

Cotonou Infokit

Performance-Based Partnership

The Lomé culture of 'aid entitlements' (based on five-year country allocations regardless of performance) was hard to reconcile with a modern and business-like partnership in which there is room to critically assess a recipient country's performance in fulfilling mutually agreed obligations. A major innovation in the Cotonou Agreement is that cooperation is now to be based on performance as well as needs. What is more, Cotonou, far more than Lomé, sends out a clear message that the primary objective of the Agreement is to 'reduce and eventually eradicate poverty'. This, then, is the key goal against which performance should be measured.

From Economic to Political Cooperation

In its negotiating mandate, the EU made clear that aid is there to help those that help themselves. In political terms, this meant greater 'selectivity' in granting aid. Allocations would be based on both 'needs' (i.e. objective development indicators) and 'merits' (i.e. qualitative performance indicators). The idea was to reward countries and regions (with additional resources) when they performed well in implementing the objectives of the Agreement. Negative incentives, in the form of decreased aid allocations or sanctions, would be used against those countries that did not. The EU wanted such a performance-based partnership to guarantee a more flexible use of resources while improving overall aid effectiveness.

At first sight, the proposal seemed highly controversial to ACP governments. They feared that the idea of partnership was being eroded, as was suggested by the imposition of new conditionalities, checklists of quantifiable performance indicators and unilateral sanctions.

In the end, however, a compromise was worked out during the course of negotiations. Both parties acknowledged that

the principle of 'aid entitlements' could not be retained. The Lomé Convention IV bis already contained certain merits and sanctions (including the suspension of aid). Several EU Member States and multilateral agencies used country performance criteria to determine the volume, nature and implementation strategies of their cooperation. European taxpayers had to be reassured that value for money was being obtained. Moreover, it was felt that a performance-based partnership had the potential to transform the current, largely inefficient system of donor-imposed conditionalities into a locally-owned set of accepted objectives and performance criteria. For this reason, the negotiations focused mainly on how to implement a performance-based partnership in a fair and balanced way.

Defining Performance Criteria

Allocating aid on the basis of 'needs' looks relatively easy. Annex IV of the Cotonou Agreement defines a set of needs criteria such as 'per capita income, population size, social indicators and level of indebtedness, export earning losses', etc. In addition, special treatment is required for 'least developed ACP States', for the 'vulnerability of island and landlocked states' and for 'the particular difficulties of post-conflict countries' (Article 3).

Assessing recipient performance is more difficult and delicate. What type of performance criteria should be applied? Should assessment be based on universal principles or be country-specific? How important are merits as compared with needs? How can the danger of defining abstract checklists and slippery benchmarks be avoided? In what time perspective is performance measured? And so forth.

The Cotonou Agreement wishes to measure performance 'in an objective and transparent manner' (Article 3, Annex IV). To this end, it defines a set of parameters for use in performance assessments (see box).

PERFORMANCE CRITERIA IN THE COTONOU AGREEMENT

- progress in implementing institutional reforms;
- national performance in the use of resources;
- effective implementation of current operations;
- poverty alleviation or reduction;
- action to boost sustainable development;
- macroeconomic and sectoral policy performance.

Assessing Performance

The success of a performance-based partnership will depend, to a large extent, on the way it is put into practice. Participation and ownership are the essential elements of an effective implementation strategy. The Cotonou Agreement, to some extent, recognises the need for a flexible and locally driven system of performance assessment. To this end, it stipulates that:

- the programming of EU aid will be 'rolling', so as to ensure flexibility in managing EU aid resources;
- national and regional indicative programmes will be subject to an annual operational review, as well as to mid-term and end-of-term reviews in order to adapt them to changing circumstances and to ensure that they are correctly implemented;
- the parameters and criteria for the reviews will be defined by both parties and included in the indicative programme; political dialogue will be a key tool for assessing performance;
- the annual operational review of the indicative programme will consist of a joint assessment of the implementation of the programme and will be conducted locally through the EC Delegation and the National Authorising Officer;
- following the completion of mid-term and end-of-term reviews, the Community may revise the resource allocation in the light of current needs and performance. This could entail either an increase in resources (for 'good performers') or a reduction in resources (for 'bad performers');
- non-state actors will be involved in the performance reviews (which should help to make the process more participatory and transparent).

Some Open Questions

Promoting and implementing a performance-based partnership will require time for learning and experimentation. Although the Cotonou Agreement provides a basic framework for assessing performance, a number of questions remain:

- *What are the indicators of poverty reduction?* Poverty eradication is clearly identified as the primary objective of the Cotonou Agreement, which means that measuring performance against this elusive goal is a prime concern. Since the EU Council of Ministers' approval of the EU's Overall Development Policy Statement in November 2000, the debate on how precisely this should be done has intensified, notably in the European Parliament. What indicators should be used? Should one measure outputs or inputs? Can the European Commission use a monitoring system that is consistent with that used by other donors and the OECD? The European Commission is currently preparing such a monitoring system, and this should come on stream in 2003.
- *How can you prevent an assessment system from penalising the poor?* The application of performance criteria may lead to the further marginalisation of the poorest countries and populations (e.g. in cases where aid is suspended). How will the EU reconcile 'selectivity' with its stated ambition of fighting poverty? How can aid be redirected if its flow is interrupted?
- *What about the case of politically fragile countries?* A growing number of ACP countries are facing serious problems of governance, political instability or conflict. How should performance criteria be applied to politically fragile countries? How effective are existing cooperation policies and instruments for these countries?
- *Will there be a system of joint monitoring?* The mechanisms for jointly assessing performance in a balanced, participatory and decentralised way have not been worked out in full detail yet. Inevitably, the final decision will remain the political responsibility of central agencies, particularly in the EU (e.g. decisions on resource allocations). However, all other aspects of performance assessment lend themselves to a participatory approach involving central and local governments, civil society, the private sector, independent institutions, etc. A broad-based involvement of local actors may help to avoid a biased, centralised assessment that is disconnected from complex local realities.
- *Will donor performance also be measured?* Even in an 'unequal partnership', donor performance criteria could also be formulated with a view to guaranteeing credibility (e.g. avoiding hidden agendas and double standards) and effectiveness (e.g. in terms of providing effective support to reforming governments). Possible donor performance criteria include simplicity and transparency of decision-making, the level of consistency and coordination between the European Commission and the Member States, improved policy coherence, and bureaucratic performance (e.g. the quality and speed of aid delivery).