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Better aid delivery, or deconcentration of bureaucracy?

A snapshot of the EC's devolution process

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This *InBrief* takes stock of the devolution process within the European Commission (EC). It looks into trends and experiences gained by EC delegations, EC headquarters and partners in third countries. Its aim is not to exhaustively assess or evaluate the devolution process. Instead the paper presents a snapshot of the devolution process, raising issues rather than presenting findings or recommendations.

Devolution: An essential component of EC reform

During the 1990s, the European Commission faced severe internal and external criticism of its growing external assistance programme.[1] In response, the group of external relations (Relex) commissioners in 1999 launched an ambitious reform programme, aiming at eliminating **structural constraints** related to several issues:[2]

- unclear and divided responsibilities,
- persistent staff shortages,
- excessively complex administrative procedures.

The main **objectives** of the reform were four:

- to substantially reduce the time taken to implement programmes;
- to make significant improvements in the quality and responsiveness of programme management;
- to ensure robust financial, technical and contractual management procedures, in line with the best international standards of propriety and accountability;
- to improve impact and visibility of EC development cooperation and aid.[3]

Several components of the reform programme are, to a large extent, being successfully pursued. EC officials and other stakeholders recognise, however, that more work has to be done before the European Commission can claim to be among the best of donors.[9] Continued attention to implement, adjust and consolidate the different reform components will be key in the struggle to increase the quality and effectiveness of external assistance. Implementation and consolidation of the extensive devolution of management responsibilities from EC headquarters in Brussels to the EC delegations abroad will probably be the most critical component in this endeavour.

The guiding principle of devolution is that **'anything that can be better managed and decided on the spot, close to what is happening on the ground, should not be managed or decided in Brussels'.** With authority and responsibility devolved to

Box 1 Decision making in the European Commission in the 1990s[4]

A 1999 report, entitled *Development and Humanitarian Assistance of the European Union: An Evaluation of the Instruments and Programmes Managed by the European Commission,* presented several findings critical of the European Commission's centralised decision-making process. Insufficiently defined responsibilities and decision-making authority and limited administrative and manpower resources were said to have negatively affected the performance of EC delegations. Delegations had little decision-making power, and the concentration of authority in Brussels meant that the staff closest to the field had little influence over the decisions taken. The Commission was thus not using its impressive network of delegations to maximum advantage. This situation was in part the result of the consultative process of the EDF, ALA, MED and Food Aid committees in the European Council. The report questioned the appropriateness of the committee structures and their micro-management tasks.

The report made several recommendations. Among these were that deconcentration and partial devolution[5] should be accelerated. EC delegations and some beneficiary states should be granted more decision-making authority and this should be formalised in contracts.[6] This would require some increase of delegation staff[7] and a sufficient corps of well qualified and experienced personnel. Simplified operational procedures, reduction of ex ante controls and the number of authorisations needed, together with an increase of ex post controls and audits would be needed to support devolution.[8]
In addition, greater devolution would require budgets allowing for more frequent and longer missions of headquarters staff to the field.

European Centre for Development Policy Management
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ecdpm

Box 2 Most EU Member States face organisational difficulties[11]

Effective partnerships depend, to some extent, on local missions having a level of decision-making autonomy that is currently lacking among most donors: Finland and Ireland, for example, refer back to their capital for many decisions; also, Demark has had difficulty completing its decentralisation (devolution) process. Devolution reforms within donor organisations are generally hampered by reliance on centralised procedures, lack of analytical capacity in missions, understaffing and lack of a clear division of responsibilities between different entities in the donor system. Some donor experiences from Tanzania are indicative of such difficulties:

- Devolution of responsibility to its embassy has been challenging for Denmark due to the small professional development staff it has stationed there. Also, there is a need to better define the respective roles of HQ and the field over time; and the multilayered system of monitoring and evaluation needs to be simplified.
- For Finland, effective coordination with partners has been undermined by centralised structures, unclear division of decision-making responsibility between HQ and the mission and understaffing at the mission.
- Centralisation of major decisions in Dublin has reduced the Irish commitment to local ownership and coordination in Tanzania. On the other hand, deeper analytical capacity in key areas would be necessary before field missions could have more autonomy.

the delegations, it should be far easier to ensure recipient 'ownership' and effectiveness of aid management and implementation.[10] As such, devolution is not an end or objective in itself, but rather an instrument to advance the objectives of EC external assistance. Thus, while strengthening the EC delegations is crucial to the functioning of the European Commission, devolution remains just one component of an overall external assistance strategy and a tool to advance the policy aims of the European Union.

Devolution: Not an end in itself, but a tool to promote foreign policy and development objectives

Devolution of powers and responsibilities to the delegations is a crucial means of **strengthening the Commission's administrative and executive capacities** to enable it to implement policy decisions taken by EU Member States and the European Parliament. It is unlikely that the Commission can deliver on the many international commitments made by the Council and the European Parliament without increased financial and human resources in the delegations. The strengthening of delegations could lead to better management of external assistance and more effective delivery of foreign policy objectives.

In terms of development objectives and the overall aim of reducing poverty the **real value of devolution will be the extent to which it contributes to and facilitates the strengthening of recipients' own capacities** and development efforts. Devolution should not hinder or roll back such efforts. There are, however, some indications that other processes such as harmonization of procedures and the Financial Regulations could limit the responsibilities of recipient governments. It might be tempting for the Commission and especially for the EC delegations to speed up the implementation processes by taking over management responsibilities that could or should be with the recipient. Avoiding this trap will be important.

Experience and data illustrate that the European Commission - like the EU Member States - has had difficulty achieving effective and sustainable results. Improving this record will require greater **ownership of programming by recipients, their active involvement in implementation, and decentralisation of financial management to beneficiaries** when accountability and management systems are adequate. Giving recipients influence, decision-making powers and some control over finances normally increases both their commitment to activities and the relevance of these activities to identified needs. Devolution is thus not the only element needed to ensure better results and more impact. It needs to be followed by gradual decentralisation of managment responsibilities to recipients. The intention to use such 'decentralised management' as part of a broader development strategy is clearly expressed in the European Union's multilateral agreement with 78 African, Caribbean and Pacific (ACP) countries.[12] Devolution and decentralisation are thus part of a wider development strategy that entails much more than the strengthening of the European Commission's bureaucracy and the speedy use of external assistance.

Operationalising devolution: What to devolve?

As mentioned above, the guiding principle of devolution is that **anything that can be better managed and decided on the spot, close to what is happening on the ground, should not be managed or decided in Brussels.** The European Commission has applied this principle by transferring many responsibilities and decentralising administration and decision making from Brussels to the EC delegations abroad. The aim is to modernise the administrative and operational infrastructures and increase the human resources of the delegations to raise their capacities:

- **to contribute more actively to programming,** though final responsibility will remain with headquarters;
- **to take direct responsibility for programme identification and appraisal,** with methodological support and quality control provided by Brussels;
- **to take direct responsibility for contracting and for financial implementation**;
- **to take direct responsibility for technical implementation** requiring technical expertise on the spot.[13]

Thus, devolved delegations will be responsible for programme identification, programme preparation and some procurement, as well as for technical contractual and financial implementation. Decisions regarding programming, financing agreements, riders and derogations will still be taken by EC headquarters services and the EU Member States as represented in the Council in Brussels.

While most actors welcome the commitment of the European Commission to devolve its decision making and administration, scepticism and doubts exist at

Box 3 Evolution of responsibilities in the delegations

The delegations of the European Commission were originally established to undertake development cooperation activities with the ACP countries under the Yaoundé and Lomé conventions. Early on, the EC representatives were not permanent staff, but rather consultants implementing projects and programmes abroad. They had restricted and rather technical mandates and were asked to keep a low political profile. Later, offices were established which reported to different services in Brussels. Today, all delegations are under the responsibility of DG Relex (Directorate General External Relations), and their tasks and responsibilities have multiplied. The European Commission is now served by a network of 78 delegations worldwide and is represented in 140 countries around the world.[14]

The mandate of delegations, inter alia, is to
- promote EU interests, especially the common commercial policy;
- analyse and report on the policies and development of third countries;
- play a key role in providing external assistance to third countries;
- help to implement the Common Foreign and Security Policy;
- provide support and assistance to European citizens and to other EU institutions.

different levels within and outside the Commission about the feasibility and capacity of the executive arm of the European Union to function in a devolved manner. Nevertheless, few actors question the positive impact that changes brought about by deconcentration could have on the quality, impact and speed of EC external assistance. Whether devolution will help the European Commission and the European Union to achieve the objectives of the reform of EC external assistance will depend to a large extent on how the process is implemented, refined and consolidated.

Implementation of devolution: The 'big bang'

Devolution is something of a revolution, and it should result in a change of the EC's working culture in the medium term, although it will take time before the administration can operate smoothly under the new structure. As such, the devolution process offers a healthy opportunity to modernise the way in which the Commission operates. The potential benefits are many, though of course the Commission has to prove it can translate its vision into reality.

To implement devolution, the European Commission has split the process into different stages, with devolution of the geographical instruments taking place in three successive waves:
- Wave 1 (2001-02), with 21 delegations, of which **5** are in ACP countries;
- Wave 2 (2002-03), with 26 delegations, of which **8** are in ACP countries;
- Wave 3 (2003-04), with 30 delegations, **all** of which are in ACP countries.[15]

The thematic budget lines are also being devolved in three steps:

- **food security** (started in 2003);
- **micro-projects** (started in 2003);
- **NGO co-financing, human rights & democracy, environment, health, de-mining and drugs** (started in 2004).

By mid-2004 all 77 EC delegations, including the 43 in the ACP region, were expected to have increased human resources and decision-making power, making them capable of taking on the devolved responsibilities and tasks. Some delegations, however, have faced delays including Haiti, Burundi and Papua New Guinea.

Delegations will be where things happen...

In organisational terms, devolution will radically change the centralised, understaffed and widely criticised EC organisational structure of the 1990s into a highly devolved operational system in which the delegations will be 'where things happen'.

Box 4 Facts and figures of the devolution process

Together, the **European Commission and the EU Member States** have the world's largest diplomatic network, with some **45,000 diplomatic staff in more than 1,500 missions.**

A total of 116 additional positions for EC officials managing EDF (European Development Fund) funds and 509 national staff have been created. In total, 1,559 staff (375 officials and 1,184 external staff) have been hired to cover the devolution of delegations around the world.

EC staff dedicated to the management of external assistance - covering the entire project cycle from programming to evaluation - will reach **3,855 full-time equivalents** (FTE) at the end of the devolution process. This figure includes all staff levels (from secretary to head of sections) and statutory situations (officials, local agents, ALATs[16] and individual experts). Of these **two-thirds (2,580 FTE) will operate from the delegations** and one-third (1,275 FTE) will operate from headquarters (at the Europe Aid Cooperation Office in AIDCO, DG External Relations (Relex) and DG Development).

Almost **half of the new official positions are for finance and contracts specialists** for which there is no tradition of external postings.

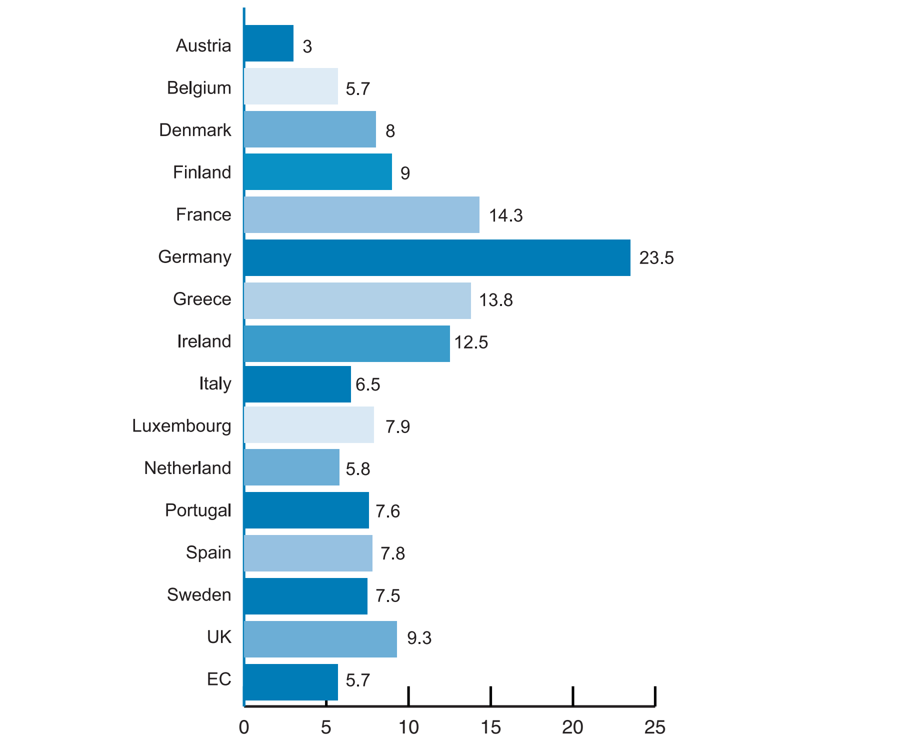
EU Member States and the World Bank have between four and nine staff per 10 million euros. In comparison, the EC has approximately 5 staff per 10 million euros.

The estimated cost of devolution for the 43 delegations in the ACP region for the period up to end 2007 is an extra **233 million euros** (funded from the current and previous EDF). This extra cost includes salaries, recurrent costs, training and technical support.

The estimated cost of one devolved EC official in a delegation is double that of an EC official in Brussels or, on average, approximately 300.000 euros per year.

More than **5,000 staff are now in the delegations**, which makes the external service of the European Commission among the largest in the European Union.

Figure 1 Staff per USD 10 million disbursed, 2003



Source: EU Donor Atlas. Mapping Official Development Assistance.

Two-thirds of the 3,855 staff who are now dedicated to the management of external assistance will operate from the delegations. The 1,559 newly created positions will give the Commission 4.8 staff to manage every 10 million euros by end 2004, up from 2.9 in 2000[17]. This increase in human resources is something of a big bang, and the devolved delegations are likely to need an adjustment period before becoming fully operational.

...but devolution will not solve everything

The European Commission has lacked staff for more than a decade. While devolution has brought major increases, the ratio of EC staff to disbursements is still lower than for most development organisations. In the European Union, only Austria have fewer staff per 10 million euros expended.

In addition, devolved systems tend to be more staff-intensive than centralised systems; and many of the newly created positions within the delegations are contracts and finance staff. Few of the new hires have expertise to support the content areas of EC development cooperation.[18] Since the European Parliament and EU Member States are unlikely to approve major staff increases in the near future, the Commission will have to manage with what it has during the next few years. To maximise the benefits of devolution, further efforts to **concentrate external assistance in areas where the European Commission has an added value** will be important (as discussed later in section 6 of this paper).

Box 5 Implementation constraints: Devolution is only part of the solution

In an internal survey, EC delegations identified the following aspects as the most important implementation constraints:
- **recipient governments,**
- **delays and insufficient backup by headquarters,**
- **cumbersome EC/EDF procedures,**
- **insufficient human resources,**
- **the political situation in the recipient country.**

Devolution alone cannot address all these constraints.

Devolution will not and cannot solve everything. It can contribute to a better and more effective administration and increased aid effectiveness, but EC delegations also face many other problems. Commission headquarters, the European Parliament and the Council share responsibility for some of these constraints (e.g. cumbersome procedures and insufficient human resources). More can and should be done to address these.

Risks of the devolution process

The **ambitious timetable** for devolution, which aimed to devolve all 78 EC delegations before the Prodi Commission leaves office in autumn 2004, did not allow for much learning, feedback or country-specific solutions. The tight schedule was exacerbated by **political pressure** on the Commission services, and especially on the delegations, to show quick results, particularly in terms of faster payments. Externally, pressure on the cabinets and Commission headquarters services is being exerted by EU Member States, the European Parliament and the Court of Auditors.[19] Within the Commission, the Relex commissioners were anxious to carry through the reform programme which they initiated, and the cabinets wanted to see the increased efficiency and speed of external assistance by which 'history' will judge their commissioner's contribution.

While it is imperative to maintain the dynamic of the devolution process, too much political pressure creates the **risk of**

Box 6 Devolution will not solve everything![20]

The scale of the governance crisis in Malawi makes it difficult for donors (including the European Commission) and their partners to improve aid delivery and assist in reducing poverty. There is clearly a need for the European Commission to engage more in governance issues and work closer with non-state actors. Both of these requirements, however, are process-oriented and largely dependent on external circumstances and political will, facts which often result in slow spending and implies a high degree of risk-taking. Devolution of EC aid management will not solve such fundamental problems.

Box 7 From EC delegations to EU embassies: Is a joint European external action service the next step?

A number of reforms and initiatives have been undertaken since the early 1980s to strengthen the EC delegations. With the new EU constitution in sight, it is possible that the delegations might be changed into something like EU embassies with enlarged mandates. Constitutional changes could therefore affect the devolution process even before the ongoing reforms have been fully consolidated.

Exactly how the organisational structure supporting EU foreign policy will be designed and how it will work in practice still remain to be seen. However, there is little doubt that further changes in the mandates of delegations are forthcoming.

hasty decisions and implementation of processes without sufficient planning or opportunity to learn from experience, including from previous mistakes. Moreover, there is a tendency to focus on increased commitments and disbursements rather than on the quality of aid.

The devolution of EC external assistance also faces **resistance within the Commission administration.** In any major reorganisation managers try to retain staff and budgets, as both of these are often important in classifying positions and hence determining salary. Non-management staff also try to retain their power, which in aid agencies is often expressed in control of budgets. Thus, there is a risk that some EC officials will try to water down the scope of devolution. While relevant and balanced criticism of the processes and the devolved management system can be a tool to further refine and adjust the new system, unjustified resistance to change could undermine the process before it has time to show results.

The experience of development organisations such as those in the Netherlands and in Canada as well as the United Nations illustrates the importance of maintaining and defending devolution, since devolution processes can come under fire before the benefits become obvious. Because the benefits of devolution are long term, strong and committed **leadership is required to defend the organisational changes during the implementation and consolidation period.**

The impact of devolution on the administration as a whole

Successful implementation of devolution depends on finding an appropriate task division between EC headquarters and the delegations. Devolution not only means that more staff and administration are based in the field; it also implies a complete change in the purpose and capacities of the Brussels-based directorate generals and services.

Headquarters' relations with delegations and other European institutions

The European Commission now operates **one of the most devolved administrative organisations** in the European Union (Table 1). Few Member States have decentralised more responsibility to their representatives in the field. This affects the way in which Brussels is able to relate to the delegations, and the ways in which EC headquarters should and can relate to the European Parliament and EU Member States. The **shortage of resources, particularly of specialists to support focal sectors, will influence how the Commission responds to and interacts with the European Parliament and the Council.** It remains to be seen whether the European Parliament and the Council accept and acknowledge these constraints, or else allocate more human resources.

Many officials, both in the delegations and in Brussels, have expressed concern that the European Commission as an organisation seems undecided on whether it wants headquarters to be merely a 'post office box' on the way to Council committees, or whether it should be capable of actively assisting delegations with specialist knowledge. Feedback from the delegations indicates a void in the definition of the role of headquarters and that **too little has been done to prepare Brussels for devolution.** Thus, it is now time to pay attention to adjusting the mandate, procedures and staff in Brussels.

Headquarters needs to support the delegations

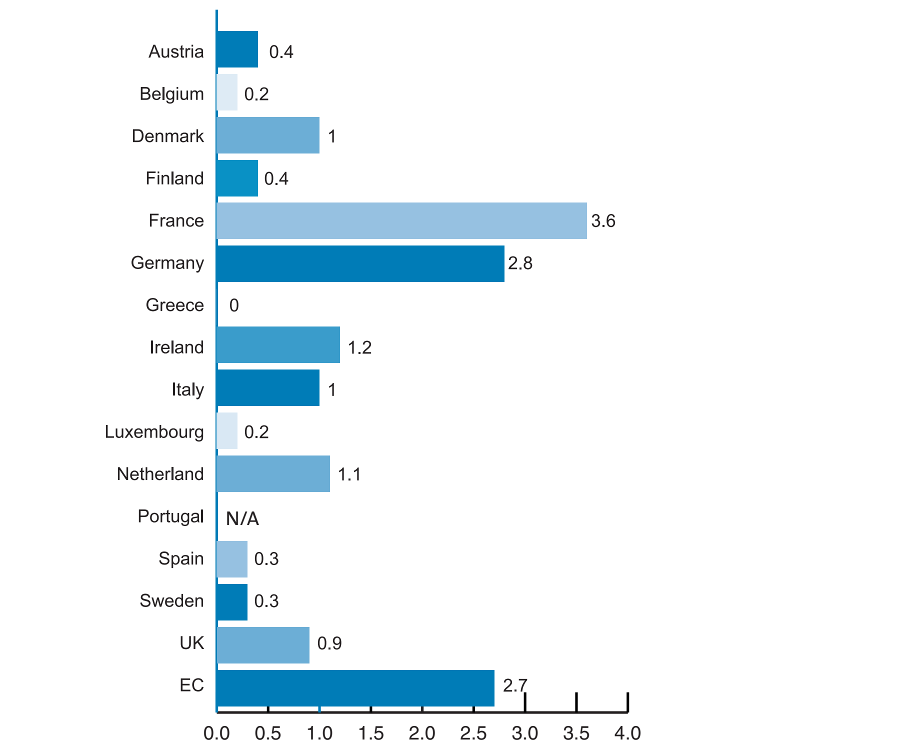
As Figure 1 above indicates, after devolution the European Commission will be among

Table 1. Degree of devolution of EU donors: Main responsibility for different phases of the project cycle

	Programming	Project appraisal	Tenders	Commitments & payments	Monitoring & evaluation
Austria	HQ	HQ approval	HQ	HQ	n/a
Belgium	HQ	HQ approval	HQ	HQ	HQ
Denmark	HQ	HQ/Field	HQ/Field	HQ/Field	n/a
Finland	HQ	HQ	HQ	HQ	n/a
France	HQ	HQ	HQ	HQ	n/a
Germany	HQ	HQ	n/a	HQ	HQ
Greece	HQ	HQ	HQ	HQ	HQ
Ireland	HQ	HQ approval	n/a	n/a	Field
Italy	n/a	n/a	n/a	n/a	n/a
Luxembourg	HQ	HQ	n/a	n/a	HQ
Netherlands	HQ	Field	Field	Field	Field
Portugal	HQ	HQ	HQ	HQ	HQ
Spain	HQ	HQ	HQ	HQ	HQ
Sweden	HQ	Field	Field	Field	Field
UK	HQ	Field**	Field	Field	Field
EC	**HQ**	**HQ**	**Field***	**Field**	**Field**

*Notes: *except primary commitments; ** for less than £7.5 million.*
Source: EU Donor Atlas, May 2004.

Figure 2 Ratio of field staff to headquarters personnel



Source: Based on 2001-02 statistics from DAC/OECD.

the donors with the highest percentage of its total staff operating in the field. In fact, the actual ratio of staff in the delegations to personnel in Brussels is even higher than shown in the figure, which is based on data from the period before full devolution. This illustrates the extent to which the Commission must start to rely on human resources and expertise placed in the delegations rather than at headquarters.

One key task in making this adjustment is finding a balance between greater efficiency in delivering programmes in the field and maintaining the coherence of the organisation. Taken to the extreme, devolution has fragmented organisations. To avoid this, it is critical to ensure policy coherence between headquarters and the field, including adherence to broad objectives across the organisation. On the other hand, an overbearing central authority has sometimes offended field offices and undermined policy goals. Getting the balance right between devolved and centralised functions is difficult; experiences from other organisations have shown that first attempts rarely work. Continuous efforts to create an enabling environment in which delegations can deliver will thus be important for successful implementation of devolution.
Devolution affects most of the functions and roles of headquarters services, and these will have to be adapted to the new management mode. Headquarters' main functions in provision of external assistance are now envisaged as follows:

- **providing assistance to delegations** in their work;
- **monitoring** delegations' activities;
- **ensuring coherence and quality** across the board, while no longer being directly involved in implementation aspects.

To achieve this change, the Commission's headquarters services in Brussels will have to reinforce its capacity for overall supervision and control, for coordination and providing a backstopping facility, for quality support and quality control and for knowledge-sharing and learning. This transformation is ongoing but will need attention.

Many EC officials have warned of the dangers of inadequate support to the delegations in terms of timeliness, style and tone. They have also pointed out the shortage of technical expertise to back up delegations. Though this has also been a problem in the past, under devolution it will be even more important to provide delegations with timely backup and relevant support.

Training

Effective devolution requires staff training and the preparation of guidance and manuals to assist personnel who may not initially be completely versed in the procedures for which they are responsible. Delays in getting this kind of guidance to field staff have slowed operations in the past. The Commission is addressing this weakness, but some officials and outside stakeholders argue that more should be done. Some interesting initiatives exist. DG Trade invites all its trade advisors for an annual one-week seminar. Such seminars encourage exchanges of experience, provide updates on new commitments and policy priorities and contribute to the creation of inter-delegation networks. They are also an opportunity to encourage delegation staff to take a wider perspective and for Brussels staff to come to grips with the concrete difficulties faced by delegations in the field.

Learning from experience and providing operational support

Ensuring that the whole system can learn from the experiences of others is a huge challenge. Few donors have effective systems for transmitting the experiences of one part of the system broadly to others. There tends to be few incentives for staff, overburdened with the realities of day-to-day crises, to put experiences on paper or to disseminate them in other ways. Devolution can exacerbate this situation if staff become focused on individual country issues and disbursement pressures to the exclusion of broader organisational interests and long-term objectives.

EC headquarters could stimulate organisational learning and cohesion by providing the delegations with operational tools such as manuals, guidelines and overall policy direction. But this should be done without giving the impression of a top-down, one-way decision-making process. This requires staff with the necessary skills and experience, capable of creating such tools in a participatory way. The current focus on mobility of EC staff does little to facilitate the creation of a pool of such experts at headquarters. Outsourcing to consultants or external experts is also difficult because of the need for in-depth knowledge of EC operations.

Though tools such as manuals, guidelines and policy papers can be part of sharing experience, there needs to be other ways of capturing experience as well. Training sessions that allow field staff to present their experience have been useful in other donor organisations, as has the circulation of reports on activities. Such learning systems require strong management support to survive.

Will devolution strengthen delegations' capacity to deliver?

A number of actors have questioned whether the devolution process is too grounded in a 'management logic' focused on speeding up EC aid delivery and not sufficiently guided by the objective of improving the quality of EC external assistance. Several stakeholders have argued that the delegations and local partners should be more involved in designing an appropriate devolved structure. A number of delegation officials have expressed concerns about what they see as a 'top-down approach' pushed by Brussels which leaves little room for flexibility. Input and feedback from delegations and external actors is important to refine the task division between headquarters and delegations, to ensure coherence of the organisation and to increase organisational learning. A continuous two-way exchange of views, experiences and ideas is imperative for the devolved administrative structure to function smoothly.

Contracts and finance

Given the devolution of financial management responsibilities, the most obvious and important change in the organisational structure of devolved EC delegations is the creation of contracts and finance sections. Before devolution, most contracts and financial management were handled in Brussels by a unit with about 80 officials. Now the contractual and financial expertise at headquarters is considerably reduced.

The devolution of contracts and finance has been particularly difficult because there has been - and to some extent still is - a shortage in the delegations of staff knowledgeable about EDF financial and contractual procedures. This is partly because EC legal and financial personnel have no tradition of mobility and are rarely interested in field positions. As a consequence, many new positions have been filled with recent hires who have little EC experience. Training of these staff has been inadequate as well, the result of which has been that several delegations have experienced a slowdown in activities in the first year following devolution.

To counter such problems, the contracts and finance sections within the delegations have established **informal and formal networks** to facilitate learning from already devolved delegations. The creation and promotion of exchanges of knowledge, learning and experience between delegations in the different regions will become even more important in the future.

The smooth running of the contracts and finance sections depends not only on having staff who are experienced and knowledgeable about EC procedures, but also on the relationships these staff maintain with the operational sections in delegations. Dialogue and an appropriate division of tasks between contracts and finance sections and the operational sections are crucial for a delegation's efficient functioning.

Box 8 Feedback from ACP governments

- Recruitment of new staff in the EC delegations has often been too slow.
- The transfer of authority and decision-making power to the delegations has not always coincided with the arrival of new staff.
- The expertise in the delegation has not matched the expertise required by the focal areas of the country strategy papers and national indicative programmes.
- New staff is often young and inexperienced in EC/EDF procedures and management of ACP-EU cooperation. New staff are often reluctant to take decisions and responsibility.
- The finance and contracts sections in the delegations play a crucial role for speedy programme implementation. More attention should be given to finding personnel with the right capacities to fill these functions.

Further feedback can be found in the six reports from the 2004 Regional NAO/RAO workshops held in every ACP region. http://www.acpsec.org/rao/

The role of the head of delegation

The role of the head of delegation has changed radically with devolution. As delegations have - in many cases - expanded into rather large organisations, the **management skills of the heads of delegation have become more important** than in the past. The role of heads of delegation has evolved from daily involvement in cooperation programmes to that of managers of medium-sized organisations. Several officials have suggested more should be done to assist heads of delegation in better managing their staff. They see a need for more training and management support not only for heads of delegation, but also for EC officials taking up positions as team leaders, as most of these have had no prior management experience.

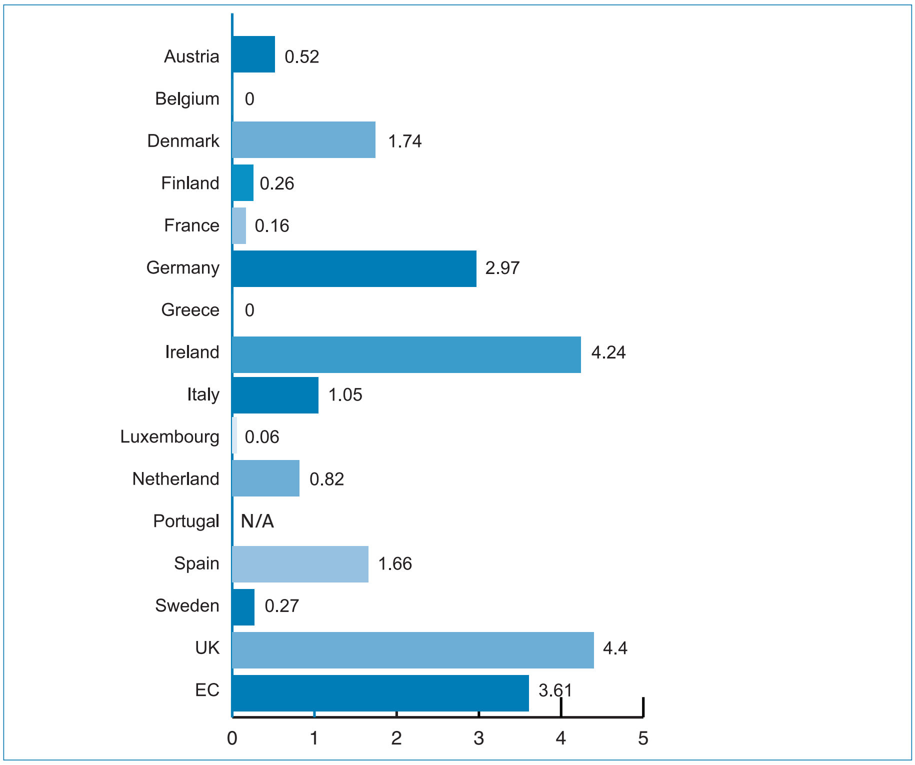
Organisational capacity and institutional memory

According to a number of EC officials, the European Commission is in need of a **better return-to-headquarters system** for devolved staff and heads of delegation. Returning staff are now often given portfolios unrelated to their experience in the field. Many, therefore, have no opportunity to use their knowledge of a particular country or region.

Like most development organisations, the European Commission assigns its permanent staff to the field for two- to three-year periods. This means frequent rotations and loss of organisational memory and stability. Partly to ensure continuity of organisational capacity and partly for cost reasons, the EC uses two other kinds of staff. The first of these are the ALATs (*agent local d'assistance technique*), who have long existed under various names. As of 2006, these will all fall under the same statute. Future ALATs will receive a five-year contract with a delegation, with the possibility of one renewal before the contract becomes indefinite.

The second group is the local staff who have always been a key component of the working of EC delegations, though their capacity, networks and skills have not always been fully utilised. Many officials and third parties argue that more could be done to break down barriers between EC officials and 'outsiders' and to reverse the hierarchical structure of the delegations. In some cases, this structure has been a disincentive for local staff and has created negative working environments.

Figure 3 Local staff per expatriate in missions



Note: Commision staff does not include ALATs.

The **conditions of employment for local staff** can be contentious as well. The higher-than-local-market-value salaries that most donors pay are draining many governments of their best personnel. Civil service reform is the only, albeit longer term, solution. In the meantime, delegations could increase incentives by facilitating training and giving local staff more responsibility. Some donors are also grappling with the demands of long-term local staff who want more career development and perspective in the donor organisation, including assignments at locations other than their country of birth.

Persistent staff shortages: Matching human resources to new responsibilities

As indicated earlier, the European Commission operates one of the most decentralised donor organisations in the European Union. But it does so with one of the lowest ratios of staff to million euros disbursed. It is no wonder that delegations find it difficult to deliver on their many international commitments and changing priorities. Devolution is not likely to change this in the short term.

Sectoral concentration

Although nearly two-thirds of the staff managing EC external assistance is now based in the delegations, the increases in personnel numbers as a result of devolution are still insufficient to match the additional tasks and responsibilities that have been transferred to them. Thus, efforts should be made in the longer term to correct the inconsistency between tasks and resources. In the short term, delegations will have to do without more staff. A clear focus on the sectors where the Commission can have an added value will be important here, to make maximum use of limited resources. More should be done to put this policy into practise.

Since the Development Policy Statement of November 2000, the European Commission has made some progress in concentrating external assistance in sectors where it can add value. Nonetheless, the local context, political demands and the development budget have required the Commission to move into non-priority sectors time after time. This has not contributed to the development of expertise among Commission officials and staff.

Skills

With limited staff allotments, difficulties can arise as to which skills to prioritise; for example, policy experience to support sector-wide approaches versus traditional project management skills, or sectoral expertise versus broad development experience. Here, it is crucial to find a balance between a general understanding of the workings and procedures of the Commission and sector-specific expertise.

Coordination with other donors

Another important point to consider in selecting new staff could be capacities present in other donor organisations in the country. In a few developing countries where there is good cooperation among a small group of donors, some donors are making decisions on vacancies partly based of the competences available and those needed in the donor group as a whole.

Reducing demands on delegations

To maximise the effectiveness of the work of EC delegations, efforts should be made to minimise requests, reporting and non-implementation requirements from

Box 9 Devolution: A means to improve coherence, complementarity and coordination?

According to the Treaty of European Union, EC delegations and the embassies of the European Member States should cooperate to ensure compliance with and implementation of the common positions and joint actions adopted by the Council.

Coordination and complementarity with the EU Member States are important elements in ensuring that the delegations and the embassies of the Member States can efficiently and effectively provide external assistance and, even more important, coherent European policies towards developing countries.

When and how will it be possible for EU embassies and EC delegations to complement each other?

Brussels, without jeopardising communication, organisational learning and quality support. This would include EC services, the European Parliament and the Council of the European Union. At the moment, the different EC headquarters services submit independent and uncoordinated requests to the delegations. Passing all demands through the relevant country desk officers before they reach the delegations is one approach to better coordination.

Incentives

Creation of an appropriate incentive system would be a useful step to counter the staff shortages in the delegations and to mobilise personnel with the expertise required to maintain the devolved and currently under-staffed management system of EC external assistance. There are few financial or career incentives for EC officials to move from Brussels to delegations at the moment. It is unlikely that the European Parliament and the EU Member States will agree to increase the salary of officials moving abroad to provide a financial incentive and doubtful whether additional financial incentives would change the current mobility pattern. It appears more realistic to look to other career incentives.

In the past and to some extent still today, going to a delegation was widely considered a negative career move. Staying in Brussels was more advantageous than being isolated in a delegation. Now the statute for EC officials has changed and those working in DGs dealing with external relations are officially required to go abroad after a maximum of six years in Brussels. Practice is somewhat different, however, as there are still many ways to avoid a field assignment. One way to change this attitude is to ensure that no EC official within the Relex family can enter the management level without prior experience in at least one EC delegation. This principle becomes even more important given the nature of the European Commission: promotion to the higher ranks of management is not necessarily based on capabilities and proven record, but can depend on nationality and political contacts.

Changing interface with partners: Risks and opportunities

One of main purposes/objectives of the devolution process is to increase the effectiveness, impact and sustainability of EC external assistance by moving decision making on the use of aid closer to beneficiaries. Devolution also aims to increase participation and the sense of ownership of partner countries, including among the private sector and civil society. Increased ownership - coupled with a more proactive Commission presence in third countries - should contribute to raise the quality of assistance. But to improve the quality will probably also require changes in how the European Commission interacts with its partners in developing countries.

Relations with the host country

A number of recipient countries have expressed concern that the European Commission has made too little effort to explain the rationale and steps of devolution to the host country and national stakeholders. Here, **information concerning timetables and progress** on devolution in each delegation would have been helpful for recipients to better understand the process and its implications. A large number of ACP governments have also expressed concern about the negative immediate effects that devolution has had on the implementation of programmes. However, in most recipient countries these appear to have been short term, and some ACP governments are already experiencing more efficient cooperation with the European Commission than before devolution.

There is still a need for greater clarification on the **kinds of decisions** that devolved delegations can take. This is especially the case in countries where Commission programmes are administered and implemented in a decentralised mode - as in the ACP countries where national authorising officers (NAOs) hold responsibility for a number of implementation tasks. Clarification is needed of the new roles, responsibilities and the headquarters/ delegation task division. The delegations would not necessarily need to spend much time keeping local partners updated if EC headquarters could draft a **general guide and presentation of the devolved management system.**

The objectives of devolution should drive the process, and not vice versa. The goal of increasing the impact of external assistance should include the transfer of responsibility to recipients who are accountable and can ensure transparent management and implementation. There are, however, signs that problems of slow implementation and complex financial procedures have encouraged the European Commission to roll back decentralised and joint management in a number of recipient countries. There is also a risk that the Cotonou Agreement will be revised to limit the role of ACP countries in joint management. This would undermine the development strategy focused on building the capacity of the recipient country. Pressure to disburse and a preoccupation with financial accountability should not drive or convert this integral objective of the European Commission's poverty-reduction strategy. Instead, the management mode of EC external assistance should be seen as a strategic tool to promote the objectives of improved quality, results and sustainability of EU aid.

Box 10 Feedback from ACP National Authorising Officers

- Deconcentration, at least in the early stages, seems not to have reduced bureaucracy but has transferred it from Brussels to the national level.
- Deconcentration needs to be combined with the right mindset and attitude among delegation staff. In a number of ACP countries deconcentration has not yet resulted in more active engagement with national partners.
- Priority should be placed on matching needs for expertise in focal sectors with the use of aid modalities in providing EC assistance (such as direct budget support).

Relations with southern non-state actors (including NGOs and the private sector)

Non-state actors in the South are likely to benefit from the devolution of funding opportunities from Brussels to the field. Although the euro ceiling for contracts is now lower, the presence of more EC staff in delegations should help local actors benefit in the medium term.

There is still opportunity for the European Commission to make better use of the potential of increased non-state actor participation. This implies viewing southern non-state actors as potential 'change actors' and as partners rather than as management tools. Devolution could improve the interface with southern non-governmental development organisations and the private sector - if the potential benefit of non-state actor participation is better reflected in the programming and implementation of external assistance. Incentives for delegations and their staff to actively engage with local stakeholders are an important element in promoting an outward-looking, proactive culture in the field.

Relations with the local donor community

Donor organisations with large numbers of field staff tend to have more time and opportunity to interact with other donor organisations in a country than donors with fewer field representatives. Thus, while this of course depends on whether the additional human resources provided match the devolved tasks and responsibilities, a devolved donor is likely to be more active than a non-devolved donor. A more outward-looking culture may be required before EC officials prioritise interaction with other stakeholders.

There are signs that the European Commission is taking on the role of lead donor within its focal sectors in some recipient countries. Playing this role effectively requires dialogue and cooperation with other donors and with the host country. This is a challenge for the European Commission as a whole since there are few incentives for staff in this direction, despite the Commission's formal commitment to improve donor coordination in general and to harmonisation at the country level.

Relations with European stakeholders

Development organisations have to respond to domestic stakeholders and political masters. Devolution alters the patterns of resource allocation and power, which affects vested interests, for example, in the nature of contracts and how they are awarded. These changes can make domestic stakeholders - including politicians, NGOs and the private sector - uncomfortable, and result in pressure on politicians and administrations to re-centralise. Countering this risk will probably imply active engagement by the European Commission with the relevant stakeholders, in order to raise awareness and understanding of the devolved management system.

A dialogue is ongoing on future relations between the European Commission, the European private sector and non-governmental development organisations. As a result of the devolution process and the harmonisation of the different budget lines from which the Commission has funded European NGOs in the past, several interest groups have actively expressed concerns about devolution. Some of these concerns are relevant, while others seem founded on pure self-interest. As funding opportunities are moving south, European non-governmental development organisations and consultancies, as well as the European Commission, will need to reflect on what added value northern organisations have, and how this should influence future cooperation. So far, the European Commission has not addressed these actors strategically.

Conclusion: Devolution still has some ground to cover, but is beginning to show results

Operationalisation of the principle that **anything that can be better managed and decided on the spot, close to what is happening on the ground, should not be managed or decided in Brussels** and the implementation of devolution as a means of achieving the strategic objectives of the reform of EC external assistance are not easy tasks. Devolution is an ambitious process which could potentially lead to fundamental changes in the provision of external assistance by the European Commission. Yet less than four years have been set aside to formally transform the centralised organisational structure into a highly devolved system. Although the devolution process is complex and the European Commission has faced many problems in its implementation, significant efforts have been made, the result being that all geographical and thematic instruments will be formally devolved before end 2004. This means that, formally speaking, all EC delegations will operate in a devolved mode as of 2005.

For political and organisational reasons, the European Commission is implementing devolution in a relatively short time and in a rather top-down manner. While there are obvious reasons for choosing a fast-track implementation process, there are also a number of challenges associated with speed. The main weakness of this approach is and has been that the Commission has had little time to learn and flexibility to accommodate the various delegations and local partners around the world. Moreover, financial, staffing, organisational and other problems and constraints have arisen which are serious and should be addressed, although they do not seem to amount to more than could be expected. These 'problems' will require attention in the coming years, as part of the process of consolidation of devolution. To do this, it will be important to ensure that the delegations are at the forefront of the consolidation process, and that feedback from partner countries can assist the European Commission in making further improvements.

The process of consolidating devolution should avoid considering aid delivery exclusively in terms of financing and auditing. Such an approach risks confusing 'disbursed money' and 'impact'. Rather, attention should be paid and priority given to the improvement of learning, communication, coordination, quality and impact, and incentives should be created to reward staff for quality improvements in the assistance provided and active contributions to achieve the strategic objectives of the reform. The increases of staff for financial and contracts matters so far have underlined the preoccupation with financial accountability. It is now time to increase operational staff working in the focal areas of EC assistance, especially in the area of governance.

Devolution should be seen not as an end in itself, but as a process to achieve the strategic objectives of (i) eliminating the structural implementation constraints of EC external assistance (unclear and divided responsibilities, persistent staff shortages and excessively complex administrative procedures); (ii) ensuring robust financial, technical and contractual management procedures; (iii) achieving faster implementation; (iv) improving the quality and management of external assistance; and (v) guaranteeing the impact and visibility of external assistance. Devolution cannot achieve all of these objectives alone, and many other elements will influence the outcome of the reform. That said, devolution is the most critical and complex component of the European Commission's reform programme, and it has great potential to substantially influence the delivery of EC external assistance in the immediate future.

Notes

1 For an analysis of the criticism and the reform programme see Bossuyt, J. et al. *Assessing Trends in EC Development Policy. An Independent Review of the Europeans Commission's External Aid Reform Process.* (ECDPM Discussion Paper 16).

2 Communication by the Commission on the reform of the management of external assistance, 16 May 2000.

3 In 2000, the Commission had only 2.9 officials per 10 million euros managed, compared to 4 to 9 officials in Member States and the World Bank. Its backlog of outstanding commitments reached more than 20 billion euros by end 1999; and the average delay in disbursements, which was 3 years during the previous 5 years, increased to 4.5 years. Financing came from more than 30 geographic and some 50 thematic budget lines with different procedures and purposes.

4 See the European Commission's evaluation of *Development and Humanitarian Assistance of the European Union. An Evaluation of the Instruments and Programmes Managed by the European Commission. Final Synthesis Report, 1999.*

5 Devolution implies the delegation of decision-making powers.

6 For example, in the form of budget aid (provided adequate control mechanisms are introduced).

7 In many countries part of this additional staff may be national (provided that it is permanent and not outsourced).

8 However, replacement of ex ante controls by ex post ones should not be systematic in situations of bad governance.

9 See *EU Development Aid in Transition* by the House of Lords, Twelfth Report by the European Union Committee, April 2004 and OECD/DAC *Peer Review of the European Community*, 2002.

10 Communication to the Commission on the reform of the management of external assistance. Brussels, 16 May 2000.

11 See OECD/DAC *Peer Review of Tanzania,* 2003.

12 Other EC external agreements with third parties also allow for decentralised management; but it is rarely practised because accountability and transparency are seen as inadequate in the recipient countries. Decentralised management under the Cotonou Agreement is part of a development strategy to strengthen the capacities and ownership of the recipient country. The financial regulations applicable to the EU budget, however, approach decentralised management only from the financial angle. Development considerations do not come into play.

13 For further details see EC progress reports. These can be found on the Internet: http://www.europa.eu.int/comm/europeaid/decentr/index_en.htm and http://www.europa.eu.int/comm/external_relations/reform/intro/index.htm

14 For further information regarding development of the EC's delegations see the European Commission's *Taking Europe to the World. 50 years of the European Commission's External Service*, 2004.

15 Originally, the devolution of delegations in ACP countries was scheduled to be completed in 2003, but lack of both human and financial resources has delayed it. Realistically, full devolution might not be achieved before late 2004 or early 2005.

16 ALATs (*agent local d'assistance technique*) are European staff with a local contract.

17 The difference between the figures mentioned in the text and in figure 1 is a result of the use of two different currencies, USD and EURO.

18 Food security, transport, macro-economic support, regional integration, trade, institutional capacity building and good governance.

19 See, for example, comments made by Jack Straw in *EU offices staffed by 'odd-boys'* in the *Financial Times*, May 2004 or the forthcoming report on the devolution process by the Court of Auditors. This report could be an important input to an ongoing process, but there is also a risk the assessment is too early. If the tone, style and suggestions of the report are not firmly based on evidence and the recognition that devolution is still at an early stage, it might have a negative impact on the whole process. Moreover, the assessment will not include the devolution of the third wave of EC delegations in the ACP region.

20 *Evaluation of EC Country Strategy for Malawi 1996-2003.* Available on the Internet: http://www.europa.eu.int/comm/europeaid/evaluation/program/acprep.htm

Further readings

Taking Europe to the World. 50 Years of the European Commission. The European Commission, 2004.

EU Donor Atlas. Mapping Official Development Assistance. May 2004. Prepared by Carlos Montes and Stefano Migliorisi, funded by the European Union. http://europa.eu.int/comm/development/body/tmp_docs/Donor_Atlas.pdf#zoom=100

Evaluation of the Devolution Process. Commission Staff Working Paper, 2004 (Brussels, 6.5.2004 SEC2004) 561.

Conclusions and Recommendations from 2004 Regional NAO/RAO Workshops (see http://www.acp.int/Rao/ or http://www.ecdpm.org/)

'InBrief' provides summarised background information on the main policy debates and activities in ACP-EC cooperation. These complementary summaries are drawn from consultative processes in which the European Centre for Development Policy Management (ECDPM) engages with numerous state and non-state actors in the ACP and EU countries. The Centre is a non-partisan organisation that seeks to facilitate international cooperation between the ACP and the EC. Information may be reproduced as long as the source is quoted.

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