EUROPEAN COMMUNITY

Development Assistance Committee (DAC)

PEER REVIEW

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT
ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where the governments of 30 democracies work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

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Examen du CAD par les pairs:
Communauté Européenne

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The Peer Review Process

The DAC conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and programmes of each member are critically examined approximately once every four or five years. Five members are examined annually. The OECD's Development Co-operation Directorate provides analytical support and is responsible for developing and maintaining the conceptual framework within which the Peer Reviews are undertaken.

The Peer Review is prepared by a team, consisting of representatives of the Secretariat working with officials from two DAC members who are designated as "examiners". The country under review provides a memorandum setting out the main developments in its policies and programmes. Then the Secretariat and the examiners visit the capital to interview officials, parliamentarians, as well as civil society and NGO representatives of the donor country to obtain a first-hand insight into current issues surrounding the development co-operation efforts of the member concerned. Field visits assess how members are implementing the major DAC policies, principles and concerns, and review operations in recipient countries, particularly with regard to poverty reduction, sustainability, gender equality and other aspects of participatory development, and local aid co-ordination.

The Secretariat then prepares a draft report on the member’s development co-operation which is the basis for the DAC review meeting at the OECD. At this meeting senior officials from the member under review respond to questions formulated by the Secretariat in association with the examiners.

This review contains the Main Findings and Recommendations of the Development Assistance Committee and the report of the Secretariat. It was prepared with examiners from Australia and the United States for the Peer Review on 26 June 2007.

In order to achieve its aims the OECD has set up a number of specialised committees. One of these is the Development Assistance Committee, whose members have agreed to secure an expansion of aggregate volume of resources made available to developing countries and to improve their effectiveness. To this end, members periodically review together both the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult each other on all other relevant aspects of their development assistance policies.

The members of the Development Assistance Committee are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Communities.
List of Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ACP</td>
<td>African, Caribbean and Pacific countries</td>
</tr>
<tr>
<td>AIDCO</td>
<td>EuropeAid Co-operation Office</td>
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<td>APRM</td>
<td>Africa Peer Review Mechanism</td>
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<tr>
<td>CODEV</td>
<td>Council Working Group on Development</td>
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<td>CSP</td>
<td>Country Strategy Paper</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<tr>
<td>DCI</td>
<td>Development Co-operation Instrument</td>
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<td>DEV</td>
<td>Directorate General for Development and Relations with African, Caribbean and Pacific Countries</td>
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<td>DRC</td>
<td>Democratic Republic of Congo</td>
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<td>EDF</td>
<td>European Development Fund</td>
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<td>ECHO</td>
<td>European Commission Directorate-General for Humanitarian Aid</td>
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<td>EIB</td>
<td>European Investment Bank</td>
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<td>EIDHR</td>
<td>European instrument for Democracy and Human Rights</td>
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<td>ELARG</td>
<td>Directorate General Enlargement</td>
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<td>ENP</td>
<td>European Neighbourhood Policy</td>
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<td>ENV</td>
<td>Directorate-General for Environment</td>
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<td>GBS</td>
<td>Global budget support</td>
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<td>GHD</td>
<td>Good Humanitarian Donorship</td>
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<td>GNI</td>
<td>Gross National Income</td>
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<td>HAC</td>
<td>Humanitarian Aid Committee</td>
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<td>IfS</td>
<td>Instrument for stability</td>
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<td>IQSG</td>
<td>Inter-Service Quality Support Group</td>
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<tr>
<td>LDC</td>
<td>Least Developed Country</td>
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<td>LRRD</td>
<td>Linking relief, rehabilitation and development</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
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<tr>
<td>MIC</td>
<td>Middle Income Country</td>
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<td>NAO</td>
<td>National Authorising Officer</td>
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<td>NGOs</td>
<td>Non-governmental organisations</td>
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<td>NIP</td>
<td>National Indicative Programme</td>
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<td>OCT</td>
<td>Overseas Countries and Territories</td>
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<td>ODA</td>
<td>Official development assistance</td>
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<td>oQSG</td>
<td>office Quality Support Group</td>
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<td>PCD</td>
<td>Policy coherence for development</td>
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<td>PFM</td>
<td>Public Financial Management</td>
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<td>PHARE</td>
<td>Programme for Eastern Europe’s emerging economies</td>
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<td>PIU</td>
<td>Project Implementation Unit</td>
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<tr>
<td>PRSP</td>
<td>Poverty reduction strategy paper</td>
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<tr>
<td>RELEX</td>
<td>Directorate General for External Relations</td>
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</table>
ROM Results-oriented monitoring system
SADC Southern Africa Development Co-operation
SSR Security System Reform
SWAP Sector wide approach
TRADE Directorate General Trade
USD United States dollar

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Signs used:

EUR Euro
USD United States dollar

( ) Secretariat estimate in whole or part
- Nil
0.0 Negligible
.. Not available
... Not available separately but included in total
n.a. Not applicable

Slight discrepancies in totals are due to rounding

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Exchange rates (EUR per USD)

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
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<td></td>
<td>1.0611</td>
<td>0.8851</td>
<td>0.8049</td>
<td>0.8046</td>
<td>0.7967</td>
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The EC’s Aid at a Glance

EC

<table>
<thead>
<tr>
<th>Net ODA</th>
<th>2004</th>
<th>2005</th>
<th>Change 2004/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current (USD m)</td>
<td>8,704</td>
<td>9,390</td>
<td>7.9%</td>
</tr>
<tr>
<td>Constant (2004 USD m)</td>
<td>8,704</td>
<td>9,224</td>
<td>6.0%</td>
</tr>
<tr>
<td>In Euro (million)</td>
<td>7,006</td>
<td>7,555</td>
<td>7.8%</td>
</tr>
</tbody>
</table>

Top Ten Recipients of Gross ODA (USD million)

1. Turkey 360
2. Serbia & Montenegro 262
3. Morocco 258
4. Afghanistan 234
6. Egypt 224
7. Palestinian Adm. Areas 197
8. India 164
9. Mozambique 162
10. Tanzania 161
**European Community: essential glossary**

**Treaties.** The Treaty of Rome (1957) established the European Community. The Treaty of Maastricht (1992) established the European Union and included development co-operation in the objectives. The Treaties of Amsterdam (1997) and Nice (2001) have further refined attention to development issues. The treaty establishing the European Constitution (2004) was signed, but rejected in referendums in France and the Netherlands, and as yet is not ratified.


**European Union (EU).** The EU is the association of the Member States and the Community institutions established on three “pillars”: (i) European Community, managed by the common institutions; (ii) Foreign and Security Policy, co-ordinated among the Member States; and (iii) Justice and Home Affairs, a mixture of Community competence and co-ordinated actions.

**European Council.** Comprised of the EU Heads of State and the President of the European Commission, this guides the political life of the European Union, meeting generally in June and December. Its role is to define the political guidelines of the EU (including by Treaty) and to arbitrate on difficult issues.

**Institutions of the European Community.** These notably include the (i) Council of Ministers, (ii) European Parliament, (iii) European Commission, (iv) Court of Auditors and (v) Court of Justice.

- **Council of Ministers (formally called Council of the European Union).** Located in Brussels, it is the forum for the Member States in the overall governance of the EU, particularly having the right of decision on policy (with the European Parliament). One of the Member States takes the Council Presidency, responsibility for which rotates every six months. It works through different working parties, including Development. Member States send relevant ministers to the six monthly meetings. A secretariat manages the various working parties dealing with different topics.

- **European Parliament.** Plenary sessions are in Strasbourg. It has been granted further powers of consultation and co-decision with the Council of Ministers. Members are directly elected by European voters. The Parliament has a President elected by the Members who work through Committees, one being Development, which meet in Brussels.

- **European Commission.** This is the executive body of the EU. It proposes policy and is responsible for implementing and managing Community programmes. The College of 27 Commissioners, known as the Board of the Commission, is appointed for five years. The governments of the Member States propose the Commissioners. Each Commissioner is responsible for a Directorate-General (managed by the Director-General, a permanent official) or an area of work. Within the Commission, there are three working languages: English, French and German. All formal proposals are made in the 23 official languages of the Community.

- **Court of Auditors.** Located in Luxembourg, this court looks at the value for money of implementing EC policies.

- **Court of Justice.** Located in Luxembourg, this checks compliance with Community law, including on human rights.

**European Investment Bank (EIB).** This financing institution, set up by the Treaty of Rome, is not formally a Community institution. It contributes to economic and social cohesion of the Union, and has responsibility for financial components of development aid and co-operation policy.

**RELEX Family.** This includes the **Directorates General** for External Relations, Development, Humanitarian Aid, Trade, and Enlargement, along with **EuropeAid**, the service responsible for implementing development assistance. These institutions cover issues that span both the first and second “pillars”. Thus, trade instruments are exclusively under a competence of the EC and aid instruments are implemented alongside the bilateral aid programmes of the Member States. The DG for Economic and Financial Affairs is responsible for macro-economic policy and macro financial support.

**ACP Group:** The group of 78 African, Caribbean and Pacific states, signatories of the ACP-EU Partnership Agreement and later referred to as the “Cotonou Agreement”. This agreement provides for joint ACP EU institutions: a Council of Ministers that meets annually and brings together representatives of the signatory governments and the European Commission; a Committee of Ambassadors which assembles representatives of the signatories in Brussels; and a joint Parliamentary Assembly that meets twice a year and includes representatives of the ACP country parliaments and the European Parliament. It is supported by a secretariat in Brussels and financed by Community contributions.
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THE DAC’S MAIN FINDINGS AND RECOMMENDATIONS

Overall framework and new orientations

A different and evolving form of development co-operation

The European Community¹ is unique among the members of the Development Assistance Committee (DAC) in that it both provides direct donor support to developing countries and plays an important “federating” role with the other institutions and Member States of the European Union (EU). The Community and the 27 Member States taken together account for more than one half of all official development assistance (ODA) recorded by the DAC. Compared with other multilateral institutions, the volume of Community ODA alone is larger than that of the World Bank’s International Development Association and several times that of the United Nations Development Programme.

European development co-operation has evolved in parallel with Member States construction of a collective vision for Europe, its treaties, conventions and agreements. Current development policy draws its shape and direction from this ever-evolving historical mosaic of action, ranging from assistance to Member States’ former colonies to stabilisation of the European “neighbourhood”. The effect of this layering of objectives and procedures has been to leave the European institutions with a reputation for bureaucratic complexity. The Commission has reformed its administration in recent years, including the primary services for development co-operation: the Directorate-General for Development (DEV), the Directorate-General for External Relations (RELEX), the EuropeAid Co-operation Office (EuropeAid) and the Directorate-General for Humanitarian Aid (ECHO). Since the last Peer Review, the Commission has paid significant attention to strengthening its policy framework and delivery systems, including its specialised service for implementation (EuropeAid).

The Community now seeks to move its development programme and system beyond the lingering influences of history, towards a more proactive and strategic European vision for development co-operation. The last decade has witnessed a period of greater and more political European Union assertiveness. Simultaneously, the heightened emphasis on issues of world peace and security raised since 11 September 2001 have deepened the resolve of the Commission to play its part in dealing with the threat of world terrorism. Increasingly, the EU views development action as an instrument of foreign policy and this means that European development institutions now work in a more complex and political environment.

1. To simplify our reference to the various development co-operation structures of the European Community, we use the following definitions: (i) the European Commission (the “Commission”) is the European body most specifically responsible for implementing and managing the European aid programmes; (ii) the institutions of the European Community (the “Community”) primarily include the Commission, but also the Council of Ministers and the European Parliament; and (iii) the European Union (the “EU”) includes three pillars: the Community; Foreign and Security Policy; Justice and Home Affairs.
The added value of the Community

In 2005 European development policy was updated in the European Consensus on Development, which provides a common vision for the Community and Member States alike. It highlights the Commission’s dual development role by clarifying its added value in relation to the Member States (its federating role) and by requiring improvements in its role as a donor. This dual role cuts across all areas addressed in this Peer Review. The adoption of the European Consensus has been a major strategic success since the last Peer Review. However, there are a series of challenges in implementing it.

There is a risk that the ambitious, multiple objectives of the consensus, including expanded political ones, could diffuse a focus on development and undermine longer term strategic priorities. Parts of European civil society, the European Parliament and individual Member States have expressed concern that the primary objective of poverty eradication is not always reflected in field delivery. Similar concerns are raised for closely related, cross-cutting priorities such as gender, environment, HIV/AIDS and achievement of the Millennium Development Goals (MDGs). The challenge now is to define this broad vision more operationally. The Commission will need to maintain the integrity of the development agenda and emphasise the effective implementation of priority policies, including a clear focus on results. For example, a pro-poor growth strategy could help integrate poverty eradication more directly into Economic Partnership Agreements and aid-for-trade plans. A clearer translation of vision into operational strategies would seem to be the next logical step in implementing the consensus.

An institutional challenge for consensus implementation is to identify the respective comparative advantage of the Commission and the bilateral Member States within Europe’s overall approach to development. In May 2007 the Council concluded a new policy on the “division of labour” among these actors. These conclusions will have important implications for the Community’s (and the Member States’) development co-operation priorities, organisation and approaches. Already, the Commission is generally recognised for its comparative advantage and leadership in such areas as policy coherence for development, the scaling-up of aid and the aid effectiveness agenda.

Another institutional challenge is how to best integrate the 12 new members of the European Union in their role as emerging bilateral donors. Some of these donors find it difficult to conform to the standard development co-operation guidelines produced in Brussels. The Commission should continue to work closely with these new members to help integrate them into the increasingly co-ordinated, international approaches to development policy and delivery.

As the Member States reflect upon their future operational relationship in development co-operation with the Commission, they also need to review their current, sometimes detailed, collective approach to overseeing Community decision-making, including that exercised by the European Parliament and the Council of Ministers and its working groups. Member States need to agree to an approach that enables the Commission to implement approved polices and strategies more expeditiously and effectively and to continue to improve its performance as a donor agency. Better results reporting to Parliament and the Member States can help build confidence in Community programmes and permit more strategic forms of oversight.

Finally, the Commission must convince the European public of the appropriateness of the consensus vision. In recognition of the importance of public awareness for the future evolution of Europe the Community is consulting with the European institutions, government at all levels and civil society to produce a communication programme of action in 2007. Development co-operation can use the results of this consultative exercise to promote a better targeted action plan for public awareness of
development. The need to communicate more effectively at the European, national and local levels suggests the importance of careful preparation of this plan in order to target limited funds for greatest effect.

**Recommendations**

- In implementing the European Consensus, the Commission needs to maintain the integrity of its development agenda and to emphasise results. To achieve this, more coherent operational strategies would help assure that poverty eradication, the MDGs and cross-cutting issues, including gender, environment and HIV/AIDS are fully addressed.

- The Commission and Member States should use recent Council conclusions on division of labour to further clarify their respective operational roles and ensure strategic use of comparative advantages to manage and deliver European development co-operation in country, and across countries and sectors. This is likely to entail further adjustments in Community priorities, organisation and operations to enhance complementarity.

- Member States and Parliament will also need to improve and consider streamlining the different levels of oversight they exercise over development operations to enable the Commission to further improve its effectiveness and performance. Oversight should be structured so that it is strategic and streamlined and does not attempt to micromanage Commission operations.

**Promoting policy coherence for development**

**A renewed effort**

The European Community Treaty requires that development objectives be taken into account in all non-aid policies affecting the developing world. The political and operational priority accorded this topic has grown substantially since the previous Peer Review. In 2005, the European Council initiated a new policy coherence effort by focusing attention on the achievement of the MDGs by 2015. The Council committed to a wide-ranging list of 12 policy coherence priority areas: trade, environment, climate change, security, agriculture, fisheries, social dimension of globalisation, migration, research and innovation, information society, transport, and energy. This political framework now needs to be progressively implemented by the Community based on field realities and knowledge and with a clearer sense of operational priorities.

A work plan for this policy coherence agenda was adopted by the Council in 2006, including a calendar of action and proposals in each priority area. It also defined more specific roles for the Council, the Commission and the Member States. An Informal Network composed of experts from the Member States and the Commission has been active since 2003. A formal means of bringing policy coherence issues to the attention of EU decision-makers is needed. Organisational responsibilities within the Commission and the Member States are now being identified and should be as operationally specific as possible.

Progress on the policy coherence agenda will be monitored and results reported every two years. The first report is now being prepared. This could be a watershed document for future European action and should be used to prioritise the current ambitious list of actions so as to better allocate limited resources. Also given the recent decisions on division of labour, the report can be used to identify the most efficient distribution of roles among the Commission, Council and Member States.
The Commission seeks to play a role in harmonising development co-operation among Member States in headquarters and in the field. It will need to further strengthen inter-service co-ordination on competing policies in order to reconcile differences quickly and effectively. Commission and Community leadership need to send clearer and more coherent policy guidance to delegations and Member States, especially the larger ones, so that well synchronised European positions can be established in a timely manner. Given the varying skill levels in field delegations, priority country posts may need to strengthen their capacity to play this role credibly. Improved policy dialogue and better orchestrated policy action will have greater influence and better development impact.

**Special themes**

This Peer Review explored several special themes of interest to the DAC which require a “whole-of-government” approach. **Democratic governance** is a growing political priority for the Community and requires policy coherence in Brussels and a well structured policy dialogue at the country level. Currently there is strong pressure from the European Parliament and the public to link assistance only to recipients meeting minimum governance, anti-corruption and human rights standards. The Community characterises this as rewarding mutually-agreed performance standards, rather than as conditionality. Effective implementation of democratic governance requires closer co-ordination among the external affairs directorates-general, Member States in Brussels and other key donors at the country level. Clearer guidance to the field on performance standards will facilitate this dialogue, manage recipient government expectations and enhance the predictability of aid disbursements.

Community policies towards **fragile states** and **security systems reform** are other special themes of this review which also require effective whole-of-government approaches. Currently, no one document outlines a Commission strategy for conflict and fragile states programming; however, a Communication on this subject is being prepared. The challenge of coherence is particularly daunting given the variety of instruments available to the Commission and elsewhere in the EU for different contexts. Greater coherence is also required among European security and defence policy instruments and other aspects of country programming; missions sent to the field require better integration into other aspects of Community programming.

Lastly, the Commission has highlighted the need to redress **gender** inequalities as an integral part of the Community’s development policy. To do so, it promotes a twin track approach for women’s empowerment and mainstreaming gender equality. However, in the course of Peer Review field visits, gender issues were not consistently addressed in programme implementation or highlighted as a key indicator when measuring programme performance. The current Commission approach could be strengthened in these areas.

**Recommendations**

- The two-yearly evaluation should be used to develop a work programme for the current agenda of policy coherence for development to: (i) ensure best allocation of resources; (ii) facilitate closer monitoring of progress; and (iii) help reconcile inconsistencies and strengthen synergies among competing policies.

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2. While DAC members frequently discuss a “whole-of-government” approach in relation to their various national ministries, in the case of the Community this mostly refers to joining of perspectives and operations amongst directorates-general in the Commission.
The Commission and Member States should examine improved ways of bringing policy coherence issues effectively to the decision-making level, reflecting their respective competencies.

The Commission should take advantage of the work programme and improved communications to further enhance inter-service co-ordination. In the field, a common agenda should translate into thematic and country specific policy positions that permit better communication and co-ordination, both with headquarters and among EU Members and the country delegations. This may require strengthening the policy dialogue capacity of key delegations.

Increased Commission attention to whole-of-government approaches to policy coherence for development could contribute to more effective policy co-ordination in selected thematic areas examined in this Peer Review. These include: democratic governance (clearer guidance on country performance standards to facilitate policy dialogue, manage expectations and enhance predictability); fragile states and security system reform (need for strategy and for resource allocation criteria; strengthened co-ordination on security and defence policy instruments and better integration of missions to the field); and gender (better mainstreaming into programmes and more effective performance measurement).

**Aid volume and distribution**

**A major catalyst for ODA growth**

European Community ODA for 2005 was USD 9 390 million, an increase of 7.8% from the previous year, making it one of the largest development actors in the DAC. Preliminary estimates already indicate a record level of USD 10 204 million for 2006.

The Community also helps ensure that the entire European Union contributes to greater quality and quantity of aid. In 2005 it galvanised Member State commitment to a 0.51% of GNI target by 2010 (0.17% for the new Member States) and 0.7% by 2015 (0.33% for the new Member States). Of the total additional European ODA over this period Member States will be responsible for much of the increase. Achieving their respective ODA targets will be difficult for some relatively well-established members as well as for new Member States which have to build aid management capacity. An emerging challenge for the Commission is how to encourage, track and help these members achieve their ODA targets. Also, some Member States may look to the Commission to manage part of their growing pool of ODA. Assisting in these challenges could be a substantial added value role for the Commission in the context of increased European ODA.

**Significant budget reform**

A 2006 reform consolidated the previously confusing array of 35 financial instruments (both ODA and non-ODA funds) into a more manageable set of 10 instruments. Now, the largest flows are found in the European Development Fund (EDF) and the Development Co-operation Instrument (DCI). Together they represent the majority of total ODA; however, they are managed differently. Both EDF and DCI instruments are implemented by EuropeAid, although each has a different set of rules and regulations. EDF is a multi-annual programme managed by DEV and funded by voluntary contributions from Member States outside the Community budget. It provides support essentially to the 77 African Caribbean and Pacific (ACP) countries. DCI is managed by RELEX; it is financed

3. Commission resources are also counted in the ODA of Member States as reported to the DAC.
directly from the Community’s annual budget; and it supports development programmes principally in Asia and Latin America. In both cases, thematic funds largely fall outside country strategy planning. Better coherence between thematic programmes and country strategies would increase effectiveness and overall impact.

The consolidation of financial instruments has been an important and necessary exercise and will result in greater transparency, efficiency and effectiveness. But there may be more opportunities ahead to further integrate and reduce them, particularly in 2013 when most financial instruments expire. The Community needs to persist in streamlining its budgetary arrangements. Funding country development assistance for the ACP countries from the Community budget (i.e. “budgetisation” of the EDF) could increase efficiency through the use of uniform rules and regulations.

A continuing need to prioritise use of funds

The Community now distributes its ODA across 145 recipient countries, the largest spread of any DAC member. The growing focus on a more logical division of labour with Member States should permit the Commission to further differentiate roles in these countries. Its presence in some developing countries may be justified by its federating role among EU members, although not necessarily as a direct donor.

The Community has been under pressure from some Member States to increasingly concentrate on the low-income countries, partly as a way to retain the poverty focus of its assistance. Although more than one half of its total bilateral ODA already goes to these countries, the growth trend has levelled since 2003. The Commission should look for opportunities to increase assistance to low-income countries.

Member States and Community leadership see a role for the Commission in fragile states, especially those receiving relatively little attention. In these countries it could represent the EU Member States, advance policy dialogue and respond to their assistance needs while other Members decide the scope and timing of their engagement in such states.

The Community continues to attempt to tighten its focus on priority sectors to ensure that it works in areas of comparative advantage and complements actions of the Member States.

Multilateral relationships

Because the Community functions both as a donor agency and as a multilateral recipient of Member State funds, it does not contribute significant multilateral aid to international institutions. The ratio of multilateral aid to bilateral aid as reported to the DAC has remained stable over the last 20 years at around 7% of ODA. Of this bilateral aid, the Community contributes an increasing amount to international organisations for the implementation of specific projects. Some of this takes the form of contributions to multilateral programmes at the country level.

The Community needs more explicit frameworks such as partnership agreements to pursue improved relations with key multilateral development organisations like the World Bank and the family of United Nations entities. It also should be clearer about its role and value-added in channelling resources to the multilateral organisations vis-à-vis Member States’ contributions.

Recommendations

- The Community should continue to be a driving force for monitoring and encouraging progress towards the agreed targets for scaling-up ODA at the European Union level.
• The Commission should give more say to the delegations in prioritising and applying the thematic programmes in country. The Community should continue to unify the rules and procedures of the main financial instruments as opportunities permit and guard against further proliferation of budget lines for development.

• The Commission is encouraged to work with the Member States to differentiate better their respective roles in countries and to prioritise the sectors it targets for assistance, ensuring that it does not spread itself too thinly as a donor agency. Given its priority to eradicate poverty, the Commission should demonstrate how it is integrating this objective into pro-poor growth and other operational strategies while looking for opportunities to increase assistance to low-income countries.

• The Commission needs more explicit frameworks for its engagement with multilateral institutions and should be clearer about the role it plays in relation to the Member States. It should continue to strengthen its relations with key multilateral partners.

Aid implementation and management

Shared organisational responsibility for development

Implementation of the European Consensus will require DEV and RELEX to work more closely together and challenge their historically separate organisational responsibilities. DEV and RELEX have different approaches to implementing development priorities because of their specific institutional mandates. Their distinct geographical coverage gives them a different exposure to developing world realities and experience. A more unified Commission organisation for development could minimise institutional redundancy, promote a development policy informed by the full geographic range of development experience and ensure that aid leadership is unambiguously dedicated to the priority issues of development. Over time, the DEV-RELEX division of labour merits review in the face of evolving EU institutional frameworks and in the interest of greater development coherence and aid effectiveness.

Recent internal reform efforts

The Commission has carried out significant internal reforms since the last Peer Review. The European Consensus confirmed the relevance of these reforms. It has expanded them in relation to the principles of engagement, delivery and policy to include objective criteria for resource allocation, improvements in managing harmonisation with external donors, headquarters reorganisation, devolution of authority to the field, streamlining of internal procedures, reinforcement of quality control, and better use of results.

However, the Peer Review team noted that the internal reform process was frequently presented as “completed”. In contrast, the Community’s development partners frequently commented on the continuing need to devolve authority to the field and further simplify procedures and accelerate programme implementation. While the Commission fulfilled its specific reform mandate, the Community should not become complacent about the reform process given the need to update, adapt and reform management systems in response to the new international aid challenges of scaling-up, aid effectiveness, policy coherence and results-based management. Its involvement in the aid effectiveness agenda will help to better identify its own reform agenda.

The substantive devolution of management responsibility away from Brussels to the Commission’s 81 empowered field delegations has been a key component of the reform process. This is highly appreciated by Community partners in the field and has played a major role in improving the
efficiency of Community operations. The initial devolution process should now be complemented by more strategic empowerment in such areas as project approval and results reporting. Additional professional development staff and operational resources may be needed to strengthen delegation capacities to take on greater responsibilities.

Effective development work often requires specialised personnel planning at headquarters, especially to provide the required skills-mix at the field level. Consideration could be given to establishing a specialised development personnel function in RELEX or in DEV so that personnel planning and action for all Commission development professionals is led and co-ordinated from the development perspective. Development personnel strategy should also incorporate the significant potential for sharing staff within the larger Community and Member State systems. This may help to allow collective scaling-up of aid without the need for major new recruitment.

**Moving towards results and learning**

Performance monitoring and reporting has evolved significantly since the last Peer Review, but three aspects merit further Commission attention and effort:

(i) The Parliament and public increasingly require better results-based management and reporting from the Community institutions. The European Consensus requires that progress in implementing its objectives is measured regularly and reported annually. Future performance monitoring and reporting should strive to be integrated, simple and organised to provide relevant information to the different parts of the overall system.

(ii) In the longer term, and as international donor interest in joint field approaches evolves, the Commission will need to increase further capacity-building for common results systems at the local level. Credible local tracking and reporting systems can also reduce Community and Member State management needs in this area.

(iii) Improved performance management is an area of common interest for the Community and Member States and the Commission has an opportunity to work closely with Member State aid institutions to harmonise better the overall European Union approach. This is also true in the related area of knowledge management. These are additional areas where the Commission’s federating role can prove valuable.

**The aid effectiveness agenda**

The Community is an active proponent of the aid effectiveness agenda, for which it has two closely related aims: (i) to implement the Paris Declaration and improve the quality of its own aid programmes; and (ii) to lead Member States to implement the Paris Declaration and improve their own aid effectiveness. The Community has senior level commitment to aid effectiveness and is carrying out a number of policy and practical initiatives. *EU Aid: Delivering More, Better and Faster* is the European Union action plan for implementing the Paris Declaration, and includes a calendar of outputs, both for the Community and the Member States. In order to play this lead role credibly the Commission needs to set an example by successfully implementing aid effectiveness measures and improving the quality and delivery of its aid. The Commission should continue to develop its leadership role in this area.

Greater use of budget support is viewed by the Community as a key instrument for advancing the aid effectiveness agenda and improving its aid delivery. Greater reliance on budget support requires systematic use of risk assessments and a good understanding of the appropriateness of budget support...
in the local context. The Commission should guard against using this approach for moving funds more quickly to scale-up or to achieve the 50% target. Commission headquarters should rely more on the experience and assessments of delegation staff in designing and managing budget support. It should insist upon its past dynamic and pragmatic approach which fits budget support to the country context. Budget support may be an area where the Commission has a comparative advantage over many Member States, given its experience and accumulated know-how.

The Community has committed to reducing the number of parallel implementation units. However, one special aspect of its co-operation with ACP countries is to put in place a National Authorising Officer to ensure that programmes are consistent with Community rules and regulations. The task of the National Authorising Officer is often assisted by an “EDF Cell” composed of both local government staff and special contractors, which in some cases resembles a parallel implementation unit. National Authorising Officers do not exist in RELEX countries. It would seem appropriate to compare the value of this approach in these two different sets of countries so as to improve overall Community aid effectiveness. A 2001 evaluation of NAOs and EDF cells could be used as a starting point, to which could be added the comparison with the RELEX approach to implementation.

While the Community has made considerable effort to untie its assistance, it should consider completely untying its aid in line with the DAC recommendation of 2001, whether (i) DCI funding, where other donors who have untied their aid can apply for reciprocal access with the Community, or (ii) EDF funding, where only Member States or ACP countries may bid for contracts. The Commission should review its procurement procedures and contract award criteria to allow competitive access for new EU members, who, as newly emerging donors, do not necessarily have firms and NGOs with well established performance records as aid contractors and grantees. Given the large share of their ODA they contribute to the Community as part of the Barcelona Agreement, these new members are eager to convince their parliaments and public that they are full partners in implementing EU programmes. EU trade policies need to be an integral part of this vision, including the rules of origin for ACP countries under the Community’s Everything but Arms policy.

Community policy to work more closely with civil society groups has become more important and is resulting in expanded programming with non-governmental organisations, from Brussels and in the field. However, the current practice of supporting small, stand-alone activities through umbrella projects does not appear particularly strategic or sustainable. This approach will not increase aid effectiveness and impact to the extent that a fuller partnership with civil society could. Civil society organisations would welcome better and broader consultations with the Commission in Brussels and in the field on policies, strategies and programmes. Local groups can also be usefully enlisted to help the government and donors monitor budget support programmes. Contracting procedures used for civil society organisations could be better streamlined and further decentralised to match their local capacity and field realities. It would appear possible to simplify contracts or move to grants for these groups, and perhaps allow them to use their own, pre-certified accounting systems, with greater reliance on ex-post auditing.

Recommendations

- The Commission should continue to lead the EU action plan for implementing the Paris Declaration. It should set an example by implementing aid effectiveness measures and improving the quality and delivery of its aid. The new division of labour principles offer a promising avenue for improving the effectiveness and impact of Community and Member State development co-operation.
• The Commission should continue to simplify procedures, to further decentralise authority and to provide the delegations with sufficient capacity (staff and skills) to fulfil their responsibilities, including its “federating” role. It should consider establishing a specialised development personnel function in Brussels to lead personnel planning for all development staff.

• The Commission should continue to establish a simple and more integrated performance monitoring and reporting system and build capacity in the delegations to provide this information. Performance management reforms should be pursued jointly by the Community and Member States.

• The Commission should update the 2001 evaluation of National Authorising Officers and EDF cells to ensure their use is consistent with aid effectiveness principles, and to document lessons learned and best practices for all development co-operation, whether in the ACP countries or elsewhere.

• While recognising the actions already taken, the Commission and the Member States should work with ACP partners to bring the untying policy under EDF in line with the DAC Recommendations of 2001 and the Community should look for ways to further untie its aid in general.

• The Commission is encouraged to intensify its consultations with civil society partners in headquarters and in the field through better structured meetings on policy, strategic programming and aid effectiveness issues. It also should explore ways to better match its contracting procedures to the often limited capacities of civil society partners.

Humanitarian aid

The Community is the second largest humanitarian donor in the DAC. It provided USD 1.146 million in humanitarian assistance in 2005, 12% of its total ODA. Its strength lays in an extensive ECHO field presence (43 field offices), a network of technical experts and a focus on delivery through established NGO partners (50% of ECHO expenditure). The Commission endorsed the Good Humanitarian Donorship principles and practice and is committed to implementing them through a rapid, needs-based and flexible response to humanitarian crises.

As an important donor, ECHO could have greater policy influence and could better engage the international community to improve the overall effectiveness of individual and collective humanitarian action. The Commission has begun to address this need with the release, in June 2007, of a Communication calling for a European consensus on humanitarian aid. As with other donors, ECHO should make every effort to ensure that its action is independent of other objectives, such as political and military, while ensuring that development actors engage with humanitarian issues. Internally, there are challenges in the way ECHO interacts with other Commission policies for civil protection, crisis response, disaster preparedness and links to relief and development. The Community needs to work to link humanitarian issues better with development programming, for example, in terms of building disaster preparedness into country strategies or in ensuring better transitions and co-ordination between humanitarian and longer-term programming.

The growing need for structured humanitarian policy discussion between ECHO and the Member States suggests the utility of a more organised forum on humanitarian aid. The current structure, the EU Member State Humanitarian Aid Committee (HAC), approves humanitarian assistance responses based on recommendations from ECHO. The significant strengthening of ECHO over the last several years suggests the need for policy level review of humanitarian assistance. The Council Working
Group on Development (CODEV) has recently begun to discuss policy issues. A more responsive arrangement for European policy discussion and action should be provided, perhaps within CODEV.

The ECHO base budget remains static even though it must draw on significant supplemental resources every year from the Emergency Aid Reserve or elsewhere. The Community should review this programmed under-funding of humanitarian crisis response, particularly given the special comparative advantage of ECHO and its valued role as a global humanitarian leader. The Community needs to be aware of the risks to its humanitarian response if competition for funds from the Emergency Aid Reserve increases.

ECHO’s response capacity is built around strong partnerships with 200 non-governmental organisations with which it has signed framework partnership agreements. Despite the use of these prior agreements, ECHO administrative requirements for proposals and reporting are viewed by many partners as complicated. The Community should review these requirements with a view to simplifying them. This would strengthen collaboration and effective field action.

**Recommendations**

- ECHO should use regular consultations on humanitarian issues to further formalise policy priorities and operational mechanisms. It should seek to increase its influence on international humanitarian policies while maintaining its rapid and flexible response capacity.

- The Community and Member States should consider fostering strategic policy discussion of humanitarian action at the Council Working Group level, perhaps within CODEV, to complement the actions of the Humanitarian Aid Committee.

- The Community should review the significant under-funding of ECHO’s base budget for humanitarian crisis action, especially given the comparative advantage of ECHO and its value-added role as a global actor and federator of European humanitarian assistance.

- The Community should continue to streamline and simplify its administrative requirements so as to strengthen collaboration with partners and improve field effectiveness.
Chapter 1

Strategic Orientations

The foundations of European Community development co-operation

The shaping of a different form of development co-operation

The European Community is unique among the members of the Development Assistance Committee (DAC) in that it both provides direct donor support to developing countries and plays a “federating” role in relation to the other institutions and Member States of the European Union (EU). The Commission and the 27 Member States taken together currently account for some 55% of all Official Development Assistance (ODA) recorded by the DAC.

As with other Community policies relating to external relations, European development co-operation has evolved in parallel with Member State construction of a collective vision for Europe, its treaties, conventions and agreements. Current development co-operation policy draws its shape and direction from this ever-evolving historical mosaic. Earliest European development co-operation began in 1958 with the first European Development Fund (EDF) and expanded in successive waves to attain today’s total of 145 national aid recipients. Each stage of this expansion generally was anchored in a separate external relation rationale. This has included, for example, providing assistance to former colonies of Member States, setting the stage for the eastward enlargement of the Union, or helping to stabilise the Mediterranean “neighbourhood”.

These different stages of expansion often introduced different sets of policies and administrative procedures. The effect of this layering of objectives and procedures was to leave the European institutions with a widely perceived reputation for bureaucratic complexity. Commentary critical of Community management ultimately caused the resignation of the College of Commissioners in 1999. This has led to major administrative reform, including for development operations. The Community now seeks to move beyond these historical precedents, towards a more proactive and strategic European vision for development co-operation.

4. In this Peer Review, the different aspects of European organisation are presented in simple, lay language wherever possible. For this presentation on development co-operation, the European Commission (“Commission”) is essentially defined as the RELEX Family of institutions (primarily DEV, RELEX, EuropeAid and ECHO). For purposes of development co-operation, the European Community (“Community”) is essentially composed of the European Commission, Council and Parliament. Finally, the European Union (“EU”) includes the Community and the other two pillars of the political union. See Glossary for more specific definitions of these terms.
Europe seeks a more assertive role in the world

The last decade has witnessed a period of greater and more political European Union assertiveness where it increasingly seeks to “punch its weight”. Simultaneously, the heightened emphasis on world peace and security raised since 11 September 2001 has deepened the resolve of the Commission, like most of the Member States, to play its part in dealing with the threat of terrorism in the world. Failure to obtain a European Constitution in 2005 was a political setback to these ambitions, which logically could have forged a clearer European foreign policy, including the administrative functions and resources that such foreign policy would have required. Since then, Community leadership has re-thought its role in the absence of a constitution. The 2006 publication Europe in the World (European Commission, 2006b) outlines a series of practical steps which aim to foster a closer and more common EU approach to and among the Member States and their institutions. It holds to the conviction that “the EU can have greater impact by acting collectively, rather than as the sum of its component parts”.

In the field of development co-operation, this has meant that the development institutions now work in a more complex and political environment than was previously the case. Increasingly, EC development leadership views development action as an instrument of foreign policy, which includes but is not exclusively driven by poverty reduction and the Millennium Development Goals. Also, the European and Member State institutions are actively assessing their complementary strengths in order to work towards a more efficient, collective approach to aid delivery.

New orientations and initiatives

Remembering the 2002 Peer Review

The Community has addressed or begun to address many key recommendations made by the DAC in its 2002 Peer Review (Annex A) and a “mid-course” review by the DAC Chair in 2004. Actions taken included:

- Community comparative advantage in promoting development is under review and some aspects have already been strengthened (Chapters 1, 4 and 5).
- Poverty reduction policy has been advanced at the highest level and now requires attention to its implementation (Chapters 1, 2 and 3).
- Support for policy coherence for development is increasingly better defined and continues to evolve operationally (Chapter 2).
- Focus on aid effectiveness has become a priority (Chapter 5) and attention to results management has begun (Chapter 4).
- Devolution of action to the country level is evident (Chapters 1, 4 and 5).

There has been progress registered since 2002, but areas of additional action for several of the recommendations are noted elsewhere in this report.

The new policy direction of the European Consensus

European Union development policy traditionally has been shaped by its treaties, conventions and special agreements. In 2000 an effort was made to frame a development policy that was more
comprehensive and built around a longer term vision, particularly the reduction of world poverty. This policy was updated and amended in December 2005 in a new vision statement, the European Consensus on Development (Box 1). For the first time, this vision is both a European Community and a Member State responsibility. The consensus updates EU development co-operation strategy in three ways: (i) it reflects global changes since 2000, particularly in relation to security, migration and globalisation, (ii) it takes into account EU enlargement to include 12 new members, and (iii) it integrates new international commitments such as the Paris Declaration and support for the MDGs.

In 2005 the Heads of State and the Commission also jointly adopted a European Union Strategy for Africa (European Commission, 2006c) which channels the consensus principles into a regional strategy for Africa. Similar regional (and thematic) strategies are now complete or under construction for the other areas addressed by Community development action. Finally, it is expected that these regional strategic perspectives will be reflected at the country level in each Country Strategy Paper (Chapter 4).

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**Box 1. The European Consensus on Development (European Commission, 2006d)**

Following an extensive public consultation process, the European Consensus on Development was endorsed by the Council, the 25 Member States, the European Parliament and the European Commission on 15 December 2005. The consensus document has two parts.

Part I concerns the EU vision of development and defines a common European and Member State approach to development co-operation. It begins by stating that “The primary and overarching objective of EU development co-operation is the eradication of poverty in the context of sustainable development, including pursuit of the Millennium Development Goals”. Furthermore, Part I reaffirms commitment to:

- Common principles (ownership, partnership, in-depth political dialogue, participation of civil society, gender equality, addressing state fragility).
- Delivering more and better aid (increasing financial resources, more effective aid, co-ordination and complementarity).
- Promoting policy coherence for development (e.g. trade, security, environment, migration).
- Addressing global challenges (peace, sustainable growth, illegal migration and trafficking of human beings).

Part II addresses a wide range of Community policy for implementation of this vision. It clarifies the Commission role and added value and how the vision will operate at the Community level. Highlights of Part II include:

- Objective and transparent criteria for resource allocation: (i) needs criteria: population, income per capita, extent of poverty, income distribution, level of social development and (ii) performance criteria: political, economic and social progress, progress in good governance, the way the country uses resources.
- Identification of Community areas for action and its intention to develop expertise and capacity in: (i) trade, (ii) environment, (iii) infrastructure, (iv) water and energy, (v) rural development, (vi) governance, democracy and human rights, (vii) conflict prevention, (viii) human development, and (ix) social cohesion and employment.
- A strengthened approach to mainstreaming: (i) democracy, governance, human rights, (ii) gender equality, (iii) environmental sustainability, and (iv) HIV/AIDS.
- Improvements in management reform: (i) co-ordination and harmonisation with external donors, (ii) internal streamlining of procedures, (iii) reinforced project quality control, (iv) better use of monitoring and evaluation and a results-based approach to management.
Implementing the policies of the Consensus

Although the Consensus clearly positions poverty eradication as the primary objective of European development co-operation, parts of European civil society, (Caritas and CIDSE, 2007), the European Parliament and individual Member States have expressed concern that this objective is not reflected in reality as a priority in Commission field operations. The Peer Review team finds that a weakness of the Consensus may be that its ambitious multiple objectives, including expanded political ones, could diffuse the focus on development and undermine longer term strategic priorities.

Of similar concern to these groups is the extent to which the Commission will be able to implement the cross-cutting objectives of the Consensus, particularly those of gender, environment and HIV/AIDS. The Commission has put in place a quality control approach (Chapter 4) which is intended to correct such omissions at the level of strategy and project design, but observers point out that current implementation and the weak internal capacity in these specialised areas mean that a special effort to pursue these cross-cutting objectives will be required. Chapter 3 provides additional information on the resource priority accorded to cross-cutting themes.

Prior Community policy on the “3Cs” of coherence, co-ordination and complementarity have been refined and clarified since the last Peer Review, thanks in part to the guidance embodied in the European Consensus. Here too, a considerable effort will be required to implement these important considerations.

- Policy coherence for development, a priority advanced in the Consensus, is now a feature of European development thinking (further developed in Chapter 2).
- Development co-ordination has been promoted in the context of European approaches to aid effectiveness, also advocated in the Consensus. In 2006 the Commission produced an action plan for aid effectiveness which sets time bound targets for the Commission and the Member States through 2010 (Chapter 5).
- The concept of complementarity of roles between the European institutions and those of the bilateral Member States has been more difficult to define. But here too the Consensus has provided additional impetus. This is now being tackled though the current efforts around the principle of “division of labour”, more fully explained in Chapters 4 and 5. This will be an important guide for the future of European development co-operation. Already, the Commission is generally recognised for its special comparative advantage in such development areas as policy coherence (Chapter 2), the scaling-up of aid (Chapter 3) and the aid effectiveness agenda (Chapter 5).

The adoption of the European Consensus can be considered one of the Community’s strategic achievements since the last Peer Review. The challenge now is to define this broad vision more operationally. It will need to maintain the integrity of the development agenda and emphasise the effective implementation of priority policies, including a clear reference to results. For example, the articulation of a pro-poor growth strategy could facilitate the integration of the poverty eradication goal more directly into Economic Partnership Agreements and aid for trade plans. A clearer translation of vision into operational strategies would seem to be the next logical step in implementing the consensus.

5. In February 2007 a European Parliament letter to the Commission noted that most CSPs it examined had not respected poverty alleviation as the priority strategic objective nor the requirement that all actions proposed must be ODA eligible.
Evolving organisational policies

The institutional policies of the Community have continued to evolve since the previous Peer Review. Current organisation of Community development is presented in Chart 1. In an effort to re-centre its organisational core around improved aid delivery, the Community created EuropeAid in 2001 as a specialised implementation agency to carry out the programmatic choices of the key development decision-making institutions. These include primarily the Directorate-General for Development and Relations with ACP States (DEV) and the Directorate-General for External Relations (RELEX). Since the last Peer Review EuropeAid has progressively improved system efficiency, including record levels of financial commitments and disbursements (Chapters 2 and 4).

As has proven to be the case for several other DAC members, an emerging area of European organisational strength has been its “deconcentration” (devolution) of development co-operation authorities to the delegations in recipient countries. This shift in organisational focus since the last Peer Review has moved Community aid decision-making closer to the realities of the field.

Member State oversight: the European Parliament and the Council of Ministers

The 27 Member States of the European Union exercise sometimes detailed oversight of European development co-operation, both through the party-affiliated members of the European Parliament and through the Council of Ministers, which includes working groups to draw up draft conclusions for Council consideration. Following an “Inter-institutional Agreement on Budgetary Discipline and
Sound Financial Management” in 2006, the Commission now maintains a regular dialogue with Parliament on the content and implementation of draft country, regional and thematic strategy papers.

In Commission relations with the Parliament, a “co-decision” procedure\(^6\) is used for most aspects of development co-operation in the general budget, under which Commission proposals can be modified and/or adopted jointly by Parliament and the Council. In 2006 the Parliament and Council established a Development Co-operation Instrument (DCI) to regulate the budget over 2007-2013 and to simplify their oversight of the budgetary process. On the other hand, Parliament’s role is very limited in relation to the special ACP group of countries funded by the voluntary contributions of the European Development Fund (EDF). Chapter 3 provides a more complete explanation of DCI and EDF.

At the level of legislative oversight, the Commission is encouraged to develop a special partnership with the European Parliament that is as strategic and procedurally simple as possible. This may imply the dedication of additional organisational resources to support the relationship, but such an effort could prove of special value if it permits Parliament to limit its oversight to the strategic level, unencumbered by obligations to micro-manage or excessively earmark funds. A broader question for the European Union is how it can simplify overall Member State oversight of the Community’s development co-operation so as to permit it to carry out its mandate to implement European aid in the most efficient way possible.

**The strategic importance of public awareness for the European Community**

The role and effectiveness of European institutions are subjects of continuous public debate. European non-governmental organisations (NGOs) particularly have focused on the developmental dimensions of that debate and disseminate their conclusions widely. The fact that the longer-term construction of Europe (in which development co-operation is embedded) is evolving rapidly makes it important that the Commission pays special attention to building public awareness of its large programme of development co-operation.

Community Eurobarometer polls portray a European public that is generally supportive of development co-operation, although not always well-informed. The latest Eurobarometer poll (2005)\(^7\) reveals a limited European public awareness of the MDGs with awareness highest in countries such as Italy or Sweden where public education is most active. Overall, Europeans are more optimistic about some development goals such as “reduction in maternal mortality” (61% optimistic) than others, such as “reduction in poverty and hunger” (29%). The majority of Europeans believe that aid helps to improve the lives of poor people in developing countries, although opinions vary considerably among Member States and between the original 15 EU countries and the (then 10) newest members. The Community will carry out the next Eurobarometer survey in 2007.

The Commission’s programme to strengthen its awareness-raising capacity is limited. Its current approach attempts to make cost-effective use of European media. It informs the public on development issues through a variety of websites, publications, mass media and targeted events in Brussels, the Member States and in countries benefiting from co-operation. In 2004, DEV established a multi-annual strategy on communication and information (European Commission, 2004a) for development

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6. Article 251 of the European Community Treaty.
7. Special Eurobarometer No. 222 *Attitudes towards Development Aid*. February 2005. This was the first such opinion poll to include the new Member States of Central Europe.
policy which currently guides the use of an estimated EUR 5.6 million annually. This is in addition to the EUR 5.5 million per year of RELEX funds managed by field delegations and the EUR 1 million per year managed by EuropeAid. These activities are loosely co-ordinated for the whole RELEX family.

The Community recognises the fundamental importance of public awareness for the future evolution of Europe and is now mapping its strategy in this area. The White Paper on a European Communication Policy (European Commission, 2006) proposes to enhance public debate on European policies. It is currently consulting with the European institutions, government at all levels and civil society in order to produce a communication programme of action in 2007. Development co-operation can benefit from this broader consultative process and the Commission could use the results of this exercise to promote a better targeted action plan for public awareness in the area of development. The diversity of audiences to be addressed and the need to work at the European, national and even local levels suggests that such a plan merits careful preparation in order to best target limited funds. Consistent with the current debate on division of labour between the Commission and the Member States on issues of development co-operation, this action should be implemented collaboratively and inclusively.

Future considerations

- The European Consensus provides a framework for a more consistent policy on European development co-operation. The Commission needs to implement this broad vision in a manner that maintains the integrity of the development agenda. It should emphasise results, especially in achieving poverty reduction and the MDGs, with attention to priority cross-cutting issues.

- As the support for, and trust in, Community action evolves over time, Member States need to review the different levels (Parliament, Council, special committees) at which they exercise oversight of Commission operations. Oversight should be structured so as to be strategic, streamlined and supportive of Commission operations. The current efforts at division of labour could provide an opportunity to advance this agenda.

- The current Community action to develop a communication policy offers the RELEX family an opportunity to produce its own targeted action plan for public awareness of European development co-operation. Such a plan needs to be designed and implemented collaboratively with the Member States.
Chapter 2

Policy Coherence

The rationale behind a Community approach

The European Union commitment to policy coherence for development\(^8\) has its legal basis in the European Community treaty (Article 178) which states that the Community will take account of development objectives in all non-aid policies that are likely to affect developing countries.

The priority and operational space accorded to policy coherence for development has grown since the last Peer Review. The Community has actively contributed to the growing international consensus on policy coherence. Along with most major international donors it agrees on the need for government policy coherence among policies which affect poor and vulnerable nations. The international community is still learning how best to approach this politically-sensitive topic (OECD, 2005) and the Community is clear about its desire to help shape a broader international approach.

Because it is one of the world's largest economic blocs, European Union policies can have substantial impact on developing countries, both positive and negative. The growing Community interest in playing a global leadership role also means that its decisions can serve as an influential point of reference for non-European donors. As all donors now scale-up the volume of their aid, they have even more incentive to ensure that these resources are not rendered inefficient or wasted by policy incoherence.

Current European policy

The European approach to policy coherence for development has evolved over the last several years, including some particularly noticeable milestones. In 2001 the Council of Ministers approved its much publicised “Everything but Arms” initiative which granted duty-free and quota-free access to the EU market for the world’s 49 least developed countries. This proposal covered all goods apart from arms and ammunition. In 2002 the Commission set out its policy on the importance of trade for development. The Doha development agenda has since become one of the Commission’s top priorities, as are the bilateral and regional Economic Partnership Agreements (EPAs) negotiated with the African Caribbean and Pacific countries.

Organisationally, the Commission set up an Informal Network on policy coherence for development in 2003 with the objective of meeting regularly to support the coherence agenda through

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8. Policy coherence for development is defined as working to ensure that the objectives and results of a government’s development policies are not undermined by other policies of that same government which impact on developing countries, and that these other policies support development objectives where feasible.
a network composed by experts from the Member States and the Commission. For the first two years, this network functioned quietly and helped to stimulate a wider circle of European debate. It played a strong role among the Member States in legitimising its special function as a forum for European debate on these issues. Much of the operational responsibility for issues in policy coherence is the responsibility of a special division within DEV, in the directorate for EU development policy.

By 2005 the Commission initiated an important new effort (European Commission, 2005b) in this area by focusing Council attention on attainment of the MDGs by 2015. Council endorsed the approach and publicly affirmed European commitment to “promote and enhance” policy coherence for development in the context of the Global Partnership for Development under MDG 8. The Council also called upon the Member States and the Commission to strengthen their “procedures, instruments and mechanisms” in this area and to assign necessary resources in their respective administrations to carry out this priority focus, “looking at the best practices developed by some Member States” (European Council, 2005). The Informal Network was identified as an appropriate mechanism to promote European level discussion and to build European capacity and expertise in policy coherence for development matters. The Informal Network accordingly has been increasingly active in these roles since 2005.

**Current targets of opportunity**

The Council has identified and committed to action in 12 priority areas (Box 2) where the policy coherence challenge for development was considered particularly relevant. Each of these priority areas includes commitments that are expected to help accelerate progress towards the MDGs. It is also interesting to note that in all of these priority areas “a gender equality perspective will be taken into account”.

This initial list of commitments drawn up by the Council is remarkably ambitious. Although still early in its implementation phase, the list addresses a very wide range of issues and would benefit from a clearer sense of priorities among them.

**Operational responsibilities**

The European Consensus reaffirmed EU commitment to take account of development co-operation objectives in all policies. The Consensus introduced a Rolling Work Programme as a new tool for following up the 12 policy coherence for development commitments noted above. It was prepared by the Member States and the Commission and contains an overview of priorities, a calendar of work for both horizontal and thematic priorities and an informal factual list of international events and foreseen Commission proposals in the 12 commitment areas. The Work Programme is to be updated at the beginning of each new EU Presidency.

The 2006 Work Programme allocated a range of roles for the Council, the Commission and the Member States:

- Council priorities: to improve its decision-making processes so as to integrate development concerns into EU decisions; to integrate reference to policy coherence for development into discussion on each policy area where relevant; and to request competent Council working

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9. Millennium Development Goal #8 promotes the development of global partnerships for development.
Box 2. The 12 Council commitments

Trade. The EU is strongly committed to ensuring a development-friendly and sustainable outcome of the Doha Development Agenda and EU-ACP Economics Partnership Agreements (EPAs). The EU will further improve its Generalised System of Preferences, with a view to effectively enhancing developing countries’ exports to the EU. The EU will continue to work towards integrating trade into development strategies and will assist developing countries in carrying our domestic reforms where necessary.

Environment. The EU will lead global efforts to curb unsustainable consumption and production patterns. The EU will assist developing countries in implementing the Multilateral Environmental Agreements (MEAs), and will work to ensure that the capacities of developing countries are taken into account during MEA negotiations. The EU will continue to promote pro-poor environment-related initiatives and policies.

Climate change. The EU recognises that one of the greatest environmental and developmental challenges in the twenty-first century is … climate change. In this context the EU reconfirms its commitment to the Kyoto Protocol and its determination to develop a medium and long-term EU strategy to combat climate change … .

Security. The EU will treat security and development as complementary agendas, with the common aim of creating a secure environment and of breaking the vicious circle of poverty, war, environmental degradation and failing economic, social and political structures. The EU will enhance its policies in support of good and effective governance and the prevention of state fragility and conflict, including by strengthening its response to difficult partnerships/failing states. The EU will strengthen the control of its arms exports … . The EU will promote cooperation in fighting corruption, organised crime and terrorism.

Agriculture. The EU will continue its efforts to minimise the level of trade distortion related to its support measures to the agricultural sector, and to facilitate developing countries’ agricultural development.

Fisheries. The Community will continue to pay particular attention to the development objectives of the countries with which it will engage into bilateral fisheries agreements … the Community will continue to encourage the conclusion of fisheries agreements in order to contribute towards rational and sustainable exploitation of the surplus of coastal States’ marine resources to the mutual benefit of both parties.

Social dimension of globalisation, employment and decent work. The EU will contribute to strengthening the Social Dimension of Globalisation with a view to ensure maximum benefits for all, both men and women. The EU will promote employment and decent work for all as a global goal.

Migration. The EU will promote the synergies between migration and development, to make migration a positive factor for development.

Research and innovation. The EU will promote the integration of development objectives, where appropriate, into its research and development and innovation policies, and will continue to assist developing countries in enhancing their domestic capacities in this area.

Information society. The EU will address the digital divide by exploiting the potential of Information and Communication Technologies as a development tool and as a significant resource for attaining the MDGs.

Transport. The EU will address the special needs of both land-locked and coastal developing countries by promoting the intermodality issues for achieving network interconnectivity as well as security and safety issues.

Energy. The EU is strongly committed to contribute to the special needs of developing countries by promoting access to sustainable energy sources and by supporting establishing interconnection of energy infrastructures and networks.”

Source: Council of the European Union, Note 9266/05.
parties to keep each other informed of activities, to hold regular progress reviews and to prepare follow-up debate in Council.

- Commission priorities: to monitor progress on each of the 12 priority areas, including a biennial report in collaboration with Member States; to evaluate and reinforce its impact assessment system, notably the Impact Assessment Tool for adequate screening of new policies and legislative proposals; to promote policy coherence for development at all levels, particularly through the relevant strategy papers; and to host a database open to the Council Working Group on Development (CODEV) members and those of its informal policy coherence network.

- Member State priorities: to engage their institutions in the 12 priority areas and encourage cross-sector and inter-department co-ordination; to exchange good practice; to implement relevant policy coherence improvements in their own systems where needed and report on progress as part of the biennial report to Council.

In line with the Commission’s mandate to monitor progress made on the Union’s commitment since May 2005, the Commission is now preparing a first biennial report on the topic in 2007. The report will be designed to inform the policy coherence for development debate, taking into account feedback from developing countries, civil society and the European Parliament. It will serve as a public information tool. A questionnaire was used to gather information from Member States, Council, the Presidency and the Commission as part of the report preparation. The results of this first general evaluation of the current, ambitious policy coherence for development mandate could become a watershed for future European action. Depending on the quality of the evaluation, it could also be an important point of reference for the broader perspective embodied by the DAC. Box 3 notes one example where the Community has already measured visible progress on policy coherence for development.

**Box 3. Progress on European migration policy**

One example of progress cited by the Commission is in the area of migration and development where initial steps to review options for more coherent action were taken in 2002. At that time, the Commission advanced the belief that proper migration policies would offer considerable potential for development.

A series of proposals was tabled in 2005 as a contribution to the UN High Level Dialogue, resulting in a series of actions in topics ranging from remittances to the involvement of diasporas. At the end of 2005, the Council adopted a global approach to migration focusing on Africa and the Mediterranean which enhanced dialogue and co-operation on migration with African states and regional organisations. Ministerial conferences in 2006 led to the adoption of an Action Plan and a Joint Statement on migration for West Africa, then a Joint Statement for the whole of Africa. At about the same time, the Commission adopted a European programme of action covering 2007-2013. This proposes internal and external EU actions to combat brain drain and facilitate temporary migrations in the health sector. Progress against the objectives of this programme will be evaluated by the end of 2007.

**Promoting additional European policy coherence for development**

The Community has significantly furthered the principle of policy coherence for development over the last five years. It is now learning how to monitor progress on this agenda and will report on it.

New opportunities are on the horizon. The recent decisions by the Council of Ministers on division of labour between the Commission and the Member States could help guide future European
policy coherence for development. To date the Commission has performed its catalytic role in selected areas of policy coherence with the support of a small number of Member States. A clearer, public definition of the representative roles for both the Commission and Member States could help to assemble better the collective strength of the Union to support policy coherence for development. This can mean setting up both a Community and national approach that more collectively addresses the issues of policy coherence. The 2007 evaluation of policy coherence for development action will be an excellent opportunity to explore all of these directions for the future.

**Better prioritisation and co-ordination of policy coherence for development action**

The EU commitment to policy coherence for development in 12 policy areas noted earlier is an important political statement. However, it is more of a statement of general objectives than a targeted listing of policy incoherence priorities. Some topics in the list (e.g. transport) are not particularly controversial or have not been described so as to highlight their importance to European policy coherence (e.g. the area of agriculture does not mention the Common Agricultural Policy).

As the Community regularly reassesses progress on policy coherence for development, it should review this list to best prioritise the issues where potential policy incoherence is greatest or where synergies can be maximised. The prioritisation of issue areas is an excellent topic for broader public debate and should be openly vetted with civil society to encourage balanced choices for targeted action. Similarly, a better prioritisation of the action agenda will allow for a better allocation of limited Commission and Member State resources.

The Commission seeks to play an increasing role in harmonising development co-operation among Member States in Brussels and in the field. To realise this ambition, it needs to further strengthen inter-service co-ordination on competing policies through more systematic consultation and mechanisms for reconciling differences in a timely and effective way. Brussels needs to send clearer, more coherent policy guidance to Community delegations and Members, especially the larger ones, and needs to work with the delegations to synchronise policy position and messages. Given the varying levels of skills in field delegations, priority country posts may need to strengthen their capacity and credibility to play this role. Such efforts will help assure improved policy dialogue and better orchestrated policy action that results in greater influence and better development impact.

**Better organisation with Member States**

To date the Commission has largely used its internal resources to promote policy coherence for development opportunities as they arose. The mandate laid down by Council in 2005 that invited both the Commission and the Member States to strengthen their systems in this area was timely. When added to current efforts for a better division of labour, this offers an opportunity to orchestrate a more collaborative team effort on policy coherence issues and could provide new strategic focus and organisational efficiency at the European level. The Informal Network on policy coherence has evolved considerably over the last four years and perhaps now could serve as part of a more formal and dynamic European effort to bring together the collective forces of the various national programmes with that of the Community.

An immediate implication of the more effective organisation of European policy coherence action will be the opportunity to draw upon the collective resources of the Member States to carry out the work agenda. A clearer common agenda could allow parts of the agenda to be delegated to individual Member States and other selected partners. Leadership in this effort need not be the sole responsibility
of the Commission, which should ensure that motivated Member States can play a lead role as appropriate.

**Collective monitoring of results and performance**

Both the Commission and the Member States increasingly recognise that improved monitoring and reporting of results is a growing priority for all aspects of development co-operation. Policy coherence actions need to be fully integrated into the performance-based framework. The current experimentation with common European vision, implementation and evaluation in the field could offer the opportunity to collectively monitor results and performance at the European level, including the key area of policy coherence for development. The Commission and Member States are encouraged to increasingly think in these terms.

**Future considerations**

- The operational agenda of policy coherence commitments merits review to ensure that attention and allocation of resources are used for priority areas.
- The Commission and the Member States should examine ways of bringing issues effectively to the decision-making level, reflecting their respective competences.
- The Commission should take advantage of the work programme to further enhance inter-service co-ordination and communication to the field, based on a common agenda and country-specific policy positions.
- Policy coherence actions should be increasingly integrated into Commission results monitoring and reporting, if possible in concert with Member States.
Chapter 3

ODA Volume, Channels and Allocations

Overall official development assistance

Steadily increasing ODA

In 2005 the European Community’s official development assistance (ODA) was USD 9 390 million (EUR 7 555 million)\(^\text{10}\) an increase of 6.0% in real terms on the previous year, making it the sixth largest development actor in the DAC. There has been a steady increase in real terms in Community aid from the late 1980s to the present day (Figure 1). Preliminary figures for 2006 show Community ODA at USD 10 204 million, a 5.7% increase in real terms from 2005.

Figure 1. ODA net disbursements
At constant 2004 prices and exchange rates and as a share of GNI

Scaling-up

The Community also has a role to play in ensuring that the EU as a collective contributes to increasing the quality and quantity of aid to meet international commitments.

\(^{10}\) Community resources are also counted in the ODA of Member States as reported to the DAC.
At the UN World Summit in September 2005, the Commission helped galvanise Member States to commit much higher amounts of ODA than they had at Monterrey in March 2002 (i.e. 0.39% of GNI in 2006). Each Member State has now committed to a new interim target for 2010 of 0.51% of GNI (0.17% for the new Member States) in order to achieve the 0.7% target fixed by the UN for 2015. This will take the EU collective effort to 0.56% of GNI in 2010. In volume terms the Commission calculates that by 2010 an additional EUR 30 billion may become available annually.

Much of this increase will be the responsibility of the Member States. A number of Member States are close to reaching or have already surpassed the 0.51% target (including some that have already met the 0.7% rate). But there are others, some of which are relatively large, that will have to overcome considerable challenges. And there are some new Member States who, as nascent donors have neither the capacity nor resources to meet even these modest aims. It is not clear yet precisely how some Member States will manage larger aid portfolios. The Community itself has a feasible task of achieving and managing relatively small increases in its own aid programme, but this may change if Member States look to it to manage some of their aid, perhaps through co-financing or delegated co-operation. Therefore it will need to expand its vision further to ensure it plays a role in leading, encouraging, tracking and helping Member States. In the broader debate on the “added value” of the Community, this is a good example of the role that it can play.

Financial reform

The Community funding structure for development activities has evolved as new ideas and tasks have emerged. Prior to the previous Peer Review a confusing total of 35 financial instruments were devoted to “External Relations”. The External Relations budget is primarily composed of ODA funding but also include non-ODA funds. They are managed principally by the RELEX family of institutions noted in Chapter 1.

A recent fundamental reform of the number and scope of the financial instruments was defined in the Commission’s Communication on the Future Financial Perspectives (European Commission, 2004b). This has consolidated the various instruments into a far more manageable set of 10, beginning in 2007. Nine of these instruments are drawn from the Community budget: two are geographically focused; one is both geographically and issues focused; and the remaining six are issues focused. Table 1 provides a summary of the new instruments and those that they have replaced. It also includes the European Development Fund (which is extra-budgetary).

The European Development Fund (EDF) and the Development Co-operation Instrument (DCI) are the Community’s primary financial tools for development co-operation. Together, EDF and DCI represent the majority of total ODA, however they have been created, and are managed, differently. The EDF is a multi-annual fund and provides support to developing countries of the African, Caribbean and Pacific (ACP) regions and the Overseas Countries and Territories (OCT). It is made up of voluntary contributions from Member States outside the Community budget. The 10th EDF will run from 2008-2013 and is programmed by DEV. The DCI, on the other hand, is financed directly from the Community budget and funds development programmes principally in Asia and Latin America, as well as Central Asia, the Middle East and South Africa. It also contains five thematic programmes. 11

11. The five thematic programmes are: (i) investing in people; (ii) environment and sustainable management of natural resources; (iii) non-state actors and local authorities; (iv) food security; and (v) migration and asylum.)
runs from 2007-2013 and is mainly managed by RELEX. Although also implemented by EuropeAid, it has a different set of rules and regulations to the EDF.12

Table 1. Ten financial instruments for External Relations

<table>
<thead>
<tr>
<th>INSTRUMENT</th>
<th>INFORMATION</th>
<th>REPLACES</th>
<th>FUNDING (2007-13; M EUR)</th>
<th>Est. % of total (2007-13)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10th European Development Fund (EDF)</td>
<td>Funds: Africa, Caribbean and Pacific (ACP) and Overseas Countries and Territories (OCT)</td>
<td>9th EDF</td>
<td>22 682 (2008-13)</td>
<td>32</td>
</tr>
<tr>
<td>Development Co-operation Instrument (DCI)</td>
<td>Funds: Asia, Latin America; some Commonwealth of Independent States; South Africa; sugar restructuring in ACP states; and five thematic budget lines</td>
<td>ALA, some of TACIS, 10 thematic lines (1)</td>
<td>16 897</td>
<td>24</td>
</tr>
<tr>
<td>Humanitarian Aid</td>
<td>Immediate response to humanitarian crises</td>
<td>Largely unchanged</td>
<td>5613</td>
<td>8</td>
</tr>
<tr>
<td>Instrument for Stability (IFS)</td>
<td>For crisis response and preparedness, global and trans-regional border challenges</td>
<td>Rapid Reaction Mechanism (RRM)</td>
<td>2 062</td>
<td>3</td>
</tr>
<tr>
<td>European Instrument for Democracy and Human Rights (EIDHR)</td>
<td>For democracy, rule of law and human rights</td>
<td>Previous EIDHR regulation</td>
<td>1 103</td>
<td>2</td>
</tr>
<tr>
<td>Instrument for Pre-Accession (IPA)</td>
<td>Funds: Six Western Balkan countries and Turkey</td>
<td>PHARE, ISPA, SAPARD, CARDS, Turkey pre-accession funds (2)</td>
<td>11 468</td>
<td>16</td>
</tr>
<tr>
<td>European Neighbourhood and Partnership Instrument (ENPI)</td>
<td>Funds: 17 countries in Mediterranean, Eastern Europe, Caucasus, Russia and the Middle East</td>
<td>Mainly MEDA (3) and some TACIS</td>
<td>11 181</td>
<td>16</td>
</tr>
<tr>
<td>Macro-economic assistance</td>
<td>Largely unchanged. Used on a case by case basis to meet exceptional financial requirements (since 2002 used mainly for Western Balkans and NIS)</td>
<td>Unchanged</td>
<td>Not programmable</td>
<td>-</td>
</tr>
<tr>
<td>Instrument for Co-operation with Industrialised Countries (ICI)</td>
<td>Modest size. Co-operation and exchange programmes</td>
<td>Previous ICI regulation</td>
<td>172</td>
<td>-</td>
</tr>
<tr>
<td>Instrument for Nuclear Safety Co-operation (INSC)</td>
<td>For Nuclear Safety</td>
<td>Part of TACIS regulation</td>
<td>Average 75 million per annum</td>
<td>1</td>
</tr>
</tbody>
</table>

1. Asia and Latin America (ALA); Technical Assistance for the Commonwealth of Independent States (TACIS).
2. Instrument for enhancing administrative capacity and promoting social and economic inclusion to all Central/eastern European countries (PHARE) until 2000; Instrument for Structural Policies for Pre-Accession (ISPA); Special Assistance Programme for Agricultural and Rural Development (SAPARD); Community Assistance to Reconstruction, Stability and Development in the Balkans (CARDS).

Note: Grey – mainly ODA,
Not shaded – mainly non-ODA external assistance.

12. As a result of the recent reforms, however, both now use the same financial and administrative procedures.
The consolidation of financial instruments has been an important and necessary exercise and should bring greater transparency, efficiency and effectiveness. But there may be more opportunities ahead for integrating and reducing the number of instruments, such as in 2013 when the current budget and most budget lines expire.

Financing development assistance to the ACP countries from the Community budget rather than from voluntary contributions (i.e. “budgetisation” of the EDF) could increase efficiency since a single standard set of rules and regulations could be used for both DEV and RELEX managed countries and this also could ultimately facilitate a more efficient organisational approach. The Community is encouraged to continue its review of more efficient (and ultimately more effective) budget options for development.

**Bilateral aid**

Gross bilateral ODA has increased steadily over the last five years (Table B.2), with the exception of a sharp increase in 2001 due to the Balkans crisis and subsequent re-adjustment in 2002. Gross bilateral ODA was USD 8 863 million in 2005, up from USD 7 521 million at the time of the 2002 Peer Review. The vast majority of ODA is bilateral and counted for 93% of total gross ODA in 2005, a share that has remained relatively unchanged over the years.

**Geographical allocation**

**The 145 recipient countries**

The Community now distributes its ODA across 145 recipient countries (Table B.4), a smaller number than the 160 in 1994-1995 and the 150 in 1999-2000, but still the largest spread of any DAC member. Although it is proud of this broad reach, the growing focus on complementarity with Member States (Chapters 4 and 5) means the Community can give thought to prioritising further and slimming down the number of countries to which it provides ODA. Its presence in all developing countries may be justified in a co-ordination role but not necessarily as a donor agency.

**Regional/country focus**

Africa is the largest region benefiting from Community assistance, receiving 52% of the total ODA in 2005, well above the DAC average of 35% (Table B.3). A large proportion (42%) of this is assistance for sub-Saharan Africa, although that has fallen from a high of 45% in 2003. Spending in North Africa has been relatively stable over the last few years and remains high at 10%. Not unexpectedly, North Africa and Europe are the two regions where the Community funds well above the DAC average (more than three times the average in both cases). Both are areas where it has a strong geo-political interest. ODA to Asia was constant between 2002 and 2004, and rose in 2005, but at 17% it remains below the DAC average. Funding to the Americas has been static at 10% over the last three years. ODA to Oceania has been constant at 1% every year, matching the DAC average.

In terms of assistance to individual countries, Turkey (an applicant for EU Membership) tops the list and receives 5% of country-allocable Community aid, whereas it did not feature in the top 20 recipients 10 years ago (Table B.4). Afghanistan and the Democratic Republic of Congo are new among the top five recipients within the last five years. Iraq is absent because most of its aid (over
USD 200 million in 2005, if debt relief is included) is transferred to the World Bank and the UNDP as multilateral aid. Unsurprisingly, the focus on the Balkans, which may have skewed the figures in 2001, has been reduced.

**Spending by income category**

Assistance to Least Developed Countries (LDCs) accounted for 42% of total assistance in 2005, well above the DAC average of 23% (Table B.3). In 2001 the figure stood at 31%, rose steeply to 45% by 2003 but subsequently dropped by 3 percentage points over the following two years. The above average assistance levels to LDCs are somewhat lessened by lower than average assistance to other low-income countries – 14% in 2005 compared to a DAC average of 20%. Aid to Lower Middle-Income Countries (LMICs) has fallen steadily from a high of 44% of EC total assistance in 2001 to 33% in 2005, and is well below the DAC average of 53%. Conversely, aid to Upper Middle-Income Countries (UMICs) is high at 12%, four times the DAC average, and has remained relatively constant over the last five years. Of the top ten recipients of EC assistance, five are categorised as Least Developed Countries or other low-income, four are Lower Middle-Income, while the largest recipient, Turkey, is an Upper Middle-Income Country.

The Community has been under pressure from some Member States to increasingly concentrate on LDCs and other low income countries, partly as a way to retain the poverty focus of its assistance. As noted, between 2001 to 2003 aid to LDCs and other low-income countries did increase fairly sizeably, and there was an equal and opposite reduction of aid to MICs. However, from 2003 to 2005 there has been little further increase in assistance to these countries (up by only 1%). This suggests the need to re-examine the trend of assistance to LDCs and other low income countries, and in particular to countries in sub-Saharan Africa. This may in part be due to the Commission’s limited ability to influence funds in the context of the EDF (an extra-budgetary contribution determined by the Member States) or the Community budget (determined by the Council of Ministers and the European Parliament), and because of the importance accorded to the EU’s neighbour states, particularly in the context of their eventual integration into the Union.

**Sector allocation**

The Community is wrestling with how to tighten its focus on particular sectors, ensuring that it works in areas of comparative advantage and that it maximises complementarity with Member States (i.e. identifying sectors where the Community could be active and others where it could reduce its presence and defer to Member States). For example in Benin (Annex C), the delegation reduced its support in the health sector partly due to the presence of, and in co-ordination with, other donors. Instead the delegation is focusing on the increased use of general and sector budget support where it was perceived as having a comparative advantage.

**Democratic governance**

One of the key sectors now receiving a strong political push from the Community leadership is democratic governance. When allocating assistance to ACP countries it uses a two-step approach: i) an initial allocation is made at the beginning of the programme, based on the Community’s standard allocation model; and ii) an extra, "incentive tranche" of up to 35% of the initial allocation is given if the partner addresses an agreed set of governance issues. Since the Community prefers to use budget support whenever feasible, the incentive tranche often will be part of a budget support programme.
This is for a number of reasons, one of which is its purported ability to strengthen both country ownership and governance. Chapter 5 contains further information on the topic of budget support.

**Social infrastructure**

In terms of bilateral ODA statistics, “social infrastructure and services” is the Community’s largest assistance category (Table B.5). In part this may be due to a European Parliament recommendation that 35% of ODA be targeted to the social sectors. The Community’s funding to this category has risen substantially from 26% of all aid in 2000 to 42% in 2004-2005, now well above the DAC average of 34%. Within this category, the Commission states that health and education are key priorities: these sectors have remained stable at 6% and 4% respectively over the last five years. The major increase in spending on the social sector has been to “governance and civil society”, which rose from 2% in 1995 to 9% in 2000, and reached 19% in 2005.

**Economic infrastructure**

Infrastructure is perceived by some commentators as an area of natural comparative advantage for the Community. In 2005, Community assistance to this sector stood at 15% of total bilateral sector allocable assistance, which is slightly above the DAC average. In October 2006 the European Council endorsed the new EU-Africa Partnership on Infrastructure, which aims to support “interconnectivity” at continental and regional levels and focuses on four areas: transport; water and sanitation; energy; and information technology. The Partnership will benefit from the EUR 5.6 billion that the 10th EDF is expected to dedicate to infrastructure for the period 2008-2013. It will be supported by a new EU-Africa Infrastructure Trust Fund, an innovative initiative allowing the Commission and Member States to leverage significantly larger funds through co-financing agreements with the European Investment Bank and European and African development financial institutions. There are also Community-ACP Energy and Water Facilities, thematic funds that sit outside and are not factored into the Country Strategic Planning process, making overall strategic planning more difficult.

**Gender**

The European Consensus identifies gender equality as one of the five common principles of EU development co-operation. The Community published a regulation on “Promoting Gender Equality and Development Co-operation” in April 2004 and plans to issue a new policy on gender and development in 2007. It claims that gender is comprehensively mainstreamed in its programmes, and suggests that gender equality is a primary or significant objective in 35% of its total ODA programming. Furthermore, the Community has made efforts to increase staff capacity on gender issues, such as by setting up a Gender Helpdesk in 2004 as a resource for EC Headquarters and Delegation staff. It also organised 24 gender workshops in 2005. However, as noted in Chapter 1, the important challenge now for the Commission is to demonstrate successful actual implementation of gender policy. Even though the Commission and the European Consensus has highlighted gender equality as an integral part of its development policy, these principles do not seem to be applied consistently in programme implementation or highlighted as an important indicator when measuring programme performance.
Humanitarian aid and food security

Humanitarian aid remains a funding priority, with approximately 11% of bilateral ODA allocated to it (Table B.5). A recent change has been the assignment of responsibility for food aid to ECHO (previously managed by EuropeAid). ECHO now manages “humanitarian food aid” while EuropeAid runs a new Food Security Thematic Programme. A complete report on humanitarian aid is provided in Annex E.

Multilateral aid

Because the Community functions both as a donor agency and as a multilateral recipient of Member State funds it is understandable that it does not allocate a large proportion of its funds to other multilateral institutions. Assistance levels to international organisations has generally remained stable over the last 20 years at around 7% of gross ODA, representing EUR 691 million in 2005 (Table B.2). Of this assistance, roughly two-thirds is provided to UN agencies and one-third to the World Bank which acts as an implementing partner. The Community contracts with these organisations rather than contributing to quotas or making voluntary contributions.

Steps have been taken to improve working relationships with international organisations. For the UN, a communication entitled EU-UN relations: The Choice of Multilateralism was released in 2003 and a Financial and Administrative Framework Agreement (FAFA) was also introduced in that year. The FAFA provides the legal, financial and administrative framework for contracts concluded between the Commission and UN agencies. A similar framework document exists for the World Bank. An annual, formal dialogue known as the “Limelette Agreement” was put in place in 2003. This forum for collaboration is used for exchanging information, discussing issues and improving ways of working together. It produces a joint Commission-World Bank action plan and joint letter to delegations on implementing the improved relationship. The Community and World Bank both agree that Limelette is a step forward, but recognise that there is room for improvement in this process and in the relationship.

Fifty per cent of EC funds granted to international organisations go to Trust Funds, and these are particularly used during large crises (e.g. Tsunami, Afghanistan, etc.). This approach permits funds to be spent quickly, and is expected to be used even more frequently as the Community and the Member States take on the challenge of scaling-up their aid. The greater part of the responsibility will fall on the Member States, but the Community will still be expected to do more, and the Member States could use the Community as a conduit for some of these extra funds. The Community’s contributions to the International Organisations (the UN family and the World Bank) are targeted, rather than contributing to core funding. At present there are two independent evaluations being conducted of the community’s partnerships with international organisations. These could provide important information for strengthening its agenda and relationships with these bodies.

The Commission’s relationships with multilateral institutions could benefit from a comprehensive framework. The Commission could also be clearer about the role it plays in relation to the Member

13. To maintain a balance, the Commission also reports that the Community provides a roughly equivalent amount of bilateral aid to the multilateral organisations.
States (i.e. as a multilateral itself, as a stand alone donor, or as a conduit for Member States funds). It should be recognised that the Community functions more like a multilateral than a bilateral donor and that the character of its relations with other multilateral organisations is more as a partner or a contracting agency than a contributor. It should continue to improve its relations with multilateral organisations like the World Bank and the UN.

**Debt relief**

The Community is a supporter of the Heavily Indebted Poor Countries Initiative (HIPC) pledging EUR 1.6 billion over the last 10 years: EUR 680 million as a creditor on its own claims (channelled through the European Investment Bank) and EUR 934 million as a donor to the HIPC Trust Fund. However, debt relief is not a significant proportion of Community assistance – as Table B.2 shows, “action related to debt” is a negligible percentage of ODA, compared to a total DAC average of 22%.

**Future considerations**

- We commend the Commission’s lead role in getting the EU to commit to increased ODA targets. As most of the burden for scaling-up will fall on Member States, the Commission should continue to be a driving force in monitoring and encouraging progress towards these targets.

- The Community has made good progress in combining and reducing the number of development budget lines and should guard against proliferation. This includes ensuring that any new thematic budget lines are properly considered in the Country Strategy Plan process. Concerning the key EDF and DCI accounts, it should continue to unify the rules and procedures of the main budget lines of development as opportunities permit.

- The Community has the widest geographical coverage of any DAC member. It is encouraged to prioritise and ensure it does not spread itself too thinly, especially as a donor agency. Attempts to increase prioritisation amongst sectors are also encouraged.

- Despite efforts over the last decade to increase assistance to LDCs and other low income countries, focus on these countries has dipped slightly in recent years. The Commission and the Member States are urged to maintain the trend of increased assistance to low income countries, especially those in sub-Saharan Africa.

- The Commission should ensure that it has a considered and comprehensive framework for its interaction with the multilateral institutions and should clarify the role it plays in relation to Member States. It should continue to formalise and strengthen its relations with multilateral organisations like the World Bank and the UN.
Chapter 4

Organisation and Management

Development organisation

The broader institutional context

Community development co-operation has evolved flexibly over time within the context of political change in the European Union. Broader external relations issues have resulted in today’s geographic programmes of external assistance and development co-operation. The range of political mandates has fostered different forms of compartmentalisation, organisational procedures, relationships and implementation perspectives.

Development co-operation decision making takes place in the broader European Community organisational context. The 27 members of the current Barroso Commission have responsibilities for different Directorates-General and act as a college to forge policy across portfolios. Noteworthy for European development co-operation, the Commission is responsible for managing the Community’s external assistance budget and for negotiating trade and co-operation agreements on behalf of all Member States. It initiates and implements development policy in collaboration with the Council of Ministers which is composed of representatives of the 27 Member States, and the European Parliament, composed of 785 elected representatives.

An institutional challenge to the Community is how to best integrate the 12 new members of the European Union in their role as emerging bilateral donors. Some of these donors find it difficult to conform to the standard development co-operation guidelines produced in Brussels. It will be important for the Commission to work closely with new members to help integrate them into the increasingly co-ordinated international approaches to development policy and delivery.

The key development institutions

The key institutions of European Community development co-operation are part of the RELEX family found in Chart 1. The core development services are: i) the Directorate-General for Development and Relations with African, Caribbean and Pacific States; ii) the Directorate-General for External Relations; iii) EuropeAid Co-operation Office; and iv) the Directorate-General for Humanitarian Aid. Collectively these institutions form the organisational focus of this Peer Review. The RELEX family also includes the Directorate-General for Enlargement and Directorate-General for

16. Essentially the Development Committee (CODEV) and the ACP Committee, with contributions from the Africa and other working groups. In the Council, development issues are dealt with in the General Affairs and External Relations Council (GAERC), in the framework of which Development Ministers meet formally twice a year, with the possibility of further informal meetings, if necessary.

17. Leadership on development matters is generally located in the Parliamentary Committee on Development (DEVE).
Trade. A reminder of the importance of development co-operation for overall Community external relations action is that an estimated 90% of all external relations funding is in the development co-operation area. The formal organisational structure of the four core development actors is provided in Annex F. Additional development-related institutions are described briefly in Box 4.

- The Directorate-General for Development and Relations with African, Caribbean and Pacific States (DEV) initiates and formulates Community development co-operation policy for all developing countries and more narrowly co-ordinates Community relations with all countries funded by the European Development Fund (mainly 78 countries of the ACP). DEV also manages programmes with the African Union, the regional economic communities, and the Overseas Countries and Territories. In 2006, it employed some 290 headquarters staff.

- The Directorate-General for External Relations (RELEX) contributes to the formulation of a range of external relations policies, including those in common foreign policy and security, development, humanitarian aid, trade and enlargement. It is responsible for relations with international organisations, such as the United Nations, the Organisation for Security and Co-operation in Europe and the Council of Europe, and the administration of more than 120 overseas delegations. RELEX is operationally responsible for some 55 development programmes in non-ACP countries funded out of the Community budget. In 2006, an estimated total of 120 headquarters staff was assigned to development co-operation issues.

- The EuropeAid Co-operation Office (EuropeAid) is the centre of management expertise for all Community development co-operation (excluding humanitarian assistance). It implements the external aid instruments, whether funded by the budget or the EDF. EuropeAid is responsible for all phases of the project cycle (design, financing decisions, implementation, monitoring and evaluation). It ensures that Community aid is implemented effectively, maintains quality standards and is responsible for promoting sound financial and contract management. EuropeAid was established in 2001 and operates under the aegis of the Commissioner for external relations and European neighbourhood policy. It is very often referred to within the Commission as “AIDCO” (but only as EuropeAid in this document). In 2006, it employed some 1 000 headquarters staff.

- The Directorate-General for Humanitarian Aid (ECHO) provides specialised emergency assistance and relief to the victims of natural disasters or armed conflict outside the European Union. Its goods and services reach disaster areas via some 200 partners (e.g. NGOs, the Red Cross and UN agencies). Since 1992, ECHO has funded humanitarian aid in more than 85 countries. It is one of the world’s largest institutions in the field of humanitarian aid and in 2005 provided USD 1 146 million of emergency aid, food aid and aid to refugees and displaced persons. In 2006, it employed 213 headquarters staff and maintained another 100 in the field.

The roles played by these core development institutions have continued to evolve since the previous Peer Review. Generally speaking, policy and key strategic functions are retained in Brussels through the work of the Directorates-General, the various Member State Committees and the European Parliament. Implementation responsibility, particularly financial and contract management functions are essentially devolved to the field delegations. EuropeAid works closely with delegations to facilitate overall aid implementation. Development policy making, programming and implementation are generally co-ordinated among DEV, RELEX and EuropeAid under the terms of a 2001 Inter-Service Agreement.

18. The Overseas Countries and Territories (OCT), largely islands, represent 21 separate locations in the Caribbean, Pacific, Indian Ocean, North Atlantic and South Atlantic.
Box 4. Additional development-related institutions

i) DG Trade is responsible for the commercial policy of the EU. It plays an important role in ensuring the consistency of EU commercial and external development policies, including trade issues in the developing world.

ii) DG Enlargement is responsible for the accession of European countries into the EU. This includes some large ODA recipient countries such as Turkey.

iii) DG Economic and Financial Affairs is responsible for macro financial assistance, mainly to the Balkans and Newly Independent States. It also contributes to the development of Community economic strategy relating to developing countries, co-ordinates with the multilateral development banks and plays an important role in debt issues in the developing world.

iv) The European Investment Bank (EIB), located in Luxembourg, is the lending institution of the European Union. Outside of its European investments, it governs lending responsibilities concluded in Community development co-operation agreements. These represent less than 10% of EIB total disbursements. It also collaborates extensively with other multilateral development banks such as the World Bank, and the African, Asian and Inter-American development banks. It should be noted that EIB is not an implementing agency, but a financial institution. DEV is on the EID Board.

v) Eurostat, the Community’s Statistical Authority located in Luxembourg, is responsible for statistics gathering and reporting on behalf of the Union, and supports selected statistical development activities in the developing world.

vi) The Court of Auditors, located in Luxembourg, is authorized to audit the Community accounts and review budget management, including ensuring value for money. It has undertaken several audits of external relations activities.

The role of development institutions outside government

The Community works directly with a range of development-oriented institutions outside government, particularly a large number of European non-governmental organisations (NGOs). Collaboration is largely focused on: i) policy dialogue and advocacy issues; and ii) implementation of projects, both in Europe and the developing world. The first category of collaboration is largely sustained by European NGO umbrella groups or networks (e.g. CONCORD, VOICE, EUROSTEP) which themselves may represent up to several hundred individual European NGOs. These umbrella networks often offer a credible, alternative point of view to the official perspectives of the Commission on issues of development co-operation. The second category of co-operation is driven by funding arrangements with the Commission, whether for development projects in the developing world or for development education actions in Europe. This category includes hundreds of European and developing world NGOs.

Whether in Brussels or in the field, one consistent message received by the Peer Review team from European and local civil society organisations was the desire for greater consultation and information sharing between civil society partners and the European Community. The Community should persist in developing this type of relationship, particularly given the potentially important role of civil society in helping to reduce global poverty, working towards achieving the MDGs and ensuring that ODA targets are met.
Working towards a better organisational division of labour

For the Community, “complementarity” (Chapter 1) is seen as an organisational concept which ensures that the work of the Commission and Member State institutions maximises value added. The Peer Review team stresses the fundamental importance of agreeing on the details and implementing the most appropriate division of labour between the Commission and the Member States. This cross-cutting aspect of future European Community aid organisation offers the Commission and the Member States a constructive opportunity to invest more rationally and efficiently their collective development funding and to reflect on ways to better share their collective human and financial management resources to administer this funding. Chapter 5 contains a description of this effort.

The principle of division of labour also applies to the internal organisation of the Commission, particularly the current division of labour on development co-operation between DEV and RELEX. Their organisational relationship has its historical roots in the European Development Fund which has given DEV a geographical focus on the ACP countries. By default, RELEX’s focus has thus been on non-ACP countries. Despite the overarching framework of the European Consensus, DEV and RELEX interpret the development priorities of their institutional mandates differently. Their different geographical coverage also gives them different exposure to developing world realities and experience. From a development co-operation point of view, the rationale for this division of labour merits review in the face of growing international efforts to promote development coherence and aid effectiveness.

This organisational issue also applies to several other DAC members who regularly comment on the different responsibilities of their own ministries of foreign affairs and the ministries (or agencies) of development co-operation. It would make sense for the Community to reflect on the DEV-RELEX organisational division of labour as circumstances evolve in the future (e.g. eventual budgetisation of the EDF or adoption of a European Constitution). Peer Review team discussions with Parliament, Member States and civil society suggest that many external partners would favour a more unified Community organisation for development co-operation, to minimise institutional redundancy, to shape development policies that are informed by the full geographic range of development experience and to ensure that development co-operation leadership is unambiguously dedicated to the priority issues of development.

Management

Recent internal reform

Since the last Peer Review, Community management reform has transformed many aspects of its development co-operation system. Central to the overall pace and structure of that reform was the creation of EuropeAid in 2001. EuropeAid has responded purposefully to its mandate to implement the growing and increasingly diverse portfolio of activities funded at the European level. It (along with ECHO on the humanitarian side) is the only European development institution with a strong management culture. Its role as the Brussels point of co-ordination for implementing most Community development action is a factor in the successful devolution of responsibility to field delegations. Because of EuropeAid’s special institutional role as an intermediary with the field level and as it continues to develop its role and capacity, it could be given a stronger role in shaping development co-operation as opposed to simply helping to implement it.

The range of management reforms carried out since 2001 includes those confirmed by the 2005 European Consensus, such as principles of engagement, delivery and policy. The Consensus outlined
objective criteria for resource allocation and for targeted improvements in harmonisation with external donors, in streamlining internal procedures, reinforcing quality control and better use of results. The Memorandum of the European Commission (OECD, 2007) submitted to the DAC for this Peer Review lists the reforms in place since 2001, including:

- The creation in 2006 of a more streamlined set of financial instruments, which channel development co-operation essentially through the DCI and EDF instruments. This is a major first step to harmonising and simplifying the procedures needed to manage Community funds. It also aligns the programming cycles of the DCI (2007-13) and EDF (2008-13) to permit further harmonisation of these instruments over time.

- The financial statistics of Community aid have improved considerably since the last Peer Review. Commitments (EUR 7.6 billion in 2006) and disbursements (EUR 6.5 billion in 2006) are at record levels; financial planning has improved; old files have been substantially cleaned up; outstanding commitments are now under control; and overall commitments and payments have increased.

- Considerable effort has been made to guide and train managers in the appropriate use of simplified procedures. This has included user friendly guidelines on the methodologies, themes and procedures of the new systems, all of which have been shared with staff through an average of 11 days of training per person in 2006.

The Peer Review team noted that these reforms carried out between 2001 and 2005 were frequently presented by the Commission as “completed”. However, the development partners we met in both Benin and Pakistan (including local government, civil society and fellow donors) all frequently commented on the continuing need to simplify Community procedures and accelerate the speed of its actions. The harmonisation agenda now being undertaken by the Community and the Member States (Chapter 5) may help lead to further procedural simplification and streamlining in this sense.

One specific example drawn from the field visits (Annex C and D) is the “win-win” administrative arrangement that could be created by simplifying the grant process for NGOs and even permitting civil society organisations to use their own administrative rules, so long as they have been pre-certified. Current administrative arrangements were regularly described as cumbersome and even counter-productive. One major report (F.M. Partners Limited, 2005) on this topic suggests that these arrangements harm the Commission’s relationship with NGOs because of “a damaging and often inappropriate overemphasis on procedures and control”. The report reasonably suggests that any revision of these regulations by the Commission should include consultation with the NGO community.

Strategy and programming management

There is a hierarchical approach to the shaping of Community development co-operation strategy. Firstly, the European Union Treaty (Article 177) sets out the broad, historical rationale for Community development co-operation: i) fostering of sustainable economic and social development; ii) the smooth and gradual integration of the developing countries into the world economy; and iii) the campaign against poverty. Second, periodic statements of vision, now embodied by the 2005 European Consensus (Chapter 1), provide greater vision and implementation clarity. Thirdly, the Consensus is further translated into thematic or regional strategies. Finally, country delegations work with partners

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19. In our field visits to Benin and Pakistan, we noted that delegation staff made extensive use of the well written Aid Delivery Methods series, particularly Volume 1: Project Cycle Management Guidelines.
and headquarters to develop locally-specific country strategy papers (CSP), which are implemented through specific projects or programmes. A Common Framework for Country Strategy Papers\textsuperscript{20} was adopted by Council in 2006.

While the broad lines of this programming process appear straightforward, the actual programming process is less so. The reform process aimed to improve the quality of Community project programming and thus incorporated a quality control element into its programming processes via the “Inter-Service Quality Support Group” (IQSG) introduced in 2001. IQSG assesses and makes recommendations on the drafts of main programming documents to ensure that the range of development policy principles are addressed (policy mix, mainstreaming of cross-cutting issues, complementarity and harmonisation, country ownership and alignment, focus on results). IQSC was also instrumental in promoting many of the recommendations of the previous DAC Peer Review. The IQSG can make recommendations across Directorates-General and across topics because of its senior-level, inter-departmental composition. At a lower level of the programming hierarchy, EuropeAid set up a new Directorate for Operations Quality Support in 2005, plus an office Quality Support Group (oQSG) dedicated to office level activities. The oQSGs are organised into five groups (four geographic, one for horizontal policy areas) and are involved early in the preparatory process of the project cycle so as to promote cross-fertilisation between geographic and thematic areas. oQSG action should be particularly useful for system feedback and reform, given the rapidly evolving management requirements of Community development co-operation and particularly as it contemplates major new approaches, such as aid effectiveness and complementarity.

\textit{Devolved management: the field perspective}

A key component of the RELEX reform process has been the devolution of management responsibility to the field delegations, often known as “deconcentration” within the Community system. Devolution began 2000 guided by the statement that “Anything that can be better managed and decided on the spot, close to what is happening on the ground, should not be managed and decided in Brussels.” Since the last Peer Review, therefore, the Commission has made a major effort, particularly through EuropeAid, to transform its centralised bureaucracy into one that was substantially devolved to 81 field delegations by 2004. An outline of the new devolved implementation workflow is contained in Annex G. At the level of procedures, committee management (“comitology”), financing decisions and global commitments are the responsibility of Brussels, while individual commitments, tendering, contracting and payments are made by the delegations. At the level of content, delegations identify activities, assess feasibility, implement and evaluate them, while Brussels is responsible for programming and for general, thematic and quality support. In 2005 EuropeAid estimated that more than 80\% of geographic funds and 66\% of thematic funds were managed primarily by the delegations. In total 1,559 additional staff posts were allocated to the field over this period, giving delegations a different staffing profile, which included financial, contracting or legal experts and engineers.

Peer Review visits to Benin and Pakistan (Annexes C and D) served as testimony both to the usefulness of the devolution process (highly appreciated by delegation partners for its achievement of better and quicker administrative results) and to the virtually complete delegation of financial and contract management to the field. This process should now be complemented by empowering the delegations further to make substantive judgements in such areas as project approval or results reporting. This would involve transferring the human and operational resources that would be needed

\textsuperscript{20.} Council document 8388/06 of 11 April 2006.
to permit these changes from headquarters to the field, or identifying a more efficient sharing and division of labour among European and other partners.

**Building a more comprehensive performance framework**

Several of the suggestions for improved monitoring and evaluation systems in the last Peer Review have either been planned or carried out. This includes a results-oriented monitoring system (ROM). Managed by EuropeAid, ROM uses independent experts to periodically assess projects and programmes in the field. The number of projects assessed grew between 2003 and 2005 by 38% (1 244). EuropeAid reports that over the last four years, ROM’s numerical ratings show regular overall improvement in project relevance, efficiency, effectiveness, impact and sustainability. The Commission proposes to expand its use of the ROM system, including further refining the methodology and eventually making systematic use of it after project completion to understand better post-project impact and sustainability.

EuropeAid also maintains a joint evaluation unit for all DEV, RELEX and EuropeAid evaluation issues, while ECHO and Enlargement have their own evaluation services. A governing board composed of RELEX, DEV and EuropeAid ensures the strategic selection of evaluations through a multi-year strategy that outlines priority country, region or other themes. Evaluation results are reported directly to the Governing Board. In 2007, evaluations will be finalised for seven country and five regional programmes, as well as four special themes. As already noted in the previous Peer Review, the task required of this small evaluation unit made up of five core professionals is vast. It must evaluate the growing and increasingly complex results-based mandate of European development co-operation, now reinforced by the European Consensus. Given these resource constraints, special attention is merited in choosing priority themes and clarifying institutional responsibilities across the European spectrum. The technical expertise contained in the evaluation unit is an asset that can be used at the strategic level to suggest capacity-building in other parts of the Commission system of performance monitoring, including those in the field. Because of the persistent tendency to compartmentalise action around the different European institutions, the Commission could reflect upon broader system learning and an approach which best connects the different actors scattered through the Community system, including those in the field. Consideration also should be given to increasing the number of evaluation staff.

Finally, audits are another tool used increasingly by the Community to assess activity performance. Performance audits assess the three “Es” (project efficiency, economy and effectiveness) and are now a regular feature of the work of the Court of Auditors, or of auditors contracted by the Community. This type of information merits full integration into some form of European-wide performance management feedback system.

Although the Community’s overall approach to performance monitoring and reporting has evolved significantly since the last Peer Review, three aspects merit further Commission review:

(i) The Commission already understands that the European Parliament and public increasingly demand better results-based management from the European institutions. The European Consensus specifically requests that progress in implementing its objectives is measured regularly and reported annually. Parliament has openly noted that

without reporting from the Commission on field-level results it will increase the intensity of its legislative scrutiny. In line with management reforms in other areas, future performance monitoring and reporting should be simpler, better integrated and organised to provide relevant information to the different parts of the overall system. The effort now being made to cascade the vision of the European Consensus down through regional to country strategies and projects should help create a better structured performance framework for feedback from bottom to top.

(ii) In the longer term, and as international donor interest in joint field approaches evolves, the Commission will need to reflect on the growing need to support capacity-building for common results systems at that level. European leadership and monitoring/evaluation talent should increasingly focus on this priority. Stronger local tracking and reporting systems simultaneously reduce Commission and Member State management needs in this area.

(iii) Improved performance management is an area of common interest for the Community and Member States. Just as DAC donors seek to better harmonise their respective systems, the Commission has an opportunity to work closely with the Member States to better harmonise the overall European approach to performance management. This could also be true for knowledge management.

**Personnel management within a new system**

One recommendation of the previous Peer Review was for the Community to give greater attention to the staffing of its organisation, particularly the more strategic planning of its human resources and the assignment of greater capacity to the field. Five years later, the Community reports that the number of staff in the delegations working on external assistance has more than doubled, totalling some 2,600 in 2006, while numbers in Brussels have decreased by almost 20%. Decisions taken in 2002 helped to reform the External Service and have led to the application of a unified personnel policy in delegations, including career development, posting and training. The Commission’s staff appraisal system is now based on performance management principles.

Currently, RELEX recruits officials and individual experts while recruitment of local staff is undertaken by the delegation, with authorisation from RELEX. The professional profile of officials can vary significantly between those in development co-operation (emphasis on development management and knowledge) and those in foreign affairs (emphasis on political and diplomatic skills). Therefore, effective development work often requires specialised personnel planning at headquarters and can be more effective if local recruitment is delegated to the field. Consideration could be given to establishing a specialised development personnel office within DEV or the existing RELEX office so that personnel planning and action for the wider net of development professionals (DEV, EuropeAid, RELEX, ECHO) could be led and co-ordinated more specifically from the development perspective. Development personnel strategy should also consider the significant potential of sharing human resources within the broader Community and Member State system. Synergy at this level could enable the collective scaling-up of funding without the need for major new recruitment.

Devolved development co-operation obliges the donor community to offer sufficient incentives to place its best and brightest officials in the field where frontline realities are increasingly the primary determinates of system decision-making. This has forced a re-examination of the numbers and skill mix of field staff by many DAC members and this will undoubtedly be the case for future generations of delegation managers. In our Peer Review visits we noted that the Community may have difficulty
finding qualified personnel to post to the poorer countries and fragile states which are increasingly becoming the strategic priorities for Community assistance.

**Future considerations**

- The Commission is encouraged to review and reshape its overall structure of development co-operation to support system efficiency and to maintain a focus on development. As a longer-term objective, it is encouraged to review regularly the rationale for the split responsibility for development between RELEX and DEV.

- The Commission should persist in fostering greater consultation and information-sharing with civil society partners in Europe and in the field.

- The Commission should continue to pursue the administrative reform process so as to simplify procedures and accelerate its implementation of measures to increase efficiency and effectiveness. This includes the regular review of administrative needs in light of the evolving international donor agenda (e.g. aid effectiveness, policy coherence, scaling-up and results-based management).

- Devolution of authority to the delegations has helped to improve operations at the field level. The initial emphasis on delegation of financial and contract management should now be complemented by more substantive development empowerment in such areas as project approval or result reporting. Greater human and operational resources will be required for this.

- Development co-operation is a specialised professional area and merits specific attention within the Commission personnel management system. Suggestions in this respect include producing a development staff strategy and action plan, establishing a specialised personnel office responsible for such strategic considerations and creating an agreement between the Commission and the Member States to more effectively share staff resources.

- The Commission is encouraged to pursue its efforts to establish a simple, integrated performance monitoring and reporting system and to build delegation capacity to provide the information this requires. Performance management is an area of common interest for the Commission and the Member States and should be pursued jointly.
Chapter 5

Aid Effectiveness

Overall Community approach to aid effectiveness

The Community is a proponent of the aid effectiveness agenda. It has two closely related aims:

(i) Implement the Paris Declaration, and improve the quality of its own aid programmes.

(ii) Play a leadership role in encouraging the EU Member States to put the Paris Declaration into practice and improve their aid effectiveness.

The Commission is committed to aid effectiveness at a senior level and is carrying out a number of policy and practical initiatives. It also rightly identifies the “added-value” it can deliver in co-ordinating and encouraging Member States to improve their aid effectiveness; a role it began playing by organising EU support for the Paris Declaration. The two functions are mutually reinforcing. In order to play this lead role credibly the Commission needs to set an example by successfully implementing aid effectiveness measures and improving the quality and delivery of its aid. The Commission is encouraged to continue to develop its leadership role in this area.

Aid effectiveness and the Paris Declaration get considerable coverage in Community policies and communications. The subject is highlighted in the key strategic documents such as the Consensus on Development, the Strategy for Africa, and the 10th EDF agreement. More specifically the Community has developed three policy documents on aid effectiveness. The key paper is the communication on EU aid: delivering more, better and faster (European Commission, 2006f), and there are also communications on financing for development and aid effectiveness (European Commission, 2006g), and on a joint programming framework (European Commission, 2006h). Together they make up the “EU package on aid effectiveness”.

To signify its commitment to aid effectiveness, the Community pledged not only to fully implement the Paris Declaration and its 12 indicators, but has also committed the EU to four further targets, which are:

(i) To provide all capacity building assistance through co-ordinated programmes.

(ii) To channel 50% of government-to-government assistance through country systems, through Global Budget Support (GBS) and Sector Wide Approaches (SWAPs).

(iii) To avoid establishing any new Project Implementation Units (PIUs).

(iv) To reduce the number of uncoordinated missions by 50%.

The communication on EU aid: delivering more, better and faster is the EU action plan for implementing the Paris Declaration, with all Member States including the new members. It has three axes: i) transparent and knowledge-based mapping of activities; ii) implementing collective

commitments adopted by the Paris Declaration on harmonising and alignment; and iii) executing the aid effectiveness pillar of the new EU strategy (i.e. the European Consensus). Under each axis are three specific targets for 2010 (i.e. nine in total – Box 5).

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<th>Box 5. EU action plan</th>
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<td><strong>AXIS 1 – Mapping and Monitoring</strong></td>
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Under the first axis the Commission has produced an *EU Donor Atlas* which highlights an unbalanced distribution of aid between donor “darlings” and donor “orphans”. Other actions include compiling an overview of Member States’ rules and procedures in an operational book for partners (i.e. governments, NGOs, etc.) and making a commitment to monitoring at both the international and EU level. Axis 2 includes “roadmaps” identifying concrete harmonisation issues for Member States in a given country, as well as putting forward proposals for joint programming frameworks and joint local/financing arrangements. Axis 3 focuses primarily on division of labour and co-financing (see below under alignment and harmonisation).

We now assess the Community’s aid effectiveness agenda below according to the five Paris Declaration commitments.

**Ownership**

The Community is generally supportive of country ownership, and backs the development of poverty reduction strategies (PRSs), but as the Peer Review team witnessed in Benin and Pakistan the extent of country ownership depends to a large extent on the capability and ambitions of the incumbent government. Donors can help by creating space to nurture ownership. In Benin, a new government was getting to grips with its role, and although the delegation is keen for the government to take a stronger leadership position, they nevertheless recognise and understand the limitations of the new regime. The EDF’s use of an authorising agent is often thought to enhance ownership, but in Benin it functioned more like a quasi-PIU dedicated to managing EDF programmes. Many programme decisions are made in Brussels with relatively little reference to country plans and priorities, as highlighted by criticism of the *EU Africa Strategy*.

**Alignment**

* A basis for progress

Aligning and harmonising aid are two areas where the Community could make progress and have a sizeable impact on a country’s development.

The first Community instruments in the effort towards alignment are the five/six year country strategic papers (CSPs) which outline overall development strategy in a particular country. The Commission provides guidance on ensuring CSPs are expressly linked to government PRSs, and this is generally the case in practice. The CSPs are formulated by the delegation with support from
headquarters, and therefore should normally be well-informed and responsive to local needs, opportunities and realities on the ground. However, other funding lines, such as the thematic and regional, are often not well-aligned. These budget lines are managed, and the projects chosen, by headquarters. Since they sit outside the CSPs, they are neither necessarily informed by field level knowledge nor integrated into the CSPs with their explicit links to PRSs. As a result these budget lines (such as thematic programmes), risk being supply rather than demand driven and less aligned with countries priorities. Devolution of staff to the field has aided alignment and harmonisation, and should be deepened (Chapter 4).

In the Paris Declaration baseline survey of 2006, the Commission reported on its activities in 33 countries (Table 2). For aid flows aligned to national priorities (measured by aid for government sector in budget as a percentage of aid disbursed for government sector) the Commission scored highly at 81% which is close to the target of 85% for 2010. However, there are some large variances in individual countries as can be seen in the case study of Benin (Box 7) where only 29% of aid to government is recorded in the budget. Indicator 4, which commits DAC members to providing more co-ordinated support to capacity development in order for country systems to capture and co-ordinate aid flows more effectively. For this indicator, the Community is at 35%, compared to an EU target of 50% by 2010. Some caution with the data is advised since donors have different interpretations of “co-ordinated”.

Regarding the use of country systems, for two measures (i) country public financial management (PFM) systems (use of budget executions, financial reporting and auditing) and (ii) procurement, the Community is achieving 40% and 41% respectively, against an EU target of 50% by 2010. Like other donors, the Community will need to keep making concerted efforts to better align and harmonise its aid to meet the Paris Declaration and additional EU targets.

**Budget support**

The Community has made a conscious policy choice to increase the use of budget support – both general and sectoral – in its development assistance programmes. The Commission sees budget support as an important aspect of its approach to ownership and alignment. Budget support officially is only programmed in countries which have in place or are developing: (i) a poverty reduction strategy; (ii) a stability oriented, macroeconomic policy; and (iii) a credible programme to improve public financial management. The use of budget support is based on the belief that functioning governments are essential to development. To be sure, governments must have the requisite capacities, staff and accountability systems to function efficiently and honestly. The Commission will need to take into account civil society concerns that budget support be provided in countries where parliaments and civil society can play a role in assuring that national budget expenditures support the PRS and development strategies and reach the poor.

Greater use of budget support is also seen as a key way to advance the aid effectiveness agenda and improve aid delivery. Budget support is viewed by the Commission as generally less administratively burdensome than other aid modalities, thus increasing the speed of delivery of assistance. This is an important consideration in responding to criticism about the slowness of Community aid disbursement and the challenge of delivering more assistance in the near future as a result of scaling up.
The move towards increased budget support is prescribed in the *European Consensus on Development* which identifies general and sector budget support as “the preferred modality where conditions allow” (Art 113), and the use of which should increase “where circumstances permit” (Art 26). The *European Consensus* also acknowledges the need for budget support to be based on results and performance indicators. The Commission has been very active in supporting the DAC on this topic and has produced for its own staff the *Guidelines on Budget Support* (2006). It is also currently updating the *Guidelines on Sector Support* (2003). The use of budget support (general and sector combined) reached over 40% in ACP countries in 2003-2005 and continues to grow. The Commission would like to see it become as high as 50%.

Budget support is an important tool to buttress governments and to support both country ownership and increased alignment; the Commission should be commended for embracing what is a difficult but potentially high impact instrument. Due to the size of its aid programme and its potential weight in negotiations with partner governments, the Commission has a comparative advantage in using budget support and conducting the associated policy dialogue in many countries. There is also logic in using budget support to channel a large and growing volume of funds. The Commission has a clear overarching commitment to budget support and long standing experience. It also has a good understanding, particularly at headquarters and at the policy level, of this modality and under what field circumstances it can be best applied, recognising that budget support relies on efficient country systems. The Commission believes that budget support has a different risk profile than other modalities and attempts to manage these risks by attaching conditions to the preparation and implementation of the programmes. The Commission sees the “eligibility criteria” noted above as

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23. This is a baseline survey based on answers given from Commission staff and covers only a relatively modest number of countries in which the Commission operates, and the figures should be used with these provisos in mind.
central to its approach to risk and to ensure that funds are properly managed at all stages of the cycle of operations.

When applying budget support at the field level (Box 6), it is important to ensure that the necessary risk assessments have been completed. It also means having a good understanding of the appropriateness of general budget support and of sector budget support – the latter may be more suitable than the former under certain circumstances. While delegations need headquarters experience and guidance and the right staff to manage a budget support programme, they have the best information on when and where budget support is suitable and should therefore be given the flexibility to decide whether and how fast to move to budget support (i.e. and not feel pressured to use budget support to meet the general target set by headquarters).

**Box 6. Budget support in Benin and Pakistan**

In Benin, the Peer Review team thought the delegation had a clear rationale for using budget support; a sensible mix of general and sector budget support, complemented by projects; and a balanced use of fixed and variable tranches. The delegation needed to: (i) put in place a close budget support monitoring system based on concrete evidence; (ii) closely track budget execution rates in its PRSP budget support; and (iii) insist on regular independent audits. The delegation was also staffed adequately to manage budget support.

In Pakistan the delegation had decided that providing general budget support would be inappropriate due to mismanagement concerns and the fact that other donors already provided sizable budget support. Instead they embarked on a sector approach to budget support through a new education sector-wide approach (SWAP) in Sindh Province. As with all such cases, the Peer Review team thought that headquarters should continue to defer to delegation judgment on the pace and extent of using budget support in Pakistan. The delegation needs increased staff to handle the new demands of sector support and policy dialogue.

**Project implementation units in a different guise?**

The Community is committed to reduce the number of Parallel Implementation Units (PIUs). However the Cotonou Agreement, applicable to ACP countries (Annex C), requires there to be a National Authorising Officer (NAO) at the field level to ensure projects and programmes are consistent with Commission rules and regulations. Often, the NAO will have an EDF cell (20 staff in the case of Benin) to carry out this task. This resembles a parallel PIU, and may duplicate the activities of the delegation. NAOs are obligatory in ACP countries (e.g. Benin) but do not exist in RELEX countries (e.g. Pakistan). For the Commission, these cells are viewed as a tool for in-house capacity building. There is scope for considering the usefulness of these cells and perhaps reducing their size or terms of reference. The cells could serve as the nucleus around which the lead local ministry could develop a co-ordination unit for all donor (or at least EU) projects in a given country or else the delegation in ACP countries could work with various line ministries as other donors do. The Commission should assess the pros and cons of the EDF cell approach; the inconsistency of application (i.e. only in ACP countries); and their similarity to PIUs. A comprehensive evaluation of EDF cells was done in 2001/2002. It may also be worth considering updating that evaluation, with a special focus on the role of National Authorising Officers. Assessing best practice across ACP countries could improve their role in achieving the aid effectiveness principles.
**Predictability of aid**

A certain level of aid predictability is assured at the outset of the programming cycle since most Community aid to a country is outlined in country strategy papers (although they do not include thematic and regional funds). CSPs have a medium-term perspective and run for five or six years. The EDF provides a clear indication of funding for the envelope for a country, which is communicated to the ACP countries. RELEX countries rely on mixed commissions to discuss overall levels. In the CSPs the broad strategic aims are fairly clear, as are the sectors of intervention. There is some flexibility, but this is mainly at the project level. However, according to the recent Paris Declaration baseline survey, the Community actually disbursed only 65% of all aid it had scheduled. This compares to the 2010 target of 85%. Multiple financing instruments, complex and lengthy approval processes in Brussels and disbursement delays in the past have led to considerable unpredictability in actual aid flow to countries. This was especially evident in Pakistan. Community efforts to simplify the number of instruments and streamline processing are important elements in improving actual predictability and effective delivery.

**Aid untying**

Since the last Peer Review the Community has adopted two regulations\(^24\) to increase access to its external assistance. It also plays a proactive and positive role in the debate on aid untying and encourages Member States to follow its lead and unty their aid. This is another example of the added-value that the Community offers to European development co-operation. However, an independent study (HTSPE Limited, 2004) commissioned by the EU does suggest that further untying of European aid (i.e. by the Commission and Member States) could increase efficiency. The increased use of budget support (the Community’s stated preferred modality) at the expense of projects should also lead to reduced tying. Furthermore, at Monterrey in 2002 the Community and Member States also committed to consider the effectiveness of opening their aid to other donors.

However, some aid is still tied. For aid financed from the community budget (i.e. mainly the Development Co-operation Instrument) all Member States, all candidate countries, members of the EEA, DAC members for co-operation in LDCs and 48 beneficiary countries (145 beneficiary countries for thematic programmes) can compete for contracts on equal terms. Other countries which have untied their aid programmes can apply for reciprocal access with the Community, and negotiations with several applicants are currently taking place. The Community should consider fully untying its DCI aid. Also, EDF aid is still partially untied as only Member States and ACP countries can bid for contracts. Despite pressure from the ACP countries to maintain this, the Community should consider fully untying its aid under the EDF.

In this regard the Commission should review its procurement procedures and contract award criteria to facilitate competitive access of new EU members, who as newly emerging donors do not necessarily have firms and NGOs with well-established track records as aid contractors and grantees. Given the significant share of ODA that the new members contribute to the Community as part of the Barcelona Agreement, they are eager to show to their parliaments and public that they are full partners in implementing EU programmes.

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Box 7. Aid effectiveness case study: Benin

The Benin EC delegation attaches high importance to the aid effectiveness agenda. Personnel are well versed on the subject, and there is a dedicated staff member who is pro-active and leads the donor group on aid effectiveness. The Government of Benin has a medium-term government action plan and a poverty reduction strategy (Document de Stratégie de Réduction de la Pauvreté – or DSRP), but is reluctant to lead the development agenda, and ownership is therefore limited. The delegation does use the CSP to try to ensure synergy with the DSRP where it can.

In the areas of alignment and harmonisation, the delegation fares relatively well (see below). Budget support is increasing from 40 to 60% and the delegation scores well for its use of government public financial management (57%) and procurement (71%) both are above the donor averages of 52% and 64%. The percentage of aid reported in the national budget is low (29% compared to the donor average of 51% and the 2010 target of 85%), and the amount of technical assistance co-ordinated with country programmes is also low at 11%. With 68% of total aid disbursed through programme-based approaches, the delegation is exceeding other donors and the 2010 target for this indicator. However, predictability could improve as only 40% of aid scheduled was actually disbursed (the 2010 target is 77%).

<table>
<thead>
<tr>
<th>PD indicator (2-8 Alignment 9-10 harmonisation)</th>
<th>Description</th>
<th>EC %</th>
<th>2010 target %</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Percentage of aid is reported in the national budget</td>
<td>29</td>
<td>85</td>
</tr>
<tr>
<td>4</td>
<td>Technical assistance coordinated with country programmes</td>
<td>11</td>
<td>50</td>
</tr>
<tr>
<td>5</td>
<td>Use of country’s Public Financial Management (PFM) system(average of budget executions; financial reporting and auditing)</td>
<td>57</td>
<td>68</td>
</tr>
<tr>
<td>5</td>
<td>Use of country’s procurement systems</td>
<td>71</td>
<td>n.a.</td>
</tr>
<tr>
<td>7</td>
<td>Aid recorded as disbursed as % of aid scheduled for disbursement</td>
<td>40</td>
<td>77</td>
</tr>
<tr>
<td>9</td>
<td>Total programme based approaches as % of total aid disbursed</td>
<td>68</td>
<td>66</td>
</tr>
<tr>
<td>10a</td>
<td>Number of joint missions as % of total number</td>
<td>18</td>
<td>40</td>
</tr>
</tbody>
</table>

Source: OECD-DAC Working Party on Aid Effectiveness.

Harmonisation

Joint programming

The Commission is in the early stages of addressing Joint Assessments and Joint Programming. In 2006 it adopted a joint EU multi-annual programming framework (European Commission (2006 h) which outlines a revised country strategy paper framework to enable joint efforts. The framework is intended to “… be one of the instruments for the multi-annual programming for all assistance provided by Member States and the Commission … providing guidance to implement joint multi-annual programming at the country level” (European Council, 2004).

The revised framework is used principally for Commission-delivered aid, but it is also meant to be used by the Member States to anchor their bilateral strategies around the nine components of the CSP strategy. Moreover, the Commission believes that it is also the most appropriate way forward for
joint multi-annual programming. The Commission sees a two-stage approach to joint multi-annual programming: (i) joint Commission and Member State analysis using the common format in the CSP framework; followed by (ii) a joint response strategy comprising co-operation objectives together with the partner country, selecting focal areas, dividing tasks between the donors and the commitments on the basis of a joint agreement.

In reality, shared analysis is just the beginning and there is plenty more work to be done on joint strategic responses. The Commission and Member States also need to make progress on co-financing initiatives, which remain minimal. Furthermore, Community rules and timetables do not lend themselves readily to joint programming; a problem that must be overcome in order to press forward with this important initiative.

**Division of labour**

High on the agenda at present, as part of the “complementarity” debate, is the issue of division of labour whereby the Commission and Member States apportion responsibilities for areas/sectors of work rather than all working in all area/sectors. It requires co-ordination and also implies that each actor focuses its assistance on areas where it can add most value, given what others are doing. It means each donor acts in the area where it has a comparative advantage, where activities complement one another and where the sum of the parts adds up to more than the total of individual activities. There can be different levels of complementarity. The two most relevant are: (i) cross-country, where aid is distributed among countries (i.e. to address aid allocation imbalances between “aid darlings” and “aid orphans”); and (ii) in-country, where aid within a country is allocated effectively.

The division of labour concept is not new; it has been discussed in Council resolutions since 1995. Some useful instruments have been produced, such as the *EU Donor Atlas*, which shows gaps and duplications of Member State activities. More importantly, the EU is currently drafting an EU *Code of Conduct* on division of labour between donors (European Commission, 2007). The code is based on the Paris Declaration, is voluntary and self-policing, and lays down a clear set of guidelines on how to progress and implement division of labour. The code is currently being thoroughly reviewed and discussed among Member States and the Community. It is hoped that the code will be agreed by the next High Level Meeting on Aid Effectiveness, scheduled for September 2008 in Accra, Ghana.

The division of labour work is an important area where the Commission and Member States could significantly improve the efficiency of development assistance. The European system is unique in that it provides capacity for its members to co-operate closely. The EU should be commended for developing the code, which is an essential foundation for the division of labour. However, applying the code and embarking on genuine division of labour is required, and the Commission has a role to play in ensuring that members adhere to their promises.

Some commentators suggest that complementarity amongst all donors not just that of the EU is required, but improvements in EU division of labour can and should lead to increased complementarity amongst all donors. The Community should seek to make progress, while being linked in to wider donor efforts on the division of labour. While improvements could lead to improved harmonisation with all donors, there are situations where the Community’s main partners are non-EU Member States (e.g. the Pacific where Australia and New Zealand are the main actors). Ultimately, the most value in harmonising is for all donors to do it together.
Managing for results

The Commission is increasing its emphasis on results-based management, including subjecting all projects to midstream and final project evaluation, and operating a results-orientated monitoring (ROM) system using a standardised methodology to compare different projects. Delegations also prepare annual management plans (AMP) that include objectives, outputs and indicators of all delegation activities. These are reported on twice yearly (June and December). There is also a commitment to support partner government activities in this field. Despite the considerable volume of work that has been done there is some concern that the different efforts do not appear to be part of a coherent or integrated system of results-based monitoring.

Mutual accountability and the overall effectiveness of the system

Mutual accountability is one of the least defined areas in the Paris Declaration according to the baseline survey. As with other donors the concept is supported by the Community, but it is too soon to judge the role of the Community in promoting dialogue at country level and contributing to mutual accountability mechanisms.

Future considerations

- The Commission is commended for its pro-active leadership role on the Paris Declaration. It is encouraged to work even more closely with Member States to help them deliver on their commitments at the country level and to help newer Member States apply the aid effectiveness principle, keeping in mind their particular needs. The Commission should pursue harmonisation among EU members and extend efforts to other donors. Brussels should further encourage and adequately staff those delegations that are best placed to help lead and co-ordinate aid effectiveness efforts while deferring to and supporting lead Member States in countries where that is most appropriate.

- There is a case for reviewing the numbers and types of EDF cells to avoid inefficiencies and duplication or undermining ownership. A comparison of country programmes with EDF Cells and those without could usefully inform the debate. An updated evaluation of National Authorising Officers across ACP countries could provide useful lessons about how to help them be more responsive to aid effectiveness principles.

- While the Community has identified budget support as an area of comparative advantage, its use should continue to be guided by country conditions and appropriate risk assessments. Headquarters should rely on the judgement of field delegations in this matter and should ensure that delegations are staffed adequately to manage the instruments and their associated policy dialogue. They should explore how to engage local civil society organisations in monitoring expenditures and the impact of budget support.

- The Code of Conduct on the division of labour is a promising piece of work and represents an area of considerable potential for increased efficiencies. The Commission is urged to drive this process forward and help the Member States reach consensus and then implement the code.

- On aid effectiveness grounds, consideration should be given to fully untying Community aid programmes. For the DCI this means removing the reciprocity requirement. For the EDF it means opening up the bidding process to all countries, not just European Union and ACP States.
Chapter 6

Special Issues

Background to the special issues

The two special topics chosen for the European Community Peer Review are:

(i) Governance, accountability and combating corruption.

(ii) Conflict, peace, security and fragile states.

Governance is of particular relevance for the Commission, as it has recently outlined its policy position on the topic in a new communication. In addition, “democratic governance” has been placed at the heart of the Commission’s development assistance considerations. The opportunity to consider the “conflict, peace, security and fragile states” agenda for such a large and politically important donor as the Community is critical to the DAC analysis of the subject. Finally, the link to humanitarian aid (report in Annex E) is also made.

Governance, accountability and combating corruption

Governance policy

The increased commitment to confronting governance issues is evident at all levels. The Development Commissioner emphasises the Community’s political and foreign policy objectives that are interwoven with, and partly driving, its development agenda. Central to these is the aim to help states become stable and secure or to consolidate their stability. This leads to the policy of supporting partner governments so that they can carry out their core functions.

The Commission applies a broad definition of governance, including, but extending well beyond, anti-corruption activities. Since the last Peer Review, it has put new emphasis on the governance agenda and has issued policy guidance in the form of two communications: (i) Governance and Development (2003) (European Commission, 2003), which evolved into (ii) Governance in the European Consensus on Development (2006) (European Commission, 2006a). It has also committed increased resources to governance, including establishing a cadre of staff dedicated to governance at both the Brussels and field levels.

The Commission uses the concept of democratic governance, which “affirms the rights of all citizens on the road to sustainable development” and includes respect for human rights and fundamental freedoms; support for the democratic process; the rule of law; an independent justice system; access to information; a transparent accountable government; human security; management of migration; access to basic social services; and the promotion of sustainable economic growth and social cohesion.
Corruption is viewed as a symptom of ineffective governance rather than an issue in itself, and therefore is to be tackled as part of integrated development and poverty reduction strategies. The Development Commissioner has said “… corruption is a symptom of the broader system of governance. Fight against corruption therefore has to be carried out through the consolidation of a state’s capacities to assume its full functions. Thus governance can not be limited to fight against corruption. It would be inefficient, superficial and non-sustainable.” Corruption is one of a number of issues considered when the Commission makes its “governance profile” (i.e. assessment) of a country, and the Commission also uses an “anti-corruption fiche” to guide staff producing CSPs, which includes references to the DAC guidelines on anti-bribery (OECD, 1997).

The European Parliament has passed a resolution (European Parliament, 2005) highlighting the importance of tackling corruption in development and calling on the Commission to take a number of measures (e.g. increase the watchdog role of civil society, strengthen developing country legal systems, sign anti-corruption conventions, etc.). Although corruption is rightly seen as a symptom rather than a cause, a greater focus on this issue is warranted, and the Peer Review team encourages attention to this parliamentary resolution.

High on the Commission’s governance agenda is the principle of country ownership. The Commission is clear that supporting and strengthening host governments’ own governance efforts is a core objective. It is aiming for a more structured programming dialogue on governance with partner governments than it has previously applied. The Commission’s objective is to focus on national development strategies and support the state to serve its citizens. The Commissioner for Development is quick to point out that unless there is government ownership through the budget, a government will never be able to carry out and demonstrate its responsibilities. However, budget support, be it general or specific, has its own set of difficulties and risks (see Chapter 5).

When possible, and particularly in the ACP countries, the Commission works with EU Member States and the host government to develop a “governance profile”. This will normally cover issues such as: political and democratic governance; anti-corruption; economic governance; social governance; external and internal security; regional integration; and the quality of the partnership.

The high-level commitment to prioritising governance; the holistic approach, viewing corruption as a symptom rather than cause; prioritisation in CSPs; more funds; staff specifically designated to work on governance, are all steps that follow DAC recommendations.

As well as specific targeting of governance in CSPs, thematic instruments are also used. Notably, the European Instrument for Democracy and Human Rights (EIDHR) is used in certain countries, sometimes without the host government’s agreement, in order to assist civil society to support democratisation and human rights (the Commission is candid about this). If used in a sensitive way and in co-ordination with the governance elements of the CSP, this would appear to be a useful tool for tackling governance beyond the central government perspective.


African, Caribbean and Pacific countries

The governance agenda has initially been focused on the African, Caribbean and Pacific countries, where a new Governance Initiative is being rolled out. This method consists of two strands: (i) increased funding for governance through an incentive based approach; and (ii) political and financial support to the Africa Peer Review Mechanism. Box 8 describes one ACP country example - Benin.

An incentive-based approach

The programmable portion of the 10th EDF provides EUR 13.5 billion for the ACP countries over the period 2008-2013. Of the total funding in the 10th EDF, EUR 10.8 billion (80%) is initially allocated through Country Strategy Papers in each of the partner countries and is programmed on the basis of the country’s specific needs – one of which may be to support governance. However, the remaining EUR 2.7 billion (i.e. 20%) is set aside as a specific and additional “incentive tranche” which is used to top up individual country allocations for democratic governance. The intention is to encourage partners to engage in reforms and consolidate democratic governance processes through dialogue and financial incentives. The Commission endeavours to work with the partner government in formulating and backing a “governance plan of action”, and the additional funding is disbursed based on commitment to achieve real results.

The Commission insists that this incentive system does not constitute a form of conditionality; rather it offers a way of working in genuine partnerships with host governments to set and attain agreed objectives and targets. This is a shift from traditional conditionality to a more collaborative approach, the difference being in the way the policy is implemented. The partner country must make progress in order to receive further funds but it also attempts to factor in and respond to challenges and difficulties, and may include joint responsibility for achieving targets. Indeed the DAC Governance Network experience suggests that this type of approach is more likely to be successful than traditional conditionality. Democratic governance is thus emerging as a pre-condition for budget support and disbursement. There is a strong political imperative in the European Parliament and from the public to link assistance to recipients who meet minimum governance and human rights standards. This may pose a significant challenge for reconciling these governance expectations with Community targets for increased budget support and aid predictability.

The Community’s emphasis on governance is reflected in its Benin programme. Barely featured in the CSP 2002-06, "governance and local development" is now the first focal sector in the draft 2008-2013 CSP. The new CSP includes a global objective to improve governance and lists specific objectives on reinforcing the role of the state; improving justice; financial management and combating corruption; as well as assisting local decentralisation. In practice this translates predominantly into programmes on access to justice and improved public financial management.

A “governance profile”, prepared together with the EU Member States and the Benin Government is used as the basis for Community intervention, and 22% of National Indicative Programme (NIP) resources are allocated to the governance focal sector, with just under half of that figure dedicated to direct governance activities and the rest to local development.
The Africa Peer Review Mechanism

The second strand of Community governance policy in Africa is to provide backing to the Africa Peer Review Mechanism (APRM) process. The APRM is a participatory self-assessment tool for encouraging reform and mutual learning and strengthening ownership. The Community has committed to support the process politically and financially. It has contributed EUR 2 million to a UNDP Trust Fund and monitors and reports both on Community and Member State assistance to the process. It also uses country National Indicative Programmes to implement reforms generated at the national level.

Non-ACP countries

For Asia and Latin America countries the Community has a different approach. Governance continues to be used in the broadest sense, but there is less of an explicit focus on the issue. The concept of “democratic governance” is considered one of a number of objectives and although it features in some policy documents (European Commission (2005a) there is no “incentive tranche” system as there is for the ACP countries. In both Latin America and Asia, the Community takes a case-by-case approach, with prominence given to governance depending upon the particular country situation. Democratic governance, although in principle wide-ranging, often translates into assistance for participatory democracy, human rights, and the rule of law. Box 9 describes one non-ACP country example from Pakistan.

Box 9. Governance assistance in Pakistan

In contrast to Benin, the Community’s governance focus in Pakistan is less clear, making it difficult to quantify. The emphasis on governance has increased in the draft 2007-2013 CSP, but compared to Benin’s CSP it features only as a secondary, less prioritised non-focal sector. Governance will be tackled through two projects in the NIP (access to justice for vulnerable groups and strengthening of elected representatives) and a plethora of small projects financed principally via the EIDHR mechanism and the co-financing NGO budget lines. Together these projects will account for an estimated 6.5% of Community assistance in Pakistan. There appears to be a lack of strategic focus on governance and some incoherence, partly due to the majority of projects being chosen by Brussels rather than at the field level.

For the European Neighbourhood Policy (ENP) in a number of countries, the Community/host country partnership on governance is reflected in jointly adopted action plans. Governance is central to these action plans which have six chapters: (i) political dialogue and reform; (ii) economic and social reform and development; (iii) trade and regulatory reform; (iv) co-operation on justice and home affairs; (v) transport, energy information society and environment; (vi) people-to-people contacts. The level of financial support is partly determined by the degree of commitment to, and implementation of, the reforms set out in the action plan.

In 2006, the Mediterranean Partnership (MEDA) introduced a pilot democracy facility to support partners in the Mediterranean area that had made the greatest progress towards democracy and

28. European Neighbourhood Policy (ENP) and relations with Russia is the current budget line and external assistance programme applying to Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestinian Authority, Russian Federation, Syria, Tunisia, Ukraine.
29. Mediterranean Partners (MEDA) – The budget line and assistance programme prior to the ENP and applied to Algeria, Jordan, Lebanon, Morocco, Syria, Tunisia, Turkey, Palestinian Authority.
human rights. The new governance facility for ENP countries will provide financial rewards for those countries that have made headway in political and economic reforms.

**State fragility, conflict prevention, and security system reform**

Preventing conflict, building peace and overcoming state fragility are essential to effective development aid. Fragile states face particularly severe development challenges such as weak governance, limited state capacity, chronic humanitarian crises, persistent social tensions, violence and the legacy of war. They therefore require an approach, policies and practices that are not “business as usual”. Violent conflict has the capacity to wipe out the effects of ODA investments, while massive savings are derived from conflict prevention, or from early intervention to prevent the slide into conflict. Security system reform has a significant role to play in ensuring countries have the necessary resilience and structural stability to deal with conflict in a non-violent manner. The EC is rapidly gaining considerable experience in fragile states and conflict-affected environments. This experience could be consolidated to enhance its engagement in such environments, to mainstream conflict sensitivity within policies, country strategies, programmes and projects and to improve coherence across its diverse instruments.

**Policy framework: ensuring an approach that is sensitive to state fragility and conflict**

The main EU policy frameworks that govern work in the areas of conflict, security and fragile states include: the *European Consensus on Development* (2005); the *Africa Strategy* (2005); and various Commission communications. But, while there is a communication on conflict prevention, there is no one specific policy document to guide a Community approach to conflict and fragile states programming. In the absence of an explicit policy, supplemented by programme advice, it is all the more important to ensure that there is a means to gather and collate good practice from country programmes. It will also be essential to find a way of feeding these lessons into the development of future country strategy processes. The Community plays a prominent and instrumental role as co-Chair of the OECD/DAC Network on Conflict, Peace and Development Co-operation, and is a significant actor in the Fragile States Group. As such, the Community contributes to advancing policies and development practices that should improve international engagement in fragile and conflict-affected states.

**Ensuring a conflict sensitive approach to development**

Donors face a constant challenge to ensure that their development assistance does not fuel tensions, particularly in fragile states and conflict-affected environments. Conflict sensitivity and a conflict prevention approach can be injected at a strategic level when decisions are made on country strategies; however, it is equally important to ensure a conflict lens is applied at a programmatic and project level.

For thematic issues such as conflict prevention, security and fragile states, there is a risk of overlap between RELEX and DEV; there is thus room to improve collaboration and synergy between the two. There are horizontal units dealing with conflict prevention and fragile states in RELEX, DEV

and EuropeAid. Their role is to provide thematic support to field and headquarters staff, and to ensure coherence in the mainstreaming of good practice. Recent devolution of some responsibility to delegations has changed Brussels’ role in relation to the field, and the qualitative role of horizontal and thematic units has increased. This highlights the need for stronger dialogue between headquarters and the country level. At present, the involvement of horizontal and thematic units with country desks and delegations is not systematic and their respective operational roles merit further clarification. With the right sets of skills and experience and the availability of staff to effectively support country desks and country delegations, the engagement of the horizontal unit could be demand driven.

At the strategic level, some donors have found that having a pool of conflict advisors and seconding them to country desks or country delegations as required is one way of ensuring that coherence and good practice reaches development programming. For such a solution to be viable, greater co-ordination and consolidation is required between the various horizontal units dealing with conflict related and fragile state expertise. It is equally essential that such units include staff with policy and operational experience, as well as links to forums, such as the OECD/DAC, where international best practice is collated and shared.

Where resources are limited, technology can also play an important role in mainstreaming conflict sensitive approaches. The current Common RELEX Information System (CRIS) database needs to be made more user-friendly to enable country desks or delegations to access experience from across the Commission. There is no central repository for the vast and growing knowledge, experience, and good practice in state fragility and conflict issues within the Community, not to mention the experience of other EU institutions.

More systematic use of conflict analysis as part of country-level programmes and projects would help improve their impact and ensure they “do no harm”. To mainstream conflict, peace and security good practice better, the Commission should consider the potential role of the Quality Support Group (Chapter 4) can play in this regard. To undertake this role, however, the Quality Support Group will require the necessary conflict expertise to advise country programmes on the potential impact and pitfalls of implementing programmes in a conflict or fragile state environment. More can be done to ensure that evaluations focus on impact (and not only on outputs) of programmes and a mechanism needs to be found to ensure that lessons learned are fed into future policy and programme development.

**Resource allocation: flexible, predictable and innovative, yet with room for a clearer allocation process**

Aid is not allocated to fragile states on the basis of indicators of fragility, but through a more complex process. Most of the EC’s aid is allocated first to regions, then within regions, to countries (with different allocation methodologies from region to region), on top of an allocation by priority themes. The Community does not have an explicit allocation policy for conflict-affected or fragile states. However, top recipients of aid include fragile states, notably Afghanistan, Congo, the West Bank and Gaza, and Sudan (respectively 4th, 5th, 7th and 15th recipients in 2004/2005). The Community is one of the biggest donors in many fragile states (e.g. Sierra Leone, Burundi, Somalia).

The Community’s aid for the ACP countries is both predictable and flexible, thanks to the division of the EUR 22 billion European Development Fund into two distinct envelopes. The so-called “A-envelope” is an allocation for programmable assistance and the “B-envelope” covers unforeseen needs. The new EUR 250 million Instrument for Stability can now fund activities for up to 18 months, is complementary to other budget lines and provides assistance for establishing the conditions...
necessary to implementation of policies supported by the other instruments. However, flexibility and predictability could be further improved. Despite good examples of flexible and predictable funding (e.g. DRC, Aceh), the absence of a clearer allocation process risks a funding gap when a country is in a deteriorating situation or is emerging out of conflict. For the ACP countries it is unclear how fragile states are differentiated from non-fragile states and it is difficult to ensure that proper resources are allocated to the former in a timely manner.

It remains to be seen how the governance incentive tranche system will work in practice in terms of the timing of this incentive and the capacity necessary to use the funds, especially given the limited national capacity in fragile states. For example Congo, whose total budget under the EDF is approximately EUR 411 million, could have access to additional funds of around EUR 100 million.

For regional issues and responses, the Instrument for Stability in force since January 2007 can be mobilised to work on global and trans-border challenges of conflict-affected and fragile situations, and the Africa Peace Facility can assist with peacekeeping activities. However, the Commission makes limited use of these. More extensive use of such instruments would be beneficial, given that so many crises have cross-border dimensions (e.g. Central Africa; Liberia-Sierra Leone) and given the potential of regional responses (e.g. the Association of South-East Asian Nations, the African Union, the Economic Community of West African States, the Southern African Development Community, the Intergovernmental Authority on Development, the New Partnership for Africa’s Development). The Community may have a comparative advantage in supporting such regional efforts, given its own cross-border nature.

**The challenge of coherence in conflict affected and fragile states**

Ensuring internal coherence within a whole-of-government/organisation approach places a heavy burden on different departments and units. The OECD/DAC work on Security System Reform (SSR) and on whole-of-government approaches within the Fragile States Group can help countries and organisations identify common objectives, capacity and how these can be coherently applied. The Community has a different array of instruments available for different contexts, and if one considers other EU instruments available as well, the challenge of coherence is particularly daunting.\(^\text{31}\)

More coherence is required between the European Security and Defence Policy (ESDP) and the Community’s longer-term development programming. Consideration should be given to how to create integrated missions. While acknowledging the success that the European Commission and ESDP missions have had working together in the Democratic Republic of Congo, there are nevertheless a number of lessons to be learned. For example, there were up to three short-term ESDP missions in DRC in 2006, all with different chains of command, in addition to the EU delegation that focuses on longer-term programming.\(^\text{32}\) The need to ensure better coherence between the Community and the Council instruments is acknowledged throughout the system. However, the issue of ensuring coherence between ESDP and EC missions is also dependant upon the political will of EU Member States. In the absence of an EU Constitution which could provide some answers to the issue of coherence, the Community and the EU need to take a number of pragmatic decisions to ensure greater coherence. Taking the example of the DRC above, there is no logical reason for having three different missions.

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\(^{31}\)The challenge of coherence across is clear when you look at the range of instruments available for crisis situations; these include ECHO (humanitarian), Civil Protection (possibly provided by Member States), CFSP/EDSP instruments and the Community Instrument for Stability.

\(^{32}\)The three ESDP missions included EUSEC (military observation), EUPOL (police training) and EUFOR (election security).
ESDP missions with parallel chains-of-command, especially given that they are operating under the same policy umbrella and within the broad definition of SSR. The engagement in Aceh provides a good example (Box 10) of where the transition between crisis and long-term development was undertaken in a coherent manner.

Box 10. Coherence in Aceh

The Community was one of the main donors to the Multi-Donor Trust Fund for Reconstruction in Indonesia to address the aftermath of the December 2004 tsunami. It also funded both the negotiations between the separatist Free Aceh Movement, and the Government of Indonesia, and the EU-ASEAN Aceh Monitoring Mission (AMM), which was deployed a month after the signing of the peace accord (September 2005). Both were crucial to the transition from three decades of civil war to peace and reconciliation. The negotiations were funded through the former Rapid Response Mechanism, while the AMM was a civilian mission within the framework of the ESDP, funded through both the CFSP budget (EUR 9 million) and contributions of EU Member States and participating countries (EUR 6 million).

In Indonesia, the delegation co-ordinates with other donors in the framework of the Consultative Group. It has opened a sub-office in the capital of Aceh to be closer to operations and co-ordinate with other donors on the ground, for instance in the framework of the Office for the Reconstruction of Aceh and Nias, and the Forum Bersama, a multi-stakeholder forum to support peace in Aceh after AMM withdrawal.

Similarly, there needs to be greater coherence between the ESDP missions and the Commission delegation. A number of innovative solutions have been tested to further coherence, including what is known as “double hatting” which is having the same person be head of an ESDP mission and head of delegation. This is the case in Macedonia and as is currently being considered for the EU Mission to the African Union. Other proposals that could help to ensure better coherence include joint field reporting from ESDP missions and local delegations and better technical equipment such as video conference facilities to help ensure more coherent strategy discussions.

The Commission also has a role to play in field level harmonisation and co-ordination with other donors. Given that the Community is one of the largest donors in most fragile or conflict-affected states, it needs to consider how it could develop a leadership role within multi-donor programmes, within certain sectors such as SSR and how it can add value in co-ordinating the development assistance engagement of the EU Member States.

Ownership and alignment in fragile states

As a key problem in fragile states is often limited state capacity, the Community has to make choices that directly impact national ownership and capacity. On the policy-making and programming front, the Community’s approach is to align with national frameworks whenever possible. On the implementation front, however, the record seems more mixed. The Community uses quick-delivery implementing partners (e.g. companies, NGOs, UN agencies) in a number of fragile states, using parallel project implementing units (PIUs). A low to very low proportion of aid flows through national procurement and public financial management systems, given their weaknesses. Although using PIUs helps kick-start service delivery, in the long run this can have a negative impact on state building. This is especially the case if attention is not given to building longer-term capacity and supporting governments where there is political will to improve governance. The Community, however, has committed to invest in developing national capacity and fostering local ownership using national processes and mechanisms, even if they sometimes present a higher degree of fiduciary risks, for example, in the use of budget support. The Community might also want to clarify its policy towards
project implementation in countries with limited capacity and/or political will, categorising cases when alignment may not be desirable (e.g. Myanmar, Zimbabwe), desirable but difficult (“shadow alignment”, e.g. DRC), or both desirable and possible (e.g. Burundi).

Dialogue with multiple stakeholders and not just with central governments is essential to promoting national ownership of policies and programmes supported by the Community. Whilst this is a key principle of the Cotonou Agreement, and whilst the delegations negotiate country strategy papers with both governments and civil society organisations, there may be a need for more systematic stakeholder analysis to ensure social, conflict and political sensitivity of Community programming.

**Security System Reform**

The development of the Community concept papers on security system reform (SSR) (European Commission, 2006e) is a clear step forward in this area. It places SSR within the context of overall governance reform. While it would have been useful to have a single joint paper, the fact that both papers were based on the DAC publication *Security System Reform and Governance* provides some clear points of coherence between them. The challenge is now to translate these policy level documents into field and programme reality. Coherence and capacity to support security system reform remain the biggest challenges facing the European Union, as is highlighted in Box 11.

**Box 11. Coherence, capacity and co-ordination: SSR in the Democratic Republic of Congo**

Moving from policy to practice, the Peace and Security Council (PSC) tasked the Council Secretariat and the Commission (April 2006) “to continue work on a comprehensive EU approach to security sector reform in the DRC and to present options in this field as appropriate”. This led to a joint Commission/Council evaluation mission to the DRC (9-14 October 2006). This underlined the need for a comprehensive security system reform approach based on a broad definition of the security sector, in line with OECD/DAC criteria (in the OECD/DAC Handbook on *SSR: Supporting Security and Justice*). While the advent of joint evaluation missions is a positive step forward, there is a need for this to translate into the streamlining of EDSP missions on the ground and enhanced coherence between the various instruments and institutions engaged in SSR activities. The fact that the Community presence is more long-term and sustained reinforces the co-ordination role that country delegations can and should play, both within the EU system but also amongst the international community.

As the Commission moves forward in deepening its capacity to support security system reform, there is a need for a joint assessment tool for security and development issues, not unlike the governance profile. There is also the question of how to ensure that the right set of skills are available to support effective and sustainable SSR. Security system reform is increasingly viewed as part of the governance agenda and includes issues of capacity and equipment, as well as oversight, management, political and financial accountability, and the inclusion of non-state actors in the security policy discourse. The review of humanitarian aid (Annex E) similarly found the need for stronger co-ordination where humanitarian action cuts across the areas linking relief, rehabilitation and development, disaster preparedness, civil protection and crisis response.

The challenge for the Commission, as well as for most donors, is to develop the appropriate capacity to support SSR. This capacity must merge both a political understanding of the political and conflict dynamics that often surround SSR processes, with the appropriate programme management and technical understanding of security and justice reform processes. For the countries in which the Community supports SSR, the challenge now is how to ensure that its engagement:

- supports reform processes that are sustainable
- underpins poverty reduction through enhanced security and justice service delivery
• develops effective and accountable systems of security and justice in partner countries.

Future considerations

Governance, accountability and combating corruption

• The Commission is encouraged to use the European Parliament’s report on aid effectiveness and corruption to help formulate a specific policy on anti-corruption. The issue of governance performance standards needs further elaboration and clearer guidance to the field to facilitate coherent Member State-Community policy dialogue, to manage partner expectations and to programme Community aid predictably in relation to governance objectives.

• In the cross-cutting, priority development area of governance, the Community needs to make progress on co-ordination and complementarity with other donors, and particularly with Member States.

Fragile states, conflict prevention and security system reform

• The Community should formulate an explicit strategy for fragile states and a clear set of criteria for resource allocation to them. It should also ensure that a conflict lens is applied to all country strategies and programming. More focused attention to these topics may require a review of staffing and how expertise is consolidated and made available to country desks, delegations and as part of the Quality Support Group.

• There should be greater coherence between European security and defence policy instruments and development programming, while recognising that Member States also have a responsibility to ensure it.

• The Community should review what mechanisms are in place to ensure a coherent approach to security system reform and how to develop more integrated missions and other solutions that may ensure a more joined-up approach. The Community needs to consider whether it has the right capacity and skills available to support this approach.
## Annex A

### Progress Against 2002 DAC Peer Review Recommendations

<table>
<thead>
<tr>
<th>Key Issues</th>
<th>Recommendations in 2002 (Part I)</th>
<th>Achievement since 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>EC comparative advantage</td>
<td>Strengthen the EC comparative advantage in promoting development. Promote political and trade dimensions that complement development. Clarify roles of Member States and Commission in coherence issues. Encourage full implementation of untying. Promote partnerships for poverty reduction.</td>
<td>- <em>European Consensus</em> integrated political and trade into unified development vision.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Aid for trade increased rapidly.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- DCI adopted in 2006 promotes more strategic relationship with Parliament.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Member States and Commission engaged in discussion of Division of Labour.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Community promoted untying with Member States and elsewhere on reciprocal basis.</td>
</tr>
<tr>
<td>Sustainability of poverty reduction</td>
<td>Promote the sustainability of poverty reduction. Bring ODA allocations into better alignment with the principal aims of poverty reduction. Deepen the dialogue with partner countries. Elaborate implementation strategies. Pursue support for transition from humanitarian assistance to reconstruction and rehabilitation.</td>
<td>- <em>European Consensus</em> fosters resource allocation criteria based on needs and performance and includes MDG agenda.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Partnership approach strengthened for all key geographic areas. In ACP, 10th EDF uses approach to deepen dialogue and ownership based on results. In Latin America, allocations based on need criteria.</td>
</tr>
<tr>
<td>Policy coherence</td>
<td>Improve policy coherence for development (PCD) and its institutional framework. Review the coherence of internal policies. Propose initiative to Member States. Make full use of policy coherence mechanisms (CSP, Interservice Quality Support Group, Evaluation Unit, Court of Auditors).</td>
<td>- 2005 Communication on PCD.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Establishment of a unit in DEV.</td>
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<tr>
<td></td>
<td></td>
<td>- PCD rolling work programme now serves as common vision for Member States and the Community.</td>
</tr>
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<td></td>
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<td>- 12 priority areas.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Biennial PCD progress report.</td>
</tr>
<tr>
<td>Results and aid effectiveness</td>
<td>Strengthen the focus on results and aid effectiveness. Clarify responsibilities within the RELEX family. Simplify procedures further. Strengthen capacity for impact assessment. Develop a strategic role in evaluation. Undertake evaluation studies in targeted strategic areas.</td>
<td>- <em>European Consensus</em> requires common use of results and performance indicators.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Three evaluation tools are final: logic diagrams, context indicators, socio analysis.</td>
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<tr>
<td></td>
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<td>- Evaluation website revamped.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Commission dev. architecture improved.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Emphasis on results at sector and global level, as well as harmonisation of methods.</td>
</tr>
<tr>
<td>Implementation and country ownership</td>
<td>Improve the implantation of the aid programme with a view to enhancing country ownership. Enhance country ownership. Delegate further authority to the field under clear guidance. Provide more development personnel to country offices. Personnel management for development staff.</td>
<td>- <em>European Consensus</em> makes ownership a central issue.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- New devolution to delegations completed by 2004, including 1 500 additional posts.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Significant improvement in financial management, contracting and processing of Commission paperwork.</td>
</tr>
</tbody>
</table>
# Annex B

OECD/DAC Standard Suite of Tables

## Table B.1. Total financial flows

USD million at current prices and exchange rates

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Net disbursements</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total official flows</strong></td>
<td>2 969</td>
<td>5 190</td>
<td>6 293</td>
<td>6 332</td>
<td>8 319</td>
<td>10 559</td>
<td>10 985</td>
</tr>
<tr>
<td>Official development assistance</td>
<td>2 777</td>
<td>5 111</td>
<td>5 961</td>
<td>5 448</td>
<td>7 173</td>
<td>8 704</td>
<td>9 390</td>
</tr>
<tr>
<td>Bilateral</td>
<td>2 546</td>
<td>4 527</td>
<td>5 517</td>
<td>5 150</td>
<td>6 445</td>
<td>8 068</td>
<td>8 687</td>
</tr>
<tr>
<td>Multilateral</td>
<td>231</td>
<td>584</td>
<td>444</td>
<td>298</td>
<td>728</td>
<td>636</td>
<td>703</td>
</tr>
<tr>
<td>Other official flows</td>
<td>193</td>
<td>79</td>
<td>331</td>
<td>883</td>
<td>1 146</td>
<td>1 856</td>
<td>1 595</td>
</tr>
<tr>
<td>Bilateral</td>
<td>193</td>
<td>79</td>
<td>331</td>
<td>883</td>
<td>1 146</td>
<td>1 856</td>
<td>1 595</td>
</tr>
<tr>
<td>Multilateral</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Grants by NGOs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Private flows at market terms</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bilateral: of which</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Direct investment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Export credits</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Multilateral</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total flows</strong></td>
<td>2 969</td>
<td>5 190</td>
<td>6 293</td>
<td>6 332</td>
<td>8 319</td>
<td>10 559</td>
<td>10 985</td>
</tr>
</tbody>
</table>

for reference:

| ODA (at constant 2004 USD million) | 4 129 | 6 032 | 8 801 | 7 458 | 8 034 | 8 704 | 9 224 |

a. To countries eligible for ODA.

## ODA net disbursements

At constant 2004 prices and exchange rates and as a share of GNI
Table B.2. ODA by main categories

<table>
<thead>
<tr>
<th>Disbursements</th>
<th>Constant 2004 USD million</th>
<th>Per cent share of gross disbursements</th>
<th>Total DAC 2005%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Bilateral ODA</td>
<td>8 723</td>
<td>7 521</td>
<td>7 465</td>
</tr>
<tr>
<td>EC</td>
<td>7 101</td>
<td>6 984</td>
<td>6 940</td>
</tr>
<tr>
<td>Technical co-operation</td>
<td>5 033</td>
<td>5 346</td>
<td>4 818</td>
</tr>
<tr>
<td>Project and programme aid</td>
<td>264</td>
<td>263</td>
<td>452</td>
</tr>
<tr>
<td>Developmental food aid</td>
<td>517</td>
<td>435</td>
<td>355</td>
</tr>
<tr>
<td>Humanitarian aid</td>
<td>777</td>
<td>698</td>
<td>774</td>
</tr>
<tr>
<td>Action relating to debt</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Administrative costs</td>
<td>206</td>
<td>110</td>
<td>514</td>
</tr>
<tr>
<td>Other grants</td>
<td>304</td>
<td>132</td>
<td>27</td>
</tr>
<tr>
<td>Non-grant bilateral ODA</td>
<td>1 622</td>
<td>537</td>
<td>524</td>
</tr>
<tr>
<td>New development lending</td>
<td>1 622</td>
<td>537</td>
<td>524</td>
</tr>
<tr>
<td>Debt rescheduling</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Acquisition of equity and other</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gross Multilateral ODA</td>
<td>656</td>
<td>408</td>
<td>815</td>
</tr>
<tr>
<td>UN agencies</td>
<td>193</td>
<td>176</td>
<td>167</td>
</tr>
<tr>
<td>EC</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>World Bank group</td>
<td>463</td>
<td>232</td>
<td>304</td>
</tr>
<tr>
<td>Regional development banks (a)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other multilateral</td>
<td>-</td>
<td>345</td>
<td>53</td>
</tr>
<tr>
<td>Total gross ODA</td>
<td>9 379</td>
<td>7 929</td>
<td>8 280</td>
</tr>
<tr>
<td>Repayments and debt cancellation</td>
<td>- 577</td>
<td>- 471</td>
<td>- 246</td>
</tr>
<tr>
<td>Total net ODA</td>
<td>8 801</td>
<td>7 458</td>
<td>8 034</td>
</tr>
</tbody>
</table>

For reference:

a. Excluding EBRD.
b. ODA grants and loans in associated financing packages.

ODA flows to multilateral agencies, 2005

- UN agencies
- EC
- World Bank group
- Regional dev. banks
- Other multilateral

Contributions to UN Agencies (2004-05 Average)

- WHO 8%
- FAO 1%
- WFP 48%
- UNRWA 21%
- UNDP 22%
- AsDB Group 100%
Table B.3. Bilateral ODA allocable by region and income group

<table>
<thead>
<tr>
<th>Region</th>
<th>Constant 2004 USD million</th>
<th>Per cent share</th>
<th>Total DAC 2005%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Africa</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>3 607</td>
<td>3 225</td>
<td>3 452</td>
</tr>
<tr>
<td>North Africa</td>
<td>880</td>
<td>562</td>
<td>530</td>
</tr>
<tr>
<td><strong>Asia</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South and Central Asia</td>
<td>940</td>
<td>1 011</td>
<td>987</td>
</tr>
<tr>
<td>Far East</td>
<td>564</td>
<td>615</td>
<td>585</td>
</tr>
<tr>
<td><strong>North America</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>South America</strong></td>
<td>493</td>
<td>165</td>
<td>254</td>
</tr>
<tr>
<td><strong>Middle East</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oceania</td>
<td>92</td>
<td>45</td>
<td>48</td>
</tr>
<tr>
<td>Europe</td>
<td>1 875</td>
<td>1 448</td>
<td>862</td>
</tr>
<tr>
<td><strong>Total bilateral allocable by region</strong></td>
<td>7 747</td>
<td>6 689</td>
<td>6 512</td>
</tr>
<tr>
<td>Least developed</td>
<td>2 335</td>
<td>2 445</td>
<td>2 621</td>
</tr>
<tr>
<td>Other low-income</td>
<td>862</td>
<td>705</td>
<td>568</td>
</tr>
<tr>
<td>Lower middle-income</td>
<td>3 286</td>
<td>2 522</td>
<td>2 141</td>
</tr>
<tr>
<td>Upper middle-income</td>
<td>795</td>
<td>592</td>
<td>553</td>
</tr>
<tr>
<td>More advanced developing countries</td>
<td>197</td>
<td>93</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total bilateral allocable by income</strong></td>
<td>7 475</td>
<td>6 357</td>
<td>5 883</td>
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<tr>
<td>For reference:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total bilateral</td>
<td>8 723</td>
<td>7 521</td>
<td>7 465</td>
</tr>
<tr>
<td>of which: Unallocated by region</td>
<td>880</td>
<td>562</td>
<td>530</td>
</tr>
<tr>
<td>of which: Unallocated by income</td>
<td>1 248</td>
<td>1 164</td>
<td>1 582</td>
</tr>
</tbody>
</table>

1. Each region includes regional amounts which cannot be allocated by sub-region. The sum of the sub-regional amounts may therefore fall short of the regional total.
Table B.4. Main recipients of bilateral ODA

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current</td>
<td>Constant</td>
<td>Per cent</td>
</tr>
<tr>
<td></td>
<td>USD million</td>
<td>2004 USD mn.</td>
<td>DAC countries' median</td>
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<tr>
<td>Morocco</td>
<td>153</td>
<td>185</td>
<td>4</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>134</td>
<td>162</td>
<td>3</td>
</tr>
<tr>
<td>Egypt</td>
<td>127</td>
<td>151</td>
<td>3</td>
</tr>
<tr>
<td>Sts Ex-Yugoslavia unsp.</td>
<td>117</td>
<td>147</td>
<td>3</td>
</tr>
<tr>
<td>Côte d'Ivoire</td>
<td>102</td>
<td>124</td>
<td>3</td>
</tr>
<tr>
<td><strong>Top 5 recipients</strong></td>
<td><strong>633</strong></td>
<td><strong>769</strong></td>
<td><strong>16</strong></td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>90</td>
<td>108</td>
<td>2</td>
</tr>
<tr>
<td>Cameroon</td>
<td>87</td>
<td>105</td>
<td>2</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>87</td>
<td>104</td>
<td>2</td>
</tr>
<tr>
<td>Uganda</td>
<td>87</td>
<td>100</td>
<td>2</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>84</td>
<td>97</td>
<td>2</td>
</tr>
<tr>
<td><strong>Top 10 recipients</strong></td>
<td><strong>1 068</strong></td>
<td><strong>1 284</strong></td>
<td><strong>27</strong></td>
</tr>
<tr>
<td>Palestinian Adm. Areas</td>
<td>82</td>
<td>98</td>
<td>2</td>
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<tr>
<td>Tanzania</td>
<td>78</td>
<td>93</td>
<td>2</td>
</tr>
<tr>
<td>Senegal</td>
<td>76</td>
<td>90</td>
<td>2</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>76</td>
<td>84</td>
<td>2</td>
</tr>
<tr>
<td>Mali</td>
<td>70</td>
<td>81</td>
<td>2</td>
</tr>
<tr>
<td><strong>Top 15 recipients</strong></td>
<td><strong>1 449</strong></td>
<td><strong>1 730</strong></td>
<td><strong>37</strong></td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>66</td>
<td>81</td>
<td>2</td>
</tr>
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<td>South Africa</td>
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<td>77</td>
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<td>Zambia</td>
<td>64</td>
<td>75</td>
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<td>Angola</td>
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<td>75</td>
<td>2</td>
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<td>Burkina Faso</td>
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<td>73</td>
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<td><strong>Top 20 recipients</strong></td>
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<td><strong>2 111</strong></td>
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<td><strong>Total (160 recipients)</strong></td>
<td><strong>3 943</strong></td>
<td><strong>4 675</strong></td>
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<tr>
<td>Unallocated</td>
<td>777</td>
<td>897</td>
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<td><strong>Total bilateral gross</strong></td>
<td><strong>4 720</strong></td>
<td><strong>5 572</strong></td>
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Table B.5. Bilateral ODA by major purposes
at current prices and exchange rates

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<td></td>
<td>USD million</td>
<td>Per cent</td>
<td>USD million</td>
<td>Per cent</td>
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<tr>
<td>Social infrastructure &amp; services</td>
<td>497</td>
<td>27</td>
<td>1 824</td>
<td>26</td>
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<tr>
<td>Education</td>
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<td>392</td>
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<tr>
<td>of which: basic education</td>
<td>19</td>
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<td>Health</td>
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<td>4</td>
<td>295</td>
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<tr>
<td>of which: basic health</td>
<td>50</td>
<td>3</td>
<td>167</td>
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<tr>
<td>Population &amp; reproductive health</td>
<td>35</td>
<td>2</td>
<td>41</td>
<td>1</td>
</tr>
<tr>
<td>Water supply &amp; sanitation</td>
<td>41</td>
<td>2</td>
<td>228</td>
<td>3</td>
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<tr>
<td>Government &amp; civil society</td>
<td>34</td>
<td>2</td>
<td>641</td>
<td>9</td>
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<tr>
<td>Other social infrastructure &amp; services</td>
<td>283</td>
<td>15</td>
<td>228</td>
<td>3</td>
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<tr>
<td>Economic infrastructure &amp; services</td>
<td>316</td>
<td>17</td>
<td>1 171</td>
<td>17</td>
</tr>
<tr>
<td>Transport &amp; storage</td>
<td>267</td>
<td>14</td>
<td>549</td>
<td>8</td>
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<td>Communications</td>
<td>9</td>
<td>0</td>
<td>131</td>
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<td>Energy</td>
<td>28</td>
<td>1</td>
<td>281</td>
<td>4</td>
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<td>Banking &amp; financial services</td>
<td>5</td>
<td>0</td>
<td>103</td>
<td>1</td>
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<td>Business &amp; other services</td>
<td>7</td>
<td>0</td>
<td>108</td>
<td>2</td>
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<tr>
<td>Production sectors</td>
<td>325</td>
<td>17</td>
<td>622</td>
<td>9</td>
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<tr>
<td>Agriculture, forestry &amp; fishing</td>
<td>139</td>
<td>7</td>
<td>416</td>
<td>6</td>
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<tr>
<td>Industry, mining &amp; construction</td>
<td>120</td>
<td>6</td>
<td>164</td>
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<tr>
<td>Trade &amp; tourism</td>
<td>65</td>
<td>3</td>
<td>42</td>
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<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Multisector</td>
<td>130</td>
<td>7</td>
<td>632</td>
<td>9</td>
</tr>
<tr>
<td>Commodity and programme aid</td>
<td>534</td>
<td>28</td>
<td>1 495</td>
<td>22</td>
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<tr>
<td>Action relating to debt</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Humanitarian aid</td>
<td>74</td>
<td>4</td>
<td>903</td>
<td>13</td>
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<tr>
<td>Administrative costs of donors</td>
<td>-</td>
<td>-</td>
<td>184</td>
<td>3</td>
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<tr>
<td>Core support to NGOs</td>
<td>0</td>
<td>0</td>
<td>96</td>
<td>1</td>
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<tr>
<td>Refugees in donor countries</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Total bilateral allocable</td>
<td>1 876</td>
<td>100</td>
<td>6 927</td>
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For reference:

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</thead>
<tbody>
<tr>
<td>Total bilateral</td>
<td>6 740</td>
<td>88</td>
<td>7 226</td>
<td>86</td>
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<tr>
<td>of which: Unallocated</td>
<td>4 865</td>
<td>64</td>
<td>300</td>
<td>4</td>
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<tr>
<td>Total multilateral</td>
<td>902</td>
<td>12</td>
<td>1 145</td>
<td>14</td>
</tr>
<tr>
<td>Total ODA</td>
<td>7 642</td>
<td>100</td>
<td>8 371</td>
<td>100</td>
</tr>
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</table>

Allocable bilateral ODA by major purposes, 2004-05

<table>
<thead>
<tr>
<th>Category</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social infrastructure &amp; services</td>
<td>34</td>
</tr>
<tr>
<td>Economic infrastructure &amp; services</td>
<td>15</td>
</tr>
<tr>
<td>Production sectors</td>
<td>7</td>
</tr>
<tr>
<td>Multisector</td>
<td>7</td>
</tr>
<tr>
<td>Commodity and programme aid</td>
<td>13</td>
</tr>
<tr>
<td>Action relating to debt</td>
<td>3</td>
</tr>
<tr>
<td>Humanitarian aid</td>
<td>11</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
</tr>
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</table>
## Table B.6. Comparative aid performance

### Net disbursements

<table>
<thead>
<tr>
<th>Official development assistance (commitments)</th>
<th>Share of multilateral aid (commitments)</th>
<th>ODA to LDCs Bilateral and through multilateral agencies (commitments)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2005 USD million</strong></td>
<td><strong>2005 % of GNI</strong></td>
<td><strong>2005 % of ODA</strong></td>
</tr>
<tr>
<td></td>
<td><strong>2005 % of GNI</strong></td>
<td><strong>2005 % of ODA</strong></td>
</tr>
<tr>
<td><strong>99-2000 to 04-05</strong></td>
<td><strong>% change in real terms</strong></td>
<td><strong>% change in real terms</strong></td>
</tr>
<tr>
<td><strong>Ave. annual</strong></td>
<td><strong>b</strong></td>
<td><strong>c</strong></td>
</tr>
</tbody>
</table>

### Data

- **Australia**: 1 680 USD million, 0.25% of GNI, 1.9% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 100.0% Ave. annual 2005, 13.8% change in 2005, 0.03% of ODA, 0.06% of GNI.
- **Austria**: 1 573 USD million, 0.52% of GNI, 12.1% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 100.0% Ave. annual 2005, 21.7% change in 2005, 7.7% of ODA, 0.11% of GNI.
- **Belgium**: 1 963 USD million, 0.53% of GNI, 9.4% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 99.7% Ave. annual 2005, 33.4% change in 2005, 14.6% of ODA, 0.18% of GNI.
- **Canada**: 3 756 USD million, 0.34% of GNI, 6.6% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 100.0% Ave. annual 2005, 24.6% change in 2005, 0.08% of ODA, 0.08% of GNI.
- **Denmark**: 2 109 USD million, 0.81% of GNI, -2.6% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 100.0% Ave. annual 2005, 35.6% change in 2005, 7.7% of ODA, 0.11% of GNI.
- **Finland**: 902 USD million, 0.46% of GNI, 8.4% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 100.0% Ave. annual 2005, 33.8% change in 2005, 0.18% of ODA, 0.08% of GNI.
- **France**: 10 026 USD million, 0.47% of GNI, 7.0% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 100.0% Ave. annual 2005, 27.8% change in 2005, 0.16% of ODA, 0.08% of GNI.
- **Germany**: 10 082 USD million, 0.36% of GNI, -2.6% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 100.0% Ave. annual 2005, 35.6% change in 2005, 26.4% of ODA, 0.08% of GNI.
- **Greece**: 384 USD million, 0.17% of GNI, 2.7% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 100.0% Ave. annual 2005, 46.3% change in 2005, 0.08% of ODA, 0.04% of GNI.
- **Ireland**: 719 USD million, 0.42% of GNI, 12.9% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 100.0% Ave. annual 2005, 32.9% change in 2005, 17.4% of ODA, 0.14% of GNI.
- **Italy**: 5 091 USD million, 0.29% of GNI, 10.6% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 95.5% Ave. annual 2005, 55.4% change in 2005, 30.6% of ODA, 0.16% of GNI.
- **Japan**: 13 147 USD million, 0.28% of GNI, -1.9% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 87.5% Ave. annual 2005, 20.8% change in 2005, 0.06% of ODA, 0.05% of GNI.
- **Luxembourg**: 256 USD million, 0.82% of GNI, 7.7% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 100.0% Ave. annual 2005, 27.1% change in 2005, 17.4% of ODA, 0.22% of GNI.
- **Netherlands**: 5 115 USD million, 0.82% of GNI, 0.4% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 100.0% Ave. annual 2005, 28.0% change in 2005, 19.6% of ODA, 0.23% of GNI.
- **New Zealand**: 274 USD million, 0.27% of GNI, 4.4% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 100.0% Ave. annual 2005, 18.2% change in 2005, 0.05% of ODA, 0.05% of GNI.
- **Norway**: 2 786 USD million, 0.94% of GNI, 4.7% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 100.0% Ave. annual 2005, 27.0% change in 2005, 0.25% of ODA, 0.35% of GNI.
- **Portugal**: 377 USD million, 0.21% of GNI, 12.0% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 96.7% Ave. annual 2005, 42.1% change in 2005, 8.3% of ODA, 0.09% of GNI.
- **Spain**: 3 018 USD million, 0.27% of GNI, 6.9% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 97.9% Ave. annual 2005, 38.3% change in 2005, 12.3% of ODA, 0.10% of GNI.
- **Sweden**: 3 362 USD million, 0.94% of GNI, 6.8% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 100.0% Ave. annual 2005, 32.9% change in 2005, 27.0% of ODA, 0.31% of GNI.
- **Switzerland**: 1 767 USD million, 0.44% of GNI, 5.7% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 100.0% Ave. annual 2005, 20.8% change in 2005, 0.09% of ODA, 0.09% of GNI.
- **United Kingdom**: 10 767 USD million, 0.47% of GNI, 12.3% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 100.0% Ave. annual 2005, 24.2% change in 2005, 12.8% of ODA, 0.11% of GNI.
- **United States**: 27 622 USD million, 0.22% of GNI, 17.2% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 100.0% Ave. annual 2005, 8.5% change in 2005, 0.02% of ODA, 0.05% of GNI.

**Total DAC**: 106 777 USD million, 0.33% of GNI, 7.2% of ODA to LDCs of ODA 99-2000 to 04-05 (commitments), 97.1% Ave. annual 2005, 23.1% change in 2005, 14.4% of ODA, 0.08% of GNI.

**Memo**: Average country effort 0.47

### Notes

a. Excluding debt reorganisation.

b. Including EC.
c. Excluding EC.

d. Data not available.
Graph B.1. Net ODA from DAC countries in 2005

<table>
<thead>
<tr>
<th>Country</th>
<th>Per cent of GNI</th>
<th>USD billion</th>
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<tbody>
<tr>
<td>Sweden</td>
<td>0.94</td>
<td>106.78</td>
</tr>
<tr>
<td>Norway</td>
<td>0.94</td>
<td>27.52</td>
</tr>
<tr>
<td>Netherlands</td>
<td>0.82</td>
<td>10.77</td>
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<tr>
<td>Luxembourg</td>
<td>0.82</td>
<td>5.11</td>
</tr>
<tr>
<td>Denmark</td>
<td>0.81</td>
<td>5.09</td>
</tr>
<tr>
<td>Belgium</td>
<td>0.53</td>
<td>3.76</td>
</tr>
<tr>
<td>Austria</td>
<td>0.52</td>
<td>3.36</td>
</tr>
<tr>
<td>France</td>
<td>0.47</td>
<td>1.90</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0.44</td>
<td>1.40</td>
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<tr>
<td>Finland</td>
<td>0.46</td>
<td>0.90</td>
</tr>
<tr>
<td>Switzerland</td>
<td>0.46</td>
<td>0.80</td>
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<tr>
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<td>Germany</td>
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<td>Spain</td>
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<td>Greece</td>
<td>0.17</td>
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<tr>
<td>Total DAC</td>
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<td>Total DAC</td>
</tr>
</tbody>
</table>

Average country effort 0.47%
UN target 0.70%
Annex C

Benin Field Visit Report

As part of the review of the European Community aid programme, a DAC team consisting of representatives of the United States, Australia and the OECD Secretariat visited Benin from 11-15 December 2006. The team met with EC development co-operation officials in Benin, representatives of the Benin government and civil society and officials from bilateral and multilateral aid agencies. Discussions were held in Cotonou and during a field visit to Ouidah and Lokossa in the west of the country.

Introduction to Benin

Country profile

The Republic of Benin is a small (115,762 km², estimated population 6.8 million) country bordered by Nigeria, Togo, Burkina Faso and Niger. Benin ranks at number 162 out of 177 in the United Nations Development Programme’s Human Development Index 2005. It has an open economy, but has limited natural resources and is dependent on external resources. The economy is based on subsistence agriculture, cotton production and regional trade. Real output growth fell from 5% in the period 2000-03 to 3.5% in 2004-05 and any potential national income gains are offset by a high population growth rate of over 3%. Gross domestic product (GDP) is low at EUR 445 per head and almost a third (29%) of the population live below the poverty line.

This former French colony achieved independence in 1960 and a secession of military governments ended in 1972 with the establishment of a Marxist-Leninist government led by Mathieu Kerekou. In 1991 the country became a constitutional multi-party democracy with the president being both Head of State and Head of Government. Presidential elections are held every five years. Benin’s liberal democracy, although fragile, is considered a successful model in the region for its relative longevity. It is a country where, despite some significant problems such as endemic corruption, there is an active civil society, free press and general respect for human rights. On 19 March 2006 an independent candidate, the former banker and head of the West African Development Bank, Yayi Boni, was elected president. The Boni government marked a significant move away from the “old guard” of national politicians, with the new president and his ministers being technocrats, with no previous government experience.

Government planning

The previous government of Benin had produced a government action plan (GAP) covering 2000-2006 which set out the strategic aims of the administration. The new government is following

33. George Carner, US Representative to the DAC; Peter Waddell-Wood, Australian Representative to the DAC; James Hradsky, Senior Analyst, DCD, OECD; Neil Patrick, Analyst, DCD, OECD.

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this with a National Development Plan (NDP) which will replace the GAP and run from 2006-2010. Building on the GAP/NDP, Benin has produced two Poverty Reduction Strategies (Document de Stratégie de Croissance et de Réduction de la Pauvreté - DSCRPs) that provide a stronger poverty focus than the GAP/NDP and that elaborate strategies that the government and development partners use as the main reference point for focusing development activities. The first DSCRPs covered the period 2003-2005 and a DSCRIP II is in progress which will run from 2007-2009, and should be available in April 2007. The DSCRIP II incorporates the Millennium Development Goals and has a number of headline objectives: accelerating growth; developing infrastructure; reinforcing human capital; promoting good governance; and ensuring balanced and sustainable development.

**European Commission presence in Benin**

*The Cotonou Agreement and the ACP States*

The “Cotonou Agreement” provides a framework for the European Commission’s development activities in 77 countries in the African, Caribbean and Pacific (ACP) region, including Benin. The agreement runs from March 2000 to February 2020, and is updated every five years. It is based on five inter-dependent pillars: a comprehensive political dimension; increasing participation; a strengthened focus on poverty reduction; new economic and trade partnerships; and a reform of financial co-operation.

The ACP objectives are implemented through the European Development Fund (EDF) financed by voluntary contributions from the European Union Member States. The 9th EDF (EUR 13.5 billion) runs from 2000-2007 and the 10th EDF will run from 2008-2013. Each country is allocated a lump sum, from which a range of different types of operations can be financed. For Benin, EUR 303 million was allocated over the six-year period 2002-2007 (revised up to EUR 299 million in 2004) and a similar, but slightly larger amount is envisaged for 2008-2013. These figures do not include funding from regional programmes, some thematic budget lines and projects funded from the water and energy facilities.

*The Delegation in Cotonou*

In 2004 (the most recent date for which data is available) Benin received USD 378 million in total net Official Development Aid (ODA) during the year. The European Commission provided USD 88.7 million (23% of Benin’s total ODA), and overall European Union funding (i.e. the European Commission plus the bilateral funds of the European Member States present in Benin (France, Germany, Denmark, the Netherlands and Belgium) was USD 243.9 million (65% of the total).

The Community’s development programme in Benin has been devolved from headquarters to the country level. Strategy and programming are a joint effort between headquarters and the delegation with Brussels having the final say, while implementation has been devolved to the delegation at the field level. The delegation has a staff of 38 consisting of nine Commission officials, five contractual agents, one young expert and 23 local professional and support staff. However, it is worth noting that the total number of staff involved in the Community’s aid effort in Benin also includes a small number of staff based in Brussels; a sizeable number of people based in the “EDF Cell” in Benin (see below for more detail) and a number of technical assistants who are placed in the various line ministries.
Strategy and programming

The Country Strategy Paper

EDF spending is implemented through Country Strategy Papers (CSP) and National Indicative Programmes (NIPs). The CSP/NIPs run for the same time period as the EDFs – i.e. the current CSP for Benin runs from 2002-2007 and the next CSP which will run from 2008-2013 is being finalised. The CSP provides the strategic framework for the EC’s involvement in the country, analysing needs and setting out the rationale for intervention. It sets overall objectives and outlines the areas and sectors of intervention, listing the various activities and the specific objectives for each sector. The CSP is the combination of work by the Directorate-General for Development in Brussels and the delegation in Benin and is agreed across the various Directorate-Generals at headquarters. The NIP is a shorter, focused document without analysis or background and which lists the sectors of intervention and the activities foreseen and attaches financial sums to them.

CSP 2002-2007 totalling EUR 299 million over the six-year period was agreed with the government and sets out a number of overall strategic objectives. These are: macro-economic support focused on poverty reduction (26%); sector support (road transport (49%) and health (13%); and institutional capacity building particularly focused on financial administration and justice (12%).

CSP 2008-13 will focus on: macro-economic budget support; governance and local development; infrastructure and regional integration; and cross-cutting issues including social cohesion, the environment and support to civil society. The CSP sets out clear links with the Benin Government’s Poverty Reduction Strategy (DSRP II), aligning its objectives with those outlined by the government. There is a great deal of synergy between the two, although some differences in emphasis due to the CSP focusing on a number of key areas, rather than all areas. In the sectors that it has prioritised, the EC does aim to align its specific activities with those of the government.

The main changes between the two CSPs are: i) withdrawing from the health sector at the national level; and ii) increasing use of Budget Support. The former is explained partly by an increasing number of other donors involved in health and a reduced Community comparative advantage in this sector. Some continued support to health at the local level is planned through the local development programme and through general budget support. Budget support is expected to increase from its current level of 40% of total Community spending up to 60%. Half of this will be general budget support and the other half will be sector budget support.

The reduced activity in the health sector appears well-founded. Health is a strongly supported sector with many other donors involved. The Community’s previous comparative advantage has been reduced and it appears sensible to focus on other areas where its presence is stronger. Regarding budget support, the Community has a mix of general and sector budget support complemented by projects and uses a balance of fixed and variable tranches. Increasing Budget Support is a Commission-wide strategic objective and is justified partly as a means to increase partner-country ownership and alignment. It is also partly politically-driven to support the new government and may also help to avoid burdensome administrative procedures in order to increase slow commitment figures. Benin suffers from wide-spread and high levels of corruption; as budget support may be more susceptible to misuse than other forms of aid it must be properly tracked and monitored and proper checks and balances applied.

Although the CSP does set out the greater part of Community support to Benin, there are times when sizeable flexibility in terms of new interventions may be required. For example, the delegation and the European Member States were keen to stress the pivotal role that the Community played in
ensuring that the 2006 elections went ahead. The previous government was threatening to cancel the elections due to lack of funds. The Community provided EUR 5 million (roughly 70% of the total cost) to enable the elections to take place. This seems to be an exceptional case, but it is important that the Community’s timely strategy maintains a balance between predictability and adaptability. This will also be the case as the DSCRPs develop. At present the CSP 2008-2013 will, and should, be aligned with the DSCRPs 2007-2009, but will have to be flexible enough to manage any changes beyond 2009 when a third DSCRPs will be produced.

The current CSP does not include all funding mechanisms. Some budget lines remain outside the country plan and are managed from Brussels. These include thematic (for example the Energy and Water Facilities), regional and NGO co-financing budget lines and account for roughly 5-10% of the Community’s spending in Benin. The delegation can comment on proposals funded out of these budget lines, and is responsible for managing most of these projects. But taking the decision-making away from the delegation may lead to less alignment of the programme with the Poverty Reduction Strategy Paper, a less strategically focused portfolio and ultimately diluted impact. It also adds to confusion about Community engagement in Benin for the delegation’s partners and may entail additional work for the delegation. The CSP 2008-2013 should include all Community funding mechanisms delivered in Benin to ensure overall coherence and consistency within the strategy. It should reflect in the one document the full extent of Community engagement with Benin.

**Co-ordination amongst donors**

The European Commission in Benin appears strongly committed to co-ordination with the government and other donors. The relatively small size of Cotonou and the donor community facilitates inter-action and the delegation is highly active in co-ordination groups, including leading in a number of sectors/areas. The European Union Member States present in Benin also appear to be a fairly tightly knit group that generally appreciate the role of the delegation. Despite donor efforts, the government has been slow to take up the lead role, though there are recent signs that Ministry of Finance plans to play a more active role. Government leadership needs to be asserted.

The Peer Review team was also interested in looking at the “added-value role of the European Commission – i.e. what extra the Commission brought to Benin that individual Member States working bilaterally could not. The Commission does work in areas where it has a comparative advantage, notably in terms of its size and its role/networks in the international system. This applies to the areas of general budget support and infrastructure. Furthermore, as well as being a co-ordinator of European Member States, the Delegation plays a significant if understated political role. During the Peer Review team visit Germany was Acting President of the EU and therefore was the designated political voice of the EU locally, while the delegation appeared to play a supportive role in helping to formulate and adopt agreed EU positions. Also in 2006 as already noted, the European Commission was able to flexibly and relatively swiftly find a large sum of money to support the Benin election process, which otherwise may have not taken place. This is another example of Community “added-value”.

**Implementation and Aid Effectiveness**

**The “EDF Cell”**

The Cotonou Agreement sets out how the Community works with ACP partner countries. For example, it stipulates that all ACP countries must use a “National Authorising Officer” (*Ordonnateur National*) system which often relies on an EDF technical assistance cell to support recipient country co-leadership and help respect the details of Commission grant procedures. In Benin the EDF Cell is a
small group that looks very similar to a “project implementation unit” used by many donors. The EDF Cell is described by its staff as a “screening station” (une gare de triage) for overall Community development action in-country. The cell consists of 20, mainly local, staff (one expatriate technical assistant) housed in a self-sufficient office. They work to ensure that the proposed projects adhere to EC rules and procedures, are of consistent standards, and fit with government plans and activities. Following screening by cell staff, decisions are signed off by the National Authorising Officer who is based in the Ministry of Finance. Other donors in Benin generally work directly with line technical ministries in order to implement their activities and often boost the ministry capacity with technical assistants in order to address the extra demands of donor assistance.

The added-value of the EDF Cell is unclear, as is the division of labour between the delegation and the cell and this is sometimes duplication of effort between the two. Line ministries complain that the EDF Cell is trying to do too much without the required expertise and is encroaching on their own role. The Ministry of Finance is aware of this issue.

There is scope for assessing the usefulness of the EDF Cell and perhaps altering its size or terms of reference. The following suggestions were made: i) it could be smaller; ii) it could join forces with other donor units to deal with all donor projects; iii) the delegation could work directly through line ministries as many other donors do. The Cotonou Agreement requires an NAO to be established; their role is to decide the type of structure best adapted to aid implementation. This may be a form of EDF Cell or may be a different set-up. It is suggested that the Commission undertake some form of review of the numbers and types of these cells and their usefulness in order to propose a more efficient reform of the overall EDF implementation approach.

**Procedural issues**

During the visit, partners and local government consistently described working with the Commission as a “heavy” and administratively burdensome process with “slow” funding disbursements. EDF procedures are considered complicated and the process is perceived to be further slowed down by having to get time-consuming headquarters and Member State approval during various stages of the programme/project cycle. The forthcoming replacement of project-by-project approval by annual action plans should help. But EDF procedures could be further evaluated to identify and remove bottlenecks and to simplify procedures further. This will allow for more flexibility in adjusting line items, in response to field realities and implementing needs.

Commission partners all agree that devolution has improved implementation (e.g. quicker payments, reduced lead times on contract awards), although most are quick to add Brussels’ continuing involvement creates bottlenecks and delays. This can result in long lead times for design and approval of projects (e.g. one source cited a three-year delay from agreement to project start-up), slow disbursement and unspent funds at the end of the project. Further delegation of authority to the field level may help to speed up the process and should be explored. For example, once strategy is approved in Brussels, subsequent projects below a certain budget size could be designed and approved at the field level without headquarters involvement. In-country Member States could review new Commission projects locally instead of an all-Member States review in Brussels.

One challenge highlighted by the previous Peer Review was the worldwide slowness of Commission commitments and disbursements, particularly those of the EDF, which undermines the effectiveness of the use of its ODA. Delegation accounts suggest that this tendency still persists in Benin. Both indicators of these trends in Benin, the RAC (Reste à contracter or remaining commitments) and RAL (Reste à liquider, or outstanding disbursements) have tended to remain slow when compared to the size of the initial grants, although improvement on commitments has been made.
(80% of commitments for the 9th EDF are now completed). Some have suggested that this could be an inherent characteristic of the EDF approach to budgeting. EDF funds are made available to the country programme in one up front allocation, can be contracted for any point along the 5-6 year timeframe of the relevant EDF cycle and can be disbursed over several years after the end of the cycle. This does not lend itself to particularly rigorous year by year financial management and discipline. On the other hand, this approach to budgeting would appear to offer the advantage of considerable flexibility for the programmers, who then have only modest time pressures to complete project design and implementation. This seems to result often in large unspent funds toward the end of the EDF, leading to pressure to quickly spend the funds or unspent balances at the end.

The Paris Declaration

At headquarters level the EC is a keen proponent of the Paris Declaration on aid effectiveness and on 2 March 2006 adopted a comprehensive “EU Aid Effectiveness Package” clearly setting out how it would take forward its commitments. The prioritisation of aid effectiveness is replicated in Benin. Delegation staff has a good understanding of the aid effectiveness agenda and also view it as an area of comparative advantage for the Commission, as well as an important donor objective generally. The delegation has a pro-active staff member focusing on this issue, who leads the donor co-ordination group on aid effectiveness in Cotonou.

In Benin, the five Paris Declaration aid effectiveness pillars are at various stages of advancement. The delegation is a supporter of country ownership, although with only eight months in office, the new government appears to be still getting to grips with its role and has limited resources. As already stated, the country has had, and will continue to have, poverty reduction strategies (i.e. DSRP II). CSP 2002-2007 and CSP 2008-2013 both outline the main aims of the government’s strategies as they have evolved over the period, and the Commission does use the CSPs to try to ensure synergies between its work programme and the government objectives. This explicit backing can help to shore up government ownership.

Regarding alignment, in the limited time available we were not able to assess in any detail the robustness of the various country systems and procedures that are in place (e.g. procurement and public financial management). However the Community does endeavour to align, and to aid alignment. The delegation is increasing its budget support from 40% to more than 60% in CSP 2008-2013. Some of this will be sector budget support, which helps alignment. Another example is the delegation’s aim to help the government to improve public financial management. The delegation’s strategic aims (i.e. CSPs) also fit with the government’s main aims as outlined in the DSRP. Progress in macro-economic stability and support and in institutional capacity-building, are key goals. However, the Commission may want to look closely at its EDF Cell, as outlined above. As a quasi-parallel implementation structure, it could be considered a burden for the Benin government and may lead to inefficiency and the duplication of some activities.

Community aid to Benin is generally predictable as it is outlined in medium-term (five to six years) CSPs. The broader aims are clear, as are the sectors of intervention. There is flexibility but this is at the project level. Some aid is conditional, for example part of the Budget Support given is in variable tranches.

There are some attempts towards increased harmonisation in Benin. The delegation is exploring ways to work more closely with other donors, in particular through joint programming. In Cotonou, there is a well-developed set of donor co-ordination groups, although the leading role of government is weak. Some of the groups are at the broad, strategic level, such as regular Head of Delegation/Chief of Mission meetings, while others are based on themes or sectors. The delegation leads the co-ordination...
group on budget support. It is an active member of the groups (and is the lead co-ordinator on e.g. budget support) and the small size of the donor community and of Cotonou itself lends itself to relatively straight-forward co-ordination. The delegation is investigating the possibility of joint programming arrangements, perhaps in the areas of justice and governance and perhaps initially with other EU Member State partners. However, it is encountering difficulties, such as inflexible Commission rules and timetables; problems that must be overcome in order to press forward with this important initiative.

Like many donors, and as agreed in the Paris Declaration, Brussels (both the European Parliament and the European Commission) is increasing its system emphasis on results-based management. In field delegations like the one in Benin, this has led to a growing number of monitoring and results data collection tasks. Firstly, all projects are required to contract out both a midstream and final project evaluation. Secondly, Brussels operates a system known as results-orientated monitoring (ROM). Consultants are contracted to visit the country once every year (a ROM exercise is scheduled for April, 2007) to assess a list of projects according to a standardised methodology so that projects can be compared. The delegation also prepares an annual management plan (AMP) that includes objectives, outputs and indicators of all the delegate’s activities and that is reported on twice yearly (June and December). Headquarters is also interested in carrying out ex-post evaluations and EuropeAid has a service that conducts such evaluations on a periodic basis. These evaluations may be country-specific, theme or sector-specific. For example, in 2004 the EuropeAid evaluation service assessed development aid in Benin generally.

Despite the considerable amount of work already invested in monitoring and evaluating the activities of the delegation in Benin, the different efforts do not appear to be part of a coherent or integrated system of results-based monitoring. Moreover, there appears to be little way of consolidating and using this information in order to facilitate system or lesson learning generally. A topic of interest for the Peer Review visit to Brussels will be how to better assemble one integrated results-based system that services the specific needs of headquarters while imposing the minimum management burden on the local delegation.

**Working with civil society**

In poor countries civil society groups are essential partners of donor action. In Benin there is an active set of civil society groups and the free-speech environment of the country gives them space in which to operate. They are able to provide direct access to the particularly vulnerable and poor sections of the community. They can also be critical supporters of issues such as decentralisation. This is becoming an increasingly important topic in Benin, with authority being decentralised from the capital to the mayoral level, although not necessarily with sufficient financial resources. Civil society groups can also play a role in tackling issues such as corruption. Furthermore, in a country like Benin, which is rife with corruption, certain civil society groups can watch over the growing pool of budget support offered by donors and to counter misappropriation of funds.

The delegation is aware of and works with some parts of civil society – for example through project OSCAR, a dialogue with Civil Society on the programming of the 10th EDF. It should continue to deepen the work with civil society, for example when moving to increased levels of budget support. In this case the role of groups such as the anti-corruption group FONAC in keeping an eye on government budget allocation and execution could be a real asset and could complement to efforts

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34. Organisation de la Société Civile Appuyée et Renforcée.

35. Front des organisations nationales association de lutte contre la corruption.
to strengthen public financial management and accountability. When working with NGOs the EDF procedures seem to be unnecessarily burdensome (as for most partners), and the delegation and Brussels in general should consider ways to reduce the levels of bureaucracy, including the use of simplified grant instruments and perhaps allowing NGOs to use their own accounting practices that have been pre-certified.

**Debriefing**

At the end of the visit the Peer Review team made a short presentation and had a useful discussion with the delegation about the number of initial impressions and important issues to investigate further. The issues included:

- Overall Commission strategy in Benin.
- Complementarity and co-ordination with government and other donors.
- Aid instruments and in particular budget support; procedural reform, rules and regulations.
- The role of the National Authorising Officer and the EDF Cell.
- Measuring results.
- The role of non-governmental organisations.
Annex D

Pakistan Field Visit Report

As part of the review of the European Community development co-operation, a DAC team consisting of representatives of the United States, Australia and the OECD Secretariat visited Pakistan between 26 February and 2 March 2007. The team met with EC officials in Pakistan, representatives of the Pakistan government and civil society and officials from bilateral and multilateral aid agencies. Discussions were held in Islamabad and during a field visit to Muzafarabad. A previously scheduled field trip to Karachi was cancelled for reasons of security and logistical reasons.

Introduction to Pakistan

Country profile

Pakistan is the world’s 7th largest country with an estimated 160 million inhabitants and a population growth rate of 2.4% per year, the highest in South Asia. Pakistan is the world’s second largest Muslim nation after Indonesia. Poverty is pervasive in Pakistan. The United Nations Human Development Index ranked Pakistan 134th out of 177 countries in 2004. The World Bank showed a fairly robust GDP, with economic growth of 7.8% in 2005 although GDI per capita was only USD 690 in that same year. Nationwide, some 33% of the population lives below the national poverty line and one half of the population is illiterate, although regional variations are significant.

The EU External Relations public website currently describes Pakistan as being “located in a volatile region, troubled by instability in neighbouring Afghanistan and Kashmir and characterised by widespread incidence of illicit trade, including in drugs and arms. Pakistan conducted nuclear tests in May 1998 shortly following those carried out by India”. Indian-Pakistani relations have experienced many ups and downs and are currently improving. The country also has problems with neighbouring Iran, who has just begun construction of a 700 kilometre concrete wall along the border, ostensibly as a barrier to hostile fighters and illegal trade coming from Pakistan.

Domestically, the country’s political context has been unstable since independence in 1947. In 1999 General Pervez Musharraf appointed himself president following a military coup and in a 2002 referendum his mandate was extended to 2007. In its most recent Country Strategy Paper (CSP) the EC notes that Pakistan has the potential to develop into a moderate and democratic state but that this evolution has been undermined by military interference in political affairs. It foresees multiple future political challenges, including the completion of a transition to civilian government, the control of religious extremism and sectarian violence, the improvement of human rights and the construction of better relations with India and Afghanistan.

36. George Carner, US Representative to the DAC; Stephanie Corpus-Campbell, AusAid/Canberra; James Hradsky, Senior Analyst, DCD, OECD; Neil Patrick, Analyst, DCD, OECD; Barnaby Willits-King, Contract Humanitarian Advisor.
As a result of Pakistan’s nuclear tests and military coups its relations with the international community also have fluctuated, resulting sometimes in drastic reductions in aid levels. Since the 9/11 terrorist attack on New York and the fall of the Taliban in Afghanistan, Pakistan has emerged as an important political ally in the fight against terrorism and the international efforts to rebuild a democratic Afghanistan. This has resulted in a major scaling-up of aid to Pakistan and has influenced aid strategy and donor programming, including that of the Commission and EU members.

**Government planning**

Pakistani government strategy for poverty alleviation and macro-economic reform is outlined in a poverty reduction strategy paper (PRSP) that was finalised in 2004. The PRSP is built around four thematic actions: i) achieving broad-based economic growth; ii) improving governance and consolidated devolution of governance to the district level; iii) investing in human capital and delivery of basic social services; and iv) targeting the poor and vulnerable. The strategy also focuses on attainment of the Millennium Development Goals and forging government alliances with civil society and the private sector.

**European Commission presence in Pakistan**

**A recently renewed and more complex European presence**

European development assistance to Pakistan was stagnating around the beginning of the decade until an EU General Affairs Council decision in October 2001 (based on considerations for regional stability) gave new priority to political dialogue with Pakistan. In its decision, the Council noted that “above all, the EU has an interest in fostering peace and stability in South Asia”. This decision rapidly led to the signature of a Third Generation Co-operation Agreement between Pakistan and the European Community in November 2001, which, following an extended consultation process in the European Parliament entered into force in September 2004. Subsequently, the finalisation of a readmission agreement on repatriation of illegal migrants further delayed the structured dialogue process envisaged over five years ago. Both parties now expect to set up a Joint Commission in May 2007, which will establish sub-commissions in the Community focus areas of trade and development co-operation. Fundamental issues of regional security and combating terrorism will continue to be addressed as part of the political dialogue between an EU Troika and Pakistan. Finally, the EU has also noted its special interest in promoting regional action through the SAARC (South Asia Association for Regional Co-operation).

Despite the time required for the EU to operationalise its new interest in co-operation with Pakistan at the political level, the European Commission has been able to move forward with its planning for developmental programmes in Pakistan, several of which support broader EU priority concerns in the country (e.g. addressing the EU market access standards for Pakistani seafood exports or supporting the ECHO humanitarian response to the 2005 earthquake). In 2006, Brussels established its indicative country allocations for development in the Asia region for 2007-2010. Pakistan’s newly found strategic emphasis made it one of only four Asian countries to receive a substantial increase (+72%) over the 2002-2006 level. As noted below, this new direction is only in the earliest stages of programme implementation.
The delegation in Islamabad

The delegation of the European Commission in Islamabad was established in 1985. It grew in authority and size in 2003, with the worldwide devolution of Commission implementation to the field. The principal effect of that process was to add staff for financial and contract management, in large part to satisfy external public and political concerns about the satisfactory expenditure of taxpayer funds. Local partners agree that this new implementation role has brought important benefits in terms of improved Commission monitoring, more responsiveness and flexibility, greater financial accountability and transparency, and quicker payments. Since 2003 the delegation has closed out 38% of its outstanding commitments (RAL) and returned the funds to Brussels. The current level of RAL is close to zero, and the average delay before payment of vouchers is 22 days, well ahead of the EC standard requirement of 45 days.

At present the delegation (including one contractor for ECHO) has a staff of 44, composed of nine Commission career officials, four expatriate contractual agents, one young expert and 30 local professional and support staff. It was suggested locally that similar sized country programmes in the region would normally be staffed by many more people. The delegation has requested more professional staff (two contract agents, two local staff and another young expert) to carry out its new and more ambitious CSP. Staff are fully employed meeting the Commission’s numerous administrative and regulatory requirements. Few officials have time to make the field visits necessary to regularly monitor implementation at first hand.

Several local partners interviewed also noted their concern that appropriate numbers and the right mix of technical skills have not accompanied devolution and that this weakens the Commission’s capacity to implement an effective programme. This is in part due to the difficult conditions in Pakistan which deter staff from bidding on assignments there. At present the delegation has to rely extensively on short-term external technical assistance, sometimes for functions which could be handled more appropriately by core staff. Delegation management recognises that more field staff are essential to playing a more influential role in policy dialogue and a more proactive role in donor/EU Member State co-ordination which will be needed as the Commission scales-up to implement its more ambitious country strategy.

The Peer Review team noted the contrast with the delegation in Benin (visited in December 2006), where the focus is principally on development issues and where the delegation has a greater internal capacity to carry out its development mandate. Although the contexts of these two countries are clearly not comparable, the team hypothesised that part of this perceived difference may relate to the strong development mandate of the ACP countries (managed by DEV) and the more political, multiple objective perspective of the countries managed by RELEX.

Strategy and programming

The Country Strategy Paper (CSP)

As was pointed out to the Peer Review team during its visit to Brussels, Community development co-operation now works in a much more political environment where development is seen as an instrument of foreign policy which includes pursuing the MDGs. In this regard the Commission recognises the importance of Pakistan, both for Europe and the rest of the world. Its development presence in Pakistan therefore is evolving from a modest, project-orientated donor agency to an influential player in terms of aid volume and political engagement. Making this transition successfully and in a timely fashion will have significant implications for most aspects of the Commission’s operations in Pakistan, beyond scaled-up aid volume.
The current CSP (2002-2006) contains two key priorities: i) human development in the education sector, with emphasis on good governance and accountability in the provision of education services; and ii) trade development and promotion of business and institutional links. Other aspects of the delegation’s work in Pakistan that were less formally mainstreamed included eradication of child labour, support towards financial sector reform, and the promotion of democracy and human rights. Average funding over the timeframe was EUR 29 million per year.

In contrast, the 2007-2013 CSP now under approval is shaped around expectations of a larger EUR 50 million per year funding level, not including significant regional or thematic programmes outside the CSP. It proposes to pursue: i) expansion of the education and human resources priority of the previous CSP; and ii) rural development and natural resource management in the North West Frontier Provinces and Baluchistan, both adjacent to the Afghanistan border. Here too, attention also will be given to a wide range of non-focal areas, including: trade development and economic co-operation; democratisation and human rights; support to non-state actors and thematic budget lines; and governance and security.

At the broadest level of analysis, the Peer Review team found the CSP documentation provides a reasonable analysis of the opportunities and challenges facing Pakistan, and a logical focus for the next phase of assistance. However, the proposed interventions within the focal areas will require further prioritisation in relation to Pakistan’s own development agenda and the plans of other donors including EU Member States. As noted in the Benin field visit, CSP and non-CSP projects (e.g. regional, thematic) need to be both more strategically/closely integrated and results-orientated to achieve Commission development and political objectives. This increased emphasis on one local strategy would also give the delegation in Islamabad more authority over the shaping of the non-CSP actions to ensure greater strategic coherence and management simplicity. At the time of the Peer Review visit, 38 individually identifiable projects were still actively managed in the Pakistan portfolio, three-quarters of which were less than EUR 1 million in size and the majority of which were outside the two strategic priorities of the 2002-2006 CSP.

Similarly, in moving to implement this strategic framework, including the design of new programmes, the delegation needs to pursue wider and more meaningful consultation with government and other relevant partners. Most local partners interviewed voiced their desire for improved communication and information-sharing with the delegation. Although time consuming, this approach needs to be embraced by the delegation and will help foster ownership by the Pakistan government as well as improved co-ordination with its partners. Finally, the EC should ensure that key cross-cutting issues such as gender and HIV/AIDS are mainstreamed effectively across all its programmes.

Policy coherence and co-ordination amongst donors

The Commission/EU has a broad range of policy objectives in Pakistan that relate to development (e.g. trade, security, migration). It is difficult for the small number of primarily development specialists located in the Islamabad delegation to accord priority to all these actions and to foster policy coherence among them without clearer directives from Brussels on European priorities. As one official noted “The better Brussels is co-ordinated across these areas, the easier it will be for the delegation and Member States to pursue coherent policies in Pakistan”.

EU Member States in Pakistan, especially the major donors (UK, Netherlands, Germany), need to better harmonise their policies, positions and approaches to development. The delegation’s role in helping to co-ordinate EU Member States’ development policy and practice is not yet very strong for a number of reasons. The delegation needs to develop the capacity and credibility to begin playing this role proactively and effectively. One possibility, consistent with the current division of labour debate
in Brussels and worth exploring locally, could be for the delegation to serve as a technical secretariat for the rotating EU Presidency, thereby fostering a more consistent and longer-term European approach.

EU donors and the Commission should step up their efforts to rationalise their local division of labour and to use common strategy and implementation arrangements wherever possible (e.g. shared analysis, risk assessments, delegated co-operation, etc.). The formation of a Joint Commission and its key working groups later this year will be an important foundation both for broader EU coherence and for collective action. But the delegation in Islamabad will also need to pursue a course of broader consultation and monitoring to ensure optimal integration of strategy and alignment of policies, actors and interventions over time.

In principle, **donor co-ordination** is organised by the Pakistani government in the context of its monitoring of PRSP implementation. In practice, however, donors have found this to be largely inoperative. Most recently, and energised by the principles of the Paris Declaration on Aid Effectiveness, the Economic Affairs Division of the Ministry of Finance and Economic Affairs has launched a new Steering Committee to help guide overall donor work on the PRSP.

In the absence of effective government leadership in this area, donors have informally co-ordinated among themselves, notably around sector working groups. In one area of importance for the Community’s programme in Pakistan, the Federal Education Ministry co-chairs an education sector co-ordination group which has become a major vehicle for building up understanding of sector approaches. The delegation also participates in sector donor groups in environment and forestry, gender, human rights, trade, microfinance and governance.

The World Bank and the Asian Development Bank (AsDB), are by far the largest providers of development loans in Pakistan, with 2005 aid disbursement levels of USD 987 million and USD 677 million, respectively. The UN has a sizeable programme at USD 179 million. Large bilateral grant donors include the United States (USD 276 million), Japan (USD 123 million), and the UK (USD 35 million). In addition to the UK, the European bilateral programmes present in Pakistan are Germany (USD 31 million) and the Netherlands (USD 5.5 million). At some EUR 50 million per year of aid over the new CSP period, the Community now is among the largest grant donors in Pakistan and can potentially play an important leadership role in co-ordinating donors, particularly those of the EU.

**Commission implementation and Aid Effectiveness**

**Procedural issues**

Most procedural issues noted in Pakistan stem from the system rules established by Brussels. As for Benin, programme approval procedures which still involve Brussels remain cumbersome and slow, perhaps exacerbated in Brussels by Member State insistence on detailed oversight. At the level of programming, one way to speed up and improve operations could be to de-link the project approval process from the more heavy and inclusive process of CSP approval in Brussels and undertake this more specific level of analysis and approval in the field. Viewed from the field, it will be difficult for the Commission to become efficient in delivering its aid to the recipient countries until the Member States (and the European Parliament) give it the trust and decentralised authority needed to get the job done expeditiously. Similarly, further devolution and delegation of authority to the field, along with further simplification (fewer steps and greater flexibility based on local judgement) could help improve Commission effectiveness in delivering aid and give it greater credibility as a donor. The section on Working with Civil Society below notes how Commission procedures could be improved in relation to these groups. These procedural issues merit further review by Brussels.
The Paris Declaration

As noted above, Pakistan has not had a strong history of ownership and leadership in relation to foreign aid. As a country with low aid dependence it has only recently seen the need to assert its leadership, even as donors plan for major scaling-up. Weak government ownership, internal lack of clarity among roles at federal, provincial and district level, and a backdrop of corruption have slowed effective co-ordination among donors and the readiness to align with country systems. Over the last 12 months a growing interest in applying aid effectiveness principles has stimulated progress in donor/government co-ordination. Effective donor collaboration following the 2005 earthquake is a good example of the extent to which donors can rapidly foster joint action when it is given priority.

The delegation will need to determine the best mix of approaches for achieving Community strategic objectives in Pakistan. Because of the Community’s evolving comparative advantage here and the experience already gained through use of budget support by other large donors (including European donors such as the UK Department for International Development), Brussels should defer to the delegation’s judgement on the pace and extent of using budget support in Pakistan. The delegation now has an excellent opportunity to test a sector approach to budget support through its new education SWAP in Sindh Province. It can help by closely aligning its own inputs with other partners around a common sector framework and delivering its commitments in a timely manner.

Finally, Pakistan is clearly a “fragile state” (in terms of security issues, corruption, or military dominance) where development business is not “as usual”. Delegation operations here could benefit from a better understanding and application of the DAC Principles for Engaging in Fragile States, particularly in the North West Frontier Provinces and Baluchistan.

Measuring results

The European Parliament and the Commission in Brussels both promote greater results management in the delegations, but currently there is no integrated system for doing this. In Pakistan as in Benin, feedback mechanisms are scattered among government partners, contractors, delegations and Brussels. The information obtained could be better organised for management decision-making and to facilitate system-wide learning. Brussels needs to review its requirements for a coherent and well integrated results management system that can directly service the priority needs of the different levels of Commission management and its partners in development, whether in Brussels or in the field.

In Pakistan, plans for larger Community resources and a more assertive delegation role locally will require a different level of monitoring and evaluation. This includes more sector and national performance tracking to inform policy dialogue and programming decisions in a complex and changing environment. Since the decentralisation of finance and contract staff to the delegation in 2003, there has been significant progress in cleaning up outstanding financial management and accounting issues. New directions from headquarters now will require additional attention to improving results based management.

Working with civil society

It is Commission general policy to engage more effectively with civil society groups. In Pakistan the delegation has built strong partnerships and established a good image with these groups. In the past, the delegation has appreciated the use of thematic budget lines to engage civil society because it has been difficult to use bilateral projects for this purpose. However, the current practice of setting up small, stand-alone NGO activities around Brussels initiated umbrella projects (e.g. European Initiative for Democracy and Human Rights; Co-financing NGOs) is neither strategic nor likely to be
sustainable. Consistent with the need to better build Commission action from the bottom up, headquarters and the delegation need to seek a new way to engage with civil society that is generated from the local level around a more fully defined strategy.

The Peer Review also found that the procedures used with these groups could be better streamlined and decentralised, to be more in line with NGO partner needs and field realities. The current Commission approach to NGOs, including the use of contract instruments and relatively heavy financial reporting requirements seems poorly adapted to the NGOs operational realities, particularly the local ones. Consideration should be given to non-standard approaches and procedures, such as simplified grant instruments, declining audits from tranche payments, permission for NGOs to use their own pre-certified book-keeping systems and ex post audits.

Some form of structured and regular consultation and communication with both European and local NGOs would be highly appreciated. We recommend bringing international and local NGO partners together at least annually, and more often as needed, to share information beyond project activities and to broaden strategic discussions (e.g. on elections, governance, NWFP development and Afghan refugees). NGOs should also be consulted on the development and implementation of the country strategy.

**Humanitarian aid**

The field visit to Muzaffarabad Internally Displaced Persons camps for those affected by the 2005 earthquake supported general findings from Brussels and Islamabad. The ECHO response to the earthquake was widely regarded as timely, proportionate and effective. Of particular note was the close working relationship between ECHO and other delegation staff in order to increase the capacity of the overall Community response, particularly in the first days and weeks of the response. ECHO’s relationship with partners elsewhere was generally positive, including the ongoing response to the Afghan asylum seeker caseload in Pakistan.

Despite good co-ordination within the delegation, some partners report that Community procedures for linking relief to development can be slow, leading to gaps between the Commission and ECHO responses and reducing the speed of engagement in rehabilitation and reconstruction activities. A stronger sense of ownership by all Commission services involved and better co-ordination is needed between DIPECHO funding, mainly managed from Delhi, and ECHO and the delegation in Pakistan.

Our observations of ECHO administrative requirements in Pakistan for transparency and accountability reinforced our impressions that ECHO places greater demands on partners than most donors in terms of proposals and reporting, although partners see benefits in the closeness of their relationship with ECHO.

**Debriefing**

At the end of the visit the Peer Review team made a short presentation and had a useful discussion with the delegation about a number of the initial impressions and issues already mentioned in the report above. The topics covered were:

- EC strategic issues in Pakistan.
- Policy coherence, co-ordination and complementarity with government and other donors.
- Aid effectiveness.
• Devolution of authority to the field.
• Staffing.
• Measuring results.
• Partnerships with non-governmental organisations.
• Humanitarian aid.
Annex E

Humanitarian Assistance

This annex assesses how the European Community’s humanitarian aid performs against the Assessment Framework for Coverage of Humanitarian Action in DAC Peer Reviews. Based on the Principles of Good Humanitarian Donorship (GHD), it covers the following areas: 1) humanitarian policies and principles; 2) co-ordination across issues; 3) aid volume and distribution; 4) organisation and management; 5) cross-cutting issues; and 6) future considerations.

Humanitarian policies and principles

A leading humanitarian donor in volume and quality

The Community is one of the leading humanitarian donors in terms of both aid volume and quality of operational response. The majority of its expenditure is through the Directorate-General for Humanitarian Aid (ECHO), with additional funds historically flowing through other mechanisms such as the food aid and food security budget of DEV.37

Latest DAC figures (2005) reported USD 1 146 million in humanitarian assistance disbursements from the Community, some 12% of its total ODA in that year.38 According to ECHO statistics, humanitarian aid committed in 2006 was EUR 671 million (USD 872 million). Almost half (48%) of this was for Africa. This makes the Community the second largest humanitarian donor after the United States, providing around 11% of all reported humanitarian assistance for 2006 (USD 826 million according to UN figures). The majority of the funding comes from the general budget, with some funding from the European Development Fund (most recently varying from 3-10% of the yearly total).

An active and principled donor

ECHO characterises itself as an active, operational donor, with 43 field offices, including six Regional Support Offices.39 Indeed its strength lies in its extensive field presence and network of technical experts. It focuses on operational delivery through mandated international organisations and established NGO partners, the latter accounting for around 50% of ECHO expenditure.

The European Union’s mandate to ECHO is governed by the 1996 regulation number 1257/9640 which allows it to provide emergency assistance and relief to the victims of natural disasters or armed

37. Humanitarian food aid has been transferred from EuropeAid/DEV into the ECHO budget from 1 January 2007 but food security remains there.
38. Annex B, Table B.2.
39. RSOs are in Nairobi, Dakar, Managua, Amman, Bangkok and New Delhi.
conflict outside the European Union. The aid is intended to go directly to those in distress, irrespective of race, religion or political convictions. The Community has endorsed the good humanitarian donorship principles and practice developed in Stockholm in 2003 and is committed to implementing them.

Policy basis and governance

ECHO is a strategic and transparent donor, publishing an annual aid strategy which sets out geographical and thematic priorities.\(^4^1\) In terms of the broader policy context, the Commission, with ECHO as lead service, is preparing a communication to the Council and the European Parliament on EU humanitarian action.\(^4^2\) A consultation round has recently been completed with stakeholders including Member States and operational partners.\(^4^3\) This consultation will feed into the preparation of policy initiatives on humanitarian aid at the EU level in 2007. Essentially the humanitarian communication will help strengthen EU humanitarian policy, including the Community part, and as such is a very important venture. The ongoing process of consultation is welcome to formalise both Community policy priorities and operational mechanisms.

Most Community funding decisions on humanitarian aid are currently approved by the Humanitarian Aid Committee (HAC) of EU Member States which meets regularly at working level and twice yearly at more senior level. In practice, because of ECHO’s significant strengthening over the past years, such approval processes are generally agreed to be unnecessary and could be done by written procedure. Many Member States also feel that the HAC provides insufficient space for policy discussion. In 2006 the Council Working Group on Development (CODEV) met on humanitarian issues, with positive feedback from many participants. An additional forum at Council Working Group level is needed for policy discussion to complement the HAC. This would enhance humanitarian policy governance, perhaps within CODEV.

ECHO has a comparative advantage over Member States in being able to intervene in politically sensitive situations more flexibly – for example in North Korea and Myanmar. This “value added” role needs to be examined in terms of how ECHO might do more to lead and co-ordinate Member State assistance in such situations. It should also find opportunities to help co-ordinate Member States’ activities, including through information sharing, division of labour where appropriate, and joint working approaches.

**ECHO could improve its policy influence**

As the world’s second largest humanitarian donor, ECHO could increase its policy influence. While it has developed rapid and flexible modalities for responding effectively to humanitarian crises, the level of resources it provides to the international humanitarian system could buy it much greater influence. Today, reform of the humanitarian system is a very live issue and the 2005 Humanitarian Response Review documented numerous areas where the often dysfunctional system needed strengthening. ECHO needs to harness its knowledge of field realities and its technical capacity at headquarters to be more proactive in system reforms. While it is committed to the good humanitarian donorship initiative, and is by many measures a good humanitarian donor, it could be more actively involved in policy debates and institutional influencing. The Commission has begun to address this

\(^{4^1}\) \url{http://ec.europa.eu/echo/information/strategy/index_en.htm}
\(^{4^2}\) The Communication *Towards a European Consensus on Humanitarian Aid* was adopted on 13 June 2007.
with the release in June 2007 of a Communication calling for a European consensus on humanitarian aid.

**Co-ordination across issues**

Humanitarian action has significant impact outside the confines of ECHO. Coherence between Commission policies for humanitarian action is an area of continual challenge. Four areas are important: civil protection; crisis management; linking relief, rehabilitation and development (LRRD); and disaster preparedness.

**Civil protection**

The Directorate-General for Environment (ENV) manages the community civil protection mechanism which co-ordinates the deployment of EU Member State civil protection expertise and logistics both inside and outside the EU. The heart of the mechanism is the Monitoring and Information Centre (MIC) which co-ordinates information, liaison with the affected state, and the deployment of resources. There have been concerns about the MIC’s overlap with ECHO’s mandate and the potential for the MIC to undermine a needs-based response.

For example, the response to the 2005 Pakistan earthquake saw confusion on roles and tasks, raising risks of duplication and overlap. This has improved; in the recent Lebanon crisis where experts were housed within the delegation and there was daily communication between ECHO and the MIC. Considerable effort is being made in Brussels to strengthen co-ordination through a Memorandum of Understanding on co-ordinating disaster response between ECHO, ENV and RELEX. However concerns remain about the supply-driven nature of civil protection deployments and the lack of appreciation of the complexity of humanitarian crises. In addition, recent proposals commissioned by the Community could produce extra budgetary pressures by drawing, for example, on the Emergency Aid Reserve. These proposals include the creation of a European civil protection force and expanding the role of the Monitoring and Information Centre in funding transportation. Such pressures could undermine ECHO resources and its ability to respond to sudden disasters or conflicts.

The ways in which different parts of the Commission work together during an emergency response need to be better defined. These include co-ordinating the use of military and civil defence assets for humanitarian operations, and in complex emergencies (see MCDA guidelines of 2003, 1994 and 2006) which can be called upon as a last resort to complement existing relief mechanisms when these are overwhelmed.

**Civilian crisis management and conflict prevention**

The Community has been strengthening its range of instruments to respond rapidly and flexibly to prevent conflict and manage crises through civilian and military means within its European Security and Defence Policy (ESDP). These include the new Stability Instrument and EU peacekeeping missions such as in the Democratic Republic of Congo.

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While recent instruments like the Stability Instrument distinguish themselves from humanitarian aid, in practice implementation can be less straightforward. As noted above, the ways in which different parts of the Commission work together need to be better defined, for example in terms of the co-ordination of the use of Military and Civil Defence Assets, as agreed in UN guidelines.

For both civil protection and crisis response mechanisms the Community needs to ensure the independence of humanitarian action from other objectives such as political and military, and be aware of the risks to funding of the humanitarian response if competition increases for resources from the Emergency Aid Reserve, which has been largely used by ECHO in the past.

**Linking relief, rehabilitation and development (LRRD)**

LRRD is underpinned by a policy framework developed in 2001, being reinvigorated by ECHO in 2007, which highlighted implementation weaknesses. The LRRD policy framework was put in place by the 2001 communication COM(2001)153 *Linking Relief, Rehabilitation and Development – An assessment*. An Interservice Group was established in February 2003 to take stock of the follow-up of the 2001 Commission Communication.46 This emphasised the need for continual co-ordination with ECHO. An analysis of Country Strategy Papers (CSPs) to ensure LRRD aspects are covered does take place.

The financial instruments available raise fundamental challenges – ECHO’s limited programming timescales often mean that it has stopped spending money months or years before other Community instruments are finalised. The Peer Review team observed this in response to the 2005 Pakistan earthquake, where despite early work by the delegation to obtain financial commitments to the longer term reconstruction effort, at the time of the field visit in March 2007 only one agreement for reconstruction activities had actually been signed. However, the creation of the Stability Instrument may at least partially facilitate future transition financing.

**Disaster preparedness/risk reduction**

The DIPECHO programme of disaster preparedness activities amounted to 3% of ECHO’s programme in 2006, reportedly totalling EUR 19 million. This is a modest programme given the increasing evidence of the significant returns to be accrued by investing in prevention rather than response to disasters.

The management arrangements for DIPECHO involve regional budgets administered by regional rather than country offices. This promotes regional consistency, but it is important that DIPECHO funding is more firmly connected to field office activities than was observed in some countries.

The DIPECHO approach explicitly focuses on small local projects so achieving impact is clearer, but for more sustainable impact, disaster preparedness needs to be seen as a development activity and involve governments and local authorities. It is not clear how effectively Commission services are advocating for disaster preparedness to be included in Country Strategies and become a development, rather than humanitarian issue.

**Co-ordination with the international humanitarian system**

Historically ECHO has been perceived as being able to “go it alone” as a result of its large budget and operational field presence. However recent years have shown an improvement in ECHO’s

emphasis on co-ordination with other donors and working with the UN system to ensure strategic co-ordination of both specific crisis responses and policy issues. This should continue, for example, in ECHO’s involvement with the Inter-agency Consolidated Appeals Process (CAP), Common Humanitarian Action Plans (CHAPs) at headquarters and field level, and financial support for the cluster approach.

Aid volumes and distribution

ECHO statistics show a base budget that has remained static since 2005 at EUR 495 million, but each year its actual commitments are consistently more than this as it draws on the Emergency Aid Reserve and/or the B envelopes for EDF countries, as illustrated in Chart E.1 and Table E.1.


![Chart](chart.png)


The Emergency Aid Reserve can be used with agreement from the Council and Parliament. A reported total of EUR 229 million was available in 2006 (but this is also accessible to certain other Directorates-General: an average of 27% of the reserve was used by other D-Gs over 2000-2006. The B envelopes of the European Development Fund for ACP countries can provide a maximum of EUR 145 million over the life of the 9th EDF (2000-2007, i.e. an average of EUR 18 million a year).

Looking forward, despite the transfer of the food aid budget line, growth in ECHO’s core budget is static in real terms up to 2013. We note this with concern, given the significant under-resourcing of responses to humanitarian crises and ECHO’s comparative advantage and value-added role as a global actor and we encourage this to be reviewed when possible.

Table E.1. Breakdown of ECHO funding (in EUR millions)

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Community budget</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Initial budget</td>
<td>489</td>
<td>523</td>
<td>522</td>
<td>587</td>
<td>518</td>
<td>631</td>
</tr>
<tr>
<td>Additional funds (Emergency Aid Reserve)</td>
<td>471</td>
<td>473</td>
<td>442</td>
<td>442</td>
<td>490</td>
<td>496</td>
</tr>
<tr>
<td><strong>2. EDF</strong></td>
<td>18</td>
<td>50</td>
<td>80</td>
<td>145</td>
<td>28</td>
<td>135</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>492</td>
<td>544</td>
<td>539</td>
<td>601</td>
<td>570</td>
<td>654</td>
</tr>
</tbody>
</table>

Source: ECHO.
**Funding channels**

ECHO has traditionally relied extensively on NGO partners, with a reported 62% of its funding in 2002 reportedly being disbursed through NGOs. There has been a shift towards a more balanced portfolio, with funding increasing to the UN and Red Cross movement over the past few years (the NGO funding proportion in 2006 was 52%), as illustrated in Chart E.2.

Chart E.2. ECHO funding by category of partner (2002-06)

![Chart showing ECHO funding by category of partner (2002-06)]

Source: ECHO 2006 Financial Report. International organisations include the Red Cross movement & IOM.

There has also been a move towards more strategic engagement with UN and Red Cross partners, with Thematic Funding provided to five such organisations to strengthen capacity in specific areas. This came to a total of EUR 19.5 million in 2006.

A major development in funding approaches over recent years, in line with the good humanitarian donorship principles, has been the appearance of global pooled funding mechanisms (the Central Emergency Response Fund – CERF) and country pooled funds in Sudan and the Democratic Republic of Congo. ECHO has decided not to contribute to such mechanisms, although it supports them as a concept. Its argument has been that its accountability requirements will not permit it to contribute to such unearmarked funds. This interpretation is not shared by all Member States, some of which encourage ECHO to support these mechanisms as a way of strengthening co-ordination. ECHO needs to continue to be supportive in principle of such funding mechanisms and remain open to providing contributions (ECHO notes it can only do so if it is provided with additional budgetary resources – as stipulated in CERF rules).

**Allocation frameworks**

ECHO has pioneered the use of a combined bottom-up and top-down approach to resource allocation. It analyses key indicators for all countries annually to develop vulnerability and crisis indices (Box 12). These inform its early warning system and are an alternative point of reference for deciding allocations. This is combined with advice from technical experts on the intervention priority countries to determine the final resource allocation for ongoing crises. ECHO considers that this global needs assessment (GNA) helps ensure the impartiality of its allocations. It also specifically provides funding to under-resourced “forgotten crises”. ECHO should continue to share lessons from its global needs assessment tool with other donors.
Financing modalities allow for rapid response

A range of instruments permits ECHO to respond rapidly and flexibly to different magnitudes of crisis. The Primary Emergency Decision for immediate and unforeseeable humanitarian requirements allows ECHO’s financial procedures to make up to EUR 3 million available within 72 hours for responses lasting up to three months. Other such mechanisms include the Emergency Decision, with a duration of up to six months; Non-Emergency Decisions, which are usually relatively small-scale follow-up responses; and Global Plans providing a framework for response in a country or region subject to a protracted crisis.

Box 12. Global Needs Assessment (GNA) tool

For many years ECHO used a GNA index that classified countries according to the relative scale of their needs. This has now been replaced by two indices: the vulnerability index (VI), which identifies countries likely to suffer more than others from a humanitarian perspective in the event of a disaster, and the crisis index (CI), which identifies countries that are effectively in a humanitarian crisis situation according to ECHO intervention criteria.

These tools do not seek to define the form and scale of Commission responses to a humanitarian crisis. Their objectives are far more modest and are confined to identifying priority countries where humanitarian needs are greatest or most neglected and where Commission aid is most necessary. They are intended to be a common alternative reference framework to ensure some consistency in the allocation of resources among the various geographical zones according to their respective needs.


Financial reporting

ECHO manages the “14 point system” for Member States to report their humanitarian contributions for collation on the HOLIS database. This reporting is harmonised with and forwarded on to OCHA’s Financial Tracking Service, contributing to the quality of humanitarian reporting. Further harmonisation with DAC reporting is an important work-in-progress and ECHO should stay engaged on issues of definition of humanitarian assistance.

Organisation and management

The European Commission Humanitarian Aid Office (ECHO) was established as a separate office (with Directorate status) in 1992. Until then emergency aid had been managed by a unit within DEV. In 2004, ECHO was upgraded from a Directorate to its own Directorate-General, with over 200 headquarters staff and 100 technical experts in the field.

The strength of ECHO is based on its 37 field offices staffed by technical experts, backed up by six Regional Support Offices from which further specialised or surge technical expertise can be deployed. Technical experts are employed on a contract basis and are not Commission officials, so cannot make funding decisions or represent it. While this could present challenges, the flexibility this gives ECHO to recruit experienced humanitarian workers and deploy them appropriately, along with the considerable continuity of many technical experts as ECHO contractors more than outweighs any downsides. It is important that consistent co-ordination with Brussels desk officers and delegation officials continues.

The management structure has been reorganised since ECHO was upgraded to a Directorate-General, reflecting the findings of a 2006 evaluation of its activities between 2000 and 2005. It is
important that ECHO continues to focus on how its field expertise can develop a symbiotic relationship with headquarters policy specialists.

**Working with NGO partners**

The backbone of ECHO’s response capacity lies in its strong partnerships with its 200 NGO partners which have signed its framework partnership agreement (FPA). The FPA is essentially a pre-certification process which ensures that partners have sufficient financial, technical and administrative capacity to be implementing partners. By instituting a standing agreement, ECHO can ensure rapid reaction times by reducing the amount of administration required to agree individual crisis responses. The FPA’s structured partnership is innovative and has the benefit of building partner capacity. ECHO has a Grant Facility of EUR 1 million per annum to which partners can apply in order to build their own capacity. An annual FPA partners’ conference allows an exchange of views while FPA training occurs periodically through the year.

Despite the FPA, ECHO remains one of the most demanding donors in terms of its requirements for both project proposals and reporting. ECHO is conscious of such criticisms and has taken steps to streamline administrative requirements, through for example its “Single Form”, which combines a proposal and reporting format. Feedback from external stakeholders suggests although that some progress has been made, but there remain considerable disincentives to applying for ECHO funding, especially if less demanding funding sources can be found. Some partners reflected that once they had developed enough familiarity with FPA and ECHO procedures, they were not overly burdensome and had the advantage of clarity over many issues. This still remains a barrier to entry.

ECHO’s view is that such administrative requirements are required by the Council Regulation that gives ECHO its mandate and by relevant financial regulations. The review team heard the view that ECHO was reluctant to push for further exemptions and derogations so as not to threaten existing ones that allow it to respond more rapidly and flexibly than most other services of the Commission. Some Member States held the view that ECHO was being overly cautious in its interpretation of Financial Regulations and could do more.

**Visibility requirements**

ECHO requires partners to ensure visibility of the Community as a donor, and includes a mandatory budget line in proposals for visibility. We understand this to be motivated by a perception that the EU is not well understood in developing countries, and that the European public do not understand the role played by the Community in distributing humanitarian assistance.

Most partners commented that ECHO’s requirements exceed those of other donors. A common use of the visibility budget was to place ECHO stickers prominently at project sites and on project vehicles. This issue is now being discussed at the highest level.

This remains a controversial issue that needs further consideration. In particular ECHO should consider visibility within a broader communications strategy; for example if the European public is the main target, stickers in recipient countries may not be the most effective means. Equally, better implementation of guidance to partners could lead to more nuanced approaches including oral briefings to recipients and authorities on the nature of EU assistance.
**Learning and accountability**

ECHO has an active evaluation unit which undertakes (i) independent *ex-post* evaluations of country operations every three years or for every €50 million spent; (ii) *ex-ante* or interim evaluations, (iii) evaluations of its partnership with major organisations; and (iv) thematic reviews or studies. Where appropriate, evaluation results are required to be reflected in future financial decisions, and are reported to the Humanitarian Aid Committee. The Peer Review team’s impression is that ECHO is a learning organisation.

**Cross-cutting issues**

ECHO takes the security of its personnel and those of partner agencies very seriously and has commissioned important research, guidelines and training on security issues for the aid community. It should continue to advocate for robust security protocols and share its experience and resources with the wider donor community.

While important cross-cutting issues such as HIV, the environment and gender are identified as underlying principles, it is not clear to what extent they are incorporated into programming or strategic planning in practice, or how consistently such principles are applied in monitoring and evaluation activities.

ECHO has significant technical expertise, both at headquarters and in the field, in specific sectors such as health and water/sanitation. It has begun to develop technical guidance for partner projects in some areas but has not resolved an internal discussion over how actively it should be working with EU Member States and the wider humanitarian community to help develop commonly agreed technical norms. Given the breadth and depth of its expertise, this would seem to be a valuable contribution to the improved quality of the entire humanitarian system.

**Future considerations**

- The continuing consultation on the communication on EU humanitarian action is a welcome indication of ECHO’s intention to formalise policy priorities and reinforce operational approaches. This should focus on increasing ECHO’s international policy influence while retaining its rapid and flexible response capacity.

- The Community and Member States should consider fostering strategic policy discussion of humanitarian action at the Council Working Group level to complement the actions of the HAC.

- Co-ordination between Commission policies involving humanitarian action is weak across the areas of linking relief, rehabilitation and development; disaster preparedness; civil protection; and crisis response. Greater efforts need to be placed on ensuring the independence of humanitarian action while ensuring engagement of development actors with humanitarian issues.

- Given the significant under-resourcing of responses to humanitarian crises and ECHO’s comparative advantage and value-added role as a global actor, we note its static budget over the next financial perspective with concern and encourage this to be reviewed when possible.

- While the framework partnership agreement is innovative in its structured partnership and its benefit of building partner capacity, it still places greater burdens on partners than other donors. ECHO should continue to find ways to streamline these processes further.
Annex F
Organigrammes

Chart F.1. DG DEV and Relations with African, Caribbean and Pacific States

Source: European Community.
Source: European Community.
Chart F.4. DG for Humanitarian Aid (ECHO)

Director-General

Internal Audit
(Shared with AIDCO)

Unit 0/1 Policy affairs, relations with European Institutions, partners and other donors; strategy and general co-ordination; evaluation, thematic funding

Directorate A
Operations

A/1. Africa, Caribbean, Pacific
A/2. Central and Eastern European countries and NIS countries, Mediterranean countries, Middle East
A/3. Asia, Central and South America
A/4. Food aid and Disaster Preparedness

Source: ECHO.
Annex G

Devolved Implementation Workflow

<table>
<thead>
<tr>
<th>PROGRAMMING</th>
<th>DESIGN</th>
<th>APPROVAL</th>
<th>IMPLEMENTATION</th>
<th>EVALUATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translates political and recipient country’s needs in Strategic development objectives</td>
<td>Translates development objectives in Achievable project and programme proposals</td>
<td>Translates proposals in Financing decisions</td>
<td>Translates implemented activities in Activities on the ground</td>
<td>Translates implemented activities in Reports and feedback for future work</td>
</tr>
</tbody>
</table>

DEV / RELEX

- DEV/RELEX design strategy
- AIDCO contributes through country teams
- AIDCO agrees through ISC
- DEV/RELEX prepare COM decision (COM signs)

DELEGATIONS

- AIDCO sets targets (compulsory: AMP)
- DEL identifies actions
- AIDCO coherence checks QSG (compulsory)
- DEL designs activity, prepares financing proposal
- AIDCO provides expertise (at request delegation)

AIDCO

- AIDCO quality checks financing proposal (compulsory)
- DEV/RELEX agree through ISC
- AIDCO prepares comitology and COM decision (compulsory)
- AIDCO signs global commitment

DELEGATIONS

- DEL tenders, signs individual commitment, implements, reviews and pays
- AIDCO provides expertise (at request delegation)
- DEL reports on activities
- AIDCO checks ex post and reviews targets (compulsory: Annual Report)

AIDCO

- DEL closes contracts
- DEL audits and evaluates projects
- AIDCO evaluates programmes, sectors, internal systems (compulsory)
- AIDCO reports on global development work (compulsory: Annual Report)

Abbreviations: AAR Annual Activity Report; COM Commission; DEL Delegation; ISC Interservice Consultation; DAC Declaration d’Assurance; QSG Quality Support Group.

Source: EuropeAid.
Description of Key Terms

The following brief descriptions of the main development co-operation terms used in this publication are provided for general background information.47

ASSOCIATED FINANCING: The combination of official development assistance, whether grants or loans, with other official or private funds to form finance packages.

AVERAGE COUNTRY EFFORT: The unweighted average ODA/GNI ratio of DAC members, i.e. the average of the ratios themselves, not the ratio of total ODA to total GNI (cf. ODA/GNI ratio).

DAC (DEVELOPMENT ASSISTANCE COMMITTEE): The committee of the OECD which deals with development co-operation matters. A description of its aims and a list of its members are given at the front of this volume.

DAC LIST OF ODA RECIPIENTS: The DAC uses a List of ODA Recipients which it revises every three years. From 1 January 2005, the List is presented in the following categories (the word "countries" includes territories):

LDCs: Least Developed Countries. Group established by the United Nations. To be classified as an LDC, countries must fall below thresholds established for income, economic diversification and social development. The DAC List is updated immediately to reflect any change in the LDC group.

Other LICs: Other Low-Income Countries. Includes all non-LDC countries with per capita GNI USD 825 or less in 2004 (World Bank Atlas basis).

LMICs: Lower Middle-Income Countries, i.e. with GNI per capita (Atlas basis) between USD 826 and USD 3 255 in 2004. LDCs which are also LMICs are only shown as LDCs – not as LMICs.

UMICs: Upper Middle-Income Countries, i.e. with GNI per capita (Atlas basis) between USD 3 256 and USD 10 065 in 2004.

DEBT REORGANISATION (ALSO RESTRUCTURING): Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include forgiveness, or rescheduling or refinancing.

DIRECT INVESTMENT: Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC List of ODA Recipients. In practice it is recorded as the change in the net worth of a subsidiary in a recipient country to the parent company, as shown in the books of the latter.

DISBURSEMENT: The release of funds to, or the purchase of goods or services for a recipient; by extension, the amount thus spent. Disbursements may be recorded gross (the total amount

47. For a full description of these terms, see the Development Co-operation Report 2006, Volume 8, No. 1.
disbursed over a given accounting period) or net (the gross amount less any repayments of loan principal or recoveries of grants received during the same period).

**EXPORT CREDITS:** Loans for the purpose of trade and which are not represented by a negotiable instrument. They may be extended by the official or the private sector. If extended by the private sector, they may be supported by official guarantees.

**GRANTS:** Transfers made in cash, goods or services for which no repayment is required.

**GRANT ELEMENT:** Reflects the financial terms of a commitment: interest rate, maturity and grace period (interval to the first repayment of capital). It measures the concessionality of a loan, expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest. The reference rate is 10% in DAC statistics. This rate was selected as a proxy for the marginal efficiency of domestic investment, i.e. as an indication of the opportunity cost to the donor of making the funds available. Thus, the grant element is nil for a loan carrying an interest rate of 10%; it is 100% for a grant; and it lies between these two limits for a loan at less than 10% interest.

**LOANS:** Transfers for which repayment is required. Data on net loan flows include deductions for repayments of principal (but not payment of interest) on earlier loans.

**OFFICIAL DEVELOPMENT ASSISTANCE (ODA):** Grants or loans to countries and territories on the DAC List of ODA Recipients and multilateral agencies active that are undertaken by the official sector; with the promotion of economic development and welfare as the main objective; at concessional financial terms (if a loan, having a grant element of at least 25%).

**ODA/GNI RATIO:** To compare members’ ODA efforts, it is useful to show them as a share of gross national income (GNI). “Total DAC” ODA/GNI is the sum of members’ ODA divided by the sum of the GNI, i.e. the weighted ODA/GNI ratio of DAC members (cf. Average country effort).

**OTHER OFFICIAL FLOWS (OOF):** Developmentally relevant transactions by the official sector with countries on the DAC List of ODA Recipients which do not meet the conditions for eligibility as official development assistance.

**TECHNICAL CO-OPERATION:** Includes both a) grants to nationals of aid recipient countries receiving education or training at home or abroad, and b) payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries.

**TIED AID:** Official grants or loans where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all aid recipient countries.

**VOLUME (real terms):** The flow data are expressed in United States dollars (USD). To give a truer idea of the volume of flows over time, some data are presented in constant prices and exchange rates, with a reference year specified. This means that adjustment has been made to cover both inflation in the donor’s currency between the year in question and the reference year, and changes in the exchange rate between that currency and the United States dollar over the same period.
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European Council


European Parliament


OECD


Other

