

Does the European Union's Development Policy Have Any Future?

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This paper reviews the response of the European Commission to a number of critical assessments of its administration of the EU's development assistance programme. Focusing particularly upon the ACP group it considers the recent Cotonou Agreement in the context of this reform agenda. Finally it offers an assessment of the options that may present themselves should this reform programme fail to satisfy criticism from the Member States.

In 2000 the European Communities Official Development Assistance (ODA) totaled € 4.9 bn., of which €1.5 bn. was provided by the European Development Fund (EDF). The total represents 10% of all ODA given by the OECD Assistance Committee. This makes the EC, in its own right, the fourth largest donor after Japan, the US and Germany.

As a multilateral aid mechanism the EC should offer a number of significant advantages in achieving global poverty reduction over bilateral programmes. It should avoid unnecessary duplication of assistance, including reducing the administrative burden on recipient governments and it should yield economies of scale in administration and the benefits of untied aid. Through the funding from the general budget of the EC it would be expected to encourage additional contributions from the Member States than

would otherwise occur. The EC should also be capable of pursuing more 'objective' development goals, free of the commercial and political considerations that often characterise national aid policies.

The EC, as a development body in its own right, should also foster cooperation in the Member States national development policies, promulgate best practice and provide opportunities for coordination of the EU's development objectives with those of the EU's other policy activities, especially in relation to trade. In relation to international trade negotiations the EC has sole competence and only with an active development policy can the interrelationships between aid and trade be addressed.

This paper intends to address the question as to whether the EC has realised these advantages or whether it's administrative and policy failures leave the Commission's role in development policy "living on borrowed time" (House of Commons 2000). This paper will focus particularly on the EC's approach to the ACP group of countries and will ask if the recently signed Cotonou Agreement offers a response to the problems that were identified in the Commission's own evaluation. However Cotonou must be placed in the wider context of the reform process that has just begun and I will attempt to review progress to date, as well as to consider those issues which remain outstanding. Finally, I briefly discuss the options in the event of the failure of this reform process and the prospects for repatriation of development assistance.

Evaluating ACP Aid

As part of an overall evaluation of EC aid requested by the Council of Ministers in 1995 external consultants were employed to review the EC's assistance to the Mediterranean, Asia and Latin America and to the African, Caribbean and Pacific (ACP) countries. The ACPs relationship to the EC was governed by the Lomé Conventions, which covered both aid and the terms of trade. This review was particularly timely as it coincided with the renegotiation of a new EU-ACP Convention, which was to run from 2000.

In this part of the paper I wish to review the major weaknesses identified in the ACP study (Montes 1998) and ask how far the subsequent Cotonou Agreement with the ACPs addressed the criticisms.

Taking as their starting point the OECDs Development Assistance Committees (1996) approach, Montes et al assessed the EC's development performance 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. Montes argues that this expanding policy agenda reflects the process of political compromise at the heart of EC decision making. Within Member States there

was also often a lack of coordination between Development and Finance Ministries, while the EDF Committee failed to coordinate with the Council of Ministers. At the same time the European Parliament had generated a significant number of special budget lines. All these decisions failed to take into account the Commission's administrative capacity. Montes 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

However the inadequacies of many ACP civil services presents major obstacles to efficient coordination. The institutional weaknesses and political commitment of ACP governments has only recently been addressed in the shift from aid entitlements to aid conditionality. In the original formulation of the Lomé EC-ACP partnership relationship it was assumed that ACP governments would identify their development priorities and function as co-managers. 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. However with the EC taking the lead in development policy formulation there is the danger of the loss of local 'ownership', including ACPs' governments' commitment to reform. Montes also identified the danger of conditionality multiplying the number of

objectives and 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 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.

The issues of dialogue, institutional strengthening and donor coordination are intimately related. The capacity and commitment of ACP governments is essential to the effective application of aid. The shift from entitlements to conditionality has however created a number of problems for the dialogue process. The weaknesses of many ACP administrations has resulted in donors dominating the dialogue, with ACP governments accepting unrealistic demands and the undermining of 'ownership'. At the same time donors, including the EC, have subsequently been willing to disregard ACP failures to fulfill their requirements. The preparation of projects by foreign Technical Assistants (TA) has further eroded ACP involvement and led to unrealistic and inappropriate programmes. Only in the case of a number of micro projects, where there has been close involvement of civil society, was there evidence of greater effectiveness.

In ACPs where the civil service is weak the EC, as with other donors, has sometimes created parallel administrative structures, often staffed by TAs but also by locally hired administrators. This diversion of scarce local administrative talent has further undermined the institutional capacity of many ACPs. This is but one example of the cost of competition between donors as each pursues fulfillment of its own aid objectives. However the fungibility of aid implies that effectiveness must depend upon

coordination between donors rather than such wasteful duplication. With an adequate administrative capacity ACP governments should be able to fulfill the coordination role, but in the absence of such institutional strength the initiative for coordination must lie with the donors. Failure to coordinate aid had led to donors pursuing competing objectives, duplicating programmes and overburdening ACP administrations. Nor have the donors attempted to share their expertise, carried out joint evaluations or exploited any specialist 'comparative advantage'. For the EC Montes et al identified particular expertise in the areas of agriculture and transport.

A clear policy framework, strong public expenditure management systems and effective donor coordination, are regarded as central to an effective EC aid programme. These arguments applied equally to the relationship between the EC and the Member States as to the EC's relationship to other international donors.

Turning specifically 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, where decision-making was centralised in a fragmented Brussels bureaucracy. The Member States and the European Parliament had generated multiple budget lines and instruments but with no coherent objectives, to be administered by an over stretched 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 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 relative ly little. However Montes regarded the shift to SAA as a useful part of the transition to a policy based approach, but 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 (TAs) 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, especially with

programme aid and rural development assistance. This arose from 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 suggests 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.

Montes et al identified a number of constraints upon the effective administration of EU aid. The lack of an overall statement of EU development policy resulted in a lack of clear objectives and there were inadequate institutional links between the EDF Committee, the Council of Ministers and the Committees of the European Parliament. The EDF Committee, in particular, failed to fulfill its coordinating role. The Commission has also faced constraints on its use of financial and human resources, especially in the Delegations. Existing financial regulations and the EC's inflexible recruitment policy have also been major constraints.

Although Lomé placed responsibility for aid management with ACP governments, in reality their weak administrations resulted in this role being assumed by the EC's own Delegations. In turn this has created difficulties in determining accountability and discouraging internalisation of the necessary reforms.

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 seeks 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.

Montes et al were also concerned as to the poorly defined job descriptions of those employed in DG8, the inadequate definition of unit responsibilities and the provision of operational Manuals of Instruction to provide a clear framework. These factors led to "wide variations in the role of staff, unclear definitions of responsibilities, ad hoc decisions making and unsystematic information flows" (p.50). Similarly the Delegations 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 TAs.

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. Similarly TA programmes should be jointly funded and monitored wherever possible and focused upon training ACP counterparts. The development of civil service capacity should prioritise public expenditure management and the health and education sectors.

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, ACP Fin Group and the EP needed to be significantly improved. The EDF Committee in particular was seen as fulfilling the strategic role of setting broad policy, coordinating with the MS and adapting policy in response to evaluations. A strategic approach would allow the EC to focus upon those areas of activity where it has a comparative advantage - transport and Structural Adjustment Programmes (SAP). Since SAP requires intensive evaluation this is potentially an important role for the EC, but would require strengthening of its macroeconomic expertise and review of the conditionalities of the SAP. Montes however argued for caution in any emphasis upon 'regional cooperation', as in the past this had proved relatively unsuccessful. The move to fewer aid instruments, with fewer budget lines, was 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 and Manuals of

Instruction updated. Peer review and monitoring was seen as essential, with a central role to be performed by the Quality Support Group (QSG), 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 MS and ACPs wherever possible. Finally they advocated greater decentralization, with greater responsibility devolved to Delegations, subject to adequate resources being made available.

The Community's Development Policy

In April 2000 the Commission presented a Statement on Development Policy to the Council (EC 2000b), which was subsequently adopted (EC 2000c). This Statement addressed some of the broader concerns raised by Montes et al. and was followed by more detailed 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. It correctly recognised that poverty reduction is a multi-dimensional problem, requiring access “to adequate food supplies, education and health, natural resources and drinking water, land, employment and credit facilities, information and political involvement, services and infrastructure”, to be achieved through “... poverty reduction strategies which

embrace these various dimensions and are aimed at consolidating the democratic process, peace and the prevention of conflict, the development of social policies, the integration of social and environmental aims in macro economic reform... ”. But the breadth of these statements creates a clear danger that the focus upon poverty reduction will be obscured. A potential confusion between objectives and instruments remains. For example, whilst emphasising the importance of the cross-cutting or thematic issues of human rights, gender equality and environmental protection, the statement that these “are at once objectives in themselves”, graphically illustrates this problem. For poverty reduction to remain the principle objective of development policy will require a clear assessment of the distributional impact of any development programme – ie. how far do programmes in the health, education, transport sectors, etc., really benefit the low income groups? Such assessments become even more problematic as the Community shifts its assistance towards more general budget support and SAA. There remains the danger that the programmes become the objectives in their own right.

The EU recognised the need to focus upon those areas of activity where the Community has a comparative advantage. However, again this is 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 reaffirms 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 should be addressed. However the need for coherence in the Community's own policies is given less emphasis. By contrast 'coordination' and 'complementarity' are more extensively discussed. The benefits of coordination, and the exploitation of complementarity, in the aid programmes of the EC and the Member States, and of the Bretton Woods institutions, is 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. The creation of Country Strategy Papers (CSP) is seen as central to this process, while harmonisation of its procedures with the Bretton Woods institutions may contribute to reducing the administrative burden upon the Less Developed Countries (LDC) governments.

The Statement is of particular value in that it goes further and outlines the approach that will be taken to implement these broad objectives. It incorporates the arrangements agreed in the Cotonou Agreement, 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 staffing to the Delegations, 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 Management 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) identifies in greater detail the problems that had arisen and outlines the actions that were proposed to address them.

It emphasises the difficulties that have arisen from under staffing, as the size of the EC’s aid budget has grown, and the adverse implications of the resultant reliance upon contracted Technical Assistance Officers (TAOs) – ie. cost (€170 m.), loss of control and continuity. The increasing number of budget headings, inadequate IT and heterogeneous rigid procedures, have all exacerbated these problems. The inadequacies of the administration is seen most graphically in the long lags between 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 Delegation level, with the replacement of TAOs. A clearer definition of tasks, including delegation of financial responsibilities, will require a new legal framework, including a new Financial Regulation.

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 Interdepartmental 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 (EuropeAid) was to be extended, from only implementation and evaluation to all stages except programming. The SCR was to be redesignated an Office 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 ELARG would continue to manage all of the cycle for the pre-accession instruments, DG ECFIN macro-financial assistance (eg. debt relief) and ECHO for emergency aid.

Finally, specific interim measures were proposed. New joint working methods for the geographical departments and the SCR, monthly monitoring, a reduction in the number of budget headings and the launch of a major programme to clear the accumulated backlog of undispersed commitments.

The Cotonou Agreement

The Cotonou Partnership Agreement with the ACP group exhibited considerable continuity with the preceding Lomé Conventions (Salama & Dearden 2001). However,

its innovations clearly reflected the new approach outlined in the Development Policy Statement. The shift to 'rolling programming' represents the final abandonment of 'entitlement' and a move to allocation according to 'needs' and 'performance'. Country Strategy Papers have a central role and include a medium term strategy and the financial requirements. These are subject to periodic review. Upon these the NIPs are constructed by the ACP and agreed with the EC, defining the measures to be taken and the timetable for their implementation; these are reviewed annually. The EU remains solely responsible for the financing decisions.

The reduction of poverty is identified as the principal objective of the Agreement, but again qualified - "consistent with the objectives of sustainable development and the gradual integration of the ACP countries into the world economy" (Article 1). The precise strategies to be adopted to achieve these objectives remain undefined, other than to indicate four broad areas of cooperation - economic development, social and human development, regional integration and the three 'thematic' issues (gender equality, environmental sustainability and institutional development). The specific strategies were to be identified subsequently in a 'compendium of policy guidelines'. Nonetheless some indication is given of the criteria of 'needs' and 'performance' that will be applied. 'Needs' is to include per capita income, population size, economic and social development indicators (Human Development Index), level of indebtedness and export earnings dependence. The 'performance' criteria includes progress in the implementation of institutional reform, the efficient use of resources, sustainable

development, macroeconomic and sectoral policy performance and *poverty alleviation*. Clearly this broad list rather compromises the clarity of the initial commitment to an overriding poverty reduction objective and threatens the transparency and consistency of the EU's approach to assessing, and rewarding, performance.

Although there were no changes in the political institutions, the Committee of Ambassadors was given a clearer role in laying the groundwork for the Council of Ministers, who remained responsible for determining policy guidelines. More significantly a Development Finance Cooperation Committee was established (Article 83) to annually review the overall performance of the Agreement and address problems that may emerge in its implementation.

In response to criticism the number of instruments was radically reduced, with STABEX and SYSMIN disappearing. Only two broad aid instruments remained – a 'long-term envelope' providing the grant element for the NIPs and regional assistance and an Investment Facility of loan/equity capital. The allocation to each ACP will be composed of two elements; one providing budgetary, sectoral and project support, and the other covering emergency assistance, export earnings compensation, and the EC's contribution to debt relief programmes. There is a general shift from project aid to more general budget support, recognizing the fungibility of the aid programme. This increases flexibility, but also the need for greater monitoring and assessment. It also placed greater responsibility for project implementation upon the ACP governments. For this reason considerable emphasis was given to the need for 'capacity building' in ACP

administrations.

From the perspective of the Commission, the simplification of the portfolio of instruments is offset by the increased emphasis upon evaluation and assessment, their central role in the preparation and revisions of the CSPs and their continuing responsibilities in the formulation of the NIPs and regional programmes. Finally, the problem of the division of responsibilities between ECHO and DG Development remains unresolved. Whilst Article 72 defines ECHO's role in terms of "short term rehabilitation and reconstruction" its funds may still be "used exceptionally together with the indicative programme at the request of the State concerned."

Implementation

The reform of the external relations DGs had begun in May 2000 and resulted in two types of DGs; thematic (Enlargement, Trade and Development) and policy (DG RELEX coordinating by country). DG DEV is structured across four Directorates – General Affairs (A), Policy (B), East & South Africa, Indian Ocean and Pacific (C) and West & Central Africa and the Caribbean (D).

The preparation of Country Strategy Papers (CSP), as has already been observed, is at the centre of the new programming process. Drafted by the geographical desk officers of DG Dev in consultation with the Delegations in the ACP, they will be the result of extensive discussion with the recipient government, non-state 'actors' and other donors. In Brussels these drafts are examined by a 'country club' composed of

representatives of the external DGs and the EIB within the context of the common framework¹. The CSPs are then reviewed by the Inter-service Quality Support Group (IQSG), who report directly to the RELEX Commissioners who must finally approve the CSPs. The CSPs will also have been submitted for comment to the EDF Committee and forwarded to the European Parliament. The CSPs are to be reviewed on a five yearly cycle.

The CSPs form the basis for the formulation of the individual NIPs to allocate EDF funds. These identify specific interventions, with an accompanying timeframe, allocate finance and specify evaluation criteria. In the context of rolling programming the NIPs are subject to mid and end of term review (ie. every 2.5 years). There are also Annual Reviews, carried out by the Delegations and reviewed by the 'country club' in Brussels. Again these are submitted to the EDF Committee and approved by the RELEX Commissioners. Finally, EuropeAid is responsible for the preparation of a consolidated budget based upon these approved NIPs, taking into account resource availability.

It is intended that evaluation should be given much greater weight in the administration of EC aid. Whilst project evaluation forms part of the project cycle and is undertaken by the Delegations and the geographical divisions, the Evaluation Unit within EuropeAid undertakes broader programme evaluations. There have been attempts to introduce greater rigour into the evaluation process, with a common methodology, and to ensure that these are applied in the creation of the CSP. Priorities for evaluation are set by the EuropeAid Board or to meet legal requirements. Once an evaluation study is

¹ Common Framework for Country Strategy Papers SEC(2000)1049.

completed a response document ('Fische Contradictoire') identifying areas for action is presented and subsequently followed up to determine the response. It is intended that the results of these evaluations should feed down to the Delegations as well as providing an input into the periodic reviews of the CSPs. However there is usually no input into the Annual Reviews. ECHO remains responsible for its own evaluations.

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 This provides the most recent assessment of the progress that has been made so far. 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 current WTO negotiations and the reform of the 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 - was also a cause for concern. The method of budgeting, where

²For earlier reviews of the effectiveness of EC development assistance see Bossuyt et al (2000) and House of Commons (2000)

the "financial perspective" fails to map into activity based budget headings, contributed to this tendency and undermines 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 (2201). However a recent Internal Audit Service report has criticised the current external relations structure and it is anticipated that DG DEV may disappear in any further reorganisation. 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 decentralisation, with responsibility for implementation passing down to the Delegations, should assist 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, has 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.

Conclusion

Chris Patten regards 2004 as the deadline by which the reform of the EC's development policy administration must be showing results. Although the House of Commons (2002) has already recognised some evidence of successful change the 'jury is still out' on this process. The inability of the EU to reform the CAP, despite decades of criticism, does

not bode well for fundamental reform.

The Commission has clearly identified the major administrative problems that need to be addressed, the question is whether their proposed reforms will prove adequate and, although it is relatively early, whether there is evidence of progress?

Although the CSPs are to be the focus of the policy formation process there remain questions about their analytical rigour. There is the danger that these documents will merely be a checklist of the myriad objectives that have been adopted by the Council. Further work on the methodology is taking place, as it is in regard to the development of 'needs' and 'performance' criteria. But the abandonment of 'entitlement' under Cotonou and the explicit commitments to human rights, rule-of-law and good governance, have introduced a much stronger political element into 'development' relations. This administrative approach cannot be expected to easily and systematically reconcile the broader political and commercial objectives that inform the EU's relations with every region or country. There has also been concern that the programming exercise may become too prescriptive, introducing rigidity into the later implementation by EuropeAid. However they can contribute to harmonisation in the approaches to programming and procedures.

The role of the Inter-service Quality Support Group remains crucial in the formation of the CSPs, but its authority within the internal Commission structure remains sensitive and its future role unclear. Similarly the commitment to the enhancement of the evaluation process and its employment in creating a 'learning organisation,' is also at a

very early stage. So far there have been no attempts to undertake joint evaluations with the Member States, partly as a result of divergent methodologies, and as yet there is limited evidence of evaluation reports influencing the programming process. But some of the problems affecting EC aid reflect wider administrative failings. Problems of staff resources, inflexible recruitment and reassignment, inadequate IT and poor accounting systems, are Commission-wide difficulties whose solution depends upon the success of the wider reform agenda.

Further, the problems are not only administrative. The ambiguity of the EU's development objectives reflects the process of compromise that is at the heart of the EU's political decision making as it attempts to reconcile the conflicting political priorities of its Member States. For some governments development policy is merely one aspect of the broader external relations agenda of the EU. Considerations of security, trade and investment are of equal or greater importance, and whereas development objectives may be shared with an ACP, the broader political and economic interests of the EU may not. This conflict is reflected in the continuing debate as to the appropriate Commission structure. The relationship between DG DEV and DG RELEX, with the apparently arbitrary division of responsibility between ACP and non-ACP LDCs, and the separation of implementation into EuropeAid, reflected the demands of internal Commission politics, as well as the lack of consensus amongst the Member States. Pressure for an enhanced DG DEV continues amongst those States concerned that development policy may be subsumed under wider external relations policy, which is the

principal responsibility of DG RELEX; not that there is a consensus as to the degree to which the Commission should develop such a role. The recent decision to abolish the Council of Development Ministers and subsume development policy under the external relations Council clearly reflects the latest shift in emphasis.

Nonetheless a failure to refocus the EU's development policy on poverty reduction, and to reallocate funds to the low-income less developed countries (LLDC), is likely to prove unacceptable to some Member States, especially as the EC accounts for an increasing share of their country's aid budgets. Under these circumstances the role of the EU and the Commission in development assistance is unlikely to go unchallenged. This is not to suggest that the EU and the Commission can abrogate all responsibility for development policy. The need for a coherent approach to relations with the developing world has already been emphasised and it will continue to need to maintain a development 'perspective', particularly in regard to international trade negotiations. However the role of the Commission in the direct funding and administration of LDC aid is a far more open question.

An alternative role for the EC might place an emphasis upon the coordination of national aid programmes, utilising the extensive network of EC country Delegations throughout the world. Such a coordination role may extend beyond that of the EU's Member States to include liaison with other international development agencies such as the World Bank.

If the Member States of the EU wish to maintain a more direct role for the EC in

funding development assistance then an expansion in co-financing of national projects may offer a way forward. Those Member States with extensive experience in particular sectors or LDCs might take a lead role in the local administration of EC aid and dialogue with the host government. Alternatively a division of labour might emerge; project aid led by Member States, while broad budget/sectoral support and coordination, embodied in the Country Strategies, is provided by the EC. However the EC is legally required to remain in control of its funds and some Member States that lack aid agencies (eg. Austria and Italy) are likely to be sensitive to any move to delegate control of Community resources.

As for the ACP group and the European Development Fund, they remain problematic. The historic composition of the ACP sits uneasily with the demands for a clear poverty focus. It excludes for example a number of the poorest developing countries, such as Bangladesh, while including a large number of middle-income LDCs. This problem has already been faced under the new Cotonou Agreement as it attempts to achieve WTO compatibility through Regional Economic Partnership Agreements (REPA). Meanwhile the low income Less Developed Countries (LLDC) of the ACP group are likely to find themselves offered the same terms of trade with the EU as other LLDCs, under the Everything-But-Arms proposal, or forced into a REPA if they are already part of a regional grouping. Thus only the EDFs associated with Cotonou, together with the political dialogue arrangements, are likely to remain as part of a unique EU-ACP relationship.

The merger of the EDF into the general budget of the EC (budgetisation) would represent a further challenge. There is an argument for the funding allocated specifically to development purposes, defined in terms of poverty reduction, to be more clearly distinguished in the EC's budget from the funding of other political and economic objectives. A prerequisite for such a change must be the completion of the change to activity-based budgeting, which is expected by 2003. The Commission has supported 'budgetisation' in view of the inflexibility in the use of EDF funds. But there remains opposition from some Member States who wish to retain the degree of control that the EDF currently offers. There is also the problem of the differing basis for financial contributions to the EDFs and to the EC's general budget, and that if 'budgetisation' were to occur, then development might well lose out in the general competition for Community funds. It is unlikely that the ACPs would expect support only under a 'development' budget heading, as is clear from the breadth of issues addressed in the Cotonou Agreement itself, with its strong emphasis upon political dialogue. The anomaly of the EDF will ultimately have to be addressed and under those circumstances it is difficult to see the ACPs being sustained as a coherent group. Already the reciprocal REPAs that are being negotiated as part of the Cotonou Agreement are fragmenting the ACPs into regional groupings, and this could easily be followed by differential treatment in regard to aid through the regional envelope of the EDFs.

More radically, although the EC will undoubtedly continue to have a role in funding assistance to the 'near-abroad' and in the pursuit of the EU's wider political agenda, the

poverty-focused development budget could be repatriated to the national governments. Failure to realise the current reform agenda may make this option potentially attractive to a number of Member States. However such repatriation of the development component of the budget is likely to raise serious debate as to the sums that would be involved, particularly in view of the current difficulties of identifying that component. There is a real danger that the transfer of responsibility will not be accompanied by a realistic transfer of the accompanying funds, given an environment where financial pressures on the overall EC budget remains strong in the context of the strains of the accession of new members to the Union. Further such a repatriation of funding may be accompanied by an erosion of the development perspective across a wide area of EC policy.

There is clear evidence of some sense of urgency in the reform agenda of the Commission. The process of 'deconcentration' to the Delegations is well advanced and much is expected of their enhanced role, both in terms of improved coordination and in ex poste controls. In Brussels changes are addressing the problems of administrative delay and enhancement in the quality of programming; there is recognition of the need to transform the Commission from a 'visa' to a 'learning' culture. Nonetheless the EC's development 'mission' remains ambiguous, as may be inevitable in an institution that is at heart political. To focus upon further internal organisational change would impose heavy costs, with no guarantee of success. The onus is surely upon the Member States to ensure the momentum of the current administrative reform programme is maintained

and that the objectives of the Commission are clearly defined. Only then can an effective assessment be made of the current Commissioners' success or failure.

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