

Assessing Trends in EC Development Policy
An Independent Review of the European
Commission's External Aid Reform Process

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Executive Summary

Background

Since the Santer Commission resigned in March 1999, reform has topped the EU's agenda. In March 2000, the Commission adopted a White Paper, which aims to profoundly change the 'culture', organisation and management of the institution. Within this broad agenda, the highest priority is given to reforming the EC's external assistance, both in terms of strategy (what is the added value of EC aid?) and management (how should the Commission organise itself?).

This study, commissioned by the UK's Department for International Development (DFID), provides a 'snapshot' of the ongoing reform process. Based on desk review and consultations with EC officials (DG DEV, RELEX, Trade), it presents an independent assessment of the reform proposals from a broad developmental perspective and identifies key challenges in further improving the performance of EC aid.

Designing the Reforms

The design of the current reform process has to take account of the generally negative political climate towards the European Union, in which political support for a truly coherent and effective European aid strategy is questionable. It has to deal with a complex set of policy instruments (with political, aid and trade dimensions) and consider the appropriate pace and sequencing of the reforms. It also faces many vested interests, a legacy of parallel administrative structures and cultures, and an urgent need to re-motivate staff after successive rounds of reform.

The experiences of previous reforms underline the need to design reform proposals from an analysis of the root causes that currently prevent the EC from being a credible global player and donor. These include: The changing roles of the Commission (from being the 'motor' of the European integration process to becoming a 'manager' of large funds), growing fragmentation and compartmentalisation of the policy and institutional framework, poor priority setting with policies being guided by instruments instead of by clearly defined political objectives, the expanding policy agenda, a mismatch between responsibilities and management resources, a 'disbursement culture' with numerous centralised control layers, and contradictory pressures from Member States and the Parliament.

Consultations highlighted five lessons for the ongoing reform process: First, choose an integrated approach that tackles both 'upstream' issues (e.g. the quality of EC aid policies) and 'downstream' problems (e.g. complex procedures). Second, make clear reform choices (e.g. on structures) based on objective criteria instead of political compromises. Third, recognise the political nature of external assistance. Fourth, create the conditions for effective implementation. Finally, ensure support from Member States and the European Parliament through new forms of inter-institutional dialogue.

Assessing the Reform Process

There is a wide consensus among Commission officials on the key objectives that should drive the reform process. The reform aims to restore the political legitimacy and credibility of European aid, both as a donor and as a 'global player', to radically improve management performance, to reform financial and administrative control mechanisms, to ensure impact on the ground, and to make the Commission a learning organisation.

All Commission officials interviewed recognised the urgency of reform. However, important divergencies could be noted with regard to basic reform choices, the implementation strategy, and the impact of reform on the overall quality of EC aid. Risks in the reform process include the sidelining of the development perspective within the new structures, overlooking partner countries in the design of reforms, focusing too much on disbursement instead of quality, creating hybrid structures without a capacity for collective management, insufficiently addressing how different institutional cultures will be managed, and failing to build enough capacities to implement the reforms.

Priorities to Improve Impact

The paper details six priority areas to improve the impact of EC aid. First, refine the EC policy framework, second, introduce a radical new approach to programming, third, use complementarity as a strategic management tool, fourth, ensure that implementation is effective, fifth, review control and evaluation methods, and sixth, improve the human resource base.

Conclusions

Everyone is asking whether this reform will make a difference? Based on our consultation process, five tentative conclusions can be drawn:

- the reform is seen as an urgent and vital priority for the RELEX group. There is a momentum for effective change;
- the overall policy direction for the reform package seems quite logical and coherent while the choices on structures and related division of labour raise concerns;
- implementation will be the real test case. Taking into account the complexity and fragility of the reform process, it may be useful to adopt a ‘rolling implementation’ approach, thus ensuring a close monitoring of progress achieved, problems encountered and remedial action to be taken.
- several issues merit greater attention, namely the need (i) to safeguard a ‘development perspective’ in the new structures, (ii) to reconcile the search for a new ‘management logic’ with effective policies, with participation of different actors and with quality of aid, and (iii) to ensure an effective role for evaluation and (iv) to make effective progress in improving the human resource base.
- probably the most realistic vision for the EC in the next years is to clearly and unambiguously develop its own ‘specificity’ as a global player and a donor while promoting management reforms that are consistent with this aim.

Reforming EC External Assistance: A Shared Priority

“Reform is important for the Commission as a whole. But reform is a question of do or die for the Commission’s external aid” (Commissioner P. Nielson, Speech at the Society for International Development, Amsterdam, 27 March 2000)

A Timely and Complex Reform

1. Since the resignation of the Santer Commission in March 1999, reform has been on top of the EU’s political agenda. The Prodi Commission came into office in September 1999 with a mandate to modernise the ‘culture’, organisation and management of the institution. In March 2000, the Commission adopted a White Paper on Reform, presented by Vice-President Kinnock, which aims to profoundly change (i) the process of setting priorities and allocating resources, (ii) the human resource policy, and (iii) financial management. If all goes well, the reforms should be implemented by the second half of 2002, following an ambitious Action Plan.
2. Within this broad agenda, the highest priority is given to reforming the management of the EC’s external assistance¹. EC aid has been widely criticised over the last years for its overall ineffectiveness. The RELEX² Group of Commissioners has decided to turn this policy area - which has a direct and visible impact on the political priorities of Member States- into one of the “flagship reforms” of the Commission.
3. Despite recent improvements³, few will deny that urgent reforms are needed to the way the EC manages its abundant aid resources. The signs are on the wall. The EU is the world’s most generous provider of development assistance, yet its influence and impact as a global player are far below its potential. The distinctive added-value of European aid remains unclear, as the Commission finds it difficult to make coherent and effective use of all its instruments⁴ (foreign policy, trade, development, finance). There is a growing gap between policy ambitions and implementation on the ground. The Commission’s aid system is fragmented in terms of instruments, procedures and institutional mechanisms. Long delays appear in different parts of the system. Bureaucratisation and centralisation (a ‘visa culture’) are rampant. Human resources are too scarce for the tasks and budgets assigned. Staff de-motivation is a reality in Brussels and in the field. The net result is a growing ‘malaise’ and a risk that EC aid further loses its credibility and political legitimacy.
4. To reverse this downward trend, the new Commission set in motion an *ambitious reform process*. This combines a strategic review of European aid (what are the tasks and functions of the Commission in the years to come?) with a wide range of internal management reforms (what sort of organisation should the Commission be to fulfil its tasks and functions?).

¹ EU refers to the European Union, including the Commission and the Member States. EC refers to the European Commission and related Community competences. The EC Delegations are the Commission’s diplomatic missions in the field.

² RELEX group includes four Directorates-general (DG) in charge of external relations, namely DG External relations (RELEX), DG Trade, DG Development (DEV) and DG Enlargement (ELARG).

³ A good example is the successor agreement to Lomé IV, which introduces a coherent package of reforms in political dialogue, mechanisms for cooperation (e.g. rolling programming) and a new trade régime.

⁴ The Treaty of Maastricht on European Union (1992) formally recognised the existence of a European Community development policy and gave it a legal foundation. Common objectives for EC external assistance were defined and explicit reference was made to the need to increase coordination, complementarity and policy coherence.

5. A wide range of initiatives has been taken to implement this agenda. A new (functional) division of labour among RELEX Commissioners was introduced with a view to reducing fragmentation and dispersion of responsibilities while ensuring greater coordination and coherence. A Communication presenting an overall EC Development Policy Statement is being prepared for submission to the Council and the Parliament. Proposals are circulating to change the role of Committees⁵ and to harmonise development-related budget lines. A Task Force on the Reform of the EU External Aid Programme has been working on a package of urgent measures (e.g. to clear the accumulated backlog of dormant commitments) and options to drastically improve the management of EC aid in terms of its efficiency, responsibility and effectiveness. On March 28, 2000, the RELEX Commissioners Group adopted draft conclusions on how the re-organisation will be carried out.
6. While these initial steps look promising, it is also clear that this will be a complex process. Many factors are likely to complicate the life of the reformers, including:
 - The overall political climate towards the EU is not very conducive for progressive reforms. Enthusiasm for supra-nationalism has been declining across Europe and the Commission is on the defensive at many levels.
 - All donor agencies are currently reviewing their approaches to development cooperation, to adjust to major changes in the international environment and to increase impact. The EC, therefore, is not unique in reforming its aid programmes. The specific nature of EC aid, however, complicates the review process. EC cooperation policy must embrace all aspects of the EU's ties with the developing countries. The political, economic and trade dimensions are complementary to aid. Reconciling them in a way that takes into account both the priority needs of each partner country and the Union's objective interests, is not easy.
 - The reform agenda is huge, calling for a coherent set of measures in different (inter-related) areas. This raises complex issues of pace and sequencing of the reforms. Inevitably, a wide range of vested interests will need to be confronted. It will take clout, creativity and time to overcome the legacy of many years of vertical organisation and parallel administrative cultures.
 - Commission staff needs to be motivated (after successive rounds of reform) and associated in the debate. Ownership is the key to make the reform work. This holds particularly true for actors in the field (such as the Delegations), who are increasingly frustrated by the multiplication of centralised controls that hamper effective implementation.
 - Reformers need to come to grips with many political, institutional and technical questions for which there are no simple answers. How much political support is there for a truly coherent and effective European aid strategy, commensurate to the EU's power and responsibilities as a global player? How can a common administrative culture be fostered within the RELEX family? How can development cooperation be properly integrated in a more politically oriented EU cooperation? What content and organisational form should be given to the principles of devolution (deconcentration) or externalisation? What needs to be done to ensure that the reforms result in changes in partner countries?
 - The constructive support of all institutional actors in the complex EU system will be required to make the reform a success.

⁵ There are Committees in charge of European Development Fund (EDF) for cooperation with African, Caribbean and Pacific (ACP) countries, for cooperation with Asia and Latin America (ALA) and Mediterranean countries (MED).

Background to this Paper

7. The reform process is attracting considerable interest among different actors and stakeholders concerned with EC development policy. They are keen to engage constructively in this vital debate, to be informed about new trends in Community development policy, and to understand the scope and pace of the planned reforms.
8. Against this background, the UK's Department for International Development (DFID) commissioned a short study of trends in EC development policy from the European Centre for Development Policy Management (ECDPM), an independent foundation specialising in EU cooperation with ACP countries. The purpose is to assess the development priorities of the new European Commission and the reforms that are envisaged to implement these priorities.
9. The study was carried out in two phases. In phase one, ECDPM drafted an "Issues Paper" on trends in EC development policy, based on desk review and existing documents. In phase two, ECDPM discussed the Issue Paper with Commission staff (DG- DEV, RELEX, Trade) in order to produce this final paper.
10. It is obviously a delicate exercise to assess an ongoing reform process. Some Commission staff had questions about the rationale, timing and added value of the initiative. As an independent foundation, ECDPM has no interest in the "politics" of the reform process, nor should it try to duplicate the detailed technical work done by the Task Force in its high quality reports. Taking into account the limited time available for this assignment, the paper's ambition is to provide a 'snapshot', or a basic analysis of the reform. Its potential added-value lies in (i) reviewing the main proposed policy and institutional changes in EC aid, (ii) assessing the reform from a broad developmental⁶ perspective without making major statements on "how good or how bad" the reform proposals are, (iii) identifying some of the main challenges to further improve EC aid performance, and (iv) promoting an informed and constructive debate on the future of EC development policy.
11. This concern with added value is reflected in the structure of the paper. Chapter II tries to understand why EC aid has gradually lost its clout and why past reform attempts failed to make a dent in this problem. This may help to identify lessons for the current reform process. Chapter III describes and assesses the EC's overall strategic approach to the reform process, by focusing on the key objectives, guiding principles for implementation and the main tensions and risks arising from the reform. Chapter IV analyses a number of key priorities for improved impact of EC programmes. The paper ends with some conclusions.

⁶ In this paper, European development policy is understood to include aid, trade and political aspects. Adopting a 'developmental perspective' means asking whether the proposed reforms will lead to an improved impact in developing countries and societies.

Understanding the Crisis

“Over the last decades, European external assistance gradually lost its overall unity of conception, action and structure (integrating the political dimension, trade and development cooperation). This explains, to a large extent, the loss of our capacity to produce added-value and impact” (EC official interviewed)

Agreement on the Root Causes?

12. Before assessing the development priorities and reform plans of the new Commission, it is useful to briefly analyse why the EC aid machinery has got itself stuck. Why is Europe confronted with a serious credibility problem in the field of international cooperation? What has made sound management of EC aid so difficult? Why have past reform attempts had little impact? These questions are not innocent. In the absence of an agreement on the true nature of the crisis, it is hard to identify an appropriate reform package, let alone to mobilise political support for effective change.
13. The experience of recent reform attempts is sobering in this respect. There is a large consensus that the creation of a Common Service for External Relations (SCR)⁷ was not the best solution for the overall management crisis affecting EC aid. Undoubtedly, the SCR brought a certain private sector logic into the management of EC aid. The SCR did fulfil a useful role in catching-up with the backlog of ‘sleeping projects’ and in streamlining the administration of Community aid. In practice, however, it soon became clear that it makes little sense to focus on ‘downstream’ problems in the delivery of aid without also looking at the more fundamental ‘upstream’ issues such as the political relevance and quality of EC aid policies, the need to drastically reduce the number of projects to be managed at central level, and the coordination and complementarity with Member States and other players. Furthermore, the 1998 reform failed to address the structural shortage of human resources and to take account of field realities in the design of the reform. This, evidently, also hampers SCR performance. Even more distortive was the decision to split the project cycle (at the wrong point). This compounded the compartmentalisation of Commission services, while increasing the potential for internal conflicts in the management of aid. This quickly led the SCR to become “the alibi for all the problems in the geographical departments”.
14. This experience underlines the need to design reform proposals on the basis of a down-to-earth analysis of the **root causes**⁸ that prevent the EC from being a credible global player and donor. These include :
 - *Changing roles.* A less visible, but profoundly important factor to explain the current crisis, is the ‘existential transition’ in which the Commission finds itself, i.e. from acting as a ‘motor’ for the European integration process to becoming a ‘manager’ of large funds (this holds particularly true for the policy area of external relations). This requires a fundamental shift in management culture, a reform that may have been postponed for too long.
 - *Growing fragmentation of the policy and institutional framework.* The initial unity of conception and action that characterised EC development policy in the 1970’s has gradually been lost. The different regional agreements grew increasingly apart, leading to a proliferation of institutional mechanisms, instruments, procedures and budget headings. Reform measures in the last 15 years, notably on structures and responsibilities, were often induced by political

⁷ The Joint Service for the management of Community Aid to Non-Member Countries (SCR) was set up by a Commission decision dated 15 October 1997, becoming operational by stages as from 1 July 1998. Its task is to manage all aspects - technical and operational, financial and accounting, contractual and legal - of the Community's aid to non-member countries. It is also responsible for audits and evaluations.

⁸ Documented in external evaluations such as the OECD Development Review Series : European Community, 1998, No 30 or the global evaluations of ACP (951338), ALA (951401), MED (951405)

compromises or vested interests rather than by considerations of aid effectiveness. The net result was a growing compartmentalisation (*'cloisonnement'*) of Commission services⁹ and a reduced capacity to formulate coherent policies. Other negative results include lost opportunities to benefit from economies of scale, an inability to make the best use of available expertise within the Commission, and continued difficulties in building institutional memory.

- *Poor priority setting.* The Commission largely failed to adopt a strategic approach to managing its external assistance programmes. Policies have been guided by instruments rather than by clearly defined political objectives, cooperation priorities and country, region or sector specific strategies. This exacerbated management problems, as 'strategy' often meant little more than an aggregation of ill-fitting projects. It also made it difficult to ensure coherence with stated policy objectives (e.g. the fight against poverty), to have political leverage on partner countries (in relation to available resources) and to build complementarity with Member States.
- *Expanding policy agenda.* Like other donor agencies, the EC has been confronted with an increasingly complex and diversified policy agenda for international cooperation. It is pressured to provide a specific contribution to an emerging international strategy for development. In addition to this, the EC is part and parcel of the EU's external action, alongside trade policy and political dialogue. Over the last decade, the EU's role and responsibilities as a global player have widened considerably. All this has led to a dramatic expansion of the Community's aid programmes in terms of geographic outreach, priorities, tasks, instruments and financial resources. This rapid growth, however, took place without a commensurate adaptation of the Community's strategies, organisational set-up, management systems and capacities.
- *Mismatch between responsibilities and management resources.* "An army cannot walk without boots". In these words, a Commission official described the achilles heel of the EC aid system. The EC clearly lacks the necessary people, in numbers and in skills, to properly manage the many tasks and budgets under its responsibility. The lack of a comprehensive and efficient personnel policy that gives adequate attention to performance further compounds the problem. In the absence of political support to tackle this problem, the Commission has reverted to gap-filling solutions (mainly in the form of massive subcontracting to high-cost external expertise), which does little to help institutional learning.
- *Limited focus on implementation and poor feedback.* Some EC officials highlighted that past systems focused on control and commitment level instead of implementation capacities. EC Delegations tend to see "Brussels" as a main obstacle for effective implementation on the ground. Examples given include the tendency to design new policies without considering implementation requirements and capacity constraints, the obsession with spending money (the 'disbursement culture') and the use of centralised control layers instead of result-oriented management systems -that put a premium on strategic evaluations, impact and feedback.
- *Contradictory pressures.* Several interviewees consider Member States and the European Parliament to be "partners in crime", sharing responsibility for the loss of credibility of EC aid. Recent evaluations support this allegation. For instance, Commission services have to cope with more than 80 legal bases reflecting the proliferation of budget lines voted by the European Parliament. There are divergent views on the eventual budgetisation of the EDF. The financial regulations are too rigid for effective multi-annual programming. The annual budget cycles pushes the Commission to commit resources without duly assessing the feasibility on the ground. Political control from Member States (or 'comitology') and the Parliament has become a complicated and time-consuming system, draining scarce human resources at the Commission level while providing little added value in qualitative terms.

⁹ Communication was perceived to be a problem, both 'horizontally' between services and 'vertically' between the Commissioner and his/her DG.

Implications for the Current Reform Process

15. What lessons for the current reform process can be drawn from this assessment? Commission officials interviewed agreed on the need to avoid the mistakes of the past by introducing reforms that would not tackle the structural problems affecting EC aid. As one interviewee put it: “this is not the time for careful medical treatment, but for surgery”.
16. In our assessment, five lessons should be considered in assessing the current reform process:
 - *Avoid piecemeal approaches.* The reform should clearly adopt an integrated approach that aims to gradually eliminate the multi-layered bottlenecks to improved EC performance, both ‘upstream’ and ‘downstream’ and including ‘soft issues’ such as changes in management culture, attitudes, and incentives.
 - *Make clear choices rather than political compromises.* A good reform is the result of clear choices in terms of objective criteria (efficiency, responsibility and effectiveness), and not because of vested interests or political compromises (as in the past).
 - *Recognise the political nature of external assistance.* Over the past years, assistance based on political imperatives (i.e. Phare, Tacis, Obnova¹⁰), natural disasters (i.e. Hurricane Mitch, Mozambique), and finally on international emergencies (i.e. Kosovo, East Timor) has become a predominant feature of the EC’s external assistance, thus reducing the proportion for traditional development aid. This increases the need to coordinate actions closely within the framework of the CFSP¹¹, including with the High Representative. Even in ‘traditional’ developing countries, the scope of cooperation has shifted towards economic cooperation and regional trade agreements (MED, ALA, ACP) and reinforced political partnerships (reflected in EU-Latin America and EU-Africa summits).
 - *Protect implementation.* This is the rallying cry that can be heard from officials with responsibility for “getting things done”, especially at the field level. In their view, the reform should start from what is needed to ensure effective implementation on the ground. ‘Protecting’ implementation means checking the relevance and feasibility of new management systems and procedures with those that will use them. It means that EC Delegations should be protected from an endless stream of interference from headquarters. It also challenges the EC to adapt its management systems to the requirements of much more participatory and decentralised forms of development cooperation, as promoted for example in the new post-Lomé agreement.
 - *Ensure consistent political support from Member States and Parliament.* A constructive dialogue among the Council, the European Parliament and the Commission is a pre-requisite for strengthening the EC’s political profile, building complementarity, simplifying controls and ensuring greater flexibility for actors in the field. Organising such a new culture of inter-institutional dialogue is a shared responsibility, requiring effective communication flows and a willingness to openly discuss desirable reform options in different areas¹².

¹⁰ PHARE provides assistance to Eastern European accession candidate countries, TACIS to the countries of the former Soviet Union and OBNOVA to countries in the western Balkans.

¹¹ The Common Foreign and Security Policy of the European Union, the so called ‘second pillar’.

¹² The geographical division of Commission services has largely corresponded to the geographic and thematic composition of Council working groups. Recent merging of I and II pillar geographic working groups (Asia, Latin America, Africa etc.) triggered a reform process that aimed to improve the coherence of the EU’s external actions. Furthermore, the new thematic approach in the Commission reform could contribute to discussions on the role of Development Council, whose de facto ‘geographic’ scope still seems to be limited mainly to the ACP, except in the case of humanitarian aid (such as Hurricane Mitch and East Timor).

Assessing the Reform Strategy

“The reform should primarily be geared at strengthening the political dimension of European external assistance. This, in turn, should dictate the choice of the most appropriate management structures” (EC official interviewed)

Apparent Consensus on the Main Objectives

17. From statements by relevant Commissioners, policy reports and interviews conducted in the context of this study, there seems to be a wide consensus among Commission officials on the key objectives that should drive the reform process. Evidently, this process should be seen as part of the wider process of administrative reform, as proposed in the White Paper.
18. In order to facilitate analysis, the main objectives pursued by the reform process are described below in five key clusters:
 - *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 better manage globalisation and environmental interdependencies, to combat rising poverty levels, and to prevent, manage and resolve conflicts. The EU has a critical role to play in fostering this new agenda for international cooperation. Yet so far, its potential for action and impact remains “grossly under-exploited”¹³ both as a political power and as a donor. Hence, a key objective of the reform is to put Europe firmly back on the map as a credible and effective global player. In practice, this leads the Commission to propose a wide range of reforms, aimed at :
 - setting clear strategic priorities for EC external assistance;
 - aligning EC aid with internationally agreed development objectives (e.g. agreed upon at the level of DAC-OECD);
 - making a much more coherent and effective use of policy instruments (political dialogue, development cooperation and trade);
 - ensuring consistency with second pillar strategies and policies;
 - searching in a proactive manner to build complementarities with other players (particularly EU Member States) on the basis of comparative advantages;
 - adapting EC structures to this new policy agenda by (i) dividing the responsibilities of Commissioners by subject (trade, development, enlargement and CFSP) rather than by geographical region, (ii) re-allocating responsibilities for CFSP, human rights and democratisation to DG RELEX and responsibility for trade to DG Trade, (iii) giving DG DEV the overall responsibility for framing development cooperation policies for all developing countries, and (iv) entrusting the RELEX Commissioner with the mandate to coordinate the external relations activities of the Commission
 - *Radically improving management performance.* In terms of priorities, this is clearly the most urgent reform ambition of the RELEX Commissioners. It makes little sense for the Commission to have major ambitions in international cooperation if it cannot deliver fast, reliable and high quality aid. The Task Force therefore concentrated on ways to get the EC aid machinery back on track. Based on its work, the RELEX Commissioners Group endorsed the following reform proposals at their meeting of 28 March:

¹³ See chapters 2.3 and 2.4 of Overall Policy Statement, version 24/02/2000.

- partial reunification of the project cycle from identification to implementation, to be placed in the hands of a single body (see further for more details).
 - full reunification of the project cycle (including programming) for some ‘politically sensitive’ programmes (Phare by DG ELARG; human rights, CFSP and Rapid Reaction Fund by DG RELEX; management of partnership with NGO’s by DG DEV, management of humanitarian activities by ECHO¹⁴);
 - development of an effective multi-annual programming system that sets out clear strategies, budgets, expected results and implementation guidelines for aid interventions, to be approved by SCR, and monitored under the responsibility of the RELEX Group of Commissioners;
 - extensive devolution of authority to the Delegations, to ensure that the management of the project cycle - from identification to implementation - can take place, as much as possible, at local level.
- *Reforming financial and administrative control mechanisms.* The Commission has suffered from a lack of credibility both in terms of financial and administrative management. In the past, reports on mismanagement and fraud reinforced control mechanisms instead of enhancing administrative capacities. The current reform proposes to review control mechanisms according to modern management methods. This should improve the effectiveness and quality of aid delivery and restore confidence in the Commission’s management capacities. Reform includes the following measures:
 - redefinition of the role of “comitology” to speed up implementation and to re-focus control on sectoral and country-level strategies (especially at the programming stage), policy guidelines and ex-post reporting;
 - creation of a new evaluation and monitoring system, characterised by independence and feedback;
 - introduction of “results-based management” as a key element of control and the responsabilisation of staff;
 - introduction of “activity-based budgeting” and the regrouping of multiple small budget lines under a few thematic budget headings to reduce the number of legal bases and burdensome reporting mechanisms;
 - creation of an inter-departmental Quality Support Group (QSG)¹⁵ to improve the consistency and quality of programming;
 - Decentralisation of financial control in the level of DGs and introduction of ex-post auditing.
 - *Ensuring impact on the ground.* This objective appears in a less prominent way in the different reform papers, but is certainly very *present* in the mind of Commission officials interviewed. It is captured in reform proposals geared at:
 - devolving authority to EC Delegations;
 - deconcentrating and redeploying staff to EC Delegations;
 - rationalising the use of technical assistance;
 - strengthening regional EC Delegations;
 - redefining the role of “Brussels” in the management of EC aid;
 - reducing the number and interference of centralised, ex-ante control systems;
 - exploring ways to decentralise management responsibilities to partner countries.

¹⁴ European Community Humanitarian Office.

¹⁵ The purpose of the QSG is to ensure the quality of programming documents, identify best practices that promote excellence and innovation, disseminate results, inform the RELEX group on the progress of a programming exercise, and to propose any necessary improvements.

- *Becoming a learning organisation.* The complexity and scope of the international cooperation agenda puts a premium on specialisation, pooling of resources and expertise, cross-fertilisation of best practices, and systematic evaluation and feedback. For reasons mentioned above (see par. 14), the EC has been rather weak on these points, despite its expert staff. The Commission now seems determined to gradually turn itself into a “learning organisation”. To this end, it has proposed:
 - to harmonise, where possible, the policy and institutional framework for EC aid management;
 - to break down the walls between Commission services and expertise as a precondition for improved effectiveness and impact;
 - to promote collective decision-making processes among RELEX Commissioners, both at the level of programming and evaluation;
 - to identify best practice inside and outside (“benchmarking”) so as to promote excellence and innovation;
 - to turn evaluation and feedback into a tool for institutional learning and management;
 - to disband the extensive use of external technical assistance offices in order to ensure a more cost-effective and accountable mobilisation of external expertise, internal learning and capacity building.

Guiding Principles for Implementation

19. So much for the overall objectives of the reform. The question is how the Commission plans to implement this ambitious reform agenda. What methodology has it selected for the reform process? What are the guiding principles for implementation? To what extent does the Commission’s implementation strategy take into account the lessons of past reforms and build upon positive elements of the past?
20. Obviously, perceptions on the nature and methodology of the reform vary according to the perspective of the different institutional actors involved in the reform process. What seems logical to a Cabinet member may be heresy to an EC Delegate in the field. What seems a ‘participatory process’ to the officials involved in the Task Force, may be seen as a ‘top-down process’ by other actors. Some interviewees saw issues related to structures and the division of responsibilities as “fairly neutral”, considering the reform’s intention to create a collective management culture. Others perceived coherence in structures as a key factor, largely determining the success of any collective management system. Attempts were made in this paper to properly reflect these divergencies of views.
21. At first sight, efforts were made to avoid some of the mistakes from the past:
 - *Dialogue rather than a purely political negotiation.* Contrary to past reforms, there was a search for appropriate reform options through internal debate. This certainly holds true for the working methods of the Task Force. From the outset, it decided not to focus the reform agenda immediately on structures. Instead, it adopted a pragmatic approach, starting with practical matters (what urgent measures are needed to reduce the backlog?) and technical issues (how can the Commission best organise itself to deal with programming in a reunited project cycle?). Furthermore, the Task Force operated like a relatively open discussion forum where experiences, best practices and lessons from other donor agencies could be pooled and analysed on their merits.
 - *Focus on the political dimension of development cooperation.* Another interesting feature of the reform methodology is the perceived need to get out of the dichotomy between ‘development cooperation’ and ‘external relations’. The Task Force, for instance, made a clear methodological choice to search for new management mechanisms that would allow EC aid to

be more firmly embedded in the broader political objectives of the EU as well as in the new priorities on the international cooperation agenda. It has sought to overcome the barriers between those allegedly involved with ‘development and poverty alleviation’ and those concerned with ‘politics and economic cooperation’.

- *Recognition of implementation needs.* The adoption of a pragmatic, down-to-earth approach to the reform process has facilitated a focus on conditions for effective implementation (much more than in the past). Thus, new joint SCR/geographical department working methods have been developed to deal with the urgent problems related to the backlog. The Task Force has insisted on the need to properly organise the interface between programming and implementation. A strong warning has been issued against devolving authority to EC Delegations without first tackling the issue of staffing.
- *Relation to Member States and Parliament.* While the Commission has institutional responsibility for the reform process, several interviewees agreed on the need to properly involve Member States and the Parliament in the reform process (so far, however, it is not clear how the Commission plans to translate this laudable intention into practice).

Main Tensions and Risks Arising

22. All Commission officials interviewed recognised the urgency of reforms. However, important divergencies could be noted with regard to the basic choices of the reform process, the chosen implementation strategy and the likely impact of the reforms on the overall performance of the EC in the field of external assistance.
23. Our assessment of possible weak points in the proposed reforms can be summarised in the following six categories :
 - *Development perspective sidelined?* Following a trend that can be observed in most OECD countries, EC development cooperation is becoming more strongly integrated in the overall EU foreign policy. This evolution arouses quite some controversy and concerns. Some interviewees, for instance, observed that the development needs of ACP countries might not be best served by a separate agreement, disconnected from mainstream EU foreign policy considerations. As mentioned before, the nature of EC development cooperation is getting increasingly ‘politicised’. Against this background, they argue, there is a logic in the current reform and proposed division of labour. Others, however, expressed major worries that the ‘development perspective’ may quickly lose ground in the new RELEX framework. For example, in the reform process, the former DG8 trade unit in charge of the trade regime with the ACP, has become the “trade and development” unit within the horizontal DG trade. There are concerns over a small unit’s capacity to defend the interests of developing countries within a larger horizontal DG in charge of European trade interests. Underlying these worries are divergent views on whether developing countries’ interests are best served within regional or multilateral arrangements¹⁶. Other examples could be provided to illustrate this potential danger. In essence, this raises the issue of how best to marry foreign policy concerns and development objectives. This is difficult in all EU Member States. In the European context, it is even more complex to find a balance between these two worlds.
 - *Partner countries overlooked?* On the whole, little attention seems to be given to the role and place of partner countries in the reform process. Few interviewees touched on that subject. To some extent, this is quite logical, as reforms are inherently internal processes. However, it could be dangerous to underplay the partner country perspective in the design of reform

¹⁶ Commissioner Lamy has requested an evaluation of regional trade arrangements, including assessment on envisaged ‘Regional partnership agreements’ (REPA) with the ACP.

proposals. At the end of the day, implementation of many of the new proposals (programming, budget aid and sector approaches, decentralised management, quality control) will have to take place in the field, in close collaboration with partner countries. Another worry is the consistency between the planned reforms and the commitments in cooperation agreements. It is hard, for instance, to see how the Commission will reconcile its (legitimate) desire to concentrate its efforts on a limited number of areas with the principles of partnership and ownership that underpin ACP-EU cooperation. Another example is that the internal tendency to focus EC aid on “big projects” may contradict with political objectives to reorient EC aid to poverty reduction or to work more with decentralised actors, whose needs are often for smaller projects.

- *Pushing money or delivering quality aid?* A key objective of the reform is to dramatically improve the “efficiency” of EC aid (to speed up implementation). This laudable objective puts terrible pressure on the EC to increase disbursements, including with regard to 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 realising “*le chiffre d’affaires*”) becomes the key institutional incentive rather than the pursuit of quality aid. As one of our interviewees observed: “Success in implementation is not the same thing as ensuring better impact”.
- *Hybrid structures or collective management?* There is some tension regarding the proposed structural reforms. Three issues stand out. First, there is concern that the reform has again generated a hybrid structure in relation to the division of labour between geographic and thematic services. The choice for a functional approach is not consistently pursued at the level of the services involved. Portfolios and departments have not been matched. This may seriously erode the overall capacity and influence of DG DEV. There are doubts whether a collective management system within the RELEX family can work effectively under these conditions¹⁷. Second, certain thematic areas (such as CFSP and human rights) have already been unified, merging services from different DG’s. For example, the human rights unit of the former DG8 was merged into the overall human rights unit in DG RELEX. However, these two units had a slightly different scope - DG RELEX was a focal point for horizontal, “macro-level” human rights issues (UN, OSCE¹⁸, COHOM¹⁹, etc.), whereas the former DG8 unit managed concrete “micro-level” projects within the ACP region. There are worries that reconciling these different agendas may prove to be difficult. Third, the proposal to fully reunify the project cycle (including programming) may appear logical for fairly ‘self-standing’ programmes (e.g. pre-accession instruments). The same does not necessarily hold true for issues such as human rights and NGO-funding, which are an integrated part of EU cooperation policies and programmes. Managing these programmes *outside* the general SCR (or Office) implementation framework may lead to ‘stand-alone’ and inconsistent approaches.
- *Multi-cultural management?* The fragmentation and isolation of different geographic services in the past have contributed to specific institutional “identities” inside the Commission bureaucracy, including privileged “partnerships” with each respective geographic area. The restructuring of services seriously “shakes” some established boundaries, and it will inevitably take time to change mentalities and working methods in order to adjust to new management requirements. Perceived insufficiency of staff consultations and neglect of “cultures” prior to regrouping services might slow down the pace of change.

¹⁷ For example, coherence of the thematic approach is hampered by different financing mechanisms between regions. On the one hand, ALA and MED cooperation frameworks are bound to annual budget cycles, whereas the EDF cooperation has a more flexible multi-annual perspective. However, harmonisation of procedures seems to lead towards the “budgetisation” of the EDF, even though there is no consensus about its future. Costly political priorities such as aid to Kosovo and East Timor inevitably lead to budget cuts in aid to other developing countries within the Community budget. The extra-budget nature of the EDF has so far allowed the ACP to conserve their shares.

¹⁸ Organisation of Security and Cooperation of Europe.

¹⁹ Council’s horizontal working group on human rights.

- *A capacity gap?* This is, undoubtedly, an ambitious reform programme that will fundamentally challenge the way in which the Commission manages its aid resources. Effective implementation will require a host of new capacities to be developed. A case in point is the proposed new system of programming, with its focus on a much more strategic and integrated approach to development cooperation. This implies building a strong capacity at the EC level for strategic analysis. Other examples could easily be provided. All point to the need to quickly bring in new skills and capacities. This promises to be a delicate issue in the sequencing of reforms.

Key Priorities to Improve Impact

“What have been the main problems with the EU’s approach to human rights? Have our policies been coherent? Has the EU in all its many emanations taken a consistent line? Have we been able to deliver? [...]. Looking ahead, what should our objectives be? What do we want to achieve? [...] What is the EU’s added value in this area? [...]. How should we organise ourselves?” (Commissioner C. Patten, Speech at the Human Rights Discussion Forum, Brussels, 30 November 1999)

24. This quote summarises many of the urgent policy and institutional questions to be addressed in the reform process. It focuses on the EU’s role in human rights, but could easily be extrapolated to other policy areas.
25. In this section, we focus on largely the same questions in the context of the overall reform process. Six key priorities for improving the impact of EC aid are identified. Each is assessed using a common analytical framework which (i) briefly explains the issue at stake, (ii) analyses the Commission’s plans, and (iii) identifies some of the key opportunities and challenges arising.
26. These priorities are clearly inter-related. They need to be addressed in a coherent manner, as a ‘package’. The best illustration of this is perhaps the issue of human resources. There was a wide consensus among Commission officials that it makes little sense to come up with ambitious new policy statements (e.g. on poverty alleviation) or plans for programming and complementarity, if the human resource problem is not addressed *at the same time* (or even in the first place).

Refine the EC Policy Framework

27. In his speech at the previously mentioned SID Conference, Commissioner Nielson aptly captured the first priority at hand: “There is a pressing need for a more clearly defined development policy at the European level. The Commission must join the development donor mainstream. It needs a policy to do so”. In practice, this means clarifying the overall political objectives of EU external assistance, its ‘core business’ and specific added value.
28. To this end, the Commission is developing three main initiatives :
 - *Definition of an overall EC Development Policy Statement.* This document, elaborated by the different RELEX services, proposes overarching strategic guidelines to EC external aid programmes, including the ‘mainstreaming’ of the poverty focus²⁰ as a key element of the EC development cooperation. It stresses the need to relate Community assistance more strongly to internationally agreed strategies (e.g. recent UN summits, DAC strategies, the Comprehensive Development Framework, the Poverty Reduction Strategy Papers). The Commission also commits itself to produce annual reports on the implementation of EC development policy.
 - *Improving policy coherence.* The re-organised structure for external action is seen to provide a better institutional setting to make progress on the thorny issue of EU policy coherence. The Commission also wishes to upgrade existing monitoring systems to ensure a ‘coherence check’.

²⁰ The Treaty of Amsterdam (art. 177) incorporates the commitment to *refocus aid on the objective of poverty reduction*. A poverty focus goes beyond aid to LDC’s, it is also closely related to economic growth, macro-economic and trade policies, social sector development and fiscal policies. The operationalisation of a poverty focus includes: identifying suitable indicators to measure the evolution of poverty in a dynamic way (rather than on the basis of static and questionable indicators), balancing performance-based aid allocations with the needs of the poorest populations, most often living in non-performing countries, measuring social effects of macro-economic and trade policies, and linking up with major international undertakings on poverty.

- *Harmonisation.* The reform aims to rationalise the ‘patchwork’ of cooperation agreements and instruments that emerged over time. During the interviews, however, several Commission staff argued that the first priority should be to harmonise approaches to programming and procedures rather than policies (considering the growing differentiation among partner regions and countries).
29. How to assess these policy reforms? Will they make much of a difference? The following challenges and opportunities arise:
- *Relevance of an overall development policy statement?* The ‘negotiation’ of an overall policy framework for all *developing* countries is an interesting experiment, as it may serve as a laboratory to develop a new culture of consultation, joint decision-making and institutional learning between (compartmentalised) departments. However, it remains to be seen how this new policy framework will be used in practice. Will it serve as a guide to re-orient EC aid or will it be shelved, as many other statements and resolutions before? Critics could easily argue that the Policy Statement still sees a role for Community aid in too many areas and that the proposed criteria to define the EC’s ‘comparative advantage’ will not suffice to set ‘negative priorities’.
 - *Towards a more sophisticated debate on poverty?* The nature of cooperation²¹ with ALA, MED, ACP, TACIS and PHARE countries is different, constituting a major challenge to any attempt to ‘harmonise’ policies through an overall strategic framework. Especially the proposal to mainstream a ‘poverty focus’ has triggered a semantic debate and negotiation among RELEX services on the meaning of ‘poverty-focus’ and ‘development’ in EC external assistance. This may help to clarify and enrich the concept of poverty. There are obviously areas where greater policy harmonisation should be possible across regions (e.g. on policies and approaches to micro-credit). Much more could be done, with due respect to the principle of differentiation, to translate the poverty objective more consistently in country strategies, sectoral policies and monitoring and evaluation systems. The challenge, however, will be to implement this objective in a creative and balanced way, which duly takes into account the multi-dimensional nature of poverty, the diversity of situations and needs in developing countries, as well as the Community’s specific role and added-value. The new system of programming should create opportunities for DG DEV to bring poverty concerns to bear in the elaboration for country strategies for non-ACP countries.
 - *Need for flexible cooperation in new foreign policy areas.* The strengthened articulation of aid, trade and political dimension should improve the Commission’s internal coordination on new policy issues, such as non-military aspects of crisis management, which involves DG RELEX as a coordinator of the CFSP and DG DEV as focal point for humanitarian aid. Also, cooperation with the High Representative for CFSP is crucial. Recent crisis situations, such as Kosovo and Mozambique, have increased pressure to drastically improve the European dimension of external action.
 - *Strategic priority setting for EC external assistance.* Strategic coordination among RELEX Commissioners becomes the key element in the future coherence of EC external assistance and the redefinition of the Commission’s role in the EU’s foreign policy. A particular challenge will be to better articulate EU interventions at different levels (global, regional, national and local). This requires new systems of programming and improved complementarity - the two next priorities on our list.

²¹ For example, EC external assistance to MED-countries is considered part of ‘economic cooperation’ to achieve a free trade zone by 2010. Similarly, cooperation with ALA countries combine development (in Central America) and trade (FTA negotiations with Mercosur) elements. It is argued that many middle-income countries (for example within the Mercosur) do not consider themselves in the category of ‘poor countries’ where a poverty focus as a key objective would be justified. These ‘political’ sensitivities are often coupled with the simplified idea that a poverty focus would exclusively mean aid to LDC’s.

Transform the approach to programming

30. If the EC is to become a global player with a coherent international cooperation policy, it must change the way in which priorities are set, overall budgetary resources are allocated and strategies are formulated at country and regional levels. In the current jargon of the RELEX reform, this process is called “programming”. It refers to the “upstream” part of the project cycle, i.e. the political process to define overall country and regional strategies (the so-called “strategic phase”) and the translation of these agreed strategies into concrete country or regional programmes (the so-called “programming phase”).
31. The Commission is keen to “radically overhaul its approach to programming”. The new system is meant to fulfil four key functions:
- *Set political priorities.* Multi-annual programming is the core of the new system. It implies making clear political choices, establishing aid strategies and budget allocations (at global, regional and country levels), ensuring the right policy mix for each beneficiary country covering political goals, financial assistance, sectoral priorities and other Community instruments (i.e. the coherence objective), defining criteria for the choice of projects, and agreeing on financial targets and results to be achieved on the basis of a regular feedback from the field.
 - *Enhance a dialogue with partner country and Member States.* The EC wants to use programming as a tool for a fuller a more concrete dialogue with the governments and societies of partner countries (i.e. to organise conditionalities and increase policy leverage) and with Member States (i.e. to organise complementarity).
 - *Act as a management tool.* Programming could serve as a management tool to set financial targets, to monitor progress in implementation, to identify and explain variances with stated targets, to reorient priorities, etc. This, evidently, implies a clear link between programming and budgetary procedures. It requires a well-functioning system of “rolling programming” (such as envisaged in the successor agreement to Lomé IV), so as to allow for flexibility and systematic fine-tuning. This management tool should not only serve internal purposes. It should be coherent with partner country priorities and be used in other coordination fora.
 - *Provide a baseline for evaluation.* The key to an effective system to control quality and evaluate results is to organise at the level of programming. It provides an “upstream” tool to set targets and to define expected results in priority areas, to be monitored according to established criteria and indicators. The EC also wants to ensure that evaluation findings will feed into the next cycle of programming.
32. These proposed changes to the programming process look promising and merit support. But how can this new system be made to work in practice? What factors can accelerate this reform or block it? In our assessment, five main points merit to be further consideration:
- *Obligation to work together.* One of the perceived strengths of the new functional division of labour and related absence of a clear geographical split, is that it pushes RELEX Commissioners to dialogue and collaborate with each other. It creates a sort of obligation to jointly develop a coherent policy mix for a particular region or country in the context of the programming exercise. For this system to work, however, it will be essential to create new mechanisms to ensure that development concerns are taken seriously, especially in programming aid to non-ACP countries.
 - *Feasibility.* This is clearly a bold and ambitious reform. It remains to be seen whether the Commission can generate the political and institutional support to get this process on track. It

will require a relaxation of financial regulations, a major shift in bureaucratic culture, a strategy to reconcile the new system of programming with the requirements of a partnership approach on the ground, and a wide range of new capacities to manage the new system of programming.

- *Linkage between programming and implementation.* It will be critically important to properly organise the interface between the functions of programming and implementation in the new system of project cycle management. Several interviewees were concerned that programming would go into too much detail, thus bringing rigidity into the next phases of the project cycle.
- *EC policy priorities.* The programming exercise will confront the EC with the question of its specific contribution and added value (in relation to Member States and other development players). How will it, for instance, determine areas of sectoral concentration? How can EU programming build on existing coordination efforts in a given country? How far should it go in relating its contribution to initiatives such as the Comprehensive Development Framework?
- *Partner country capacity for programming.* In order to move towards greater ‘ownership’ and ensure decentralised forms of programming, efforts should be made to strengthen the capacity of partner countries to better programme their priorities.

Use Complementarity as a Strategic Management Tool

33. In its reform proposal, the Commission seems committed to make a much more pro-active and strategic use of complementarity²² to improve overall EU aid effectiveness and management.
34. The new approach to complementarity is based on the following principles :
 - *Concentrating on core activities.* Recognising its capacity constraints, the Commission proposes to take a proactive leading role in limited priority areas in order to restore confidence on its capacity to deliver aid effectively. In areas that fall outside this concentration, the Community would contribute financially to the programmes of the Member States and other donors. Consequently, there would not be a total withdrawal from certain sectors or policy areas, instead, the EC involvement would take different forms according to the type of policy area and country under consideration (e.g. possible co-financing).
 - *Making more effective use of country strategy papers.* The Commission is keen to explore ways to use the process of defining country strategy papers as a tool to promote complementarity with Member States. This would facilitate an open exchange of views on the priority areas and expertise of each donor within a specific country context and contribute to a strategic definition of the European dimension of aid to that country.
 - *Evidently, this new approach to complementarity should be welcomed.* By moving beyond the principle of “voluntary” coordination, the Commission could use complementarity as a strategic management tool (i) to set its own priorities (including “negative priorities”) according to its resources, available expertise and perceived comparative advantage, (ii) to avoid the danger of having to respond to a broad range of demands from partner countries, (iii) to stop the tendency of being used as “the donor of last resort”, and (iv) to clarify the specific added value of European aid.

²² Ever since the Treaty of Maastricht invited the EC and Member States to ensure greater ‘complementarity’ in their aid programmes, laudable efforts have been made to clarify the concept and to see how it could best be operationalised. The EC Communication and the ensuing Council resolution on complementarity (May 1999) are the most recent initiatives in this context. Yet in practice, complementarity still appears to be a political slogan, rather than an operational reality.

35. There are also serious implementation problems:

- *Strategic programming with Member States.* This implies first and foremost a capacity from the Commission to set “negative priorities” for itself. Unless the current ‘patchwork’ of objectives and means is replaced by a clearly designed set of priorities, complementarity will remain an idle quest. The next step will be to negotiate a division of labour with Member States. This implies that partners clearly indicate where their priorities lie and candidly identify the areas in which they have a weakness. This will be a difficult exercise as for many Member States, aid is an integral part of their foreign policy, based on national strategic interests. Previous operational coordination efforts have focused on past experiences, but strategic programming would require exchange of information on future activities, including trade, aid, political and even geo-strategic dimensions, in a given country.
- *Reviewing co-financing procedures and the untying of aid.* The announced use of co-financing on a wider scale would require that co-financing procedures be reviewed and possibly a progressive “harmonisation” of tendering and contracting procedures be introduced among different Member States. Capacity-building and cross-cutting expertise would be needed to effectively channel community funds through bilateral programmes. Furthermore, the question of untying of aid, previously proposed by the Commission, would have to be reviewed, even though there are very divergent views on the question
- *Question of visibility.* Direct financing of programmes has been perceived as the best way to ensure visibility of each donor on the ground. New co-financing procedures would have to ensure the visibility of each contributing actor and the “added value” of cooperation. Clear guidelines on visibility should be elaborated to convince all the Member States to channel community funds through one Member State or other donors.

Organize an Effective Implementation of EC Aid

36. Reforming the ways and means to implement the ambitious EC policy objectives is another key priority of the reform process. It is a pre-requisite to ensuring the quality of programmes as well as their development impact on the ground.
37. The proposed reforms build on past initiatives (like the creation of the SCR) and evaluations. They aim to gradually ‘externalise’ and ‘devolve’ certain implementation responsibilities to the Delegations and, where conditions permit, to the authorities in beneficiary countries.
- *Re-unification of the project cycle.* As mentioned before, the idea is to partially re-unify the project cycle (from identification of projects to implementation) and to entrust it to a single body. In a first phase, pending more radical changes, this responsibility would be entrusted to the present SCR (for about 80% of the annual external assistance from the budget and the EDF). For some areas of “particular political sensitivity”, the management of programming and implementation would remain united (pre-accession instruments, CFSP spending, NGO partnership, human rights)
 - *Externalisation.* Gradually, a body for project identification and implementation will grow out of the present SCR, with a marked preference for an office-type²³ structure by 2002. ‘Externalisation’ should speed up management, reduce staff shortfalls and rationalise the use of technical assistance. The Commission is keen to ensure “full political control” over that body through a Board composed of all RELEX Commissioners (with the Development Commissioner as Chief Executive and the External Relations Commissioner as Chairman). The legal and budgetary framework for the body in its final form -when it might be floated

²³ The RELEX group has compared agency- and office-types of structures in their conclusions of March 28, 2000.

out of the Commission itself- will depend on the wider discussions on externalisation and the revision of the Financial Regulation.

- *Devolution of implementing responsibilities to EC delegations.* The realistic sequencing (first resources, clear guidelines and capacity-building, then devolution of responsibilities) of the reform is crucial.
- *Further harmonisation of procedures.* This is another key element of the reform and a task to which the SCR has committed much effort over the past year and a half. A progress report (as per 31.12.1999) has recently been presented to the Development Committee of the Parliament, proposing ‘a package’ of further improvements and simplifications with regard to EC procedures and management..

38. In assessing these reform proposals, the following questions merit further attention:

- *Office or agency?* The choice of final form of externalisation should take into account lessons learnt from recent experiences (such as ECHO or the Agency for Reconstruction of Kosovo) and make an analysis of staffing costs and financial feasibility under A or B parts of the budget.
- *Setting up a framework for a field-focused management.* The SCR has struggled with problems of payments and financial management. Consequently, it failed to pay attention to field realities and to establish a proper monitoring system. The devolution of competencies to Delegations creates a unique opportunity to set up a “field-focused management” system, and to link the programmes and projects more closely to the objectives of sustainable development, ownership and capacity building on the ground. This new culture of management should use local expertise extensively.
- *A ‘market’ based logic of harmonised procedures.* The increasingly market-based tendering procedures for aid implementation may sometimes undermine development objectives. For example, tendering procedures tend to favour the cheapest offers, not necessarily those with the best quality. The discontinuity of subcontractors in the field prevents the EC from building up institutional memory. Asking bank guarantees on subventions to NGOs acting in the South for development purposes is profiting Northern commercial banks. All this may prevent the full utilisation of available local expertise. These potentially negative consequences of new procedures should be screened.
- *Size of projects.* The increased focus on large projects is understandable from a management perspective. Yet many relevant development actors in the field often operate at the grassroots level, where small projects could have important development impact. The risk of putting exclusive priority on financial management, at the expense of adaptation to local realities, may hamper the effectiveness of envisaged implementation reforms.

Review Control and Evaluation

39. Evaluation and auditing constitute the main pillars of an improved quality control system. The reorientation of the ‘comitology’ system to a much more strategic role could reduce the pressure on management while speeding up implementation.
40. The key elements of the reforms proposed by the EC are geared to move (i) from a control of procedures to a control of results and (ii) from ineffective ex-ante control to ex-post control. To this end, the reform proposes the following concrete measures:

- *New system of evaluation/monitoring.* Feedback and independence²⁴ are the key characteristics of an effective evaluation system. In future, evaluation will seek to articulate three levels: strategic evaluation, evaluation of projects, and monitoring. Programming and evaluation should be connected.
 - *Results-oriented management.* The assessment of results is part of the programming phase. It implies constant re-adjustment of indicators, set up together with recipient countries.
 - *More effective comitology.* As recent discussions in EDF committees have shown, committees could be used more to have a strategic dialogue on priorities and complementarity. The new Internal Agreement on the 9th EDF goes in this direction, emphasising the need for a sectoral approach and focusing on larger programmes. However, several interviewees felt the proposed changes are not going far enough.
 - Rationalisation of budget control.
 - Systematic quality control.
 - Decentralised and ex-post financial control and auditing.
41. Different opportunities, but also challenges, emerge from these reforms that aim to review control and evaluation mechanisms:
- *Evaluation as a key element of the new “cooperation cycle”.* Evaluation should be seen as a strategic tool for improved impact instead of a control system. It allows better adaptation of programming to the regional context, better use of previous experiences in the design of new programmes (best practices, high quality partners) and possible improvement of cooperation with other donors based on most effective division of tasks. The participation of partner countries in evaluation and monitoring activities should be enhanced.
 - *Need to restore confidence and constructive inter-institutional cooperation.* Comitology and budgeting should not be seen as exclusive control mechanisms, but more as institutional settings for improved inter-institutional dialogue. Especially annual reviews, foreseen in the new rolling programming of the EU-ACP cooperation, will require more flexible committee procedures.
 - *Effective monitoring of aid quality and impact at local level.* In the past, monitoring has played a marginal role in the system. By contrast, some foresee it becoming a key tool, used mainly by Delegations to measure the impact of the chosen “policy mix” at local level. Others see its role more attached to independent evaluation and feedback functions.
 - *Quality of delivery versus quality of aid?* The new system should avoid considering the quality of aid delivery exclusively in terms of financing and auditing, leading to a possible confusion between disbursed money and impact. The monitoring of quality should focus more on expected (and achieved) results than on formal procedures.
 - *Balance between financial control and impact monitoring and evaluation.* Following the resignation of the previous Commission due to fraud and mismanagement, the reform efforts have mainly focused on improved financial control. However, the use of monitoring and evaluation needs to be complementary to auditing in order to achieve qualitative improvements to EC aid.

²⁴ Feedback from evaluation reports ‘enrich’ programming and establishes linkages between strategies and lessons learned from implementation. Feedback is also needed to improve the management and “responsibilisation” of staff. The need for independent evaluation is widely recognized, including in the personnel policy of evaluation service. It has been suggested that the evaluation unit should be attached to the Secretariat-General or even become an external structure, like the Court of Auditors.

Improve the Human Resource Base

42. To increase EC aid effectiveness, adequate human resources must be devoted to run the size of the various programmes. This applies for improving the administration of EC aid (e.g. working away the backlog). It is also a pre-requisite for putting the new reforms into practice or for realising the full potential of the Post-Lomé IV agreement.
43. How does the Commission propose to tackle this longstanding bottleneck? Four main steps are considered:
- *Applying the White Paper.* The Kinnock reforms will also be applied to the EC external assistance programmes. This may instill the much needed ‘management culture’ while improving the overall personnel policy.
 - *Activity based budgeting.* This system is perceived to be the lynchpin of a new management system that would allow the Commission to match tasks with available resources.
 - *New recruitments.* The newly envisaged ‘Office’ could address some of the most critical in-house staff shortages.
 - *Rationalisation of costs related to Technical Assistance Offices.*
44. Will these reforms suffice? Two main observations can be made :
- *Quantity or quality?* There seem to be divergences of views on the desirability of going for “more staff” (in quantitative terms). While some consider this to be an absolute priority, grounded in objective criteria reflecting under-staffing, others feel the first priority should be to drastically review (and reduce) the Community’s policy priorities and areas of concentration. In the view of the latter, the Commission should first specify its added value and “niches of specialisation’. This may help to re-deploy human resources, build-up a critical mass of expertise in a given area and generate “high quality products” (e.g. take a lead role on adjustment issues). Having done this, the Commission would find itself in a much stronger position to make its case for “more staff”.
 - *Making a better use of existing human resources within the Commission.* The objective underlying this option would be to enhance the cross-fertilisation of EC expertise between the different RELEX DGs and even beyond the ‘RELEX family’. This would imply that the RELEX services would no longer operate as separate bodies with their own sources of expertise on various development related areas. Synergies would be sought with other DG’s that have certain sectoral competence within the Commission.

Conclusions

45. Since the coming into office of the new Prodi Commission, an ambitious reform process of EC external assistance has been put on track, aiming to make radical improvements to the speed, quality and impact of EC aid. This paper sought to better understand the rationale, content and feasibility of the reform proposals that are emerging from the RELEX Group of Commissioners. In this concluding chapter, the following questions are considered: Will the proposed reforms make a difference? Will the different measures suffice to drastically improve EC aid delivery and development impact? Will they give a boost to the credibility of the EU's Common Foreign and Security Policy? How feasible are they? What weak spots can be identified at this early stage? What development performance can be expected from the EC in the next two years?
46. **First**, the reform is clearly seen as an **urgent and vital priority** for the RELEX Group. Despite a certain 'reform fatigue', there is a consensus on the need for quick and radical reforms in the way the EC plays its dual role of global player and donor. Both the credibility and the legitimacy of European external assistance are seen to be at stake. This sense of urgency suggests there is a **real momentum for effective change**. Urgency, however, can be a double-edged sword. While it can help to clarify reform choices (e.g. the setting-up of an 'Office' rather than an 'Agency'), it can also lead reformers to pay insufficient attention to certain critical dimensions (e.g. the partner country perspective, the coherence of the new structures, the dialogue with Member States and Parliament). In addition to this, one should not forget that the reform takes place in a difficult political climate and a situation of institutional crisis at the Commission. Against this background, it is probably not realistic to expect the reform to come up with 'ideal' structures and management systems in the short term. The reform is more likely to generate 'second-best-options', reflecting what is feasible at this stage, and to move on as conditions allow.
47. **Second**, the **overall policy direction** of the reform package seems **quite logical and coherent**. In many ways, the current reform process marks a break with past attempts in that it adopts a comprehensive approach, linking political objectives with far-reaching management reforms. It seeks to improve 'connectivity' among policies, instruments, structures and sources of expertise. It aims to create a proper interface between people involved in programming and implementation. It gives staff greater responsibility for the financial consequences of their decisions. It recognises realities in the field by emphasising the need to devolve authority to (reinforced) EC Delegations. It seeks to cut through time-consuming bureaucracy, by reviewing control and audit functions. It stresses the need for a new culture of dialogue with Member States and the Parliament (through a radical review of 'comitology'). Most importantly, the Commission seems decided this time to tackle the human resource problem. Taken together, these measures have the potential to improve EC aid performance and impact. However, with regard to structures and division of responsibilities among RELEX Commissioners, things are less clear. Major fears have been expressed that the current reform will not solve the problem of "hybrid structures" and may erode the overall capacity and influence of DG DEV in development matters.
48. **Third**, while the reform agenda looks rather solid on paper, **implementation will be the real test**. Managing the transition from the current crisis situation to the 'new-style Commission' will be a complex and fragile process. Complex, because it remains to be seen how the Commission will actually put into practice the ambitious reform programme (in terms of mainstreaming the poverty focus, applying the new system of multi-annual programming, using complementarity as a strategic management tool, speeding-up implementation without losing a focus on quality, and moving from ex-ante to ex-post controls). Fragile, because the reform process has to confront different forms of **internal political and bureaucratic resistance** that may quickly erode the substance of the reforms. Against this background, it might be useful to adopt a 'rolling implementation' approach to the reform process, thus ensuring a proper monitoring of the process (what works, what doesn't work), a continuous dialogue (especially with Member States) and remedial action in due time. This could be done, for instance, through some sort of informal Task Force arrangement, associating the different stakeholders.

49. **Fourth**, there are some **critical dimensions** in the reform process that merit **greater attention**, including:

- *Safeguarding the “development” perspective.* Like many EU Member States, the EC is keen to better articulate development cooperation, political action and trade. The proposed new culture of “collective management” to EU external assistance (to overcome traditional barriers between RELEX and DG DEV) may respond to both the changing world of international cooperation and the need for greater development impact. However, it would appear that stronger institutional guarantees are needed to ensure that development concerns are not sidelined. An efficient operation of the new programming system is a key priority in this respect.
- *Reconciling different reform logics.* The reform is primarily grounded in a “management logic” (to speed-up EC aid delivery). This may be justified, taking into account the prevailing crisis. However, the Commission may need to think through how this logic will be reconciled with three other forms of logic that are essential to effective aid: (i) defining a set of appropriate policies that make a difference, (ii) ensuring that local actors (governments, civil society, private sector, EC Delegations) are at the head of the new management system, and (iii) ensuring that aid quality gets priority over aid disbursement.
- *Making evaluation the linchpin of the new management system.* If development impact is a central concern of the reform, it would be useful to clarify how evaluation, monitoring and feedback - as strategic tools for policy formulation and implementation - will be institutionalised in the new system. At this stage, the reform proposals remain rather vague on this.
- *Strengthening the human resource base.* This priority seems high on the political agenda. Different ideas are on the table, including activity based management (to match tasks to resources). Putting this into practice will not be evident. There is both a sense of urgency and a need for creative and flexible solutions. It is not simply a question of “more staff” but also of attracting new capacities to cope with an increasingly complex development agenda and with the specific nature of RELEX work. Close monitoring of progress achieved in this area will be essential.

50. **Fifth**, what can be expected from the EC in the next two years in the field of external assistance? Probably the most **realistic vision** is for the EC to gradually develop its own ‘specificity’ as a global player and a donor while promoting management reforms that are consistent with this aim. The challenge will be to link a strategic vision (what is the specific added-value of EC aid in a rapidly changing international context?) with concrete management reforms (what changes can help the EC to effectively use its different policy instruments while delivering quality aid?).

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