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Reforms in the EU's aid architecture and management and their implications for EU's aid effectiveness

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A system not fit for purpose?
Reforms in the EU's aid architecture and management and their implications for EU's aid effectiveness

Este documento ha sido elaborado por Sven Grimm, investigador responsable de la política de cooperación al desarrollo de la Unión Europea, del Instituto de Desarrollo de Alemania (DIE), para un taller de expertos organizado por el CECOD el 23 de noviembre de 2007 con el apoyo de la Secretaría de Estado de Cooperación Internacional.

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Sumario

1. Introduction

In aid administrations, the seemingly technical debate about how to give aid has gained momentum. This debate is closely linked to the underlying question of why we give aid and to whom. We must first decide what we want to achieve; only then can we debate what instruments will be best used and finally reach a consensus on what instrument has been applied effectively. “Aid effectiveness” thus is far from technocratic; it is at the core of development policy.

In line with the general debate on aid effectiveness, question about the effectiveness of European aid have come to fore. The European Commission, like other donors, has internationally committed itself to more aid effectiveness. The Commission is, inter alia, a signatory of the Paris Declaration of 2005, after having been subject to very critical discussions about the administration of European aid in the past. This paper will attempt to critically summarise the state of reforms, with regard to how these have been influenced by and have an impact on aid effectiveness. The Union’s aid system has seen seven years of restructuring. It might be time to look at where we have got, how much we have learned, and how Member States —as part of the EU system— can support a strive towards more effectiveness of community aid.

Communitarised European development cooperation (DC), administered by the European Commission, traditionally has had a bad reputation for being inefficient and bureaucratic. This poor image is still around – at least in some Member States. This might be partly due to generalized prejudices about the Union as a remote Leviathan. General criticism of this sort often does not differentiate between policy areas —and all of us have vague memories of headlines associated with the agricultural policies of the 1980s, long EU summits or heated national debates about European food standards (on beer, ham, cheese, pasta, etc.— to each Member State its own). The resignation of the Commission under Jacques Santer after allegations of corruption and nepotism in 1999 has further dented the Commission’s reputation. To paraphrase, in relation to Commission behaviour in the late 1990s, it is easier to spoil an image than to rebuild it. Even if often exaggerated, criticism should not be brushed off per se. The fundamentally critical perspective is partly also due to negative experiences with European community aid.

However, we also have to consider a time delay in perception. Since Romano Prodi took over the helm of the Commission, reforms were high on the European agenda for development cooperation (EU Commission 2000a). The changes were aiming at improved administration of aid, efficiency and effectiveness of European external relations. Louis Michel in particular, the development commissioner since 2004 (in the Barroso Commission) has started to discuss and work on European aid effectiveness.

1.1. Origins of European aid

We have to recall that the EU[1] was not founded as an international development agency, contrary to, say, the World Bank group or organisations of the United Nations. International development cooperation is only a small part of its activities and its mandate. The starting point for European integration was much more an internal European matter: building trust and creating interconnectedness to prevent Europe from going to war again after the experiences of two world wars. This is more than "just" trade or common agricultural policy, and the EU might arguably have a broader message to disseminate. Yet, it means that development assistance is not the core of the EU's business and the Union —until the 1990s— was mostly inward-looking. This legacy of "navel-gazing" has only recently started to be overcome.

Even though common European development cooperation dates back to the EEC's foundation, it is a relatively young policy competency of the Commission. From the very start of the European integration endeavour in 1957, the then Member States established a fund for development of countries or regions beyond the EEC, the European Development Fund. However, this was a purely multilateral fund, aiming at addressing the consequences of creating a common European market, while at the same time initializing some sort of financial "burden-sharing" among then-colonial powers and non-colonial states in Europe. The role of the Commission was restricted to being a trustee of Member States' monies.

Only since 1993 does the European Union have a distinct treaty mandate for development cooperation. This competency, according to the Treaty of Maastricht, shall complement the activities of Member States in this policy area (article 177 Treaty of the European Community, TEC). This formulation has not been substantially amended ever since: not in Amsterdam (1999), Nice (2002), or in the failed Constitution or the Lisbon reform treaty of October 2007. All these subsequent documents (or rather: in case of Lisbon, successors-to-be; ratification could become difficult) have confirmed the shared competency of Community and Member States in development cooperation in substantially the same wording.

Therefore, when discussing the Community development policy, we are —at least for a foreseeable period— not talking about a centralization of competencies in the Commission or a creeping power shift in favour of "Brussels". Member States still have bilateral relations with developing countries and the lion's share of their aid is used bilaterally. And even more so, new EU Member States are required to establish their own bilateral aid programmes in the process of acceding to the EU. This is not just about funding the community programme, as one might expect, but establishing a bilateral programme. De facto, full communitarisation of aid or renationalisation of competencies in this field are not on the table. The possibility —and arguably the likelihood— of "Europeanisation"[2] not withstanding, we are discussing the effectiveness of European community aid and the value-added of having European development cooperation. Debates are more on the how (the EC gives aid) than on a fictional if (it should give aid at all).

Readers of this paper, however, should get an initial 'health warning' on the following text in that we are discussing a 'moving target'. Reforms in this field are still ongoing; they often have happened at policy level, but have not necessarily always all been implemented or resulted in change at all levels. Nor have they necessarily resulted in the required change for the recipient of European aid. Therefore, rather than being able to state a 'final truth' or 'hard evidence', we will depend on statements about the direction of change and how this might impact on effectiveness of common European development cooperation.

[1] This text uses the terms European Union (EU) and European Community (EC) interchangeably. There is a legal distinction between both bodies. Whenever there are implications for these distinctions, this will be noted within the specific context concerned.

[2] The term "Europeanisation" in the debate usually refers to the agreement on common standards and procedures for all European aid, including that of Member States, without centralising powers.

1.2. Evidence on European aid – Sources of information

Given the complexity of European aid, it is striking how late structured information about it has been sought and has been provided. Only for the last decade or so can we draw on periodically or regularly updated publications by the EU itself as sources of information on European development assistance – and on its effectiveness.

1.2.1. The Commission sources

Since 2001, EuropeAid —the agency in charge of implementing all EU external cooperation policies— presents an annual report on the European Community development and humanitarian assistance. EuropeAid's evaluation unit is responsible for all funds administered by EuropeAid itself, but also for the Directorates General on Development and on External Relations. The unit in the first place is mandated to deal with methodological questions of the regional and sector programmes, as well as their procedures; it is not, however, responsible for single-project evaluations. The latter are subject to procurement procedures (calls for tender) and are often available on EuropeAid's website.

Already in the EC's annual report of 2005 (reporting on activities in 2004) a special feature was included on aid effectiveness, to be picked up on below. The latest annual report by EuropeAid on the European Community's Development Policy and Implementation of External Assistance in 2006 particularly features policy coherence, improved strategies and procedures, as well as aid effectiveness. Points highlighted in the report on 2006 are: the EU donor atlas as a regular mapping of EU aid; budget support as a way to align to use partner countries' systems (as demanded by in the Paris Declaration), and the support to UN trust funds as a means to improve coordination of aid. The latter is particularly challenged by some Member States, as it is not clear why the EU would be needed to channel funds to the multilateral through its budget. This does "buy" the European Commission a specific "voice" at the table in the respective institutions. When arguing along the (admittedly narrow) line of poverty reduction, funds are used inefficiently, as the additional interlocutor is superfluous. It would be equally possible —and more efficient— to channel bilateral funding directly to the respective multilateral organisation or fund. There might be a conflict of agendas. This is not to say that "buying a voice" at certain tables is beyond justification for the intermediate effectiveness of the aid system as a whole – far from it. However, it is a different agenda than the immediate effectiveness of European aid.

Statements about European community aid effectiveness are also made in the so-called mid-term review of the Cotonou Agreement, reporting on projects, sector activities or country programmes/strategies. Furthermore the Commission participated in a joint donor evaluation on its aid instruments such as budget support.

1.2.2. Independent sources of information

Beyond the Commission services' own reports, the European system of checks-and-balances provides for an independent reviewer: the European Court of Auditors. The Court of Auditor —also checking on EDF funds, not exclusively Community funds from the budget— provides critical information on a number of issues. We —inter alia— can find a special report on budget support to ACP-States or a special report on administrative change towards more decentralized decision-making by Commission Delegations in partner countries (European Court of Auditors 2005; 2004). The reports mentioned are taking a critical look, yet take an overall rather encouraging and positive stance on EU aid and its reforms.

Furthermore, European Community aid is regularly subject to the DAC peer review, reviewed by two DAC Member States that are non-EU Member States (DAC 2007; 2002; 1998). The peer reviews list critical points and provide policy recommendations. The DAC report of 1998 criticised inter alia the lack of an overarching policy and the lack of orientation towards poverty reduction, and recommended a stronger focus on results rather than procedures. The report of 2002 still listed a number of deficits in European development policy, but already included positive developments, such as the European Commission having formulated a development policy statement as demanded by the previous review (DAC 2002: I-15). Development cooperation managed by the Commission got much better marks and appeared to have been on the right track compared to the late 1990s. The latest DAC peer review report on European community aid dates from June 2007 and will be looked into in more detail below.

One can also find useful information on communitarised programmes in sources from Member States that follow community development policy, such as reports by parliamentary select committees on development or on European policy making. Particularly the UK House of Commons and the UK House of Lords have compiled comprehensive reports based on evidence and experts' opinions and established with the support of often excellent committee clerks. More recent enquiries were explicitly on the European development cooperation (UK House of Lords 2004; cf. ODI 2000) and on the EU Africa Strategy (UK House of Lords 2006). Furthermore, we can, for instance, find a publication by the Swedish development agency SIDA on European aid and its instruments and procedures (Berlin/Resare 2005).

Particularly the national reports, however, have to be read with care, as they usually measure European policy by national standards and according to national policy goals, without always considering the possibility of a divergent political agenda at European level. The report by the UK House of Lords sums up the opinions of experts heard: "We were told that in a few respects EU aid was now amongst the leaders. However, the underlying view seemed to be that, while the quality of EU aid was improving quite fast and was likely to go on improving, it was still on average somewhat inferior to that of British aid" (UK House of Lords 2004: 35). It is stated, though, that European aid is often better than the average bilateral assistance; furthermore, a particular expertise is assigned to the EU in its cooperation with middle-income countries (UK House of Lords 2004: 35).

And last but not least there is specific work on European development policy by some European think tanks such as the author's institute —the German Development Institute (DIE)— and, to name but a few with specific output on European aid, the European Centre for Development Policy Management (ECDPM) or the London-based Overseas Development Institute (ODI). These and other institutes are assembled in a European Association of Development Research and Training Institutes (EADI), whose website offers an overview on some of the European research and its results.

2. Financing for European development cooperation

The EU as a whole is the biggest provider of official development assistance (ODA), i.e. aid following the criteria of the OECD Development Assistance Committee (DAC). More than half of global ODA (55%) stems from the EU. Of this global share, the European Commission administers about one fifth. Thus, the Commission currently is the third biggest donor in the world and represents 11% of global ODA[3] – roughly 8bn per annum. Only the US and Japan are bigger donors (cf. EU donor atlas 2006). This quite impressive figure becomes much less breathtaking when compared to overall budgetary spending of donor countries (despite considerable increases, it is not even 2% of the German federal budget) and tiny in comparison to global military spending.

The overall sum of more than half of the OECD countries' spending on development aid is administered by a complex system, even when we carefully limit our views to Commission-administered activities in development cooperation. Commission-administered funding comes from two main sources: the general budget and the European Development fund (EDF).

2.1. Funding for development via the budget

Development cooperation via the Commission on the one hand is funded via the EU general budget. For external relations, the budget provides for overall spending of 50bn between 2007 and 2013. With its so-called Financial Perspectives, the mid-term financial planning, the Union agreed on an annual increase in spending on external relations over the next seven years until —in 2013— spending may reach 8.1bn per annum. These funds include "classical foreign policy", development cooperation and enlargement assistance. The development funds from the budget follow a supranational procedure with the European Parliament claiming its part in the decision-making.

The financial shares of Member States are calculated based on a formula applied for the entire budget, irrespective of policy area. Within the Community assistance, earmarking of contributions from Member States according to different preferences is not possible – something that has to be explained to national public opinion every once in a while, when calls for unilateral re-nationalisation become too loud in some European capitals. Thinking about re-nationalising development assistance is legitimate of course, but its implementation would require consensus among Member States for a treaty change. This is not in sight. Any discussion on re-nationalisation therefore has no chance of being realized.

The budget —following the structure agreed in the Financial Perspectives— is subdivided into headings and budget lines, i.e. grouped by policy area and by policy aims or instruments. Within the overall cap of funding per heading, development funds are allocated to certain budget lines on an annual basis. This allocation is negotiated between the Commission, which has the sole right of initiative, the Council of Ministers and the European Parliament.

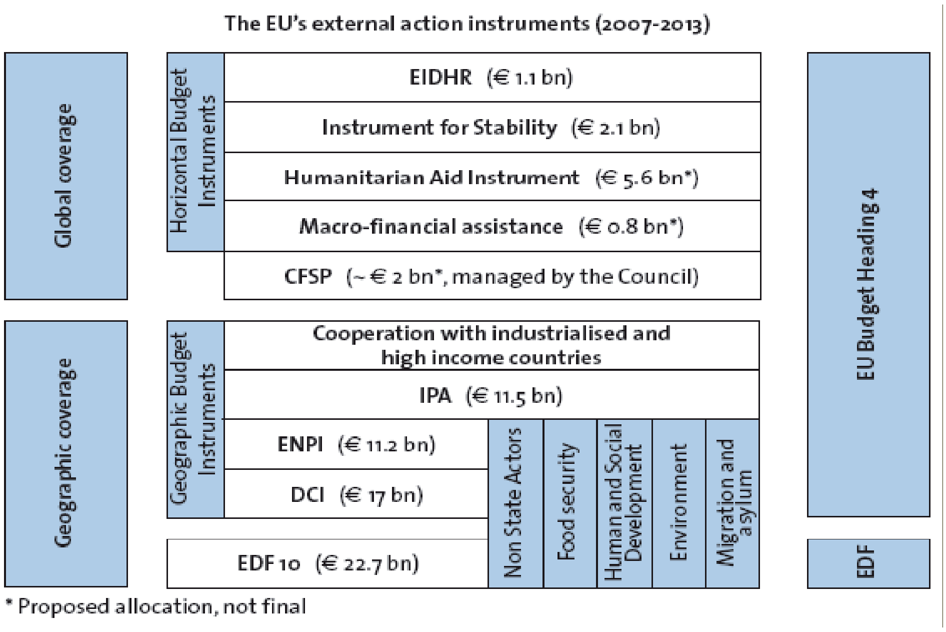
[3] It has to be recalled that ODA is only aid registered according to DAC standards. Other donors might give a lot of aid, too – yet, we have no comparable basis of aid levels. Other non-DAC donors are, for instance, Saudi-Arabia, Venezuela, China, India, etc. These actors usually do not like to called donors, but rather emphasis the cooperation element. On Chinese aid, for instance, see Fues et al. (2006). New EU Member States are *de jure* also non-DAC donors, but do *de facto* adhere to DAC rules, as they have signed up to the European Consensus, as argued below.

On the one hand, funds are committed on a regional basis. This regional aspect was previously organised in the budget for cooperation with the Mediterranean (MEDA), Eastern Europe and Central Asia (TACIS) as well as Asia and Latin America (ALA).[4] Formerly, the EU had more than thirty thematic lines on a variety of topics ranging from the sustainable management of tropical forests, food security or the fight against HIV/AIDS etc. These thematic funds could be drawn on when funding certain policy measure in partner countries —in addition to the regional funding. So one and the same policy— say food security in Mozambique – could be funded by the national programme for the country within the EDF and by sources from the overall, global budget. The different budget lines did not always follow the same planning period that general planning documents provided. Even though often relatively small in overall volume[5], in some countries, the special thematic budget lines could —and can— account for more than half of the disbursed assistance funds.

The creation of budget lines by the European Parliament originally aimed at ensuring tight budgetary control over Commission funds: defining the purpose for spending in a detailed way ensured a political leverage on checking on spending of these funds. Little should be left to Commission interpretation on priorities. Yet, it provided for a multiplication of administrative procedures and a compartmentalisation of planning that arguably was to the detriment of development processes in partner countries. The rationale for these budget lines was focussing on political control that was exercised according to strict budgetary criteria, not according to delivering on the politically set goals. In other words: focus was rather on input than on output; it was more about applying rules than about political debates on what has been achieved by a programme.

With the overall reform of the EU's assistance, the multiplicity of budget lines was regrouped into six sub-headings since the planning of the EU's 2008 budget, as illustrated in the diagram below.[6]

Diagram 1: The structure of the EU's funding for external activities



Source: Mackie/Zinke (2007)

[4] Assistance to the Western Balkans (CARDS) is now administered by the Directorate General for Enlargement and is therefore not considered here.
[5] The EIDHR for instance has a volume of around 100m a year, equivalent to 0.12% of overall spending on external assistance (excluding accession aid).
[6] Note that the depiction does not provide for a representation of overall amounts. It would thus be false to conclude that the EDF is smaller than the budgetary funds for external activities.

These reforms promise to facilitate flexibility. Input has become more loosely accounted for – and the budget will consequently require new modes of political oversight over what the Commission is doing. Rather than compartmentalising the purse, the European Parliament and Member States will have to see policy discussions and assess the Commission in relation to delivery of promises. However, the complexity of the EU system in terms of administering funds for external relations tells us more about efficiency in EU planning —or the historical lack thereof— than about aid effectiveness, even though it is likely to have implications on the latter.

2.2. Funding for development via the European Development Fund

Besides the funds from the EU budget, we also have a separate funding source for development cooperation: the European Development Fund (EDF), which was created already in 1958. The EDF stands outside the EU treaties and is much rather a multilateral fund for cooperation with former European colonies in Africa, the Caribbean and the Pacific (the so-called ACP states). EU Member States fund the EDF according to their capacities and according to their political will. Every five years, the EDF is negotiated amongst the Member States – with a rather formal participation of the ACP states. The European Parliament is only playing a negligible role in these negotiations – it can express its opinion which Member States can follow or ignore. There is no formal power of Parliament, but of course Member States have to get their budget through national parliaments. The still-running 9th EDF has an overall volume of 15bn for the period of 2003 to 2007 (cf. Grimm 2003). These funds are already included in the aforementioned overall sum of 8bn per annum for development cooperation. For the 10th EDF (2008 to 2013), an overall sum of 24bn was finally agreed between EU Member States.

To be kept in mind when speaking about EU financing for development: even when just looking at the Commission funding, we find two sources of funding consisting of intergovernmental and supranational procedures. This has the effect that influences exerted by individual Member States, the European Commission and the European Parliament vary within development cooperation. A large share of funding for EU external relations nowadays comes from sources beyond the EDF and therefore is subject to the supranational budget procedure.

3. Key arguments on European aid effectiveness

The debate about the effectiveness of European development assistance —or the lack of effectiveness— is an ongoing debate, as stated above, that has come to the fore since the mid-1990s. As with other donors, too, the end of the Cold War resulted in more questions being asked about why development assistance is provided and where one could find positive effects on a partner country's development.

Traditionally, countries in Africa, the Caribbean and the Pacific (the so-called ACP countries, mostly former European colonies) are the region the Community has the longest standing relations with and has given most aid to. Since 1975 the framework for these relations was well-known under the shorthand "Lomé Convention", which was renewed every five years and which provided for trade preferences granted by the European Community and pooled European development aid in the European Development Fund

(EDF). Despite being granted preferential treatment in market access and —compared to other regions— relatively high levels of per-capita financial transfers in the form of development assistance, only very few countries amongst the ACP countries could show noticeable successes in socio-economic development. It is difficult, and counterfactual, to ask the hypothetical question, "what if we had not provided the aid?" But the mid-term review of the partnership agreement of Lomé IV in 1995 already illustrated differences in perspectives between the EU and the ACP group when it came to finding reasons for the prevailing deficits in development.

3.1. More, and more coherent, aid first?

Many ACP countries claimed —with some degree of plausibility— that the EU was giving with the one hand (development assistance) and taking more with the other hand (e.g. protection of special interests in agricultural and trade policy). The ACP countries are surely hitting a soft spot when denouncing European inconsistencies and incoherence. The debate within Europe concerning coherence is a constant feature in almost all policy areas with shared responsibilities. Coherence in any European debate usually comes along with two other key words: complementarity and coordination, together being known as the "3Cs". Particularly the ACP point to the creeping loss of preferential treatment by increasing global trade liberalisation. During negotiations in the 9th EDF (2003-2007) the ACP furthermore argued for an increase in European aid to them by pointing to (a) the increased number of European donor countries after EU enlargement and (b) the increased number of recipient states —now comprising 78 countries— or increases in populations of almost all ACP states. This argument was aimed at pointing out the de facto reduction of aid, particularly steep when looked at in per-capita terms, during the 1990s (Cox/Chapman 1999: 56; Grimm 2003: 126ff.). Even though one can rightly argue that there is no 'entitlement' to development assistance —and even less so on a per capita basis—, the point made about a reduction of aid throughout the 1990s was correct, as the statistics of the OECD-DAC also show. We will come to the reform discussion and development funds again later.

3.2. Improvements in recipients' governance first?

The reasoning behind the lack of examples for successful development based on aid delivery differs from a donor perspective: as is the case with bilateral donors, the arguments in 'Brussels' with regard to the effectiveness of development assistance have changed over the last years. EU Member States and the Commission often point towards the insufficient effectiveness of governance in partner countries and highlight the relatively high levels of corruption as possible reasons for a lagging behind in development. In a number of EU documents, there are pointers to the responsibilities of partner countries for their own development ("ownership") – or the lack thereof. Consequently, the European Union emphasizes good governance as a precondition for aid effectiveness. In the words of an EU publication of 2005: "Successful development requires; adherence to human rights, democratic principles and the rule of law; and effective, well-governed states, and strong and efficient institutions" (EU Africa Strategy; EU Council of Ministers 2005: 3).

The goal of an improvement in governance —defined as the rules and regulations within a society— is pursued not least with the EU Governance Initiative, agreed upon in August 2006. The need for a focus on the partners' governance is argued in the European Governance Initiative, recalling the expected considerable increase in development funds (ODA) since the agreement of Monterrey and subsequent schedules for an aid increase amongst EU states:

> "At a time of rising aid budgets, commitments to ensure the effectiveness of international aid and growing economic and financial interdependence, the emergence in the developing countries of a level of governance commensurate with the expectations of their citizens and the international community is now high on the agenda." (EU Commission 2006a: 5)

The discussion on aid increases and governance improvements consequently does not appear to be one of "either – or", but rather aims at both aspects simultaneously.

3.3. What about donor governance?

Governance is an equally important topic when looking at the European administration of aid: for community aid, clear deficits in its internal administration of aid in the past added to the discussion on aid effectiveness. Management of aid was regarded as a problem in itself, often hindering efficient and effective support rather than assisting it.

Since enshrining common European development policy in the treaties in the early 1990s, activities in this area have seen a steep increase and —not least due to this growth— have had to struggle with internal deficiencies: administrative procedures were cumbersome and decision-making was highly centralized in Brussels. The rapidly increasing funds were not going hand in hand with an increase in staff; Commission personnel was often stretched beyond their limits in handling amounts of aid in a system prone to micro-management, as different actors —first and foremost Member States, but also the European Parliament— rightly wanted to control the Commission. But the means of control resulted in increasingly obvious negative effects in the area of efficiency: while European development funds were disbursed within an average of three years in the 1990s, in 2000, it too four years for funds from the budget to be disbursed, and even six years for EDF funds (DAC 2002: I-42). As a consequence, none-committed funds started to pile up and disbursements happened in a less transparent and noticeably less results-oriented way, as the Commission conceded (EU Commission 2000a). Ultimately, allegations of a lack of political control, intentional violations of EU budgetary rules and nepotism —not least in the area of external relations[7]— forced the Commission under Jacques Santer to resign in 1999. The damage was done and the Community programmes have had to rebuild trust and credibility.

[7] Monies in the area of external relations were inter alia used for funding external personnel via projects and have them work in the Commission. This short-term stuffing of gaps in staffing was against EU budgetary rules. Beyond this formal argument, it furthermore partially 'trusted the cat to keep the cream': the temporary staff was in some cases also entrusted with managing tender procedures also concerning the very institutions they were recruited from. This potentially opened the gate for nepotism and corruption.

4. Reasons for an unsatisfying performance in the past

When asking about the reasons for unsatisfying effectiveness of EU aid in the past, we find several possible explanations.

a) Primary goal of development cooperation: The rationale of aid —its goals— can make measuring the effectiveness of funds more difficult. A multitude of actors might result in various agendas.

b) Organisational capacity: structures and planning processes might have been inadequate and not sufficiently targeted for results. We will have to differentiate between structures within the Commission and Member States, and the overall structure of the system of EU development cooperation.

c) Overall coherence: And it might be the case that negative effects of policy decisions taken in other policy fields (trade, agriculture, consumer protection, etc.) have repercussions on the development opportunities of partner countries.

All of these factors, of course, can also be reasons for bilateral aid managed by Member States to be not sufficiently effective, as research in a number of European institutes (such as the above named DIE or ODI or others) suggested.

4.1. Goals of community aid

Let's turn to the goals of community aid first. Since 1993, the European Community Treaty enumerates four themes of Community activities in development policy without prioritising one over the other – explicitly as complementary to member states' policies:

> "Community policy in the sphere of development cooperation […] shall foster:
> - the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them,
> - the smooth and gradual integration of the developing countries into the world economy,
> - the campaign against poverty in the developing countries. (Art. 177 TEC)"

In addition to these, the "general objective of developing and consolidating democracy and the rule of law, and to that of respecting human rights and fundamental freedoms" are overarching goals in the EU's external relations, both in the area of Common Foreign and Security Policy (CFSP; article 11 TEU) and in the context of development cooperation (article 177, 2, TEC).

In the public debate, European development cooperation is often criticised for allegedly lacking focus on poverty reduction. However, different people mean different things when referring to "poverty orientation". One interpretation of poverty orientation of Community aid would be to be focusing on countries with low per capita income (officially classified by the World Bank as Low Income Countries). Consequently, the EDF, due to the high number of poor countries among the ACP, is regarded as being more poverty oriented than the general budget (UK House of Lords 2004: 27). Yet, the two strands of finance ideally complement each other. Other observers, when discussing the poverty orientation, rather relate to the allocation of aid in favour of social groups with low income in target countries and refer to the term 'social cohesion' or demand an inclusion of protection of the ecological basis of societies with development funds. Country allocations are thereby regarded as secondary when it comes to probing the poverty focus. In a third line of argument, allocations are derived from enlightened national, European and 'global' interests (discussions concerning global public goods and the anchor country perspective in Germany). The causal line is therefore only indirectly linked to poverty orientation – if we want to succeed, we need certain key countries to foster global development and take care that they do not destabilise the region.

The debates on the goals of European development cooperation, even though impacting on the public perception, do not allow for immediate statements on the effectiveness of European aid. However, the plurality of goals —one might call it a lack of focus— potentially result in a limited focus in checking for results. Or, more polemically: activities will always have an effect on one of the goals when they are formulated broadly enough.

4.2. The organisational structure

The organisation of communitarised development cooperation has changed several times in the last few years. Restructuring of the Commission in 2000, however, did not fully capitalize on possibilities for a structural change of competencies within the Commission. Development cooperation with the ACP (i.e. mostly Africa) is still a different matter than assistance to the rest of the world. The geographical split between DG Development (for the ACP) and DG External Relations (for the rest of the world) is still in effect. Despite the often quoted prejudice of the EU as 'legions of bureaucrats' in Brussels, personnel is still limited in the Commission when compared with the amounts of money to be administered. In the late 1990s, the Commission had 2.9 staff for an amount of 10m. In Germany, ratios are 8.1 staff per 10m, the UK 6.5 staff per 10m and in Denmark, we found a statistic of 4.5 staff administering 10m (EU Commission 2000b: 41). Despite its image as a 'bureaucratic Moloch', the cooperation programmes administered by the Commission had considerably less staff than bilateral organisations. Commission officials therefore often argue that this is precisely the efficiency of Commission aid, i.e. the better ratio of staff to amounts of aid administered. This, however, does not allow for statements about the effectiveness of Commission administered aid. Operating with few staff most likely has a rather negative effect on the ability to fine-tune assistance or to get a broad range of informed opinions on political developments in partner countries. It is a stated aim of international development cooperation by most Western donors since the Paris Declaration (2005) —including the Commission— to transfer as much of the decisions on allocations and its administration to recipient states. Yet, in practice this might have to be balanced with technical support for programmes, particularly in LDCs and post-conflict countries, even where there is political will in well performing states. Often, capacities will have to be built up. This must not be a contradiction, but it warns us that a sufficient financial supply might help and be necessary in development cooperation. Yet, in itself, it might also not be a sufficient condition for successful —meaning: effective— aid programmes.

The planning processes within the Commission in the past often seem to have been determined by over-cautious behaviour by Commission staff:

> "In the case of EDF projects, delays seem to arise not so much from the procedures themselves as from an overly formalistic application of rules, in particular relating to tendering, together with a lack of knowledge of these procedures by different parties in the process." (European Court of Auditors 2000: 10).

The lack of overarching policies and reference documents might have added to a lack of overall tangible direction for Commission staff. Development policy, however, is a political task, not a purely administrative matter. Here, the Commission has not provided for sufficient political awareness – until the 1980s, Commissioners were proud to state the 'non-political' nature of EC aid (cf. Grilli 1993: 101-107). This was combined with an overdeveloped control reflex by Member States, determining too many details in aid administration as they apparently did not trust Commission officials or did not want to see them in external affairs at all. Yet, in development cooperation, informed political decisions have to be taken. Ideally, decisions are based on knowledge about the political situation in the recipient countries as well as on informed projections on possible effects of assistance. A risk-adverse sticking to strict internal administrative rule in combination with making the partner apply these very rules results in additional burdens for recipient organisations and countries (cf. for instance Bräutigam/Knack 2004; Van de Walle 2005). With the often grand number of donor organisations forcing their procedures on the partner, it is on the already weak partner country to coordinate different donors and their respective reporting and accounting systems. In an environment with weak staffing and technical capacities, this is likely to have detrimental effects on the effectiveness of development. Rather than building up technical capacities in recipient countries, donors bound —and still often are binding— capacities with excessive bureaucratic rules. Overcoming these impediments is a duty of international development cooperation, as both recipient and donors —including the Commission— have acknowledged with the Paris Declaration on Aid Effectiveness of 2005. The Commission's reform agenda, therefore, is part of a great scheme of aid reforms.

Possible new tensions or trade-offs within the European aid system were created with the foundation of EuropeAid in 2001, which resulted in separating responsibilities between implementation and political processes. The 'project cycle' is now administered by two entities: political planning remained with the DGs for Development or External Relations, respectively (according to region), while implementation and project management since is the task of EuropeAid as a separate structure (reaching across regional programmes). EuropeAid is in charge of evaluations of all three administrations, as stated above, and should therefore be the bridge between institutions, potentially also with regard to institutional learning.

4.3. The 3Cs: coherence, complementarity and coordination

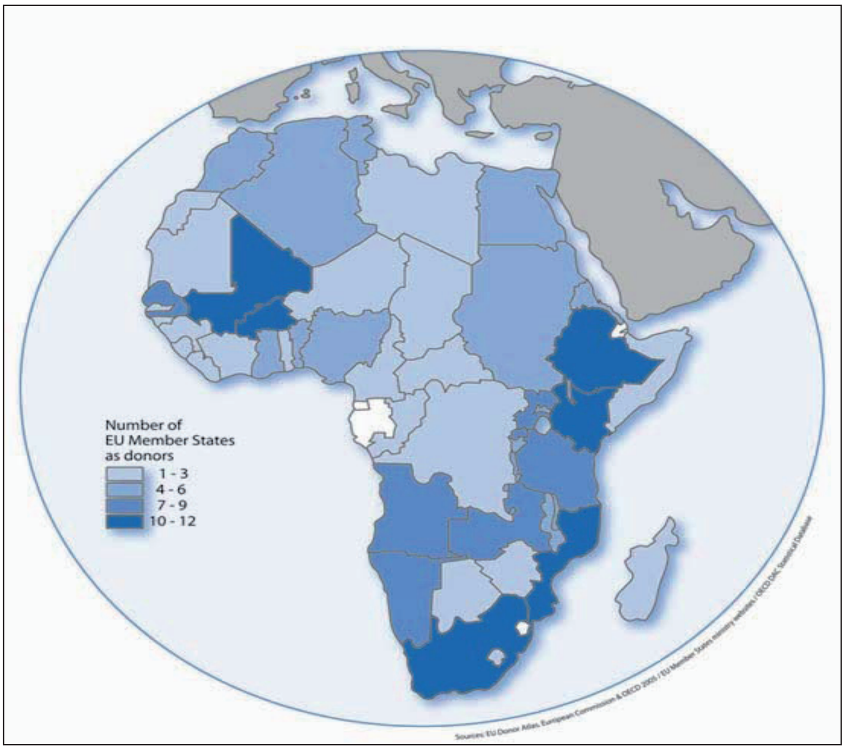
A challenge for all donors of development assistance is the coordination of various policy areas and developmental effects of decisions taken in different areas. This discussion in the European context is known as the "3Cs": coherence, complementarity, and coordination.

The challenge of improving coherence in its policies towards developing countries is even more pronounce for the European Commission, as its political role and impact vary across policy areas. One of the many examples for repercussions of, say, agricultural policy on developing countries is the sugar market (cf. Brüntrup 2005). But also policies in seemingly remote areas like consumer protection potentially have an impact on developing countries, as they might result in costs due to necessary investment in sanitary improvements or in certification of origin of certain food produce. Particularly in foreign policy, Member States have much more political weight than the Commission; coordination of activities that are clearly related to each other (such as the EUFOR-Mission to Congo and Security Sector Reform) is a challenge in the current system. It might function well in several cases, but operations are in a sub-optimal setting. A worse impact might be the accentuating of different external activities that might result in contradictory signals towards partners.

Complementarity of common European development cooperation with that of Member States (as well as complementarity among Member States) is often referred to, not least as in the general section of countless Commission communications and Council decisions. Yet, when just looking at the geographical aspect of complementarity, we can clearly see 'donor darlings' among bilateral aid from the EU. The map below was created by ECDPM based on the EU donor atlas (2006) data and shows a crowded field in certain states in West, East and Southern Africa, where 10 or more EU states operate alongside each other. This would not necessarily have to be problematic if well coordinated by sector and actually covering the most needy countries or populations. Yet, the same crowded picture emerges when looking at the selection of sectors for assistance.

Possibly equally often referred to is the need for coordination between the Commission and Member States in order to improve effectiveness of European development cooperation. This generally accepted principle often finds difficulties due to conflicting national interests and differing priorities of Member States in regions and/or states. This is not only an issue for former colonial powers in their respective 'zones of influence', but is also true for smaller bilateral donors for who development cooperation is the key instrument in foreign policy beyond their immediate neighbourhood. In these discussions, the question on who is coordinating with whom is quickly raised – with reference to the shared competence in development cooperation.

Diagram 2: Number of EU Member States as donors by African country



Source : Mackie/Zinke (2007)

5. Reforms in EU development cooperation

The European Commission has issued its annual report on external assistance since 2001, as mentioned above. The report also contains aggregated data of project evaluations of the previous year. They are reported by region, listing average performance by different aspects (EU Commission 2005: 126). The report is public and downloadable. The very existence of a systematic annual report is already a considerable improvement with regard to European accountability and particularly when compared to the lack of transparency and direction at the beginning of this century – and also when comparing to practice of a number of Member States.

The most recent DAC peer review (2007) was indeed positive on EU aid. Some changes raising concerns in the Civil Society part of the development community are clearly described as positive developments:

> "The Community now seeks to move its development programme and system beyond the lingering influences of history, towards a more proactive and strategic vision for development cooperation [...] Increasingly, the EU views development action as an instrument of foreign policy and this means that the European development institutions now work in a more complex and political environment" (DAC 2007: 12)

When attempting a stock-taking of reforms in European development cooperation over the last decade, three broad areas can be identified: first, the political element was strengthened and more political guidelines for development cooperation were formulated. Secondly, there was internal administrative reform of the Commission aimed at improving the procedures and minimising bureaucratic weight within the system. And thirdly, a better coordination of bilateral programmes of EU Member States is aspired to.

5.1. Strengthening the political aspects

Providing more political guidance at the Brussels level can —as described above— have a positive impact on aid effectiveness. With regard to its goals, the Commission is bound to what has been put down in the European treaties. This, as stated above, has not changed in substance nor wording since Maastricht. However, some policies have been formulated for the Union, i.e. for both the Commission and Member States.

5.1.1. The European Consensus on Development

With formulating the Union's goals, instruments and activities more clearly, the policy on international development now serves as a reference framework and set of standards for this policy area on which the EU will have to build in the future. Within the given framework, the Commission has put poverty reduction at centre stage by deciding on its development policy statement (DPS) of 2000. By declaring it to be the overarching goal, some prioritisation has happened. The DPS, however, was not a legally binding document which changed neither treaty provisions nor the legal framework of regional programmes. Until November 2005, it was, furthermore only effective for the communitarised part of the EU's external assistance, i.e. it did not cover bilateral programmes and their coordination. And some units within the Commission did not fully 'own' the policy. Even if there was not open resistance to the principles and goals formulated, some services did not fully 'buy in to it' (cf. ECDPM/ODI/ICEI 2005).

Elaborating more on political priorities in the European Consensus on Development in 2005 was conducted in a slightly more inclusive form, even though the new Commission exercised considerable pressure for a speeding up of the process that led to its elaboration. The Consensus on Development was also aimed at providing a political guideline for development assistance during the term of office of the new Commission. The real break-through of the new policy on development enshrined in the European Consensus, however, was its formulation for the EU, meaning for both, community programmes and bilateral assistance. The success of the European Security Strategy —a consensual reference document for all— should be adapted for development policy. From the perspective of the international aid agenda as formulated by the Paris Declaration (which far from all EU Member states have signed), the common strategy papers become even more important: only 15 of the currently 27 Member States are members of the DAC. The European Consensus on Development might not read like an ambitious document and sounds very familiar to most development policy-makers in the EU-15. Yet, it (a) anchors the new EU Member States in Central Europe that are not DAC members in this international consensus, and (b) it provides for a template for further joint EU documents.

The content of the Consensus, albeit not revolutionary, also contains some points of interest with regard to increasing the effectiveness of European aid. Focussing aid on some sectors while increasing the political dialogue is one important point. For the Commission, the focus on priority sectors appeared to have been weakened with the adoption of the 2005 European Consensus on Development when compared to the Development Policy Statement of 2001. While the latter defined a list of six priority areas, the European Consensus comprises a longer list of activities of at least nine focal sectors with each a encompassing a broad range of activities. Yet, the European Consensus also clarifies:

> "The principle of concentration will guide the Community in its country and regional programming. This is crucial to ensure aid effectiveness. The Community will apply this principle in all its country and regional programmes. It means selecting a strictly limited number of areas for action when Community aid is being programmed, instead of spreading efforts too thinly over too many sectors. This selection process will be done at country and regional level in order to honour commitments made in regard of partnership, ownership and alignment." (EU Commission 2005: 21)

The Consensus is a laudable document and was recommended to the author of this paper even by African partners as a worthwhile read.

5.1.2. An EU Africa Strategy

Recent policy documents include an EU Africa Strategy agreed upon also in December 2005, sharpening awareness of European actors for the most important region for development assistance (cf. Grimm/Kielwein 2005).

The main aim of an Africa strategy, according to the Commission, is to achieve coherence in view of the many actors involved and the different European policies. Coherence has already been described by the Commission on several occasions as a suitable policy mix, i.e. the coordinated and mutually supportive coexistence of various policies. It is not, the Commission emphasizes, a question of subordinating certain policies (such as development policy) to the objectives of others (such as security or trade policy), but of settling conflicts of objectives. On the whole, the Commission document also confirms existing basic documents on cooperation with Africa in the security, economic and financial fields. It joins a series of recent

EU strategies, such as the European Consensus on Development (2005) and the European Security Strategy (2003). As its "vanishing point," the Commission document focuses more specifically on the Millennium Development Goals (MDGs). As the Commission sees it, to avoid excessive concentration on social spending, various policies should be placed around the MDGs like the layers of an onion, the centre being formed by a reduction of poverty and improvements in the areas of education and health in accordance with the MDGs adopted in 2000. Beyond this central task, however, the economic environment for the achievement of the goals must be included. And preconditions for both aspects of development are security and good governance. The approach adopted in each instance will be determined by local conditions, according to the Commission communication.

The EU-Africa Strategy singles out for particular emphasis two points: good governance in Africa and the importance of peace and security in the continent. Africa's own responsibility for its development is thus stressed once again. The strategy emphasizes cooperation with the African Union in security matters: mention is made, for example, of the deployment of EU missions to support African peace efforts (as has happened twice in Congo – in the province of Ituri in 2003 and during the elections in 2006) and of the reforms in the security sector as an important post-conflict task for cooperation. As regards governance, the strategy refers explicitly to assistance for the New Partnership for Africa's Development (NEPAD) and the African Peer Review Mechanism (APRM). It also calls on all the EU Member States and African countries to sign the UN Convention against Corruption and stipulates further support for various transparency initiatives, including the Kimberly Process (against "blood" diamonds) and the EITI (Extractive Industries Transparency Initiative). Where development cooperation is concerned, the EU Member States' financing objectives —0.51% by 2010 and 0.7% of GDP by 2015 in the case of the "old" Member States— are reaffirmed. Economic partnerships, according to the EU-Africa Strategy, must be used as "instruments of development" and for further regional integration in Africa. In the human development sphere, particular reference is made to cooperation on education (especially between universities), HIV/AIDS and migration issues. In general terms, the EU-Africa Strategy refers to the goal of a strategic partnership between the EU and Africa and especially to the hope of a summit meeting of EU and African heads of state or government, which has been pending since 2003. The summit is now likely to take place in Lisbon at the end of 2007.

It was far from certain that new EU Member States will include Africa in their activities in the area of development cooperation. The EU Africa Strategy therefore gave some bilateral discussions on Africa policy input and arguably also a push for these discussions – including in "old" EU Member States like Germany or Spain. And it helped to formulate an EU position towards Africa that is now discussed in a broader framework as a joint strategy of the EU and Africa – to be agreed in Lisbon in early December 2007. This is a reference point for both sides in the context of a widening spectrum of donors in Africa, including the mischievous-regarded China and its alleged negative impact on endeavours to improve governance in Africa.

5.2. Modalities, planning and evaluation procedures

The European action plan on aid effectiveness ("more, better and faster aid") lists nine goals. Already implemented among them are measures such as the donor atlas, but also road maps for implementation at country level and joint planning frameworks for the Community and Member States (cf. European Commission 2006b). And beyond this, the action plan also contains politically more difficult goals, such as the improvement of complementarity of Community and Member States (European Commission 2006c) (see below).

European aid arguably also increasingly targets the political framework, instead of project levels, with how it gives aid ('modalities'). Increasingly, the own responsibility of partner countries is emphasised, and has been since more than 10 or 15 years ago (cf. Grimm 2003). The Commission is trying to create incentives for partners, rewarding good performers rather than punishing bad performers with sanctions. Also linked to the political dimension of the EU external relations were changes in the EU's aid modalities, as well as its planning and evaluation. With regard to modalities, the Commission has consistently built up its use of budget support. While in 1999 budget support accounted for roughly 8% of communitarised development cooperation, this share grew to 20% until 2003. In ACP states, the share of budget support was at one third (EU Commission 2004) – and a share of half of all EU aid to ACP states is meant to be delivered via this modality, as stated in the EU Africa strategy. When it comes to discussions about budget support, the Commission has become a lead agency to promote its use and thus appears to have overcome its timidity in international discussions.

By the introduction of innovative features, the Commission has attempted to accommodate for a results-oriented approach to performance assessment, while safeguarding a high level of predictability of financial flows. General budget support by the European Commission is given in two tranches, one fixed and one variable. A fixed tranche is paid if basic conditions for budget support are given. There are no general rules on the proportions of fixed or variable tranches; the allocation of shares is meant to balance the need for incentives on results with the need for macro-support predictability; often the first tranche amounts to 70% of the overall support. The second, variable tranche is disbursed as an incentive in the case of successes. While the fixed tranche is either fully given or withheld, the variable tranche allows for a gradual release of funding, depending on the achievement of targets for specific indicators agreed upon in the Performance Assessment Framework (PAF). For both mechanisms, general conditionalities according to the Cotonou Agreement apply, i.e. essential elements in the agreement have to be respected, such as human rights, democratic rule and the rule of law. Success is measured according to standards in public budgeting and to previously agreed indicators measuring improvements in social services (cf. Schmidt 2005; also: European Court of Auditors 2005).

The variable tranche consists of two components. One looks at public finance management (and follows efficiency indicators), while the other emphasizes social service delivery (and hence follows outcome indicators). At the time of the preparation of the financing proposal, agreement is reached between the European Commission and government on what performance indicators are to be used, and for which disbursement periods. Agreements normally cover three years. Indicators are selected on a case-by-case basis. However, the Commission believes in a focus on outcomes, with the idea that this leaves policy space for the government to define its own policy actions with which to meet the targets. The aim is to use PRSPs and Annual Performance Reviews (at times conducted jointly with the recipient country) to work towards a single framework of conditions or indicators with other donors providing policy-related budget support. This can lead to tensions between the principles of ownership and external demands. With the two tranches, Commission wants to avoid 'stop-go' funding, which would inhibit reliable planning of partner countries and thus is considered to have a negative impact on the effectiveness of aid. And additionally, the Commission has created an incentive for more political dialogue on programme implementation with the introduction of its second tranche.

With regard to changes in planning and evaluation procedures, we have seen a tangible decentralisation of decision-making from the centre to the delegations. Smaller funding decisions are now taken by the delegation in the partner country; during this reform process, delegation staffing was noticeably increased (cf. Grimm 2006 for Mozambique; on first results of deconcentration, cf. European Court of Auditors 2004).

Box 1: EU support to governance in Mozambique

With regard to the aspect of governance in EU aid to Mozambique (and other ACP states) there are issues around the notion of partnership and its particular interpretation under the Cotonou Agreement (like under the predecessor Lomé). It is not quite clear to what length partnership goes. Despite commonly agreed principles which are formulated as the baseline for all cooperation, their interpretation might differ in particular circumstances which might result in watering down joint statements from the perspective of any one partner. Improvements in the judiciary sector in Mozambique, for instance, have been relatively slow. At times, adherence to partnership principles slows down procedures, as consultation and involvement of a partner with limited capacities in general tends to keep activities below the threshold of the cutting edge in debate or the delivery speed possible elsewhere. Yet, there does not seem to be another sustainable way of engaging with actors in politically contested and hence sensitive sectors. The claim of 'partnership' despite obvious asymmetries guarantees a minimum of (at least formal) respect and some involvement of both sides in any interaction. Reminding government of its own targets —as is done by donors in Mozambique in the context of the Performance Assessment Framework— is potentially much more effective than referring to outside pressure. Additionally, it respects a key rationale in governance support, which aims at creating space for national accountability and institutional checks-and-balances.

However, there are political choices to be made, no matter how refined the performance assessment is. The case of a political murder of the journalist Carlos Cardoso in Mozambique in the early 2000s might be an illustration: there were clear words to be found in the Country Strategy Paper on Mozambique and (possibly) during the political dialogue behind closed doors. The publics —or rather: specialist and interest groups— will demand tangible consequences which are not always in the diplomatic or long-term interest of sustaining the relationship with Mozambique. Symbolic actions, such as sanctions, might play towards the public opinion. Nevertheless, they will probably not address root causes of failures, be it a lack of political will (if that is the case) or structural deficits in the justice sector. The Commission's Delegation in Mozambique (DELMOZ), as a symbolic action, has chosen another path and funded a Journalists' prize for the last four years which carries the name of Carlos Cardoso. These reactions ultimately constitute a political and strategic choice of the EU as an actor and can be justified with overall improvements in the rule of law in Mozambique.

DELMOZ, in the past, has been creative when quick (financial) responses to situations in the country were demanded. This was the case, for instance, with the financial support to Mozambique's elections in 2004, for which the government of Mozambique applied relatively late. Rather than going through a lengthy project approval process, the delegation referred to budget support mechanisms to provide funding in time. However, given the highly polarised character of Mozambican politics, it is questionable that providing electoral assistance via budget support is a positive experiment. This was a risk strategy, yet the EU's share in funding the elections was substantial and thus created a certain leverage which was used for a high political profile of the EU (and DELMOZ in particular) in the process.

(Source: Grimm 2006: 33-34)

Since the increase in budget support, the 'piled up' amount of funds has considerably reduced. From 1.3bn of committed, but not disbursed funds in 1998, the figure dropped to 483m in 2004 (EU Commission 2005: 113). To some degree, this is due to reformed aid modalities, including budget support. And furthermore, funds of 'old' EDFs were transferred into a sort of trust fund in the area of security policy (the African Peer Facility), or, more recently, planned for a fund to support African reforms in the area of governance

(Governance Initiative) with which the Commission also attempts to exercise political leadership. For the latter, 3bn are committed for the period 2008 to 2013. Yet, to date these elements mostly allow for statements about (improved) efficiency of European development cooperation. We howeverdo not know enough about their effects, beyond the arguably well-established rationale, to speak about an increased effectiveness of instruments.

A similar statement about increase political ambitions of communitarised policy without proven positive impact on effectiveness can be made with regard to aiming at framework conditions in trade. According to the Commission's rationale, economic partnership agreements with regions of the ACP are an instrument to foster development. EPAs —beyond reference to the requirements of a global trade regime— are predominantly argued to be a reaction of ineffectiveness or even counter productiveness of past instruments (cf. EU Commission 1996). With its concept of EPAs, the Commission is aiming at supposed political bottlenecks such as inadequate prioritisation in the endeavour of regional integration in Africa. A number of countries are members of two or more organisations that have the declared aims of creating customs unions. This doubling of organisational affiliation with identical goals under conditions of scarcity of financial resources is regarded —from a European perspective— as amounting to ineffective regional structures. In a nutshell: the Commission has become a proactive player in this area – yet with little knowledge about the possible impact on the effectiveness of its aid, but with visions about how to shape partnerships with developing countries.

Furthermore, since 2000/2001, a results-oriented monitoring (ROM) is being tested within the Community programmes and practiced in all regions since 2002. Effectiveness is one aspect to be explored, besides relevance, efficiency, impact, and sustainability. Effectiveness is understood as "actual benefits registered with the people concerned" (EU Commission 2004: 63). Commission-funded evaluation of its projects generally gives good marks to projects – particularly in the area of effectiveness:

> "Projects and programmes monitored in 2004 performed on average, 'according to plan' or better, for all criteria. The best performing criteria are effectiveness (2.72) and impact (2.73), whereas efficiency (2.61) is 'better than according to plan' but remains relatively the weakest. […] It is to be noted that the hypothetical middle line —a numerical value of 2.5— indicates 'on track', thus a project with a score of 2.5 follows the programmed course and performs well" (EU Commission 2005: 124).

In about 2% of all projects, evaluations identified 'major problems' (the lowest of all possible scores in three of five areas). One tenth of the projects were reported to have had the lowest score in one of the criteria (EU Commission 2005: 124). These observations were exemplarily conducted for three focus sectors[8] and systematically conducted for the different regional programmes. Particularly successful with regard to effectiveness according to this exercise had been projects in Latin America (2.90), the Mediterranean (2.80) as well as Eastern Europe and Central Asia (2.78). The lowest scores were attributed to the programming region of the ACP (2.55) and the Balkans (2.61), while Asia is at the average of all EU programming regions (2.72; EU Commission 2005: 126). Not covered by these reported results, however, were budget support and sector wide approaches – which amount to a considerable share of European development cooperation. These evaluations covered one tenth of all projects with EU funding below the figure of 1m (for 2004). Yet, in this area, we find the same micro-macro-paradox as with bilateral donors: scoring at project-level is relatively high – while the overall impact of aid is questioned. The Commission is facing the same challenges in this as are the bilateral donors – possibly with the additional burden of greater need for internal transparency and accountability in order to sustain its legitimacy for activities in external relations.

[8] Macro-economic policies and social sectors, food security and sustainable rural development as well as institutional capacities and good governance.

5.3. Coordination among member states and the Commission

The coordination of the multitude of actors is also an area of increased activities within the Union. We can ask why the establishment of a bilateral aid programme is a requirement for joining the European Union as part of the 'acquis communautaire', the joint achievements[9] (Grimm/Harmer 2005; Development Strategies 2003); this is a proliferation of donor agencies in an already crowded aid environment. The EU now comprises 27 bilateral donors plus Commission administered programmes ('27+1'), instead of previously 15 bilateral donors plus the Commission. This number will further increase with future enlargements. Arguments brought forward by actors in the European aid system are aimed at (a) legitimacy and (b) technical knowledge. It would be, some argue, only be a matter of time for new EU member states to have the desire to plant their flags next to projects in partner countries, as development assistance is part of a country's foreign relations. More polemically: how can one ask the new EU Member States to be more rational than the EU-15? And establishing a bilateral aid programme will build up capacities of decision makers that can be beneficial to political discussions in Brussels. Without own experiences, Member States might not be able to effectively engage with the Brussels debate. Yet, this proliferation comes with costs and —if not managed properly according to the Paris Agenda— will result in additional strain on partner countries' (often limited) administrative capacities.

In the words of the Commission: "The increased need to enhance the effectiveness of aid and reduce transaction costs requires a qualitative jump in terms of operational complementarity" (EU Commission 2005: 118). A first and important step, albeit not a bold jump, in this direction has been made with the Code of Conduct on a Division of Labour, signed in May 2007. All states agreed to 11 principles for a division of Labour, rather than trying to decide on sectors or regions at the green table. This realism in decision-making has to be commended, even though the code is a voluntary exercise. Member States and the Commission have agreed to reduce the areas of their activities to a maximum of three per country, to introduce or strengthen the concept of lead donors, and to coordinate their activities at country level with other donors.

Box 2: Division of labour – where we are in the EU (quoted from Mürle 2007)

"At the GAERC on 17 October 2006, the EU member states committed themselves "to focus their participation only in a limited number of sectors or themes in each partner country" and to discuss how this should be implemented (GAERC 2006, 3 f.). An analysis of the following processes (chapter 4.1) is particularly relevant for developing proposals (chapter 4.2) how EU donors could reduce the number of sectors in which they are active and increase the in-country division of labour:

— In some countries, formal "division of labour exercises" are implemented in the context of donor-wide joint assistance strategies with the aim of reducing the number of donors per sector and assigning sector lead donor roles.

— The EU has started to implement a framework for joint programming requiring a division of labour between EU donors as part of a joint response strategy.

— Delegated co-operation is used to support sectors and countries by using the capacities of other donors."

(Source: Mürle 2007: 17)

[9] With enlargements since 2004, the application of the acquis communautaire became a precondition for accession. Previously, the ability to incrementally implement the acquis was regarded as sufficient (Maniokas 2004).

The Commission is not necessarily the only body for coordination or the centre of gravity of EU external relations. Differing approaches or unclear donor profiles of Member States most certainly have effects on the effectiveness of community aid. When bilateral perspectives are unclear, it is hardly possible to complement the bilateral programmes with common policies administered by the Commission. The process of clarifying priorities, identifying comparative advantages, and the like is still at the very beginning within the EU, i.e. its member states. Recently, at least progress seems to have been made on principles and procedures of a better division of labour (EU Commission 2007; cf. Mürle 2007).

There is a certain plausibility —though no hard evidence— in stating that coordinated development assistance of the EU is more effective than uncoordinated assistance activities existing alongside each other and therefore potentially pursuing contradictory policies amongst Member States. Better coordination among EU actors might be necessary condition to improve effectiveness, but it will not be a sufficient condition. The EU donor atlas is a (rather timid) attempt to illustrate individual donors' focal activities and thereby to contribute towards sharpening Member States' profiles in development cooperation.

6. Challenges in Architecture and Management – the road ahead

A key problem with the word 'architecture' in the title is, that it assumes the existence of a masterplan and a supervisor in the creation of a structure. That is not the case in Europe. When looking at the EU's institutional structure —also, possibly even particularly so, in international development— speaking mildly, it looks complex: 27+1 donors. When taking into account that development policy is a complex policy in itself, several sub-systems are to be included (trade, security, etc.). And even when only focusing on the Community policy on international development, we find a number of instruments (from the budget and the EDF). It has to be emphasised that it is much less of a mess than it used to be – but overall, the system of European development cooperation is still a mess.

The DAC in its latest peer review (June 2007) speaks of "historical mosaic of actions" (former colonies, new neighbourhood, etc.) and a "layering of objectives and procedures" which has left the European Commission "with a reputation for bureaucratic complexity" (DAC 2007). Increasingly, the DAC writes, the EU "sees development actions as an instrument of foreign policy" (DAC 2007) which results in European institutions working in a (ever) more complex and political system. For this system, at least four specific challenges can be identified:

(a) the increasing partner country orientation as demanded by the Paris Declaration,

(b) how to organise a sensible division of labour in this complex system in order to reduce double work and transaction costs for partners,

(c) what share of the budget should be spent on international development, and

(d) pending reforms with the Lisbon treaty in the area of foreign policy with likely effects on development policy.

6.1. The shift to partner country level

It is a stated aim of international development cooperation by many donors since the Paris Declaration (2005) —including the Commission— to channel much more aid through partner countries' budgetary systems than is currently the case and to transfer as much of the decisions on sector allocations to the level of partner countries. Are delegations —future representations of the Union— fit for this increase in responsibility? The Commission has done a lot to staff-up delegations and foster decentralisation. Since 2003, a number of delegations had to move offices due to deconcentration, as it was called, as some delegations doubled staff. But (a) has that been enough and have those been the right people (e.g. policy advisors)? And (b) what about reforms likely to happen in 2008/09, namely the common external action service? How to organise the inclusion of development issues in the services? What is good practice? What do we know from national contexts? These issues probably appear to be technicalities, but it is likely to impact on the representation of development thinking in the external action service and consequently in EU external activities more broadly.

Regarding the modalities of how to conduct international development cooperation, budget support is often seen as good way to respect the Paris Agenda (alignment) and, at the same time, getting more aid to partner countries. The Commission has been one of the actors leading in the international debate and has arguably triggered debate in a number of member states on this aid modality. Yet, this modality should not be applied just to get more money through the door; and it definitely comes with costs for donors, too. It needs:

(a) a better —and more political— donor coordination (which might require more staff for the Commission on the ground) and

(b) might have to be accompanied with other support, particularly in capacity building —and not just in LDCs and post-conflict countries— even where there is political will in well performing states.

Often, capacities (including in civil society) will have to be built up. Commission, however, might not be best placed to do non-state actor work, as its procedure rather resemble multilateral set-ups than some bilateral donors' range of manoeuvre. This is not necessarily the Commission's fault: mostly, Member States (and the European Parliament) want to keep the Commission activities under control and thus formulate strict rules.

6.2. The EU division of labour

Despite the agreed code of conduct of May 2007, the implementation at country level will be painful for donor agencies, as German experiences with sharpening the profile of bilateral aid proves. Closing down strands of development cooperation in specific countries or specific regions is not easy, nor are all actors necessarily convinced that the right choice has been made on sectors and activities. Political leadership on both sides —donors and recipients— is a precondition for streamlining aid. And this streamlining has to be conducted very carefully so as not to have negative effects on partner country ownership. Engagement should happen in sectors where partners allow donors to engage; it should not simply happen because the supply side has such tempting offers to make on cheap —but not really needed— technical input. Sticking to this philosophy will most likely become more difficult if EU aid is meant to become more of a tool in foreign policy in a strategic partnership between two continents. And changing framework conditions in Africa —with “competitors” for the attention of African governments— will most likely create a strong incentive to deliver on promises.

The EU Code of Conduct on the Division of Labour – at long last, as “complementarity” (as the debate is otherwise known) is not at all a new issue (it is the treaty since 1993). A clearly positive aspect of the Code of Conduct is that coordination is to happen at partner country level, not at the green table in Brussels or elsewhere. And it is to be commended that sector leads in a country can be taken by any donor, including the Commission. This, however, comes with consequences to be aware of:

(a) The commission will not necessarily be the political centre for all development activities. But it will arguably need to have a key role in monitoring (– someone has to collect the data!). The Commission is no longer (if it ever was) a niche actor. It can take the lead in all political areas and consequently, defining its six priority areas as previously attempted in the Development Policy Statement of 2000 does no longer make sense. The approach was rightly abandoned with the European Consensus on Development of 2005.

(b) When Commission or any Member States takes the lead in a sector, loyalty to decisions taken by the lead will have to be practised. This requires trust among European actors. The often practised blame-game (“Brussels got it all wrong” – as if Member States have no say there) is not a receipt for success. Common European values are often pointed to, which indeed can be agreed to by everyone. However, they are only to some extent helpful in development cooperation. Because wanting to foster democracy does not yet answer the question of “how much participation at what time in which process”? What exactly does good governance include – or would actors rather want to start with good enough governance? And what do European publics say about these points?

    This does not have to be a contradiction. Sufficient financial supply might help and be necessary in development cooperation. Yet, in itself, it might also not be a sufficient condition for successful —meaning: effective— aid programmes. So mechanisms for overall coordination in a country are required – and these EU-coordinations will add to the already long list of issues to be coordinated. Additionally, it has to be kept in mind that mandates of in representations in partner countries vary, which —beyond any political agenda— is likely to make coordination in-country difficult.

(c) And thirdly: why would the EC have a development policy if that was not the preferred cooperation framework for European donors? The setup of donor interests, however, varies among donors within specific partner countries. While the EU is apparently mostly regarded as the key foreign policy framework for a number of donors (Germany, Spain, etc), others also see alternative cooperation frameworks (the UK and Commonwealth, the Nordics, France). There are good historic reasons for this and it is not necessarily a problem, but it poses at least a challenge to coordination of Member States with different levels of information and interests.

The code of conduct is flexible enough to accommodate for these challenges. But it will be difficult to focus on sectors (i.e. pulling out of existing cooperation). Concentration of activities is a challenge to all actors, best induced by clear preferences of partner countries). And it will probably be virtually impossible to pull out of countries and shift to other, probably more difficult partners! (foreign policy interests prevail).

6.3. The pending EU budget revision in 2008

With regard to the EU's budget, the agreement on the Financial Perspectives 2007 to 2013 has only been reached after agreement was made on a general budgetary review to take place in 2008. How much does Europe want to spend on which sector? Or, in other words: How important are activities in living up to the Union's mandate? Subsidising European agriculture and/or pushing an unpopular trade agenda against the expressed wishes of (some) unequal partners can —and possibly should— be harshly criticised from a development perspective. However, development practitioners need to be aware that international development is only one policy area within the EU's mandate. The EU has not been created to be a donor agency, so arguments about priority for developing countries will only to some extent fall on fertile ground. Arguably, the EU is much more about 'us': peace in Europe, its role in the world, possible competition with other players, etc… A link to these objectives will have to be made, as —for instance— attempted in the European Security Strategy of 2003.

Debates in the development community seem to suggest that the EU could be an important funding channel. Yet, there is an absolute cap on external assistance spending agreed until 2013 (with the Financial Perspectives). With rising levels of bilateral aid and an absolute ceiling for EU spending in external relations, the share of Commission in ODA will actually decrease. It is currently at 20% of all ODA from the EU and will be down to around 11% by 2013, unless mechanisms a found that allow for co-funding of both Commission and Member States. Commission is preparing for it – and for Member States this means a shift from a culture of organising blocking minorities towards organising joint activities of a few within the Union. The complexity of tasks the EU has (or rather: collectively wants) to perform in its external relations combined with a mid-term planning with budgetary ceiling potentially leads to a chronic shortage of money for the individual tasks on the agenda. Arguably, however, the major bottleneck it is not a lack of money, but an abundance in package deals to buy-off obstructive particular interests.

Focusing on specific partner countries or regions is not feasible in this diverse union (as all 27 Member States have their interests and want the EU to take those into account). Nor will an exclusive focus on the Least Developed Countries —as a common reading of the term "poverty focus" in Nordic countries and UK seems to suggest— happen. European relations to the immediate neighbourhood are important on a broader scale – and it is a good idea to conduct them in a common framework. This, however, will also come with funding requirements in the field of "external action". This is partly why an eye has to be kept on institutional arrangements guaranteeing a voice for development in the EU.

6.4. The Lisbon Reform Treaty and external relations

There is little to no substantial change in the treaty with immediate effect on development cooperation. Humanitarian aid now features separately and poverty reduction is enshrined at treaty level as the primary goal (Art. 10A of the Lisbon Treaty). Strategic interests of the EU and objectives of European foreign policy-making shall —inter alia!— be based on development and humanitarian policies (Art. 10B of the Lisbon Treaty). Other provisions on development policy were mostly already included in the Maastricht Treaty of 1993. Brief: changes are some improvements, but unlikely to be triggering fundamental shifts in policies.

However, the policy environment for development policy —namely in the area of foreign policy— has changed substantively since 2000 and will change even further in its institutional setting with the now-to-be-ratified Lisbon treaty. Key changes in Foreign Policy are likely to be:

(a) The future High Representative of the Union for Foreign Affairs and Security Policy will be double-hatted, i.e. chairing the Council of Foreign Ministers and being Vice-President of the European Commission and thus replacing the Commissioner for External Relations. The person filling the post will be in charge of guaranteeing the implementation and overall coherence of the EU's external relations. This does not necessarily have a direct impact on the position of the EU Commissioner for Development, but in any case, the latter will be placed next to a much stronger foreign policy arm of the EU.

(b) The changes in foreign policy include the establishment of a European External Action Service as some sort of a joint European diplomatic service. The treaty speaks of "national diplomatic services" (Art. 13a, 3 of the Lisbon Treaty). The EU has already created an EU (not just EC) representation to the African Union in Addis Ababa where it is represented by a Member State diplomat, speaking on behalf of the Union (not 'just' the Commission).

(c) The reform treaty will bring an European President, replacing the rotating half-year EU-Presidency of Member States. The latter being a person in this position for two and a half years will result in additional weight for that new institution, most likely including in the external representation.

The effects of institutional reforms in foreign policy on the Union's development cooperation are largely unclear and it could either strengthened international development in the Union's international identity. Or it could shift emphasis rather towards development cooperation becoming even more an instrument in European foreign policy. The High Representative shall ensure overall coherence of all external actions, which is to be commended – but following a development-friendly coherence? The debate does not necessarily have to be antagonistic between international development and European foreign policy; yet uncertainty raises concerns. As usual, much will depend on the personalities filling the posts and thereby filling the reforms with life.

7. Conclusion

The communitarised European development cooperation appears to be well on its way towards improving its instruments. At the level of political planning and conceptual debate, the Union has made meaningful progress, as certified by the DAC peer review and other observers. This gives hope for improvements in aid effectiveness, as it improves —or creates— the basic conditions for effective development cooperation. This is a necessary, yet not sufficient condition to guarantee actual improvement of European development policy on the ground in partner countries.

Increasingly, the Commission regards itself as a coordination point – at least as an important input provider in an EU debate. An indicator for the changes in understanding of its own role are the aforementioned Union documents in international development cooperation, such as the European Consensus and the EU Africa Strategy. While the Africa strategy has indeed already triggered or at least impacted on a debate on policy towards Africa in some Member States other strategies will be more complex in their implementation. The latest document, the Code of Conduct on Division of Labour, is a case in point.

The organisation of communitarised development cooperation was changed several times in the last years. Restructuring of the Commission in 2000, however, did not fully capitalize on possibilities for a structural change of competencies within the Commission. Development cooperation with the ACP (i.e. mostly Africa) is still a different matter than assistance to the rest of the world. The geographical split between DG Development (for the ACP) and DG External Relations (for the rest of the world) is still in effect. This is the case arguably more so for reasons of creating scarce political jobs in Brussels, rather than having aid effectiveness in mind. And we can make the debate more complicated when considering that development policy in a broader sense also includes foreign policy (and vice versa) and that is yet another entirely different actor: Council, the High Representative etc.

When looking at the road ahead of us, 2009 will be a key year for the EU: there will be a new treaty, new posts to be filled, European elections, and a new Commission. This does not mean to wait and see for 2009. Some crucial decisions will have to be taken in 2008, ranging from institutional issues like the outlines for the external action service to thematic debates like the meeting of the High Level Forum on aid effectiveness in Accra etc. So despite major reforms having been done, a lot of key work is on the agenda with regard to management and filling the "architecture" with life.

Improvements in effectiveness of European aid will also depend on implementation of institutional reforms agreed upon in Lisbon this October. How will these be given life? And not least: who will be filling the positions? Increasing consistency and transparency might not automatically increase aid effectiveness, but it might create incentives for improving results-orientation and might also indirectly be improving coordination. It enables key actors, among which we find the European Parliament —and, ideally: the Parliaments of recipient states!—, to ask questions about the use of funds in certain sectors and certain countries and thereby to participate in the decision-making. The currently still sceptical position of many European MPs and MEPs towards some modalities such as budget support (be it sectoral or even general) can arguably only be overcome with increased information and debate among actors.

Beyond the general reform goals, an increased coordination at country level and implementation of decisions on complementarity in partner countries would be helpful with regard to efficient use of funds. These funds, despite the agreement on their increase, are neither drawing on endless resources nor should they be regarded as an entitlement of recipient countries. The ultimate aim of development cooperation —if taken by its word— is a contradiction for all actors: development aid is designed to make itself superfluous. This does not mean to stop all interactions, but rather to shift cooperation into other areas and stop declaring it development assistance in some cases. There might be good reason to discuss what can be defined as ODA and what cannot. However, we should be very careful about re-definitions of aid with a pending fulfilment of the 0.7% target of ODA per GNI. Changing the horses during the race will surely lead to problems of credibility.

And the most crucial turn in the debate on aid effectiveness is yet to fully unfold: other actors beyond the EU are waiting in the wings to try their recipes on foreign aid recipients, particularly so China and, to a lesser degree, India. The effectiveness of their recipes for development —or, in other words, the adequateness of these recipes— remains yet to be proven, but the EU (or the DAC) is far from being the only kid on the block.

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Resumen: Entre los donantes de ayuda al desarrollo, el debate sobre por qué y a quién se proporcionan los recursos está ganando cada vez mayor importancia. En primer lugar, es importante concretar qué es lo que se quiere lograr con la cooperación y sólo entonces se podrán seleccionar los instrumentos más útiles y eficaces. En el debate sobre la eficacia de la ayuda, la Unión Europea está adquiriendo un mayor protagonismo. La Comisión, como muchos otros donantes, se ha comprometido internacionalmente a incrementar la eficacia. Este documento de trabajo intenta resumir de manera crítica el estado de las reformas realizadas, en relación a su impacto sobre la eficacia de la ayuda.

Palabras clave: eficacia de la ayuda, presupuesto, buen gobierno de países receptores, capacidad organizativa, coherencia, complementariedad y coordinación, fortalecimiento de la política de cooperación de la UE, África y evaluación.

Abstract: In aid administrations, the seemingly technical debate about how to give aid has gained momentum. This debate is closely linked to the underlying question of why we give aid and to whom. We must first decide what we want to achieve; only then can we debate what instruments will be best used and finally reach a consensus on what instrument has been applied effectively. In line with the general debate on aid effectiveness, question about the effectiveness of European aid have come to fore. The European Commission, like other donors, has internationally committed itself to more aid effectiveness. This paper will attempt to critically summarise the state of reforms, with regard to how these have been influenced by and have an impact on aid effectiveness.

Keywords: aid effectiveness, budget, governance in partner countries, organisational capacity, coherence, complementarity and coordination, strengthening EU development cooperation policy, Africa and evaluation.

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