

Cotonou Infokit

The Reform of EC External Assistance

In May 2000, the European Commission launched a major overhaul of the management of its external assistance programmes. This fiche provides a snapshot of the ongoing reform process, its objectives and intended outcomes. It also identifies key challenges for improving the performance of EC aid.

Why Reform?

Reform has topped the EU's agenda ever since the Santer Commission resigned in 1999. In March 2000, the European Commission adopted a White Paper which set out to profoundly change the institution's culture, organisation and management. Within this broad agenda, high priority has been attached to a reform of the EU's external assistance.

This is no luxury. A series of recent evaluations and reports have highlighted major problems in the way the EU handles its abundant aid resources. The EU (i.e. the Community and the 15 Member States) is the world's most generous provider of development assistance, yet its influence and impact as a global player are far below its potential. Even after 25 years of Lomé cooperation, the distinctive added-value of European aid remains unclear. The Community finds it difficult to make coherent and effective use of all its instruments (i.e. foreign policy, trade, development and finance). There is a growing gap between policy ambitions and implementation on the ground. The aid system is fragmented in terms of instruments, procedures and institutional mechanisms. There are long delays between the commitment and disbursement of aid. Bureaucracy and centralisation (a 'visa culture') are rampant. Human resources are inadequate for the tasks and

budgets assigned. Staff both in Brussels and in the field are demotivated. The net result is a growing 'malaise' and a risk that European aid will lose even more of its credibility and political legitimacy.

To reverse this downward trend, the European Commission has set an ambitious reform process in motion. This combines a strategic review of European aid (i.e. what are the Commission's tasks in the years to come?) with a wide range of internal management reforms (i.e. what sort of organisation does the Commission need to be in order to perform its role?).

The reform process aims to restore the EU's political legitimacy and credibility, both as a donor and as a 'global player'. The ambitions of the reform go beyond the internal reorganisation of the European Commission. Its implementation affects the European Parliament, the Member States and European Court of Auditors (which is the body in charge of control mechanisms and budgetary rationalisation). It is important to bear in mind in this context that the Member States and the European Parliament share the responsibility for the decline in the credibility of EU aid. The Commission has often been entrusted with new tasks without any commensurate increase in human resources. The European Parliament has voted on the allocation of a wide range of budget lines, without giving due consideration to their management implications. Political control by the Member States (known as 'comitology') and the European Parliament is tight, causing delays, reducing flexibility on the ground and draining away scarce human resources.

Inevitably, the reform also has major implications for the EU's partners, including the ACP countries. The EU is keen to place poverty reduction at the heart of its cooperation strategies in the years to come. This may affect the nature and focus of the

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EU's cooperation strategies. If the internal machinery can be made to work more smoothly, this may reduce bureaucracy and delays in the delivery of aid on the ground. The 'deconcentration' of aid management to the EC Delegations in partner countries may also create new opportunities for enhanced aid effectiveness. To some extent, one could argue that a successful internal reform of the EU's aid system is a precondition for the effective implementation of the Cotonou Agreement. The ACP countries, therefore, have an obvious interest in closely following the reform process.

Main Priorities

The key priorities of the reform process fall into five categories:

- *Restoring the political credibility and legitimacy of European aid.* This is the broader political ambition behind the reform process. The global context of development policies has changed significantly in the last decade. New forms of international cooperation - going far beyond traditional aid policies - are required to manage globalisation and environmental interdependencies, to combat rising poverty levels, and to prevent, manage and resolve conflicts. Against this background, the European Commission wishes to improve the effectiveness of its development cooperation, trade and political instruments, inter alia by taking a much more long-term view of aid allocation and programming.

In this context, the EC's Development Policy document, adopted in November 2000, cites poverty reduction as a key objective of European development cooperation and proposes.

- *Radically improving management performance.* This is clearly the most urgent reform. It makes little sense for the European Commission to cherish major ambitions in international cooperation if it cannot deliver fast, reliable and high-quality aid. A wide range of measures have now been taken to this end (see box).
- *Reforming financial and administrative control mechanisms.* The European Commission has suffered from a lack of credibility in its financial and administrative management. The current reform proposes to bring its control mechanisms in line with modern management methods.
- *Ensuring an impact on the ground.* This objective is to be attained by devolving authority and redeploying staff to EC Delegations, and by rationalising the use of technical assistance.
- *Becoming a learning organisation.* The complexity and scope of the international cooperation agenda puts a premium on specialisation, the pooling of resources and expertise, cross-fertilisation of best practices, and systematic evaluation and feedback. The aim now is to create institutional capacity for permanent learning and innovation.

IMPROVING EC AID MANAGEMENT

Some of the salient features of the management reforms are as follows:

- The European Commission wishes to better match its political priorities with the available human and financial resources by concentrating its aid on selected key areas and by defining poverty reduction as a key objective.
- The tasks of the various Commissioners responsible for external relations have been divided by subject (i.e. development, trade, foreign policy and EU enlargement) rather than by geographical area. The Directorate-General for Development (DG DEV) is responsible for framing cooperation strategies for all developing countries (as well as for the programming of aid to ACP countries), whilst the Directorate-General for Trade (DG Trade) deals with all trade issues (including those related to ACP countries) and the Directorate-General for External Relations (DG RELEX) has overall responsibility for coordinating the EU's external relations.
- A new system of multi-annual programming has been introduced that sets out clear strategies, budgets, expected results and implementation guidelines for aid interventions (this new system is already included in the Cotonou Agreement). The programming of the 9th EDF has started with the formulation of Country Support Strategies (CSS), which form the basis for National Indicative Programmes (NIP). The CSS are based on national poverty reduction strategies (PRSP) and define the EU response and concentration sectors in various ACP countries.
- 'EuropeAid' was set up in January 2001 as the new body in charge of implementing EU aid, with the role of DG DEV being limited to programming. EuropeAid promotes the harmonisation of aid management methods and procedures in all development regions and hence brings cooperation with the ACP countries closer to other partner countries. The renewed Financial Regulation will play a key role in 'streamlining' cooperation procedures.
- Responsibility for project management is to be devolved to the EC Delegations in the partner countries, so as to make EU aid more responsive to local needs. The first wave of 'deconcentration' took effect in 2001.
- In 2001, the European Commission presented its first Annual Report on the implementation of EU aid in all developing countries (i.e. the Annual Report on 2000). The Annual Report could become an important tool for monitoring the impact on poverty reduction. The European Parliament and the Member States have encouraged the European Commission to define clear performance indicators and a monitoring system for EU aid.

Main Tensions and Risks

The overall thrust of the reform package seems logical and coherent. However, there are several critical dimensions that will need to be properly handled if the reform is to achieve its objectives:

- *Is there a political vision?* While speeding up EU aid is essential, the reform should be underpinned by the formulation of a clear standpoint on the political objectives of EU external assistance. The adoption of a strategic programming process - linking aid, trade and political cooperation - shows, in theory, that the European Commission is aware of the connection between political objectives and administrative change. However, the reform may well be focused too much on the administrative and technical aspects. Thus, while poverty reduction is claimed to be the central goal, it has not been consistently translated into budget allocations to the poorest regions nor into new management tools for achieving this goal. This apparent split between politics and administrative change suggests that the reforms may once again be administrative (i.e. largely internally driven and linked to bureaucratic objectives) in nature rather than managerial (i.e. aiming to re-engineer authority and define clear objectives with which to divide responsibilities and measure performance). In 2001, the EU leaders launched a parallel process of comprehensive institutional and political reform (known as the 'European Convention') with the view to guaranteeing the successful enlargement of the Union with a number of Eastern European countries, and designing a more effective approach to new EU priority areas, such as terrorism and migration.
- *Has the development perspective been sidelined?* The proposed reforms have weakened the role and impact of the Directorate-General for Development (DG DEV). The division of responsibilities between the Commissioners and their services (a mix of functional and geographical competencies) may make it more difficult to design coherent approaches to poverty reduction, which is the key objective of EU development cooperation in all developing countries. DG DEV has lost many essential tasks and people and may be reduced to a department operating as part of the Directorate-General for External Relations (DG RELEX). The formation of 'EuropeAid' in January 2001 has strengthened the image of development policy as a mere 'technical' aid management tool. Fears have been expressed that the survival of a European development policy as an autonomous arm of policy alongside foreign and trade policy is now at stake. The establishment of a single 'External Relations Council' of foreign ministers, supplanting the Council of European development ministers, could be seen as another sign on the wall.
- *Have the partner countries been overlooked?* On the whole, little attention has been given to the role of the partner countries in the reform process. However, it could be dangerous to underplay the partner country perspective in the design of reform proposals. At the end of the day, many of the new proposals (i.e. on programming, budget aid and sector approaches, decentralised management, and quality control) will need to be implemented in the field, in close collaboration with partner countries.
- *Is it a matter of pushing money or delivering quality aid?* A key objective of the reform is to dramatically improve the 'efficiency' of EU aid (i.e. to speed up implementation). This laudable objective places tremendous pressure on the European Commission to increase disbursements and clear the backlog. In the current political climate and taking into account the scarcity of human resources, this may lead to a situation where pushing money (or attaining 'turnover' targets) becomes the key institutional incentive rather than the pursuit of quality aid. Also, the managerial preference for large-scale programmes mobilising massive budgets may have adverse side-effects. For instance, it may drastically reduce the scope for supporting local development processes involving local communities, whose capacity and needs are best served by small-scale projects. Yet it is now generally acknowledged that this type of intervention is key in any strategy aimed at poverty reduction or at providing effective development assistance to conflict-affected countries.
- *What is the role of the Member States?* The relationship between Community funds and bilateral programmes, as well as the role played by partner countries in the coordination process, remain unclear and need to be clearly defined. In particular, the role played by the Member States' executive agencies in implementing EU aid needs to be clarified.

The European Centre for Development Policy Management (ECDPM) is an independent foundation that aims to improve international cooperation between Europe and countries in Africa, the Caribbean, and the Pacific (ACP). It does this through capacity building for policy management, the promotion of policy dialogue between ACP countries and Europe, and through the provision of information and facilities for knowledge exchange.

Designed for policy makers and practitioners in ACP and EU countries, this revised version of the Cotonou Infokit brings together, in a readable form, information on the implementation of the new Cotonou Partnership Agreement. For further information on the infokit, please contact Kathleen Van Hove (kvh@ecdpm.org).

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