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**Title:** Discussion Paper 4: Improving the Complementarity of European Union Development Cooperation: From the Bottom Up

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### Executive Summary

"Complementarity" is a mysterious term used in EU development cooperation. Introduced in the Treaty of Maastricht, the concept essentially invites the European Commission (EC) and the Member States to work more closely together and, if possible, to agree on who is best placed to do what in development cooperation. The concept is seldom clearly defined and the distinction between complementarity and cooperation remains blurred in the general discussion.

While there is wide agreement on the potential benefits of improved complementarity/cooperation (e.g. increased aid effectiveness, greater policy coherence, reduced pressure on partner country administrations, etc.), **little progress** has been achieved in practice. Admittedly, efforts have been made to clarify the concept and to promote complementarity through policy and operational coordination. Yet effective change has been hampered by many factors, including competing political interests, bureaucratic resistance and conflicting implementation strategies. As we move towards a new millennium, complementarity still appears to be a political slogan rather than a practical reality.

In 1998, the Swedish Ministry of Foreign Affairs agreed to support a **short study to explore new approaches to fostering complementarity**, considered from both a Community perspective (executed by ECDPM) and a Swedish perspective (executed by the Nordic Africa Institute). In both cases, interviews and desk review - focusing on past experiences with promoting complementarity in EU aid for poverty reduction - were the main sources of information. A brainstorming seminar in March 1999 was organised at the Swedish Ministry of Foreign Affairs to validate the findings of the study. Surprisingly perhaps, a **large convergence of views** emerged from the parallel consultation processes. This facilitated the joint identification of possible ways to move the complementarity debate forward.

This paper presents the main conclusions of the exercise as **four key messages**:

1. The **political climate is ripe for a major leap forward**. Changes in the overall aid environment are pressuring donor agencies to do more with less money; to show "value for money" and sustainable development impact; to manage aid efficiently in respect of good governance criteria; to concentrate and specialise; and to pool their human and financial resources in order to respond to an increasingly complex development agenda. All this may lead policy-makers to accept that complementarity should go beyond mere coordination and to explore ways to arrive at a pragmatic "division of labour" between the EC and Member States.
2. The **limits of past approaches to complementarity are recognised** by the different parties involved. While laudable efforts have been made to achieve greater policy and operational coordination, the impact has been less than optimal. With hindsight, past efforts seem to have suffered from a number of flaws, including a preference for (rather ambitious) theoretical approaches (focusing on abstract concepts rather than local realities), a tendency for (hidden) political agenda's to complicate the complementarity debate (e.g. the perceived fear at Commission level that complementarity would be used to reduce their role and budgets), a top-down approach to implementation (with donor headquarters in the driving seat) and a rather passive role by partner countries (according to official policy discourses, they should be in the driving seat).
3. For effective progress to be achieved, it is **essential that a much more business-like, bottom-up and pragmatic approach is adopted**. This strategy starts from the premise that things will not move in the absence of a *genuine demand for complementarity* in partner countries and among the aid agencies involved. It means accepting that complementarity is best promoted through a wide variety of (small) actions and processes, each adding a brick to the building. It invites parties to search actively for promising openings, channels or instruments

to stimulate complementarity in a "demand-driven" way in partner countries, in the Commission and in the Member States. It implies creating incentives for people to invest their time and energy in different forms of complementarity in their own programme, policy area, sector, or agency.

#### 4. Different channels to promote complementarity from the "bottom-up" exist :

- *Building capacity in partner countries.* Strengthening the capacity of developing countries to formulate and manage (coordinate) their own policies is both an end in itself and a means to foster complementarity. Locally-owned policies can provide the much needed framework for coherent donor support. Admittedly, in weak states this approach may take time. In other countries, however, targeted capacity building efforts could quickly lead to improvements.
- *Mapping the potential for complementarity.* It is difficult to increase complementarity in the absence of reliable information on "who is doing what" in the field. Hence, a useful "bottom-up" initiative would be to further refine the matrixes (or profiles) related to EU activities and to entrust the Delegations with a role in facilitating their effective use as a complementarity tool.
- *Changing the nature of aid.* This is another (indirect) way to produce greater complementarity. It invites EU donors to accelerate the shift away from traditional project approaches (inimical to far-reaching forms of complementarity) towards more programmatic approaches such as budgetary or sectoral support (requiring recipient participation, policy coordination and pooling of resources);
- *Making the best possible use of existing fora.* In the past, EU policy-makers have primarily promoted complementarity through special initiatives (e.g. the pilot project on operational coordination). In the process, they may have discarded strategic, down-to-earth opportunities to push the complementarity agenda forward in existing coordination fora (e.g. the Special Programme for Africa); instruments (e.g. country strategy papers, annual reviews), institutions (e.g. European development Fund Committee), partner agencies (e.g. World Bank, UN family), processes (e.g. the Post-Lomé negotiations), or new policy areas (e.g. conflict prevention, private sector development);
- *Introducing institutional reforms.* This channel invites reformers to concentrate their efforts on removing the institutional obstacles to improved complementarity. This means advocating a far-reaching decentralisation of decision-making powers, a deconcentration of personnel to the field; a radical simplification and harmonisation of procedures, and a new role for the EDF Committee (to act as a focal point to "construct" greater complementarity);
- *Clarifying the added-value of the EC as a multilateral agency.* Problems of complementarity mainly arise when the formula "15 + 1" applies, i.e. when the Commission undertakes activities that are very similar to those of Member States. By contrast, little competition is likely to exist when the Commission truly acts as a multilateral agency. The complementarity debate would greatly benefit from a serious dialogue/negotiation between the EC and the Member States on the added-value of the Community as a multilateral agency. There is no shortage of (new) roles that the Community could usefully take up for which it has a comparative advantage (e.g. facilitating an exchange and capitalisation of experiences on topics of common concern, promoting joint political analysis, striving towards greater policy convergence/harmonisation, etc).

#### A New Chance to Improve Complementarity?

The Treaty of European Union (TEU) formally recognised the existence of a Community development policy and gave it legal foundation. Article 130u lays down the objectives of Community development policy and mentions that it shall be "complementary" to the policies pursued by Member States.

Ever since, laudable efforts have been made to agree on a common interpretation of the concept of "complementarity" and to put it into practice through a wide variety of Commission initiatives; Council resolutions, declarations and conclusions; pilot projects on operational coordination; joint expert working groups; research and seminars.

However, seven years later, no major breakthroughs have been realised. The basis by which aid is provided by the Community and the Member States has not changed. In accordance with the formula of "15 plus 1", the Commission continues to be active in almost all sectors in the developing countries, just like the Member States. The overlapping of European and bilateral cooperation activities opens up unnecessary complications and adds burdens to partner countries' administrations and capacities. The net result is a less than optimal utilisation of EU resources and influence in international fora (if one takes into account that the EU accounts for more than 50% of overall ODA). The reasons for this poor record have been widely documented and range from conceptual confusion as to what "complementarity" should entail, to competing political interests, bureaucratic resistance, and conflicting views on implementation strategies. As we move into the new millennium, complementarity is a political slogan rather than a practical reality.

However, this is not to say that the complementarity debate is dead. If anything, it appears that major changes in the political aid climate create new opportunities to increase complementarity. This was largely confirmed during interviews in Sweden and at the Commission. A number of "push factors" were identified that may give complementarity a new chance:

- *Pressures to show "value for money".* EU donors are increasingly confronted with cuts in the aid budgets and related demands to show value for money, efficient management and evidence of impact. Aid quality rather than quantity is the order of the day. The call for improved complementarity fits well in a quality discourse.
- *Searching for sustainable development impact.* This is probably the most pressing reason to give a new boost to the complementarity debate. The cost of fragmented, uncoordinated aid is very high. The competition for flag-bearing projects, partners and geographic areas of intervention generally leads to

duplication, waste of resources and undue pressures on scarce local capacities. This situation is no longer acceptable at a time when donor agencies collectively pressure recipient countries to embrace "good governance", accountability and transparency.

- *Expanding policy agenda.* Development cooperation has become increasingly complex, as new policy priorities (e.g. conflict prevention, private sector development), actors (e.g. civil society organisations) and approaches (e.g. decentralised cooperation) are introduced. Spreading the butter too thinly among a wide variety of countries, themes or sectors becomes a recipe for failure. There is a growing awareness among Member States that they do not always have the necessary funds, leverage or outreach to achieve their cooperation objectives, thus creating incentives for greater complementarity.
- *Changing aid modalities.* The limits of "project-approaches" to development are now generally accepted. This has fuelled the search for new forms of assistance (e.g. budget and sectoral support) which, by their very nature, provide far greater opportunities for complementarity between the Community, Member States and other international agencies (e.g. World Bank, IMF, the UN family).
- *Clarifying the added-value of EC aid.* Beyond these concerns with greater efficiency and effectiveness, there is also a broader political agenda. Several Member States are keen to re-launch the complementarity debate with a view to defining more sharply the specific role and added value of Community development cooperation – a concern increasingly shared by the Commission itself.

All these factors put a premium on improved collaboration, pooling of resources, specialisation and task division. This, in turn, suggests that a "new deal" could be brokered between the Community and the Member States in an attempt to improve the overall effectiveness of EU assistance.

Sceptics, however, tend to argue that a conducive political climate is a necessary but not sufficient condition to get the ball rolling. After all, most bottlenecks preventing complementarity have been around for a long time. Previous reform attempts apparently failed to address them properly.

Hence, some delicate questions need to be asked. Is it realistic to expect much of this new round in the complementarity debate? How committed are the different players to improved complementarity? Where do they see concrete opportunities to make effective progress? What priority actions could be envisaged? What bottlenecks need to be addressed? What new implementation strategies are required, taking into account the lessons of past experiences?

These questions formed the basis for the consultation processes in Sweden and in the Commission. They were central during the validation seminar, organised in the Swedish Ministry of Foreign Affairs in March 1999. They also provide the structure for this paper.

In a first section, we summarise general Community and Swedish perceptions with regard to complementarity ("what does it mean?"; "why is it important?"; "how should it be implemented?"). By providing an updated view of how multilateral and bilateral actors see complementarity, we hope to identify building blocks for future implementation strategies. In the second section, we consider the political dimensions of complementarity. The Commission, in particular, fears that some Member States may use the call for greater complementarity to reduce (or "re-nationalise") EC competencies and budgets. This tends to generate defensive attitudes (at Commission level) and tensions (among Member States). Future reforms will have to find new ways to deal in a constructive manner with the "politics" of complementarity. In the third section, we try to learn lessons from past experiences with promoting complementarity. To this end, we focus on a selected policy area, i.e. the fight against poverty, which has been a key target for improved complementarity over the last years. Building on this evidence ("what works?", "what doesn't work?"), the final section makes the case for a much more "demand-driven" and "bottom-up" approach to implementing complementarity.

## EC and Swedish Perceptions on Complementarity

### The Community's Choice for Pragmatism

The Community's position on complementarity has evolved over time. The first move was made in May 1992 - before the TEU came into force - when the Commission presented a strategy paper to the Council on "Development cooperation policy in the run-up to 2000". This document contains a rather ambitious interpretation of the concept of complementarity. The Commission then argued that the best way to achieve the grand development objectives of the Treaty was to "gradually align and dovetail the Member States' development cooperation policies at Community level". In other words, complementarity was defined as harmonisation and integration of bilateral aid in a common policy.

For several Member States, this interpretation was heresy. Not surprisingly, the Council reacted with a Declaration (November 1992) which rejected the Commission's idea of complementarity within a common policy. Instead, it stated that the achievement of the development objectives of article 130u "remains, as far as bilateral programmes are concerned, the responsibility of each Member State". In addition, it decided that "complementarity of Community aid to the policies pursued by the Member States should be ensured through coordination" at different levels (policy and operational levels and in international fora).

For some time, other interpretations of "complementarity" were debated, such as the need for a new "task division" between the EC and Member States (based on comparative advantages) or, more radically, to re-allocate responsibilities and resources from the Community to the Member States. These alternatives, however, aroused little sympathy in the

Commission or among most Member States and their influence soon waned.

In its May 1995 communication on "complementarity between the development policies and actions of the Union and the Member States", the Commission embraced the Council's view on complementarity, as expressed in the Declaration of November 1992. In this document, the Commission sees **coordination as the "main instrument" to promote complementarity**. It pleads for a more "structured approach" to coordination, based on the definition of common objectives, common implementation approaches at sectoral and operational level, enhanced forward planning and joint evaluations.

This interpretation of complementarity still reflects the official Community position. At the the Vienna meeting of the Directors General for Development of the EU (October 1998), the Commission presented new ideas to improve operational coordination with a view to strengthening the "European dimension" of cooperation. In a similar vein, the most recent draft Communication from the Commission on "Complementarity between Community and Member State Policies on Development Cooperation" (18 March 1999) calls for greater complementarity to be achieved by coordinating aid provided by Member States and the Community "as far upstream as possible".

However, beyond the broad consensus between Council (Member States) and Commission on the *principle* of achieving complementarity through coordination, Community perceptions on the *most suitable implementation strategies* may be quite different than those of Member States. While there is no such thing as a monolithic view within the Commission, it is possible to identify some **fairly common perceptions among Commission staff** (both in headquarters and delegations) on how best to promote complementarity:

- *Pragmatic approach.* Complementarity cannot be imposed or designed on a drawing board. The danger of producing a "Gosplan" for improved complementarity should be avoided. Progress can only be achieved on a "voluntary basis" and if there is a "willingness to collaborate at the country level". Case-by-case approaches are required, taking into account the different realities within the EU's partner countries.
- *Rejection of task division based on blueprints.* The idea to agree on a framework for greater specialisation and task division is considered to be of little practical use as there is no model that can be followed in all countries. Thus, if a division of tasks based on experience, added value or any other principle were considered, it would have to emerge and take shape through dialogue at the country level. Complementarity has to grow "organically", starting from bottom-up realities and perceived needs.
- *Specific role and added value for the Community.* Complementarity should not mean that the Community is a 16<sup>th</sup> donor, called on to fill gaps (including in financial terms) in a donor-coordinated policy framework. Complementarity rather implies making the best possible use of the comparative advantages of Community aid. These are, for instance: The Community's greater political and economic neutrality, its capacity to act as a focal point or coordinator in politically sensitive situations, its ability to mobilise large amounts of financial assistance for infrastructure or structural adjustment related programmes that surpass the financing capacities of bilateral donors, the existence of quick-disbursing budget lines that are independent of the country programming process, the possibility to choose between a large number of European and international agencies for the implementation of aid and, last but not least, the comparatively long term and secure planning horizons for programmable assistance under the Lomé Convention. In this context, it is relevant to note that the above mentioned Draft Commission Communication makes a (first?) attempt to define areas where the Commission can "add value on its own right" (e.g. political and institutional reform, establishment of comprehensive partnerships with countries and regions, economic and sectoral policy reform, regional integration processes, and food security policies).
- *Two-way process.* It is strongly felt that efforts to achieve greater complementarity should not only come from the Community. The aim is to improve the consistency of *all* European aid, including between bilateral donors. It is essential that Member States participate in the search for greater complementarity and accept the implications of this strategy for their bilateral programmes. In a similar vein, constraints to effective complementarity also exist among Member States (e.g. multiplicity of structures and procedures, reluctance to consider some streamlining, hidden political and commercial agenda's).
- *Role of partner countries.* From a Commission perspective, it makes little sense to design a sophisticated framework for coordination among donor agencies and then to propose a programme to the recipient country. A "bottom-up" approach is preferred, one which builds on recipient commitment and capacity to promote donor coordination. They note that this approach may not be feasible in all partner countries, for political reasons or because recipients lack capacities.

#### **The Swedish Focus on Partner Countries and Coordination Fora**

Any discussion of Sweden's aid policy in a EU context suffers from the fact that Sweden has only been a member of the EU since 1995, which is a very short period. The experiences of aid cooperation between EC and Sweden, as well as of issues related to the broader discussion of complementarity in the EU context, are therefore limited.

A main policy document with a **Swedish EU strategy** in the field of development assistance was published in November 1996 and communicated to the Swedish Parliament. It has sections on complementarity, policy coordination and field coordination. The complementarity objective is to reach an effective division of labour between the Commission and the Member States, within which the Commission concentrates on areas where it has specific knowledge, experience and comparative advantages. The document suggests that Sweden should map out the comparative advantages of the Commission and investigate how they can be further developed. On the basis of such a mapping exercise, a Swedish

position should be elaborated. A study should also be initiated to look into the impact of EU membership on Swedish bilateral development assistance. On coordination, the strategy formulates general objectives on improving the quality of policy coordination and field coordination in the partner countries. As normal for Sweden, putting the partner country in the driving seat is emphasised.

Since this strategy document was formulated, the Swedish position on complementarity in the EU context has not been further codified in policy documents and official statements. The Swedish government and aid agencies have, however, been very active in the discussions of aid coordination and task division in agencies such as the World Bank, the UNDP and other UN aid agencies as well as in the OECD Development Assistance Committee (DAC). A general Swedish policy on aid coordination is therefore well established, and probably relevant in the EU context.

There are **three main reasons why Swedish officials would support greater complementarity**. A first rationale is *improved country coverage*. In Sub-Saharan Africa, Sweden's bilateral aid is focused on countries in Eastern and Southern Africa. For political reasons, the European Commission cannot exclude certain countries, much like the World Bank and the UNDP. For Sweden, this offers an opportunity for complementarity. When requested by a country for assistance, Sweden can refer to the presence of the Commission and argue that Sweden is actually supporting the country in question.

A second rationale relates to the *strengthening of the EU position* relative to other international agencies. The EU has a weak position in international development affairs, especially when compared with agencies like the World Bank, the United Nations and the OECD. A reason for complementarity within the EU could therefore be to strengthen the EU's position through a more united front. Sweden would be interested in this, provided that it accords with Swedish aid policy interests. This requires policy harmonisation within the EU. While there is not much difference between the poverty reduction policies of the Commission and Sweden, there are significant cleavages between the Northern and Southern EU members in terms of their understanding of what development aid is all about. A common front requires, from the Swedish point of view, that EU members around the Mediterranean change their aid policies and adapt to current standards in the development community.

A third reason to promote complementarity is *improved aid effectiveness*. The complementarity challenge is to make the best possible use of scarce resources while ensuring an effective division of labour among the different donor agencies, based on comparative advantages.

During the consultation processes, it was also possible to identify some **characteristic features of Swedish views on complementarity**:

- *The central position of the partner country*. Swedish policy statements on aid coordination strongly emphasise that the government and institutions of the cooperating country should be mainly responsible for aid coordination. Hence, the view is defended that EU aid coordination should, to a higher extent than currently, follow the priorities of the cooperation country and take other donors' activities in consideration. EU donors should strive for modes of operation and time frames that can be accommodated within existing administrative and decision-making structures of the cooperating country. This implies that recipient countries have sufficient capacity to do this. Experience shows that donors find it difficult to accept such roles.
- *Focus on the country level*. The feasibility of a strategy emphasising complementarity can only be discussed in a meaningful way at the level of the individual country, close to reality and the practice of development cooperation.
- *The importance of common policies*. Complementarity requires a common strategic view by the donors. It is a strong Swedish view that coherent developmental policy and perspectives on developmental issues at the general level are a prerequisite for improved complementarity in the field. In establishing policy coherence between Swedish policy objectives and the EU, most of our interviewees felt that the cooperation has working rather well. There is also a feeling that Sweden and other countries with similar development cooperation objectives have succeeded in bringing "Swedish" issues and concerns higher up the agenda at the country level. This policy harmonisation is seen to be more difficult to achieve with Member States. The perception prevails that a major gap between the EU's "northern" and "southern" flanks needs to be bridged, in order to reach the necessary coherence.
- *The feasibility of a division of labour*. In principle, it appears very attractive to have a division of labour based on sector specialisation in a cooperating country. This requires, however, that it is possible to determine the comparative advantage of each Member State. Further, it also requires that some Member States withdraw from some sectors, while other increase their presence. Neither is very easy. By which criteria should each country's comparative sector advantage be established? A time perspective is also needed, since few comparative advantages can be established within only a few years of operation. Withdrawal from a sector involves more than just the technical assessment of comparative advantages. There are apparent conflicts with commercial and foreign policy interests.
- *Coordination on a case-by-case basis*. In many countries, the volume of EC aid is high compared to most other donors. The Swedish experience is that the limited capacity of the representative office and the centralisation to Brussels of decision-making normally constrains the ability of the EC to take the lead in coordination. In most cases, the Commission is not better equipped to carry out coordination or to take a lead role than any major bilateral donor, sometimes even less so. If the Commission, or some other donor, should take this role, it should be decided on a case-by-case basis. In many countries, the World Bank is already the major coordinating agent among the donors. In those cases there is no reason to create a

further layer for coordination.

- *The need for organisational reforms at EC level.* The structure of the Commission is also seen as a major factor blocking attempts towards complementarity. The need to decentralise decision making to the country offices is one of the most needed changes. Many other donors – the Dutch and the British – have decentralised their operations to a considerable extent. The Commission, on the other hand, still maintains a strong centralised bureaucracy. Such different practice in terms of decision making does not make coordination any easier. Thus, aligning aid agency organisational structures is one important step to take before complementarity can be achieved. It was also noted that there are few channels for discussing reform measures with the EU. Some people question the assumption that it is feasible to try to reform the Commission in order to increase its effective participation in a complementarity strategy. In their view, rather than trying to strengthen the Commission as a donor, perhaps a more viable approach is to reduce its role as a donor. To downsize the Commission's operational activities at the country level does not exclude a strong position for the Commission as a "multilateral" agency with an important role to mobilise strategic thinking among the Member States and for policy harmonisation. In short, it is believed that the complementarity debate should benefit immensely if the function of the Commission as a multilateral donor was more seriously discussed.

### Managing the Political Dimensions of Complementarity

During the consultation processes, it was confirmed that the search for improved complementarity is highly sensitive and loaded with conflicting political views, many of which have little to do with aid effectiveness concerns.

From a **Commission perspective**, the perception prevails that the complementarity debate has been "polluted" by the political agenda's of Member States, who aim to limit the sphere of competencies of the Commission "through the backdoor" rather than through open negotiations. A **reduction of EC competencies** (and related budgets) is often advocated by Member States in the belief, informed by experiences and impressions, that EC administered aid is less effective and accountable than bilateral aid. The Commission argues that this view is unfounded. It argues that there is no objective basis with which to compare performance (among others reasons, because impact evaluations of bilateral and EC programmes are not readily available), and that existing evaluations of EC assistance to ACP countries indicate that performance is not necessarily weaker than that of bilateral donors. Another perceived "political" motivation for Member States to push for a reduction in EC competencies is the desire to safeguard (declining) aid budgets for their own bilateral programmes.

In this context, one can also refer to the longstanding debate on the Commission's capacities to effectively manage an expanding portfolio and budget. Some Member States tend to be very critical about the "**capacity problem**" in the Commission, which they see as a bottleneck to aid effectiveness and improved complementarity.

The Swedish position reflects similar concerns. It was clearly felt that any attempts towards complementarity and even improved coordination require that the Commission's capacity be strengthened. The criticism especially relates to the EU's implementation of aid programmes which, it is claimed, results from a lack of capacity and competence within the Commission [source: Development Today, October 26, 1998]. While Member States have very limited influence on decisions about the organisation and capacity of the Commission, Sweden has put much effort into improving access to information and discussions about the activities of the Commission. As a consequence of the overarching Swedish development cooperation objective of poverty reduction, Sweden is especially concerned about the poverty orientation in EU aid programmes, and how to improve it. But improved competence in the Commission is a precondition to achieving real change in the field. Lack of capacity and competence relates to procedures, but also the numbers and quality of the staff. The Swedish perception is that there is a discrepancy between the volume of staff and the volume of the aid programmes (in terms of financial resources). There were also some doubts regarding the quality of the staff, especially in terms of applying policies and using modern aid programming methods. A priority for Swedish aid is therefore to strengthen the Commission in order to increase its effectiveness. Until this is achieved, complementarity – as distinguished from policy coherence – remains mainly a theoretical issue as far as Sweden is concerned.

It should not be surprising that a different perception prevails in the Commission. While people interviewed acknowledge certain "capacity problems" (e.g. serious understaffing in the Delegations or in several units at headquarters level), they argue that Member States share responsibility for this situation. They emphasise that the Member States have defined very narrow boundaries for the administrative costs of the Community's assistance, which limits the Commission's field presence and ability to monitor assistance. Furthermore, the strict control and accountability requirements to European and national institutions divert important human resources from core tasks of aid management. The Commission has also less opportunities to "play" with human resources than the Member States. The result of such divergent views are often defensive attitudes on both sides and a lack of progress in achieving complementarity -- despite a general consensus on the existence of potentials.

The main message to retain is that what is perceived by the Commission as (hidden) political agenda's obviously makes it difficult to organise a frank and constructive debate on complementarity. The political dimensions of complementarity should be openly and constructively addressed if progress is to be achieved.

### Learning from the Past - The Case of EU Aid for Poverty Reduction

In this section, we try to assess the adequacy of past approaches to implementing complementarity. In the selected policy

area - the fight against poverty - we analyse how seriously the concern with complementarity was taken in practice, what approaches have been adopted to promote it, and how effective these efforts have been. Evidence from this "real-life" case may help to identify alternative strategies to promote complementarity.

Aid for poverty reduction is an appropriate test case for complementarity. It is a shared cooperation priority for EU donors, legally enshrined in the TEU. As a multidimensional phenomenon, it opens a wide policy agenda that no single donor can address on its own. At the field level, there is growing evidence of the cost of poor coordination and consistency in EU policies for poverty reduction. Furthermore, most agencies still have a long way to go before poverty concerns are fully and consistently integrated in their policies, management approaches, monitoring systems, etc.

In assessing efforts to achieve complementarity in the strategic area of poverty reduction, the following set of inter-related questions are relevant:

1. To what extent has the concern with complementarity been integrated in a strategic manner in the formulation of common policy guidelines relevant for the campaign against poverty?
2. How has the concern with complementarity been translated in operational terms?
3. How effective were the approaches followed? Do the results validate the strategy to pursue complementarity through coordination?

### **The Strategic Role of Complementarity in Policy Coordination**

Consistent with its line that complementarity had to be pursued through coordination at different levels, the November 1992 Council Declaration identified poverty reduction as a priority area for policy coordination. The Commission was invited to make concrete proposals for policy coordination with regard to the campaign against poverty and other areas of cooperation directly relevant for poverty (e.g. health, education and training).

How did the Commission execute this assignment? With regard to *substance*, how ambitious were its proposals to promote complementarity at policy level? Did they spell out a clear and detailed strategic role for complementarity in the pursuit of more effective EU poverty reduction policies? Was attention given to the implications and changes required by the Member States? And what about the *process* followed to promote complementarity at policy level? How participatory and decentralised were the processes of policy formulation? What role was played by actors at field level (e.g. recipient governments, Delegations, etc.)?

A detailed analysis of the different Commission Communications and Council Resolutions that were produced in the context of policy coordination on poverty related strategies, display some interesting features:

- *Poorly articulated strategic role for complementarity.* The TEU provisions on improved coordination (or complementarity) may have triggered processes of consultations between the Commission and the Member States, leading to general policy resolutions on a variety of poverty related issues. However, they have not been able to induce a more profound and systematic search for a truly strategic approach to complementarity in the provision of European aid for poverty reduction. If anything, they have tried to make EU and bilateral programmes more poverty-oriented rather than more "complementary" (i.e. based on common principles and choices, to be respected by all donors).
- *Focus on the "what" rather than on the "how".* Most of the documents simply define broad principles and policy objectives for poverty reduction, while emphasising the need for operational coordination and making some concrete proposals to this end. To some extent, this limited scope should not be surprising. Many Member States and their partners had not yet operationalised poverty reduction strategies themselves. The Council resolution stressed the need for approaches to be defined on a case-by-case basis, in line with local conditions and in a policy dialogue with partner countries. One might argue that the lack of reference to complementarity reflected, to some extent, the lack of conceptual clarity and experience with poverty as a common strategic objective at Community level.
- *Vague on implications for Member States.* Most often, policy responses are expected from the Commission. There is much less, if any focus on the implications of a more complementary approach for bilateral policies. There is also little clarity on the appropriate role division between the Commission and Member States, let alone any binding commitment to make the best possible use of the critical mass of the Community as a whole through better coordination.
- *Expert-driven processes.* The main feature of the process followed is undoubtedly the use of expert groups representing both Member States and the Commission. These groups were the "drivers" in the processes of policy formulation leading to the different communications on poverty issues. Indirectly, this allowed for some inputs from the field (e.g. by partner governments, aid practitioners, etc.).

### **Complementarity through Operational Coordination**

Operational coordination was the second path selected by the Council in its search for greater complementarity between the Community and its Member States in the field of poverty reduction (cf. 1993 Council resolution on this theme). The Commission was asked to consult a group of experts from the Member States and to develop more specific proposals that would allow it to quickly implement operational coordination on a trial basis in a small number of developing countries.

At the end of 1994, the Council identified six countries in Africa, Asia and Latin America for a pilot exercise in operational coordination with regard to poverty reduction, to be jointly executed on the basis of common methodologies and guidelines.

The coordination exercise was originally scheduled for a total of 1 year with the Commission preparing a mid term and final review. On the basis of these country experiences, the Commission and Member States experts would then propose *guidelines for policy and operational coordination that would be binding for the Community's and bilateral aid programmes.*

The pilot exercise was rather slow to materialise. One reason was that the EU and the Member States wanted to make sure that recipients would be in the driving seat in order to ensure ownership of poverty reduction strategies. Thus, preference was given to support government initiatives for donor coordination. However, many cases were hampered by a lack of capacities at recipient country level. Other causes for delay were limited human resources, the differing administrative requirements of Member States, and their reluctance to coordinate outside established fora of donor coordination.

The results so far are mixed. The process certainly led to an improved exchange of information among EU donors on their ongoing programmes in priority sectors and a more intensive consultation of Member States in the programming of the Community's development cooperation. However, it is not clear what results have actually been achieved in promoting greater complementarity of European donor interventions, let alone how the exercise may have influenced aggregate or individual effectiveness of assistance with regard to poverty reduction.

### Lessons

Commission staff interviewed had mixed feelings about the processes of policy and operational coordination that were set up in the field of poverty reduction with a view to achieving greater complementarity.

Beyond the above mentioned benefits with regard to information exchange and mutual learning, European donors seem to have acquired a better knowledge on the feasibility of certain approaches. Particularly the constitution of expert groups was seen as a major added value. Echo's from the field reveal that the pilot exercises have fostered greater complementarity. In Ethiopia for example, several "joint actions" were reported in sectoral priority areas (with different sub-actions by different EU donors complementing each other).

Yet the strategy to pursue complementarity through policy and operational coordination in the field of poverty reduction was also seen to have major weaknesses or contradictions:

- *Top-down process.* Commission staff tend to argue that the processes of policy and operational coordination conducted over the last 5 years were too much driven from donor agency headquarters (especially the "Brussels-based institutions") and too little by concrete and diverse realities in the field. As a result, decisions often proved to be unrealistic and unfeasible. This holds true for the ambition to define, in a relatively short period, a common policy framework for poverty reduction (while both the Commission and many Member States were still operationalising their own approaches towards poverty). Another example is the choice of pilot countries for operational coordination by Brussels, on the basis of regional criteria rather than on existing efforts for coordination or recipient country commitment or capacity to promote donor coordination. Inevitably, this type of top-down approach was bound to have limited impact.
- *Problems of sequencing.* In the field of poverty reduction, different initiatives were launched over the last five years to promote policy and operational coordination, but apparently without a clear strategy to link them in terms of timing, sequencing, cross-fertilisation and impact. For instance, it is fine to elaborate resolutions with recommendations on how to improve policy coordination in the field of poverty reduction. But how can these resolutions be made effective in practice? How can their effects "trickle down" to the operational level? In this context, it is useful to note that a Commission study into the effect of 50 or 60 Council resolutions concluded that they had very little influence on development policy-making in the Member States. Conversely, how can the experiences and best practices that come out of operational coordination exercises be fed back into policy formulation processes? In both cases, it would appear that the linkages and sequencing were not systematically taken into consideration. The net result is a less than optimal impact of these efforts in terms of improved complementarity.
- *Poor ownership.* This was perhaps the most pervasive weakness of the different processes. Who really owned the initiatives to foster greater complementarity through policy and operational coordination? It would be interesting to identify who really championed the changes (i.e. the people committed to make progress in the complementarity debate) and why they pursued this agenda at the level of partner governments, the Commission and the Member States. Taking into account the political sensitivities and vested interests surrounding complementarity issues (e.g. the Commission's fear of hidden political agenda's or the reluctance of Member States to also apply complementarity to their bilateral programmes), it appears that only a relatively minor group of European actors is really prepared to fight for the idea. The problems of ownership are even more pronounced in the recipient countries. Clearly, the exercises of policy and operational coordination had *not been conceived in a demand-oriented way* and did not necessarily respond to the national development priorities of the pilot countries.
- *Commitment Member States.* From a Commission perspective, this is another major bottleneck to strengthening complementarity in the field of poverty reduction. It is felt that some Member States perceive the need for greater complementarity only at the level of the Commission. It is up to the Commission to

ensure that its actions are more complementary to those of the Member States. The reverse is seldom true. Yet for Commission staff interviewed, the main obstacles to greater complementarity are to be found in the Member States (i.e. in the inconsistency and incompatibility of national objectives, foreign policy or commercial interests and administrative procedures.

### Fostering Complementarity from the Bottom Up

What can we learn from past experiences that can help us identify more effective strategies to promote complementarity? Is it still worthwhile to pursue complementarity through coordination at the policy and operational levels? Or is this a dead-end, leading only to lip-service exercises? Is the solution to be found in more radical approaches, including a new debate on the comparative advantages of the EC and competencies and budgets re-allocated accordingly? Or does the way forward lie in a "reconsideration" of current approaches by shifting from top-down to bottom-up approaches?

The poverty case suggests that the latter option is probably most realistic. In the years to come, it seems useful to continue the strategy of pursuing complementarity through different forms of coordination, with the political backing of the Council. Yet the main lesson of the poverty example is that a much more bottom-up approach to implementation is required. As stated by several Commission staff interviewed, complementarity can only grow "organically", when and where conditions are appropriate. *Council resolutions, pilot exercises or instructions from headquarters cannot be a substitute for demand-driven action.*

The main challenge ahead is now to operationalise this "bottom-up" strategy in using the instrument of coordination. In essence, this means accepting that *complementarity is best promoted through a wide variety of action-oriented approaches, each of them adding a brick to the building.* It implies making an inventory of promising openings, channels or instruments to stimulate complementarity in a "demand-driven way" at the level of partner governments, the Commission or Member States. It means creating incentives for people to invest their time and energy in promoting different forms of complementarity in their own programme, policy area, sector, or agency.

Promising examples of "bottom-up" approaches include:

- investing in the exchange of information, cooperation approaches and best practices;
- organising result-oriented donor meetings to discuss feasible options for complementarity in particular areas (taking account of lessons from the past five years);
- promoting processes such as SPA as focal points for complementarity in policies and operations (e.g. Burkina pilot project on new approaches to conditionality);
- facilitating the emergence of European networks of expertise for different policy areas;
- making better use of "country strategy papers", "country programming" or "country reviews" to strive towards greater complementarity;
- providing incentives (for Delegation staff) to identify and map the potential for greater complementarity at country level (e.g. by using the technique of matrixes related to EU donor activities, respective strengths and weaknesses, thematic and sectoral priorities);
- documenting lessons learned with attempts to promote partner country coordination of (EU) donors and related capacity building requirements;
- making a better use of the "lead agency" model;
- pursuing the shift away from project approaches towards (sectoral) programme approaches, as this may simplify the life of partner governments while helping to promote collaboration between EC and Member States and specifying the added-value of the Commission (e.g. to focus on policy and institutional reforms rather than directly targeted actions at micro-level);
- promoting the "sector wide approaches", based on producing common policy frameworks (with partner countries) and agreeing upon a division of tasks and budgetary inputs between the Commission and Member States willing to move in this direction;
- introducing a distinction between positive and negative complementarity. Lead donorship would be an example of positive complementarity. Negative complementarity could ensure that either EC or one or several bilaterals avoid entering a specific sector or activity in which the others are already involved. Or that some donors withdraw in order to avoid overlapping activities. From the recipient country perspective, it is important that such withdrawals take place in a manner that does not reduce the total flow of resources to the sector or activity;
- decentralising decision-making, as this may facilitate in-country coordination;
- reviewing the institutional structures and procedures of the Commission and Member States with a view to eliminating constraints to complementarity;
- identifying ways to reconcile the principle of partnership - which gives partner countries the responsibility to identify their own needs - with the need to promote complementarity. Currently, the Commission cannot refuse interventions identified by the partner country on the grounds of lack of complementarity with bilateral assistance;
- exploring the scope to pool resources through "trust funds";
- stimulating, whenever possible, the inclusion of a "complementarity analysis" in the logical frameworks of EU aid programmes (both from the Commission and the Member States);
- using the Lomé re-negotiation process to spell out in greater detail the principle of complementarity (so as to ensure its application in future ACP-EU cooperation);
- documenting the cost of non-complementary actions;
- evaluating interesting experiences of bottom-up complementarity;

- exploiting the potential for complementarity among a smaller group of Member States that shares similar views and policies, rather than trying to involve them all at once. The logic of this position would be to work for increasing complementarity among such sub-groups.

This list of possible "bottom-up" actions to promoting complementarity could be extended. Individually, each of these actions may not look spectacular. Collectively, they could lead to substantial progress towards greater complementarity while clearing the ground, in a few years time, for a more global and structured approach to complementarity.

The delicate element in a bottom-up strategy is, of course, that it depends on particular initiatives of partner governments, policy-makers and aid practitioners (from both the Commission and Member States). There is no longer a grand scheme to guide the search for greater complementarity, but a panoply of actions, processes, small steps, experiments, institutional or procedural changes, etc. This means that a bottom-up approach may look rather chaotic, piecemeal, and leading to processes and results that are difficult to monitor.

To avoid this danger, it will be critically important to make sure that the political authorities (Council, donor agency headquarters) are still very much part of the process. However, their role would no longer be to directly control complementarity actions (e.g. by drafting resolutions or coordinating pilot exercises), but to create a conducive policy and institutional framework - with the necessary incentives - for bottom-up actions to thrive.

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