‘sunset clause’ placing a time limit on undisbursed commitments. However in 2000 payments will only amount to 59% of commitments. There was also concern that disbursement targets should not be pursued at the expense of the quality of projects.

Progress

By 2004 considerable progress had been made (EC 2004). The new management information tool for reporting, planning and forecasting – the Common Reflex Information System (CRIS) - had been implemented. Since 2002 an Office Quality Support Group within EuropeAid had appraised the implementation of 200 projects, while progress had been made in simplifying tendering and contracting procedures. The Interservice Quality Support Group (iQSG) had continued to have a central role in assessing Country Strategy Paper’s and by 2004 the mid term reviews had been completed for all countries except the ACPs. Country Factor Files had also been drafted jointly with the Member States to summarise all agreements and contracts between the EU and the recipient country in order to enhance coordination. Since 2002 the EC has been involved with a pilot exercise to further improve EU harmonisation in Vietnam, Nicaragua, Mozambique and Morocco. While in the health sector joint Action Plans have been developed, with joint appraisals, pooled technical assistance and joint financing. This reflects the clear recognition of the need for aid harmonisation amongst all donors in order to reduce the administrative burden upon the recipient countries and to diminish the uncertainty in aid flows, which inhibits long run planning. Finally the problem of the coordination of the transition from humanitarian aid programmes, under ECHO administration, to the longer-term development phase of country support was addressed in the establishment of an inter-service group.

Nonetheless the EC’s own monitoring of its aid administration had identified a number of areas requiring improvement. Reviews of the country strategies had found that they often failed to adequately address problems of poor governance, corruption,
human rights and weak government commitment to development policies. The expected impact of EC aid programmes was often found to be far too ambitious, with an overoptimistic assessment of the recipient countries administrative capacity. Particular problems also arose with the integration of the cross-cutting gender objectives into development programmes (Lister 2003). Finally, lengthy administrative processes were still impeding implementation, with management hampered by the limited use of proper reporting, monitoring and evaluation. A further assessment is provided by the Results-Orientated Monitoring (ROM) undertaken by the Evaluation Unit, which in 2003 reviewed 903 projects, worth €7 bn. (EC 2004). The ROM considers the relevance of design, efficiency in implementation, and effectiveness in delivering benefits, impact and sustainability. While overall the results were satisfactory, the sustainability of EC funded projects was identified as the major weakness, suggesting the need for more clearly defined exit strategies.

However a number of broader issues remained unresolved and the EU’s development policy and the EC’s administration continued to be subject to criticism (e.g. House of Commons 2002, Santiso 2002, Mackie et al 2003, Maxwell & Engel 2003). Concern continued to be expressed at the bias in EC assistance towards the middle-income developing countries (60% EC ODA in 2000) and administratively a number of issues remain outstanding.

The existing budget management system failed to clearly identify the funding for specific activities, undermining transparency. Whilst considerable progress has been made in establishing Country Strategy Papers as central to the policy formation process concern remained about the consistency of their quality, their ability to deal with cross cutting issues and their analytical depth. Doubts had also been expressed as to the degree of participation by recipient governments and their civil societies, and the degree of coordination with Member States’ bilateral programmes and other international donors. Implementation through rolling programming had also raised questions about the administrative burden this may place upon developing countries civil services. Similarly, although by 2004 deconcentration to 61 Delegations had been completed and almost 1,600 additional staff transferred, the effectiveness of the programme remained to be fully assessed, especially in regard to the enhancement of their policy role. Finally, the degree to which the EC’s development administration has been transformed from a legalistic bureaucracy to a ‘learning organisation’ remained open to question. The enhancement of the evaluation function and its
effectiveness in influencing policy revision is central to this transformation. This is especially true given the movement towards general budget support and away from specific project aid. Whilst this may be administratively convenient it presents more significant problems of monitoring and evaluation. But above all concerns have been expressed at the excessive emphasis upon disbursement rates, rather than impact assessments, in discussions as to the EC’s administrative performance.

The Country Strategy Papers
Although a degree of consistency in the preparation of CSPs was established by the IQSG, each had its own characteristics, reflecting the individual circumstances of the developing country for which it was prepared, as well as the approach of the local Delegations and Brussels desk officers. Common strengths and weaknesses were however to emerge which were to inform the subsequent evolution of the CSP process. It will be useful to contrast three CSP reviews covering South America, Africa and the Pacific before considering the EC’s own assessment of its CSP framework.

Bolivia
The Bolivian CSP (Dearden 2003) drew heavily upon the World Bank approved Bolivian Poverty Reduction Strategy (BPRS). By doing so it ensured a strong poverty focus and policy coordination with other international donors. But the EC’s CSP offers a more critical appraisal of Bolivia's economic and social performance than that in the BPRS, as well as outlining the mechanisms for the implementation of the EC’s own programmes, including clear assessment indicators. Nonetheless a number of potential weaknesses remained.

Despite the emphasis upon complementarity with other donors and references to the BPRS, the reasons for the choice of programmes still remained unclear. There was no reference to the ‘value-added’ that the EC might bring to its aid projects and rather cursory reference to previous evaluations of the performance of the EC’s Bolivian assistance programme. The choice of an ‘alternative development’ programme, to be implemented in the illicit coca producing areas, appeared to be driven by the EU’s concern with its own global anti-drugs policy, building on the EU-Andean ‘specialised drugs dialogue’ which was signed in 1995. This is an interesting example of the reality of the interaction of the EU’s development and wider external relations
objectives.

Similarly the substantial commitment to the funding of the Santa Cruz - Puerto Suarez highway is justified as meeting the EU’s particular commitment to regional integration. This despite questions being raised as to the effectiveness of many of the EC’s ‘regional’ programmes and the supposed move away from specific project towards more fungible budget and sectoral support. Finally, as we will see with many CSPs, the implementation of the ‘cross-cutting’ themes, outside of the context of specific projects, is proved problematic, both for the EC and the Bolivian government. There raises the question as to whether the emphasis upon ‘cross-cutting’ issues reflects an impractical approach to fulfilling fashionable political objectives, generated by the European Parliament, or whether it is an area that required the development of a more sophisticated methodology for implementation.

Throughout the CSP there are guarded references to the problems of social conflict - the loss of trust between government and civil organisations - and good governance. The comprehensive programme of institutional and political reform outlined in the BPRS is clearly central to the country's development strategy, and this is recognised in the CSP. As technical assistance and support for institutional and administrative reform is mainly to be undertaken under the aid programmes of the EU’s Member States, it emphasised the central role that coordination would have to play if the EC's programme is to deliver its Bolivian aid objectives. Such coordination would also be essential if the EU was to collectively realise its full potential in influencing the direction of Bolivian government policy and to ensure an alternative voice in the Bolivian development debate to that of the IMF and World Bank.

Namibia

Unlike Bolivia the IMF/World Bank has limited involvement in Namibia and the EC represents the major multilateral donor. In keeping with the Statement on Development Policy the CSP clearly identified poverty reduction as the priority in the EC’s approach to its Namibian assistance programme, with an emphasis upon capacity building. It demonstrated a clear focus upon those areas where a comparative advantage had been identified and recognised the importance of transferring administrative responsibility, as far as possible, to the local public administration.

---

3 Dearden 2004
Indeed the efficiency of the local public administration was explicitly recognised as the major factor contributing to the effectiveness of the EC’s programme in this country.

The CSP also explicitly addresses the issues of complementarity, coherence and consistency. However, while it outlined the complexity of the number of multilateral and bilateral agencies who are involved in Namibia and the ad hoc sectoral division of labour, with the EC the lead donor in rural development, it failed to identify any EC strategy for enhancing EU Member State/EC co-operation or addressed issues such as cofinancing or administrative harmonisation. Attention was certainly drawn to the best practice example of the coordination in the existing basic education assistance programme and the effectiveness of the Namibian government’s own coordination framework in some sectors.

In considering the coherence of EU policy, in particular the relationship between aid and trade, the CSP could do little other than note the impact upon Namibia’s beef exports, under the Cotonou Beef Protocol, of falling EU prices with CAP reform. The comments in relation to the failure to reach an agreement on an EU-Namibian fisheries agreement appear an expression of EU commercial interests rather than an analysis of this sector from a Namibian development perspective.

The CSP also demonstrated the usual weaknesses in addressing the ‘cross-cutting’ issues other than in terms of the environmental, where Namibia was seen as having a relatively robust legislative framework, and in the focus on girls’ education in the country’s education programmes.

Although the Cotonou Agreement provided some guidance as to the ‘needs’ and ‘performance’ criteria which the EC will adopt in determining the level of development aid to any country, the application of these criteria to Namibia were opaque. In terms of ‘needs’ criteria, while acknowledging the highly unequal distribution of income and with some dependence upon primary exports, Namibia has a low level of indebtedness and is a middle-income developing country. In terms of the ‘performance’ assessment, although the NIP provides indicators for each of the EC’s programmes, many of these were of a very general nature. The lack of quantitative criteria against which to judge the effectiveness of the assistance was of some concern, particularly in the case of the rural development programme, although the sources of such potential data are indicated. With the central importance assigned to the objective of reducing poverty, the principal performance indicator was the
reduction in the proportion of poor or severely poor rural households by 5% by 2006. Nonetheless there was insufficient attention to the employment of poverty impact assessments in project and programme design as recommended by the CSE.

Overall, despite concern at rising public sector deficits and an emphasis upon the need for further institutional reform, the CSP offered a generally favourable assessment of Namibia’s progress. But it remained unclear what criteria determined the overall level of assistance other than a general continuity with that offered under previous EDFs, and how far the global EC assistance programme took into account the funding likely by EU Member State donors.

The Namibian CSP clearly reflected the EU’s new development policy framework, with a concentration upon those sectors where the EC was seen as offering a “comparative advantage”, a shift to sector-wide programmes, institution capacity building especially focused upon budgetary control and trade negotiation capacity, and an emphasise upon the cross-cutting themes. The CSP also responded to the criticisms and recommendations of a previous Country Strategy Evaluation (Montes 2001). Nonetheless a number of issues remained inadequately addressed, including donor coordination, the links to the government’s programme of decentralisation, the sustaining of the high standards of public administration that had been so crucial to the success of the EU’s aid programme, the problematic role of non-state actors and the creation of “ownership”, the lack of poverty impact evaluation and adequacy of general evaluation. But of particular concern was that, as the lead donor, the level of general analysis and programme detail provided in the CSP appeared somewhat superficial.

The Pacific

The Pacific component of the ACP group is the least significant to the EU in economic and strategic terms and has a limited claim to a priority under a ‘poverty focused’ development. Except for France there is now little EU political interest in the Pacific. Currently the ‘sphere of interest’ of Australia and New Zealand – and the East Asian powers of the Pacific rim – China, Taiwan, Korea, Japan and Indonesia – the EU is very much a supporting player. Nonetheless the lack of presence of most of the EU Member States, except France and the United Kingdom, offers the EC the

4 Dearden 2004a
opportunity to exploit its role of ‘comparative advantage’ without fear of duplicating the effort of other Member States.

Fiji and the Cook Islands represent contrasting examples of the development situation of the PACPs. Fiji, one of the two largest economies of the region, with significant sugar exports to the EU, and the Cook Islands, one of the smaller micro-states, with few economic links other than tourism. However both share some of the classic small island economic problems of un-diversified economies. They also share problems of ‘governance’; clientelism in the case of the Cook Islands and, far more significantly in the case of Fiji, unresolved ethnic tensions. In both cases however, the EU is a secondary aid provider relative to Australia and New Zealand. As these two countries move closer together in their aid programmes it is important that the EU responds, both in terms of its policy dialogue and in terms of administrative harmonisation.

Fiji also represents a particular example of the importance of policy coherence in the EU’s formulation of its CSPs. Fiji’s trade relations with the EU are dominated by its sugar exports (92% of all EU exports) under the Sugar Protocol. This has been subject to challenge by other producers and has already been eroded by CAP reform reducing the guaranteed price. Although the competitiveness of Fijian sugar exports is also determined by the failure to restructure the local sugar industry, nonetheless the changing trade environment must be central to any analysis of Fiji’s economic development. Unfortunately likely change in EU trade preferences lie outside the scope of the CSP analysis. But overall it must also be recognised that the small scale of the EU Delegations to the region constrains, even more than usual, its ability to undertake economic, political and environmental assessments. The concentration upon the rate of dispersement of funds as a ‘performance’ criterion may be a symptom of this over-concentration upon the administrative demands of aid. A lack of policy analysis might already have led to an over-emphasise upon the potential for regional integration, obscured by the strengths of the Pacific Forum Secretariat, and a failure to address the distribution of benefits from the Regional Indicative Programme across the Pacific ACP states.
Implementation of a Common Framework

The weaknesses illustrated in the three case studies I have reviewed were reflected in an overall assessment of the implementation of the CSP formulation process (EC 2002). The IQSG concluded that “the link between the analysis of the political, economic and social situation/complementarity/lessons learnt and the Commission’s response strategy” was often weak. Addressing policy coherence was also a general problem, particularly in regard to the EU’s agricultural and fisheries policy. This was recognised as presenting a substantial challenge for individual CSPs given the fragmentation of the decision-making across different EU policies. Organisationally the strongest links were provided by the “Country Teams” in Brussels, which bring together the various representatives of individual DGs, ECHO and EuropeAid. However these arrangements remained ad hoc. With deconcentration and an enhanced role for the Delegations in CSP formulation, there was the danger that the efficacy of this mechanism for ensuring a degree of coherence might be reduced. The Progress Report also questioned the underlying assumptions of the CSPs, asking whether they should regard the EU’s other relevant polices as a given framework within which the CSP should be formulated, or as a “dynamic strategy process” to inform such policies.

It was also recognised that addressing the “cross-cutting” issues had proved problematic, as had integrating Country/Regional programming and funding through the thematic/horizontal budget lines. It was hoped that this latter problem would be addressed through the reduction in the number of EU budget lines.

A number of weaknesses were also identified by the EDF Management Committee in regard to the ACP CSPs – specifically, the depth of the poverty analysis, the refinement of the performance indicators, the criteria for the release of macroeconomic support and the involvement of non-state actors (NSA). For the ACPs although the Cotonou Agreement includes criteria for assessing both ‘needs’ and ‘performance’ these are not ‘operational’ performance indicators. The Cotonou Agreement does provide further guidance in that it called for a locally managed assessment of five programme elements (Annex IV, Article 5) – the results achieved in terms of identified targets in the focal and non-focal sectors, use of resources by

---

5 per capita income, population, social indicators, indebtedness, export dependence.
6 Implementation of institutional reforms, poverty alleviation, efficient use of resources, sustainable development and macroeconomic and sectoral performance.
NSAs, effectiveness of implementation of the current operations and the extension of the programming perspective for the following seven years. But while the Progress Report acknowledged the central importance of appropriate performance indicators and the need to avoid an unnecessary burden upon the LDC administrations, it found that they were often too numerous in the CSPs and non-quantitative.

The creation of relevant, robust, but rigorous performance indicators raises considerable methodological problems and is being addressed in international aid forums (e.g. DAC). Indeed one of the recognised problems is the need to develop a greater degree of harmonisation across all donors, both in terms of their CSP methodology and in terms of their administrative requirements. The World Bank, the UN Development Agencies and the bilateral programmes of the EU Member States, as well as the EC, all had their own approaches. In particular the Progress Report called for the streamlining of strategy documents, with the identification and employment of common building blocks, and the synchronising of the aid programming and review exercise, centred on the recipient country’s own budgetary and strategy process (e.g. Country Poverty Reduction Strategy). Such an approach would require mutual consultation of all the key donors and here the EC is ideally placed to play a central coordinating role.

Assessment of the Reform Process
With the completion of most of the reform of the EC’s external assistance programme by the end of 2004 the Council called upon the Commission to conduct a qualitative assessment of the impact of the changes and to identify further potential improvements. The report (EC 2005b) underlined the increasing ‘poverty focus’ of EC aid, with the percentage of the aid budget allocated to low income developing countries increasing from 34 % in 1999 to 44 % in 2003. The transfer of responsibility to local Delegations had been completed, with 70 % of all funds now managed locally. Deconcentration had been supported by the further development of the Common Reflex Information System (CRIS), which as well as financial data also includes information on project implementation. In addition the Commission has completed the harmonisation of working methods across all the geographical regions.

The reforms had resulted in a 17 % increase in the rate of payments from the budget and a 37 % increase from the EDF since 2001. At the same time the funds remaining as outstanding commitments (RAL) had finally stabilised since 2000 at
approximately €20 bn. As well as improving the volume of funding increasing attention had been paid to improving the quality of projects and programmes, including the creation of Quality Support Groups (QSG). By the end of 2004 one-third of all projects and programmes were subject to the QSG process. Similarly the monitoring of ongoing projects and final evaluation had received greater emphasis.

The data emerging from the Results Orientated Monitoring (ROM), introduced in 2001, had demonstrated a steady improvement in all five criteria for project performance (EC 2005b). ‘Relevance’ had shown the greatest improvement of 0.12 over the period 2001-2004, while ‘effectiveness’ had improved the least at 0.05. Overall the average increased over the period from 2.58 to 2.68. In 2004 only 2% of projects monitored were found to have any major problems. However other ROM evidence for ACP projects alone from the 2006 Annual Report (Table 17: EC 2006d) is less encouraging. The overall score fell from 2.57 in 2001 to 2.49 in 2004, with deteriorations in ‘sustainability’ (0.13), ‘effectiveness’ (0.09) and ‘impact’ (0.07). At the end of 2004 a new system of calculation was introduced, but ‘efficiency’, ‘effectiveness’ and ‘impact’ continued to achieve a lower rating.

Sector level evaluations have also identified weaknesses. In particular programmes covering the transport sector have varied in their performance across countries and regions and often lack appropriate attention to institutional constraints and the maintenance of existing infrastructure. In addition the monitoring of the impact of transport sector programmes had not been systematically undertaken. In terms of the EC’s Food Security and Food Aid programmes the report suggested that the efficiency of indirect food aid and food security was not yet adequate. Finally with Trade-Related Assistance the evaluation suggested that it had not been systematically or strategically addressed. The EC had merely been reactive to partner countries demands, with the rigidity of the Commission’s procedures delaying implementation and negatively affecting efficiency. Overall the evaluations suggested that improvements could be achieved by addressing the difficulty of establishing enduring partnerships with beneficiaries, reforming the Financial Regulation to improve administrative efficiency, further increasing the emphasis upon assessing impacts and through a further focus of EC assistance.

---

7 The five criteria are relevance, efficiency, effectiveness, impact and sustainability. The evaluation scale ranges from 1 (major problems) to 4 (very good).
Under the Cotonou Agreement mid-term reviews had been undertaken for 62 ACP countries. Of these 15 were rated as good performers and 33 as satisfactory, while 14 were regarded as performing inadequately. As a result in six cases the CSP was reviewed. Overall it was concluded that most ACPs benefited ‘substantially’ or ‘sufficiently’ from community aid.

The report indicates that the EC believed the reform programme had made a significant contribution to addressing many of the weaknesses that had been identified in previous assessments and laid a firm foundation for further improvement. At the same time it clearly signalled that the Council and the European Parliament also had their contribution to make to ensure the effectiveness of EU external assistance. In particular it emphasises the contribution that the new Financial Regulation could make to more efficient aid administration and the need for restraint in the creation of new policy initiatives, which have undermined the attempts to introduce a clearer focus in country programming and implementation 8.

The 2005 Policy Statement

With the installation of a new Commission and a new emphasis upon the international development effort, as expressed in the Millennium Development Goals, the need for a restatement of the EU’s development policy was felt to be overdue. This new ‘Development Consensus’ (European Commission 2005), was accompanied by a series of Communications from the Commission addressing aid effectiveness. These outlined in detail the ‘strategic deliverables’ (COM(2006)87), the approach to monitoring Member States aid performance (COM(2006)85) and the future of joint programming (COM(2006)88).

The new Policy Statement reiterated many of the objectives and commitments outlined in the original Statement but also reflected the evolution of community development policy over the intervening years. It defends the role of the EC in this area of shared competence as offering distinct advantages over the development programmes of the Member States. The EC, it argues, offers a global presence, policy coherence (particularly in regard to trade), a crucial role in facilitating coordination and harmonisation, in promoting ‘best practice’ across the EU and offering particular experience in the areas of governance and democracy promotion. Three “policies” are

---

8 The instruments for the new Financial Perspective have been reduced to six (see EC 2004)
identified – the European Neighbourhood and Partnership; Development Co-operation; Pre-accession – and three instruments – humanitarian, stability and macro assistance.

In response to previous criticisms the document asserts the priority of assistance to the low-income developing countries, but this is qualified by a commitment to the medium-income developing countries on the grounds of their large low-income populations, inequalities, weak government and their importance as ‘regional anchors’. Again, while it emphasises the need for the EC to concentrate upon its areas of comparative advantage these are broadly defined, with the addition of water, energy, rural development and agriculture, and “social cohesion and employment”, to the original list of areas of activity. Aid will be based upon “the use of standard, objective and transparent resource allocation criteria based on needs and performance.” Unfortunately the “needs and performance criteria” are based upon those of the Cotonou Agreement, which remain rather imprecise. Whilst the ‘Development Consensus’ recognises the difficulties that have arisen with mainstreaming the ‘cross-cutting issues’ and commits the EC to re-launching its approach through the use of impact assessments, the CSPs, etc, it has also expanded the themes to include children’s and indigenous peoples rights and HIV/AIDS. This may reflect political expediency rather than administrative realism.

The document emphasises the EC’s focus upon results and performance-based assessment, with conditionality expressed as a ‘contract’ with the partner country. It recognises that aid effectiveness will only be achieved through “national ownership, donor coordination and harmonisation, starting at the field level, alignment to the recipient countries systems and results orientation”. The EC, in keeping with the 2005 Paris Declaration on Aid Effectiveness, commits itself to a coordinating role with an emphasis upon the development of country ‘Roadmaps’, Joint Multi-annual Programming based upon the LDCs Poverty Reduction Strategy, shared analysis, joint donor missions and co-financing. In terms of internal policy coherence the Commission will be preparing a Work Programme (Policy Coherence for Development) that will define roles and responsibilities within the EU and determine priorities.

The Statement also reasserts the objective of moving towards budgetary support as the principal aid mechanism. It is argued that such an approach will promote harmonisation, alignment with LDC policies and facilitate ‘ownership’, encouraged a
‘results based’ approach, enhance the partners’ financial management capacities and offer lower transaction costs. Although this shift from project aid to budgetary support recognises the realities of ‘fungibility’, it will place additional burdens upon the EC’s Delegations in ensuring effective monitoring and evaluation. Administratively the EC has re-committed itself to streamlining procedures and deconcentration. Overall the EC has also committed itself to focusing upon the quality of the formulation of projects and programmes through the better user of monitoring tools and evaluations, which “should result in a clearer input into the programming and identification process.”

**Aid Delivery**

The strategy for enhancing the EU’s aid effectiveness is outlined in an accompanying Commission Communication (COM(2006)87) which also provides an Action Plan with clearly defined targets or ‘deliverables’. These are to achieve three objectives – the enhancement of the Community’s development policy knowledge base; administrative harmonisation to meet the commitments made under the Paris Declaration (2005); and increased coordination between the EC and the MS.

The first objective will be achieved by the further refinement of the Donor Atlas, which identifies the distribution of aid by the EC and the MS. This will be accompanied by the compiling of a Compendium summarising all MS and EC rules, laying the foundations for further procedural harmonisation. Finally the EC will seek to strengthen its monitoring mechanisms through its participation in the OECD/DAC Joint Venture on Monitoring, which will undertake country surveys measuring progress against the Paris Declaration commitments, and through an Annual Report on the progress in achieving the Monterrey commitments on aid volumes and effectiveness.

To achieve the second objective ‘Roadmaps’ will be prepared to specifically identify the potential for further harmonisation at the country level. Further the Commission is proposing the adoption of a common framework amongst EU donors for the preparation of Country Strategy Papers. In turn these can form the basis for Joint Multi-annual Programming (JMP), including joint disbursement and reporting mechanisms. This approach has the potential to significantly reduce the administrative burden on the partner LDC, as has already been demonstrated in a number of pilot countries (e.g. Zambia and Mozambique).
Finally the Commission proposes to enhance EU coordination through greater emphasise upon a rationale division of labour, exploiting individual partners comparative advantage. In particular the potential for co-financing is emphasised, either with MS providing additional funding for EC-led programmes (‘passive’) or the EC supplementing MS-led programmes (‘active’). The EC also identifies the potential for a greater role in promoting best practice across the EU, including joint training initiatives and the establishment of a European Development Research Centre Network to promote ‘a comprehensive EU perspective and analytical capacity’.

**Joint Multi Annual Programming**

As already described, central to achieving more effective coordination and complementarity in EU aid is the proposal to develop a common EU framework for drafting Country Strategy Papers which can then be used as a basis for JMP\(^9\). This approach is intended to be applied to all of the EU's external aid programmes and has been developed after a review of the various methods employed by the MS and the evaluation of three pilot projects in Tanzania, Uganda and Zambia. The principles of a common framework reiterate many of those already established in the implementation of the EC's own CSPs. The document emphasises the importance of partnership, compatibility with the objectives outlined in the ‘Development Consensus’ in the 2005 Development Statement and consistency with the EU’s other policies. As before CSPs are expected to address the cross-cutting themes, focus upon a limited number of areas where the donors have a comparative advantage, involve NSAs and ensure ownership by, and alignment with, the partner countries priorities. Although the EC recognises that the approach must be sufficiently flexible to address the differing situations of each LDC it nonetheless proposes that budget support should be employed wherever possible. Finally it emphasises the importance of CSPs reflecting an effective response to previous internal and external evaluations and the adoption of a results-based approach, with the inclusion in of key indicators for measuring the impact of aid.

Nine essential components are identified for inclusion in any CSP - details of the existing agreements with the LDC; analysis of the political, economic, commercial, social and environmental situation; the partner countries development

\(^9\) COM(2006)88
strategy; an assessment of the viability of current policies; an overview of past cooperation, including evaluations; the state of the political dialogue; coordination and consistency with other donors, and consistency with EU policies; the donor response strategy (including NIPs); summary profiles, harmonisation roadmap and donor matrix. The Commission believes that this framework can be employed by all MS with little need for any substantial change their procedures, encourages joint analysis, policy convergence and provides the basis for JMP.

JMP, build upon joint analysis, would involved agreed cooperation objectives, selection of focal areas, division of labour, outlined financial locations, risk analysis and finally, commitments by the partner countries. Performance indicators would also be agreed and jointly monitored. The decision to initiate JMP, and its particular form, will be a decision to be made by the EU Delegation and its local partners, drawing upon the harmonisation ‘Roadmap’. As with the adoption of a more comprehensive and analytically sophisticated framework for the CSPs, this will place a significant burden upon the local Delegations. Increasingly the quality of the EC aid programme will be determined by the effectiveness of these local Delegations. Thus the success of the programme of administrative ‘deconcentration’ will be central to the overall effectiveness of the delivery of EU development policy.

Conclusion

The 2005 Development Policy Statement and its accompanying Action plans address many of the criticisms and weaknesses that have been identified over the last decade. But as with the first reform proposals the effectiveness of the new programme will be determined in its implementation. A number of issues remain outstanding. Some are of an administrative nature e.g. the adequate resourcing of the Delegations to undertake their new analytical and policy-driving role, the relationships of the Delegations to Brussels and the reconciliation of country flexibility with development policy consistency. Other issues have a political dimension e.g. budgetisation or the current organisational structure of the Commission, especially the policy split between DG DEV and DG RELEX, which many see as reflecting the unresolved issue of the relationship between a poverty-reduction orientated development policy and the wider concerns of EU external relations. These wider EU interests can be seen reflected in the emphasis upon migration or money laundering in the country assessment framework. This also embodies the EU’s established ‘world view’ in its
emphasise upon regional integration and integration into the world economy through the adoption of freer trade; a fundamental premise reflected in the EU’s approach to the EPA negotiations.

While the EU’s approach is in most respects clearly aligned with that of the World Bank/IMF, indeed specifically recognises the crucial role of international harmonisation in ensuring aid effectiveness, it is nonetheless also seeking to develop a distinctive European perspective through such actions as the establishment of an EU-wide research network and publication of a European Development Report. As well as raising the EU’s collective profile such activities may also make a contribution to fostering policy convergence amongst the MS themselves, beyond the actions proposed to enhance national aid programme coordination\textsuperscript{10}. Further the EC has proposed more formal coordination in international fora, for example amongst the MS Directors at the World Bank, in order to enhance the collective influence of the EU.

At the UN Millenium Review Summit in September 2005 the EU, both collectively and individually, undertook to substantial increase its aid in order to achieve the MDG. By 2010 the EU is committed to achieving ODA equal to 0.56% of its GNI, with a 50% increase in its aid to Africa. For the EC alone the external actions budget will increase by 4.5% p.a. over the period 2007-2013, with EDF10 allocated €22.68 bn. However this will represent a fall in the overall share of EU aid accounted for by the EC from 20% in 2006 to 13% by 2013\textsuperscript{11}. As a consequence the EC is faced with two challenges: ensuring the effective distribution of its own increased volume of aid and enhancing its relationship with the bi-lateral aid programmes of the Member States. Such aid coordination offers the potential to substantially enhance aid effectiveness and this is finally being recognised in the current Action Plans. Indeed significant harmonisation has now become an international commitment between donors. But whether such harmonisation will further sustain the current development consensus or whether a distinctive ‘European voice’ will merge is likely to prove an interesting question.

\textsuperscript{10} For a discussion of the potential advantages of adopting the Open Method of Coordination in EU Development Policy see Dearden (2006).

\textsuperscript{11} EC 2006a
Bibliography


Dearden S. 2004a EU aid policy towards the Pacific ACPs with special reference to Fiji and the Cook Islands; European Development Policy Study Group Discussion Paper 31


European Commission 2001 Inter-Service Agreement between DG External Relations, DG Development and EuropeAid Co-operation Office.


European Commission 2000b The European Community's Development Policy: Statement by the Council and the Commission


European Commission 2005 The European Consensus on Development: Joint Statement (14820/05)


European Commission 2006b  EU Aid: Delivering more, better and faster: COM(2006)87

European Commission 2006c  Increasing the Impact of EU Aid; A common framework for drafting country strategy papers and joint multi-annual programming: COM(2006)88


House of Commons International Development Committee 2002  The Effectiveness of the Reforms of European Development Assistance, Second Report of Session 2001-02, HC 417

Montes C, Migliorisi S. & Wolfe T. 1998  An Evaluation of EU Aid to the ACP, European Commission, Ref. 951338