Reforms in the EU's aid architecture and management: the Commission is no longer the key problem ; let's turn to the system

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Preface

Assessments of how well Europe provides aid have changed over the last decade. In 1998, Clare Short, then British Secretary of State for International Development, lambasted the European Commission as "one of the worst donors". More recently, in early 2008, the European Commission has been acknowledged as "one of the best donors" by a high-ranking politician of the same member state (and the same party affiliation), the Parliamentary Undersecretary of State, Gareth Thomas. The peer reviews of the OECD's Development Assistance Committee (DAC) have similarly turned from a negative assessment of European Union (EU) aid (1998) to positive statements with reminders to deliver on far-reaching unfulfilled promises (2007). And yet, the negative images of EU aid are sticky. Has everything been turned around at the European level and is EU development policy living happily ever after?

The answer to this question depends partly on how 'EU aid' is defined. The above statements or assessments are referring to aid administered by the European Commission. The interplay between member states and Union institutions is often not taken into account when EU aid is discussed. A sharp distinction between European Commission (EC) (the Commission-driven policies of the European Community) and the EU (the overall system of Commission and member states) is not always made by observers. Or if it is made, discussion focuses on what more the Commission can do to improve complementarity. We can even observe "spill-over" effects from integration in one policy area, say, trade, and another, in this case: development cooperation. And yet, despite the occurrence of an "ever deeper union" in many policy areas, the original idea of neo-functional integration theory – the incremental replacement of the nation state – has not occurred in this policy domain. Development cooperation remains an area of shared competencies, i.e. the Commission and member states operate alongside one another.

This paper will provide an overview of the EU aid architecture and management reforms with regard to potential effects for aid effectiveness. In order to avoid confusion for readers: this paper is about the EU in the broader sense. Whenever it refers to European Commission activities, this is explicitly referenced. A series of reforms initiated in 2000 were meant to increase aid effectiveness and the efficiency of the European Commission administration. What was the aim of the reforms, what has been achieved and what has not? In other words: where does the Commission stand now and how has it made it to this point? In a nutshell, this paper argues that while the reforms of the Commission's administration, its policy guidance, and innovations in modalities are striking, the system as a whole still requires much more reform to become fit for purpose.

An early version of this paper was written for the occasion of the presentation of the European Commission's annual report on external assistance in November 2007 in Madrid, which I attended on the invitation of Centro de Estudios de Cooperación al Desarrollo (CECOD). It was entitled "The Effectiveness of EU aid – How Much Do We Know" and was published by CECOD as a working paper (www.cecod.net). I would like to thank the conveners of this presentation for offering not only an opportunity to write down my thoughts, but also to discuss them with officials and academics of the Spanish aid community in a workshop afterwards.

Sven Grimm Bonn, June 2008

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Abbreviations

ACP	African-Caribbean States
ALA	Asia and Latin America
APRM	African Peer Review Mechanism
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CECOD	Centro de Estudios de Cooperación al Desarrollo
CFSP	Common Foreign and Security Policy
DAC	Development Assistance Committee
DC	Development Cooperation
DCI	Development Cooperation Instrument
DELMOZ	European Commission's Delegation to Mozambique
DFID	Department for International Development
DG	Directorate-General
DPS	Development Policy Statement
DRI	Debt Relief International
EADI	European Association of Development Research and Training Institutes
EC	European Commission
ECDPM	European Centre for Development Policy Management
EDF	European Development Fund
EEC	European Economic Community
EIB	European Investment Bank
EIDHR	European Instrument for Democracy and Human Rights
EITI	Extractive Industries Transparency Initiative
ENPI	European Neighbourhood and Partnership Instrument
EPA	European Partnership Agreement
EU	European Union
EUFOR	European Union Force
GAERC	General Affairs and External Relations Council
GDP	Gross Domestic Product
GNI	Gross National Income
HIPC	Heavily Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
ICEI	Instituto Cooperación Económica Internacional
IPA	Instrument for Pre-Accession
LDCs	Least Developed Countries
MDGs	Millennium Development Goals
MEDA	Mesures d'accompagnement financières et techniques (Mediterranean Programme)
MEP	Member of the European Parliament
MP	Member of Parliament
NEPAD	New Partnership for Africa's Development
NGOs	Non Governmental Organizations
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organization for Economic Cooperation and Development

PAF	Performance Assessment Framework
PRSP	Poverty Reduction Strategy Paper
ROM	Results-oriented Monitoring
TA	Technical Assistance
TACIS	Technical Aid to the Commonwealth of Independent States
UK	United Kingdom

Executive summary

Aid effectiveness is an issue for all donors, including the EU as a system of 27 member states plus community organisations. As the European Commission has established itself as an international cooperation agency, it has increasingly been asked for evidence on the effectiveness of aid, possibly even more so than bilateral donors. Aid has been administered by the European Commission since 1958, yet the European institutions have only had a *distinct* mandate for development cooperation since the Maastricht Treaty of 1993. Since then – and also in the Lisbon Treaty – development cooperation has been a shared competency of the European Commission and member states. This paper examines European Commission policy but also assesses the system as a whole.

Assessing the effects or potential outcomes of reforms requires substantial information. As a result of recent reforms in the European Commission's aid administration, information about the EU's aid system is now more readily available, not least due to the publication of the annual report on aid issued by EuropeAid. Other independent sources of information are also available, including Court of Auditor reports, DAC peer reviews and member state institutions' enquiries. Furthermore, work by researchers on EU cooperation policy has increased.

Financing from the EU accounts for more than half of global Official Development Assistance (ODA), of which one fifth is administered by the European Commission. Looking only at the Commission administered funds, the financing is based on two main sources: (a) funds from the EU budget and (b) funds beyond the EU budget (namely the European Development Fund – EDF). While this distinction has not changed, the structure of the EU's budget for external actions (including development cooperation) has been modified. It has been simplified and includes four thematic instruments with (a) global coverage and (b) geographic coverage. At the global level, activities also fall under the funding responsibility of the Council (Common Foreign and Security Policy), while at geographic level the EDF persists.

The international debate about aid effectiveness focuses on three main types of questions: should aid be scaled up substantially, will partner governments be required to improve their governance first, and what about donor governance (including issues of aid architecture)? These three strands also shape much of the debate around EU aid.

Debates on the EU's unsatisfactory performance in the past have addressed various aspects of the EU's aid system. Despite a prioritisation among goals (poverty reduction has been identified as the main aim), there are persistent variations in the interpretation of this objective among member states. The organisational structure has changed and positive efforts have been made with the creation of EuropeAid and a move towards decentralisation to the Commission delegations in partner countries. Other reforms, however, like the geographical split between the Directorate-General on Development (Africa) and DG External Relations (rest of the world) are not yet complete. The Lisbon Treaty will address this issue, but not the remaining split in funding instruments with the European Development Fund (EDF) as a tool for cooperation with Africa, the Caribbean and the Pacific separated from the general EU budget.

However, since 2000, the EU has strengthened its overarching development cooperation strategy via the inclusion of new elements in the Cotonou Agreement and through the devel-

opment of the EU Africa Strategy and the European Consensus on Development. With regard to modalities of aid delivery, the EU has been subject to a number of critical assessments. Partly in response to these criticisms, innovative instruments such as budgetary support to partner countries have been created and the Commission now appears to be one of the leaders in international discussions. EU aid is targeting the political level more significantly and has included elements of quality control with regard to managing for results. Yet, within the broader scheme of the Paris Declaration, a first international assessment in 2006 revealed that much remains to be done.

Challenges for EU cooperation architecture and management exist in at least four broader areas:

First, the EU faces the challenge of increasing partner country orientation as demanded by the Paris Declaration. This includes the creation of an EU external action service, but also some organisational demands that come along with aid instruments like budget support and stronger political engagement at country level. Second, the EU still needs to grapple with how to organise a sensible division of labour in this complex system in order to reduce double work and transaction costs for partners. The EU Code of Conduct on a division of labour is a promising start at policy formulation level. Implementation, however, will get to the core of some member states' interests and will consequently be difficult. Thirdly, the EU faces a debate on what share of the budget should be spent on international development. A general budget review will be conducted starting in 2008. And strong lobby interests within the EU are likely to fight against even minor efforts towards reducing costs for the common agricultural policy to support increases in development assistance. If no increases are decided upon, the community-based funding for development will decrease against member state funding – i.e. not acting will result in shifting the aid architecture. And fourthly, pending reforms with the Lisbon treaty in the area of foreign policy will likely have effects on development policy. While the new not-so-called EU foreign minister will coordinate external relations more broadly (including development cooperation) and therefore be a step towards improving coherence, it is unclear whether this step will actually move the EU towards coherence *for development*.

With the Commission having done most of its homework in development policy, attention should turn to systemic issues beyond communitarised development policy. Sorting out the system is a key task that the Commission and EU member states have yet to come to terms with. Some crucial decision will already be taken in 2008/09, determining the direction of EU development cooperation for the next decade or so.

1 Introduction

In aid administrations, the seemingly technical debate about *how* to give aid has gained momentum. This debate is closely linked to the underlying question of *why* Europe and other donors give aid and to *whom*. An international consensus has been identified on what is to be achieved with aid, formulated in the Millennium Declaration and the Millennium Development Goals (MDGs) as a key point of reference. Yet it is not quite clear how the goals enshrined in the Millennium Declaration can be reached. Which instruments can and should be applied effectively? The core questions on the topic of "aid effectiveness" thus are far from technocratic; they are at the heart of development policy.

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

Communitarised European development cooperation (DC), administered by the European Commission, traditionally has had a bad reputation for being inefficient and bureaucratic. This poor image is still around – at least in some Member States. This might be partly due to generalized prejudices about the Union as a remote Leviathan. General criticism of this sort often does not differentiate between policy areas – and many EU citizens have vague memories of headlines associated with the agricultural policies of the 1980s, long EU summits or heated national debates about European food standards (on beer, ham, cheese, pasta, etc. – to each Member State its own). Furthermore, we have to consider a time delay in perception. Since Romano Prodi took over the helm of the Commission, reforms have been high on the European agenda for development cooperation (EU Commission 2000a). The changes have aimed at improving the administration of aid and the efficiency and effectiveness of European external relations more broadly. Louis Michel, the development commissioner since 2004 (in the Barroso Commission) has made a special point of emphasizing the issue of European aid effectiveness.

Metaphorically speaking, the bucket of EC aid appears to have been fixed and is no longer leaking profusely. However, if one looks at the overall system of EU external relations with developing countries, there is not just one bucket (the Commission), but at least 27 more (the member states). And the question to be asked is: given this line of buckets – all shaped differently, with different sizes and made of different material – can the EU deliver effectively the way it is organised at the moment? In other words: is the EU *system* fit for purpose? And where do the opportunities to fix some of the remaining deficits lie?

1.1 Origins of European aid

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

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

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

Therefore, when discussing the Community development policy, we are – at least for a foreseeable period – not talking about a centralization of competencies in the Commission or a creeping power shift in favour of "Brussels". Member States still have bilateral relations with developing countries and the lion's share of their aid is distributed bilaterally. And even more so, new EU Member States are required to establish their own bilateral aid programmes in the process of acceding to the EU. This is not just about funding the community programme, as one might expect, but formulating the role of development in the candidate's external relations. De facto, full communitarisation of aid or re-nationalisation of competencies in this

1 This text often uses both terms: European Union (EU) and European Community (EC). The author is well aware that there is a legal distinction between both bodies, but does not intend to go into legal debates. Whenever there are implications and the distinction needs to be made, it will be noted in the specific context.

field are not on the table. The possibility – and the likelihood – of "Europeanisation"[2] notwithstanding, we are discussing the effectiveness of European community aid and the value-added of having European development cooperation. Debates are more on the *how* (the EC gives aid) than on a fictional *if* (it should give aid at all).

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

1.2 Evidence on European aid – Sources of information

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

1.2.1 The Commission sources

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

Already in the EC's annual report of 2005 (reporting on activities in 2004) a special feature was included on aid effectiveness, to be picked up on below. The latest annual report by EuropeAid on the European Community's Development Policy and Implementation of External Assistance in 2006 particularly features policy coherence, improved strategies and procedures, as well as aid effectiveness. Points highlighted in the report on 2006 are: the EU donor atlas as a regular mapping of EU aid, budget support as a way to align to use partner countries' systems (as demanded by in the Paris Declaration), and the support to UN trust funds as a means to improve coordination of aid. The latter is particularly challenged by some Member States, as it is not clear why the EU would be needed to channel funds to multilateral programmes through its own budget. This does "buy" the European Commission a specific "voice" at the table in the respective institutions. When arguing along the (admittedly narrow) line of poverty reduction, funds are used inefficiently, as the additional interlocutor is super-

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

fluous. It would be equally possible – and more efficient – to channel bilateral funding directly to the respective multilateral organisation or fund. There might be a conflict of agendas. This is not to say that "buying a voice" at certain tables is beyond justification for the intermediate effectiveness of the aid system as a whole – far from it. However, it is a different agenda than the immediate effectiveness of European aid.

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

1.2.2 Independent sources of information

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

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

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

Particularly the national reports, however, have to be read with care, as they usually measure European policy by national standards and according to national policy goals, without always considering the possibility of a divergent political agenda at European level. The report by the

UK House of Lords sums up the opinions of experts heard: *"We were told that in a few respects EU aid was now amongst the leaders. However, the underlying view seemed to be that, while the quality of EU aid was improving quite fast and was likely to continue to improve, it was still on average somewhat inferior to that of British aid"* (UK House of Lords 2004, 35). It is stated, though, that European aid is often better than the average bilateral assistance. Furthermore, a particular expertise is assigned to the EU in its cooperation with middle-income countries (UK House of Lords 2004, 35).

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

2 Financing for European development cooperation

The EU as a whole is the biggest provider of official development assistance (ODA), i.e. aid following the criteria of the OECD Development Assistance Committee (DAC). More than half of global ODA (55 %) stems from the EU. Of this global share, the European Commission administers about one fifth; it accounted for 11 % of global ODA[3] – roughly €8bn per annum. Thus, in 2007, the Commission was the third biggest donor in the world. Only the USA and Germany were bigger donors in that year. If member states' aid channelled via the European Union is subtracted from national ODA and accounted for separately, the European Commission then comes in second to the US in overall volume[4]

This quite impressive figure becomes much less breath-taking when compared to the overall budgetary spending of donor countries (despite considerable increases, it does not even represent 2 % of the German federal budget) and is tiny in comparison to global military spending. Furthermore, it has to be noted that aid levels in most cases are decreasing again since 2006, despite promises for substantial aid increases made by donor countries.

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

4 DAC statistics report the EC is a memo item, i.e. contributions by member states to the EC development cooperation funding are counted as national ODA. The DAC reports an overall figure for aid administered by the European Commission. Including the EC without subtracting the EC share from each EU member state thus results in double-counting of aid disbursements.

Table 1: Official Development Assistance (ODA) in 2007 in US$ as reported to the DAC			
	Overall ODA in US$ million	Of which: Net disbursements via EC	Net ODA US$ million 2007, excluding disbursements via the EC
United States	21 753		**21 753**
EC	*11 771*		***11 771***
Germany	12 267	2 452	**9 815**
France	9 940	2 157	**7 783**
United Kingdom	9 921	2 142	**7 779**
Netherlands	6 215	569	**5 646**
Spain	5 744	696	**5 048**
Source: Own calculation based on figures provided by development cooperation directorate – DAC			

The large overall sum of development aid provided from the entire European Union (Member States and Commission) is administered by a complex system, even when we carefully limit our views to Commission-administered activities in development cooperation. Commission-administered funding comes from two main sources: the general budget and the EDF.

2.1 Funding for development via the budget

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

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

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

On the one hand, funds are committed on a regional basis. This regional aspect was previously organised in the budget for cooperation with the Mediterranean (MEDA), Eastern Europe and Central Asia (TACIS) as well as Asia and Latin America (ALA).[5] Formerly, the EU had more than thirty thematic lines on a variety of topics ranging from the sustainable management of tropical forests, food security or the fight against Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome (HIV/AIDS) etc. These thematic funds could be drawn on when funding certain policy measures in partner countries – in addition to the regional funding. So one and the same policy, say food security in Mozambique, could be funded by the national programme for the country within the EDF and by sources from the overall, global budget. The different budget lines did not always follow the same planning period that general planning documents provided. Even though often relatively small in overall volume[6], in some countries, the special thematic budget lines could – and can – account for more than half of the disbursed assistance funds.

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

With the overall reform of the EU's assistance, the multiplicity of budget lines was regrouped into six sub-headings since the planning of the EU's 2008 budget, as illustrated below.[7]

With the new organisation of the budget, the split between the EDF and the EU Budget on External Relations (Heading 4) has not been abolished, as can be seen on the right-hand side of the diagram (on the EDF, see next section below); the two remain distinct. Regarding these sums as one source of funding, it is roughly divided into two rationales: one part of the financial instruments with global coverage (e.g. humanitarian aid, the European Instrument for Democracy and Human Rights [EIDHR], funding global democracy promotion, or the Common Foreign and Security Policy [CFSP], and another part attributed on a geographical basis (e.g. the neighbourhood policy with Eastern Europe and Mediterranean countries, European Neighbourhood and Partnership Instrument [ENPI], or the development policy instrument – Development Cooperation Instrument [DCI] – for all other developing countries that are not in the ACP group). Not included in the diagram are funds stemming from the European Investment Bank (EIB), which provides, inter alia, loans for infrastructure projects and others, also in partner countries beyond the EU.

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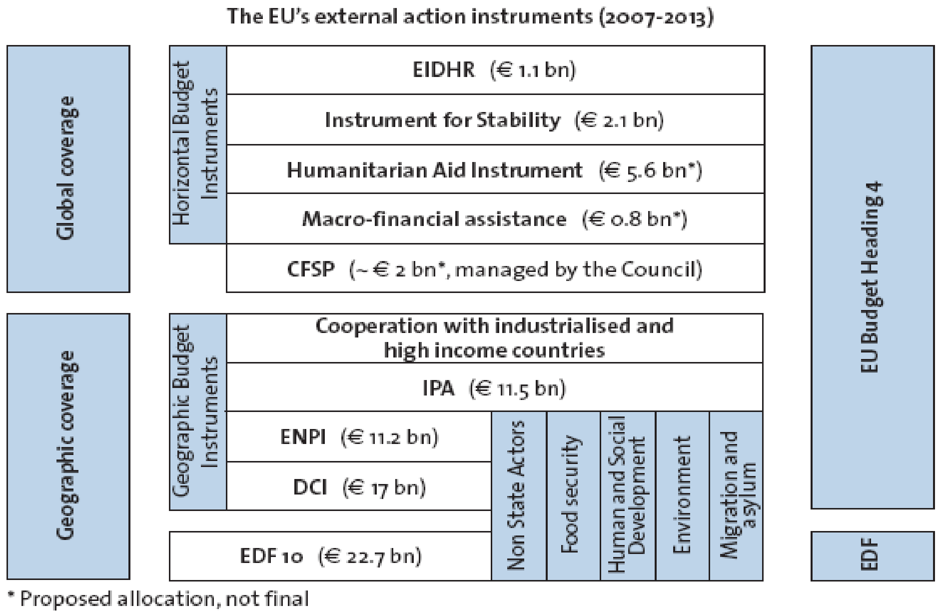
5 Assistance to the Western Balkans Community Assistance for Reconstruction, Development and Stabilisation (CARDS) is now administered by the Directorate General for Enlargement and is therefore not considered here.

6 The EIDHR for instance has a volume of around €100m a year, equivalent to 0.12 % of overall spending on external assistance (excluding accession aid).

7 Note that the depiction does not provide for a representation of overall amounts. It would thus be false to conclude that the EDF is smaller than the budgetary funds for external activities.

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



Source: Mackie / Zinke (2007)

These reforms promise to facilitate flexibility. Input has become more loosely accounted for – and the budget will consequently require new modes of political oversight over what the Commission is doing.[8] Rather than compartmentalising the purse, the European Parliament and Member States will have to see policy discussions and assess the Commission in relation to delivery of promises. However, the complexity of the EU system in terms of administering funds for external relations tells us more about efficiency in EU planning – or the historical lack thereof – than about aid effectiveness, even though it is likely to have implications on the latter.

2.2 Funding for development via the European Development Fund

Besides the funds from the EU budget, we also have a separate funding source for development cooperation: the European Development Fund (EDF), which was created already in 1958. The EDF stands outside the EU treaties and is effectively a multilateral fund for cooperation with former European colonies in Africa, the Caribbean and the Pacific (the so-called ACP states). Past debates about integrating the EDF into the budget ('budgetisation') have not resulted in action yet. EU Member States fund the EDF according to their capacities and according to their political will. Every five years, the EDF is negotiated amongst the Member States – with a rather formal participation of the ACP states. The European Parliament is only playing a negligible role in these negotiations – it can express its opinion which Member States can follow or ignore. There is no formal power of Parliament, but of course Member

8 All funds usually are accompanied by a committee of member states' representatives who convene and decide once a certain financial threshold is surpassed (the so-called 'Comitology' in Brussels). Decisions at European Community level, therefore, even if driven by the Commission, are hardly ever taken single-handedly.

States have to get their budget through national parliaments. The still-running 9th EDF has an overall volume of €15bn for the period of 2003 to 2007 (cf. Grimm 2003). These funds are already included in the aforementioned overall sum of €8bn per annum for development co-operation. For the 10th EDF (2008 to 2013), an overall sum of €24bn was finally agreed between EU Member States.

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

3 Key debates around aid effectiveness

As stated above, the debate about the effectiveness of development assistance – or the lack of effectiveness – is an ongoing debate that has come to the fore since the mid-1990s. The end of the Cold War resulted in more questions being asked about why development assistance is provided and where one could find positive effects on a partner country's development. And this included assistance provided by EU Member States in their collective actions towards developing countries.

Traditionally, countries in Africa, the Caribbean and the Pacific (the so-called ACP countries, mostly former European colonies) are the region the Community has the longest standing relations with and has given most aid to. Since 1975 the framework for these relations was well-known under the shorthand "Lomé Convention", which was renewed every five years and which provided for trade preferences granted by the European Community and pooled European development aid in the European Development Fund (EDF). Despite being granted preferential treatment in market access and – compared to other regions – relatively high levels of per-capita financial transfers in the form of development assistance, only very few countries amongst the ACP countries could show noticeable successes in socio-economic development. It is difficult, and counterfactual, to ask the hypothetical question, "what if we had *not* provided the aid?" But the mid-term review of the partnership agreement of Lomé IV in 1995 already illustrated differences in perspectives between the EU and the ACP group when it came to finding reasons for the prevailing deficits in development.

3.1 Scaling up of aid - more aid first?

Many developing countries claimed with some degree of plausibility that Northern donors – and not least the EU – would be giving with one hand via development assistance transfers and taking more with the other hand, for instance through the protection of special interests in agricultural and trade policy. One surely hits a soft spot when denouncing donors' inconsistencies and incoherence.

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

3.2 Improvements in recipients' governance first?

The reasoning behind the lack of examples for successful development resulting from aid delivery differs from a donor perspective. Arguments in donor capitals with regard to the effectiveness of development assistance have changed over the last years. Many practitioners of aid point towards the insufficient effectiveness of governance in partner countries and highlight the relatively high levels of corruption as possible reasons for a lag in development.

In a number of EU documents, there are references to the responsibilities of partner countries for their own development ("ownership") – or the lack thereof. Consequently, the European Union emphasizes good governance as a precondition for aid effectiveness. In the words of an EU publication of 2005: *"Successful development requires; adherence to human rights, democratic principles and the rule of law; and effective, well-governed states, and strong and efficient institutions"* (EU Africa Strategy; EU Council of Ministers 2005, 3). The goal of an improvement in governance – defined as the rules and regulations within a society – is pursued not least with the EU Governance Initiative, agreed upon in August 2006. The need for a focus on the partners' governance is argued in the European Governance Initiative, recalling the expected considerable increase in development funds (ODA) since the agreement in Monterrey and subsequent schedules for an aid increase amongst EU states:

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

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

3.3 What about donor governance?

Governance is an equally important topic when looking at the European administration of aid: for community aid, clear deficits in its internal administration of aid in the past added to the discussion on aid effectiveness. Management of aid was regarded as a problem in itself, often hindering efficient and effective support rather than assisting it (cf. Faust / Messner 2007; Bräutigam / Knack 2004).

Since enshrining common European development policy in the treaties in the early 1990s, activities in this area have seen a steep increase and – not least due to this growth – have had to struggle with internal deficiencies: administrative procedures were cumbersome and decision-making was highly centralized in Brussels. The rapidly increasing funds were not going hand in hand with an increase in staff; Commission personnel were often stretched beyond their limits in handling amounts of aid in a system prone to micro-management, as different actors – first and foremost Member States, but also the European Parliament – rightly wanted to control the Commission. But the means of control resulted in increasingly obvious negative effects in the area of efficiency: while European development funds were disbursed within an average of three years in the 1990s, in 2000, it took four years for funds from the budget to be disbursed, and even six years for EDF funds (DAC 2002, 42). As a consequence, non-committed funds started to pile up and disbursements happened in a less transparent and noticeably less results-oriented way, as the Commission conceded (EU Commission 2000a). Ultimately, allegations of a lack of political control, intentional violations of EU budgetary rules and nepotism – not least in the area of external relations[9] – forced the Commission under Jacques Santer to resign in 1999. The damage was done and the Community programmes have had to rebuild trust and credibility.

Reforms since then have reshaped the institutional setup to some extent, and will be discussed below under the keywords coherence, coordination and complementarity. The reforms, however, have not abolished the geographical split between responsibilities for the ACP and the rest of the (developing) world. Some reforms with the Lisbon Treaty (ratification is ongoing) might address these pending issues, as argued below.

4 Reasons for an unsatisfactory EU aid effectiveness in the past

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

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

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

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

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

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

4.1 Goals of community aid

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

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

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

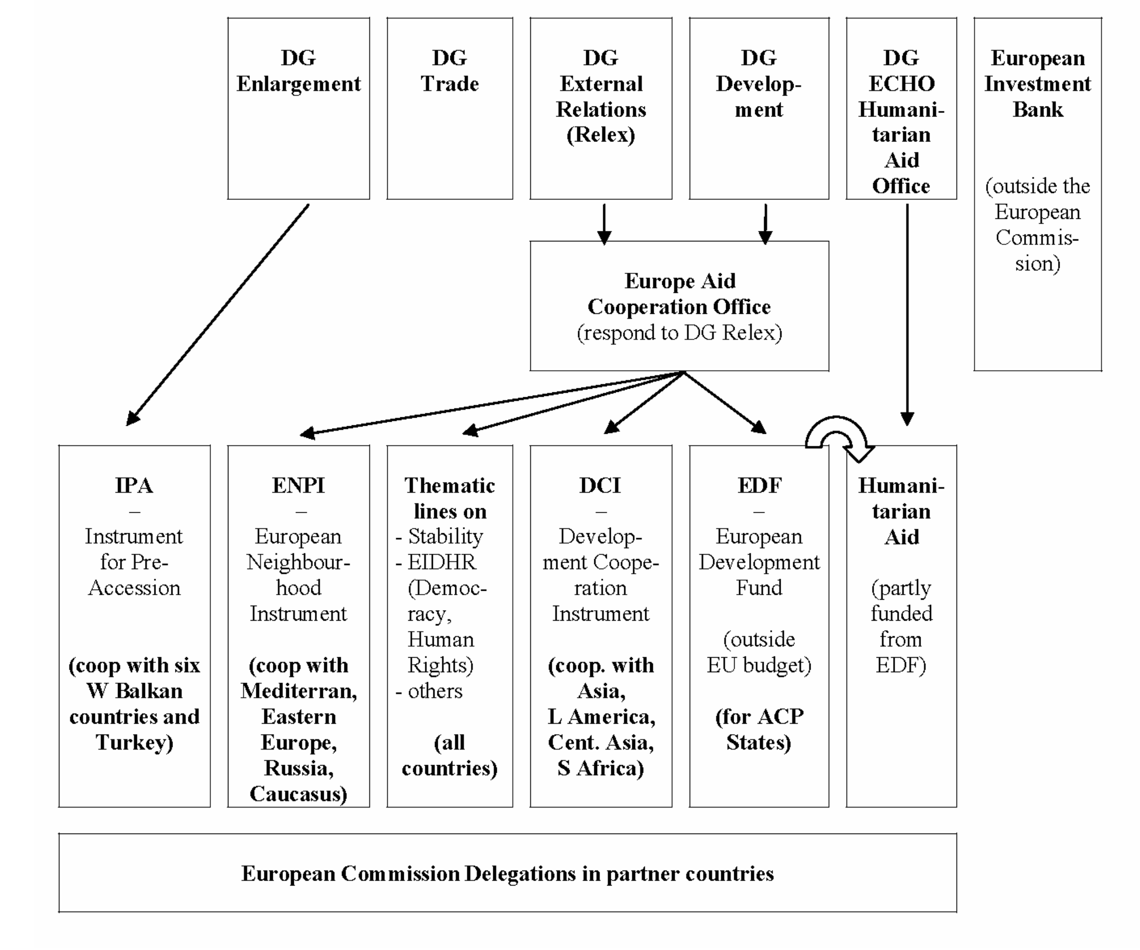
In the public debate, European development cooperation is often criticised for allegedly lacking a focus on poverty reduction. However, different people mean different things when referring to a "poverty orientation". One interpretation of the poverty orientation of Community aid would be to focus on countries with low per capita income (officially classified by the World Bank as Low Income Countries). Consequently, the EDF, due to the high number of poor countries among the ACP, is regarded as being more poverty-oriented than the general budget (UK House of Lords 2004, 27). Yet, the two strands of finance ideally complement each other. Other observers, when discussing the poverty orientation, prefer to consider the allocation of aid in favour of social groups with low income in target countries and emphasize the term 'social cohesion'. In a similar vein, others believe that the extent to which development funds contribute to the protection of the ecological basis of societies is also an important component of a donor's poverty orientation. In these instances, country allocations are thereby regarded as secondary when it comes to probing the poverty focus. In a third line of argument, allocations are derived from enlightened national, European and 'global' interests. Discussions concerning global public goods and the anchor country concept in Germany provide examples of this line of thought. The strategic orientation of aid policy is therefore only indirectly linked to poverty orientation – if we want to succeed, we need certain key countries to foster global development and take care that they do not destabilise the region.

The debates on the goals of European development cooperation, even though impacting on the public perception, do not allow for immediate statements on the effectiveness of European aid. The plurality of goals – one might call it a lack of focus – potentially result in a limited focus in evaluating results. Moreover, the broad manner in which the goals are formulated suggests that aid activities will always have some effect on at least one of the goals.

4.2 The organisational structure

The organisation of communitarised development cooperation has changed several times in the last few years. Restructuring of the Commission in 2000, however, did not fully capitalize on possibilities for a structural change of competencies within the Commission. Development cooperation with the ACP (i.e. mostly Africa) is still a different matter than assistance to the rest of the world. The geographical split between DG Development (for the ACP) and DG External Relations (for the rest of the world) is still in effect.

Diagram 2: Management structure of the European Commission’s external relations



Source: own illustration

Despite the often quoted prejudice of the EU as 'legions of bureaucrats' in Brussels, personnel is still limited in the Commission when compared with the amounts of money to be administered. In the late 1990s, the Commission had 2.9 staff for an amount of €10m. In Germany, ratios are 8.1 staff per €10m, the UK 6.5 staff per €10m and in Denmark, the statistical average was 4.5 staff administering €10m (EU Commission 2000b, 41).

Despite its image as a 'bureaucratic Moloch', the cooperation programmes administered by the Commission had considerably less staff than bilateral organisations. Commission officials therefore often argue that this is itself a testament to the efficiency of Commission aid, i.e. the better ratio of staff to amounts of aid administered. The existence of a lean bureaucracy may not necessarily lead to more effective aid delivery, however. Operating with few staff most likely has a rather negative effect on the ability to fine-tune assistance or to get a broad range of informed opinions on political developments in partner countries. It has been a stated aim of international development cooperation by most Western donors since the Paris Declaration (2005) – including the Commission – to transfer as much of the decisions on allocations and its administration to recipient states. Yet, in practice this might have to be balanced with technical support for programmes, particularly in Least Developed Countries (LDCs) and post-conflict countries, even where there is political will in well-performing states. Often, capacities will have to be built up. The call for simultaneous capacity increases at the levels of donor and recipient administrations need not represent a contradiction, but it warns us that sufficient financial support for managing aid flows is likely necessary in development cooperation. Yet, in itself, increased financing for aid administration might also not be a sufficient condition for successful – meaning: effective – aid programmes.

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

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

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

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

4.3 The 3Cs: coherence, complementarity and coordination

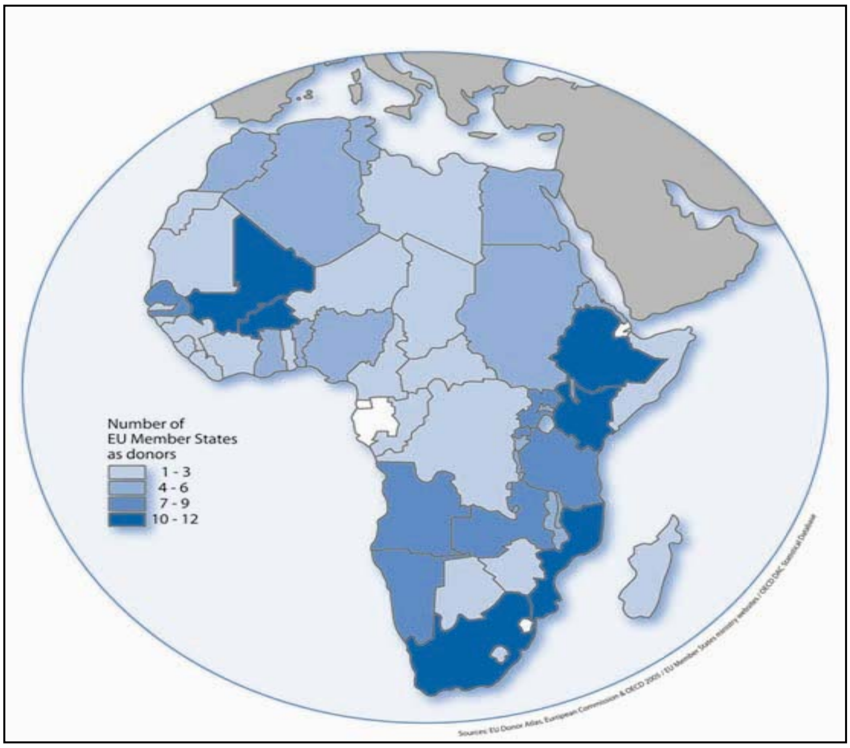
A challenge for all donors of development assistance is the coordination of various policy areas and developmental effects of decisions taken in different areas. This discussion in the European context is known as the "3Cs": coherence, complementarity, and coordination.

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

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

The need for *coordination* between the Commission and member states in order to improve the effectiveness of European development cooperation has also often been expressed. This generally accepted principle is often difficult to address due to conflicting national interests and differing priorities of member states in regions and/or states. This is not only an issue for former colonial powers in their respective ‘zones of influence’, but is also true for smaller bilateral donors for which development cooperation is the key instrument of foreign policy beyond their immediate neighbourhood. In these discussions, the question of who is coordinating with whom is quickly raised – with reference to the shared competence in development cooperation.

Diagram 3: Number of EU Member States as donors by African country



Source : Mackie / Zinke (2007)

5 Reforms in EU development cooperation

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

The most recent DAC peer review (2007) was indeed positive on EU aid. Some changes that have raised concerns in the civil society part of the development community are clearly described by DAC reviewers as positive developments:

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

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

5.1 Strengthening the policy framework

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

5.1.1 The European Consensus on Development

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

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

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

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

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

5.1.2 An EU Africa Strategy

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

The main aim of an Africa strategy, according to the Commission, is to achieve coherence in light of the many actors involved and the different European policies. Coherence has already been described by the Commission on several occasions as reflecting a suitable policy mix, i.e. the coordinated and mutually supportive coexistence of various policies. It is not, the Commission emphasizes, a question of subordinating certain policies (such as development policy) to the objectives of others (such as security or trade policy), but of settling conflicts of objectives. On the whole, the Commission document also confirms existing basic documents on cooperation with Africa in the security, economic, and financial fields. It joins a series of recent EU strategies, such as the European Consensus on Development (2005) and the European Security Strategy (2003). As its "vanishing point," the Commission document focuses more specifically on the Millennium Development Goals (MDGs). As the Commission sees it, to avoid excessive concentration on social spending, various policies should be placed around the MDGs like the layers of an onion, the centre being formed by a reduction of poverty and improvements in the areas of education and health in accordance with the MDGs adopted in 2000. Beyond this central task, however, the economic environment for the achievement of the goals must be included. And preconditions for both aspects of development are security and good governance. The approach adopted in each instance will be determined by local conditions, according to the Commission communication.

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

It was far from certain that new EU member states would include Africa in their activities in the area of development cooperation. The EU Africa Strategy therefore provided an impulse for bilateral discussions on Africa policy, including in "old" EU member states like Germany or Spain. And it helped to formulate an EU position towards Africa that is taken into a broader framework as a joint strategy of the EU and Africa since the Africa-EU-Summit in Lisbon in December 2007. This is a reference point for both sides in the context of a widening spectrum of donors in Africa, including suspiciously-regarded China, which has allegedly had a negative impact on endeavours to improve governance in Africa.

5.2 Modalities, planning and evaluation procedures

The European action plan on aid effectiveness ("more, better and faster aid") lists nine goals. Already implemented among them are measures such as the donor atlas, road maps for implementation at country level and joint planning frameworks for the Community and Member States (cf. European Commission 2006b). And beyond this, the action plan also contains politically more difficult goals, such as the improvement of complementarity between the Community and member states (European Commission 2006c) (see Box 1).

Box 1: Assessments of the EC's performance by NGOs

In the course of reforms in the international aid system, NGOs have monitored and assessed strengths and weaknesses of donors. While Non Governmental Organizations (NGOs) are not 'neutral' observers, their advocacy for improvements in aid delivery can provide useful insights for policy-makers. NGOs based in the UK have been especially active in providing policy-makers with evidence from their perspective.

Oxfam (Great Britain) and Debt Relief International have attempted to develop indicators of donor behaviour which could assist recipient governments in assessing the relative costs and benefits of dealing with a series of bilateral and multilateral aid agencies (Oxfam 2004, DRI 2004). The survey of donor practices carried out by Oxfam focused on five main variables, namely (a) simplifying reporting requirements, (b) delivering aid on time, (c) committing for the long-term, (d) fitting in with the government budget cycle, and (e) imposing minimal conditions. Among the multilateral agencies, the EC scored well on reporting requirements, but poorly on timely delivery of aid. The World Bank, on the contrary, was judged too heavy on reporting and conditionality requirements, but fared very well on long-term commitments and delivering on time and though the budget.

From 'Paying the Price Why rich countries must invest now in a war on poverty', Oxfam 2004

	Simplifying reporting requirements	Delivering aid on time	Committing for the long-term	Fitting in with the government budget cycle	Imposing minimal conditions
Best score	UK	Japan	World Bank	Japan	Germany
2nd	EC	World Bank	Germany	World Bank	UK
3rd	Germany	UK	Japan	Germany	US
4th	Japan	Germany	UK	UK	EC
5th	World Bank	US	EC	EC	Japan
Worst	US	EC	US	US	World Bank

(Source: Oxfam survey of donor practice, 2004)

Debt Relief International embarked on a much more comprehensive exercise, based on its capacity building activities in 12 HIPC countries in Sub-Saharan Africa. A number of characteristics of donor policies and procedures were taken into account, and measures of donor performance developed against each one of them. Using these criteria and a scoring system, African governments assessed the overall quality of each donor's and creditor's resources. For the European performance, only the EDF was assessed. The key factors and issues of donor/creditor aid policies and procedures analysed were:

For policies:

- Concessionality: as measured by the grant element
- Types of assistance: budget/balance of payments support, project, TA or food/commodity
- Channel of assistance: via the budget or off-budget
- Sectors and projects: support is for PRSP or donor-led priorities
- Flexibility of assistance: can aid be channelled to new areas and/or used to meet unexpected financing gaps arising from economic shocks
- Predictability of assistance: multi- or one-year commitments and whether they are fulfilled
- Policy conditionality: the number and degree of enforcement of policy conditions
- Policy dialogue: the degree of donor engagement in the economic policy dialogue and independent support for government policies or alignment with Bretton Woods Institutions.

For procedures:

- Conditions precedent – types and degree of enforcement and the disbursement delays arising in meeting these conditions
- Disbursement methods: via cash direct to the budget or reimbursement claims
- Disbursement procedures: the number and complexity and disbursement delays arising
- Procurement procedures: the number and complexity and disbursement delays arising
- Co-ordination: the degree of harmonisation between government and donors/creditors.

According to the study, multilateral sources of finance tend to be more reliably channelled through budgets as programme aid, to the priority sectors and projects of the government, and more predictable. On the other hand, bilateral sources on average have greater concessionality, more flexibility, and less conditionality. Table 6 summarises the overall ranking.

Table 6: Excerpt from DRI report

Table 4.4: Overall Ranking of Donors and Creditors by Selected HIPCs

	Above average scores on policies and procedures	Below average scores on policies and procedures
Multilateral		
	European Union (EDF) IDA IFAD IMF UN agencies	African Development Fund BADEA European Investment Bank Islamic Development Bank Nordic Fund (NDF) OPEC West African Development Bank (BOAD)
Bilateral		
	Belgium Canada Denmark Finland Germany Ireland Luxembourg Netherlands Norway Sweden United Kingdom USA	Austria China (PR) France India Italy Japan Kuwait Fund Libya Portugal Saudi Fund South Korea Spain Switzerland

Donors/creditors are listed in alphabetic order, within each classification.

In the survey of DRI, EU policies (based on practice of the EDF) scored well, with the exception of predictability. On procedures, it was ranked as below average and DRI identified a need to reduce the burden of fulfilling conditions precedent and improve its disbursement and procurement procedures.

Source: Research note by ODI (2004)

European aid increasingly targets the political framework, instead of project levels, with how it gives aid ('modalities'). Increasingly, the responsibility of partner countries themselves is emphasised, and has been for at least 10 or 15 years (cf. Grimm 2003). The Commission is trying to create incentives for partners, rewarding good performers rather than punishing bad performers with sanctions. Also linked to the political dimension of the EU external relations were changes in the EU's aid modalities, as well as its planning and evaluation.

In comparison with other donors, the European Commission is obtaining relatively average scores, with some scores below average in terms of aid predictability (this somewhat contradicts the criticism of "shoving money through the door" via budget support; the system seems to be less focused on facilitating disbursements than often said) and in the area of capacity building. The European Commission, however, scores above average in the use of joint missions and in the use of common arrangements or procedures.

Table 2: 2006 Survey on Monitoring the Paris Declaration – Results for the European Commission						
Information in the table below covers data reported in 34 countries out of 34 and reflects 45 % of country programmed aid in 2005.						
Indicators		**Definitions**		**2005 European Commission baseline ratio**	**2005 Global Baseline (all participating donors)**	**2010 Targets**
3	Aid flows are aligned on national priorities	Aid for government sector in budget (USD m)	1 919	**81 %**	88 %	**91 %**
		Aid disbursed for government sector (USD m)	2 364			
4	Strengthen capacity by co-ordinated support	Coordinated Technical co-operation (USD m)	173	**35 %**	48 %	**100 %** (EU Target)
		Technical co-operation (USD m)	497			
5a	Use of country public financial management systems	Use of PFM systems (USD m)	943	**40 %**	40 %	**50 %** (EU Target)
		Aid disbursed for government sector (USD m)	2 364			
5b	Use of country procurement systems	Use of procurement systems (USD m)	972	**41 %**	39 %	**50 %** (EU Target)
		Aid disbursed for government sector (USD m)	2 364			
7	Aid is more predictable	Aid recorded as disbursed (USD m)	1 632	**65 %**	70 %	**83 %**
		Aid scheduled for disbursement (USD m)	2 515			
9	Use of common arrangements or procedures	Programme-based approaches (USD m)	1 394	**50 %**	43 %	**66 %** (EU Target)
		Total aid disbursed (USD m)	2 777			
10a	Joint missions	Number of joint missions (number)	189	**33 %**	18 %	**40 %**
		Total number of missions (number)	580			
10b	Joint country analytic work	Number of joint analyses (number)	111	**45 %**	42 %	**66 %**
		Total number of country analyses (number)	248			
(a) The average country ratio is the average ratio across all countries where the donor has reported activities.						
Source: OECD / DAC (2006)						

With regard to using country public financial management systems, the Commission has consistently built up its use of budget support. While in 1999 budget support accounted for roughly 8 % of communitarised development cooperation, this share grew to 20 % up to 2003. In ACP states, the share of budget support was at one third (EU Commission 2004) – and a share of half of all EU aid to ACP states is meant to be delivered via this modality, as stated in the EU Africa strategy. When it comes to discussions about budget support, the Commission has become a lead agency to promote its use and thus appears to have overcome its timidity in international discussions.

With the introduction of innovative features, the Commission has attempted to accommodate a results-oriented approach to performance assessment while safeguarding a high level of predictability of financial flows. General budget support by the European Commission is given in two tranches, one fixed and one variable. A fixed tranche is paid if basic conditions for budget support are given. There are no general rules on the proportions of fixed or variable tranches. The allocation of shares is meant to balance the need for incentives for results with the need for macro-support predictability. Often the first tranche amounts to 70 % of the overall support. The second, variable tranche is disbursed as an incentive in the case of successes. While the fixed tranche is either fully given or withheld, the variable tranche allows for a gradual release of funding, depending on the achievement of targets for specific indicators agreed upon in the Performance Assessment Framework (PAF). For both mechanisms, general conditionalities according to the Cotonou Agreement apply, i.e. essential elements in the agreement have to be respected, such as human rights, democratic rule and the rule of law. Success is measured according to standards in public budgeting and to previously agreed indicators measuring improvements in social services (cf. Schmidt 2005; also: European Court of Auditors 2005). The variable tranche consists of two components. One looks at public finance management (and follows efficiency indicators), while the other emphasizes social service delivery (and hence follows outcome indicators). At the time of the preparation of the financing proposal, agreement is reached between the European Commission and government on what performance indicators are to be used, and for which disbursement periods. Agreements normally cover three years. Indicators are selected on a case-by-case basis. However, the Commission believes in a focus on outcomes, with the idea that this leaves policy space for the government to define its own policy actions with which to meet the targets. The aim is to use PRSPs and Annual Performance Reviews (at times conducted jointly with the recipient country) to work towards a single framework of conditions or indicators with other donors providing policy-related budget support. This can lead to tensions between the principles of ownership and external demands. With the two tranches, Commission wants to avoid 'stop-go' funding, which would inhibit reliable planning of partner countries and thus is considered to have a negative impact on the effectiveness of aid. And additionally, the Commission has created an incentive for more political dialogue on programme implementation with the introduction of its second tranche.

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

Box 2: EU support for governance in Mozambique
With regard to the theme of governance in EU aid to Mozambique (and other ACP states) there are issues surrounding the notion of partnership and its particular interpretation under the Cotonou Agreement, as under its predecessor Lomé. It is not quite clear to what length partnership goes. Despite commonly agreed principles which are formulated as the baseline for all cooperation, their interpretation might differ in particular circumstances which might result in watering down joint statements from the perspective of any one partner. Improvements in the judiciary sector in Mozambique, for instance, have been relatively slow. At times, adherence to partnership principles slows down procedures, as consultation and involvement of a partner with limited capacities in general tends to keep activities below the threshold of the cutting edge in debate or the delivery speed possible elsewhere. Yet there does not seem to be another sustainable way of engaging with actors in politically contested and hence sensitive sectors. The claim of 'partnership' despite obvious asymmetries guarantees a minimum of (at least formal) respect and some involvement of both sides in any interaction. Reminding government of its own targets – as is done by donors in Mozambique in the context of the Performance Assessment Framework – is potentially much more effective than referring to outside pressure. Additionally, it respects a key rationale in governance support, which aims at creating space for national accountability and institutional checks-and-balances. However, there are political choices to be made, no matter how refined the performance assessment is. The case of a political murder of the journalist Carlos Cardoso in Mozambique in the early 2000s might be an illustration: there were clear words to be found in the Country Strategy Paper on Mozambique and (possibly) during the political dialogue behind closed doors. The publics – or rather: specialist and interest groups – will demand tangible consequences which are not always in the diplomatic or long-term interest of sustaining the relationship with Mozambique. Symbolic actions, such as sanctions, might play towards public opinion. Nevertheless, they will probably not address root causes of failures, be it a lack of political will (if that is the case) or structural deficits in the justice sector. The Commission's Delegation in Mozambique (DELMOZ), as a symbolic action, has chosen another path and funded a Journalists' prize for the last four years which carries the name of Carlos Cardoso. These reactions ultimately constitute a political and strategic choice of the EU as an actor and can be justified with overall improvements in the rule of law in Mozambique. DELMOZ, in the past, has been creative when quick (financial) responses to situations in the country were demanded. This was the case, for instance, with the financial support to Mozambique's elections in 2004, for which the government of Mozambique applied relatively late. Rather than going through a lengthy project approval process, the delegation referred to budget support mechanisms to provide funding in time. However, given the highly polarised character of Mozambican politics, it is questionable that providing electoral assistance via budget support is a positive experiment. This was a risk strategy, yet the EU's share in funding the elections was substantial and thus created a certain leverage which was used for a high political profile of the EU (and DELMOZ in particular) in the process.
Source: Grimm (2006, 33–34)

Since the increase in budget support, the 'piled up' amount of funds has been considerably reduced. From € 1.3bn of committed, but not disbursed funds in 1998, the figure dropped to €483m in 2004 (EU Commission 2005, 113). To some degree, this is due to reformed aid modalities, including budget support. And furthermore, funds of 'old' EDFs were transferred into a sort of trust fund in the area of security policy (the African Peer Facility), or, more recently, planned for a fund to support African reforms in the area of governance (Governance Initiative) with which the Commission also attempts to exercise political leadership. For the latter, €3bn are committed for the period 2008 to 2013. Yet to date these elements mostly allow for statements about the (improved) efficiency of European development cooperation. However, we do not know enough about their effects, beyond the arguably well-established rationale, to speak about an increased effectiveness of instruments. This statement is made despite efforts to increase results-oriented management in the Commission (see box 3).

Box 3: Results-oriented management for European Community programmes

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

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

In about 2 % of all projects, evaluations identified 'major problems' (the lowest of all possible scores in three of five areas). One tenth of the projects were reported to have had the lowest score in one of the criteria (EU Commission 2005: 124). These observations were exemplarily conducted for three focus sectors[10] and systematically conducted for the different regional programmes. Particularly successful with regard to effectiveness according to this exercise had been projects in Latin America (2.90), the Mediterranean (2.80) as well as Eastern Europe and Central Asia (2.78). The lowest scores were attributed to the programming region of the ACP (2.55) and the Balkans (2.61), while Asia is at the average of all EU programming regions (2.72; EU Commission 2005: 126). Not covered by these reported results, however, were budget support and sector wide approaches – which amount to a considerable share of European development cooperation.

These evaluations covered one tenth of all projects with EU funding below the figure of €1m (for 2004). Yet, in this area, we find the same micro-macro-paradox as with bilateral donors: scoring at project-level is relatively high – while the overall impact of aid is questioned. The Commission is facing the same challenges in this as are the bilateral donors – possibly with the additional burden of greater need for internal transparency and accountability in order to sustain its legitimacy for activities in external relations.

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

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

5.3 Coordination among member states and the Commission

The coordination of the multitude of actors is also an area of increased activities within the Union. We can ask why the establishment of a bilateral aid programme is a requirement for joining the European Union as part of the *'acquis communautaire'*, the joint achievements[12] (Grimm/Harmer 2005; Development Strategies 2003), as this contributes to a proliferation of donor agencies in an already crowded aid environment. The EU now comprises 27 bilateral donors plus Commission administered programmes ('27+1'), instead of the previous 15 bilateral donors plus the Commission. This number will further increase with future enlargements. Arguments brought forward by actors in the European aid system are aimed at (a) legitimacy and (b) technical knowledge. It would, some argue, only be a matter of time for new EU member states to have the desire to plant their flags next to projects in partner countries, as development assistance is part of a country's foreign relations. Moreover, how can one ask the new EU member states to be more rational than the EU-15? And establishing a bilateral aid programme will build up capacities of decision makers that can be beneficial to political discussions in Brussels. Without their own experiences, member states might not be able to effectively engage with the Brussels debate. This proliferation comes with costs and if it is not managed properly according to the Paris Agenda it will likely result in additional strain on partner countries' (often limited) administrative capacities.

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

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

There is a certain plausibility– though no hard evidence – in stating that coordinated development assistance of the EU is more effective than uncoordinated assistance activities existing alongside each other that potentially produces contradictory policies amongst member states. Better coordination among EU actors might be a necessary condition to improve effectiveness, but it will not be a sufficient condition. The EU donor atlas is a rather timid attempt

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

Box 4: Division of labour – where we are in the EU (quoted from Mürle 2007)
"At the GAERC on 17 October 2006, the EU member states committed themselves *"to focus their participation only in a limited number of sectors or themes in each partner country"* and to discuss how this should be implemented (GAERC 2006, 3 f.). An analysis of the following processes (chapter 4.1) is particularly relevant for developing proposals (chapter 4.2) how EU donors could reduce the number of sectors in which they are active and increase the in-country division of labour: – In some countries, formal "division of labour exercises" are implemented in the context of donor-wide joint assistance strategies with the aim of reducing the number of donors per sector and assigning sector lead donor roles – The EU has started to implement a framework for joint programming requiring a division of labour between EU donors as part of a joint response strategy. – Delegated co-operation is used to support sectors and countries by using the capacities of other donors."
Source: Mürle (2007, 17)

to illustrate individual donors' focal activities and thereby contributes to sharpening member states' profiles in development cooperation.

6 Challenges in architecture and management – the road ahead

A key problem with the word 'architecture' in the title is that it assumes the existence of a master plan and a supervisor in the creation of a structure. That is not the case in Europe. When looking at the EU's institutional structure – particularly in the field of international development – speaking mildly, it looks complex: 27+1 donors. When taking into account that development policy is a complex policy area in itself, several sub-systems are to be included (trade, security, etc.). And even when only focusing on the Community policy on international development assistance, we find a number of instruments (from the budget and the EDF). It has to be emphasised that it is much less of a mess than it used to be and the Commission has done much of its homework. Yet, not all issues have been addressed.

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

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

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

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

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

And –when regarded as a whole, i.e. including member states and the Commission – overall *the system* of European development cooperation is still somewhat a mess.

6.1 The shift to partner country level

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

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

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

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

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

6.2 The EU division of labour

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

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

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

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

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

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

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

6.3 The pending EU budget revision in 2008

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

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

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

6.4 The Lisbon Reform Treaty and external relations

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

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

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

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

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

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

7 Conclusion

At the level of political planning and conceptual debate, the Union has made meaningful progress, as certified by the DAC peer review and other observers. It has improved to a degree that it is driving policy debates in some areas and is no longer the "sick man" in European development cooperation. Increasingly, the Commission regards itself as a coordination point or at least as an important input provider in an EU debate. An indicator for the changes in understanding of its own role are the aforementioned Union documents in international development cooperation, such as the European Consensus and the EU Africa Strategy. While the Africa strategy has indeed already triggered a debate on policy towards Africa in some Member States, other strategies will be more complex in their implementation. The latest document, the Code of Conduct on Division of Labour, is a case in point. This gives hope for improvements in aid effectiveness, as it improves – or creates – the basic conditions for effective development cooperation. This is a necessary, yet not sufficient condition to guarantee actual improvement of European development policy on the ground in partner countries.

The organisation of communitarised development cooperation was changed several times in the last years. Restructuring of the Commission in 2000, however, did not fully capitalize on possibilities for a structural change of competencies within the Commission. Development cooperation with the ACP (i.e. mostly Africa) is still a different matter than assistance to the rest of the world. The geographical split between DG Development (for the ACP) and DG External Relations (for the rest of the world) is still in effect. This is the case arguably more so for reasons of creating scarce political jobs in Brussels, rather than having aid effectiveness in mind. So some issues remain on the Commission's to-do list, but a large number of reforms have already taken place. Having said this, policy coherence for development remains an ongoing – and challenging – task for policy-making in order not to give with one hand and take away with the other (e.g. trade and development or challenges in European agricultural policy).

With the Commission having done most of its homework in development policy, attention should turn to systemic issues beyond communitarised development policy. Sorting out the system is a key task yet to get to terms with. Improvements in effectiveness of European aid will most importantly depend on implementation of institutional reforms agreed upon in Lisbon this October. How will these be given life? And not least: *who* will be filling the positions? Increasing consistency and transparency might not automatically increase aid effectiveness, but it might create incentives for improving results-orientation and might also indirectly be improving coordination. It enables key actors such as the European Parliament and, ideally, the parliaments of recipient states! to ask questions about the use of funds in certain sectors and certain countries and to thereby participate in decision-making. The currently still sceptical position of many European MPs and MEPs towards some modalities such as budget support (be it sectoral or even general) can probably only be overcome with increased information and debate among actors.

When looking at the road ahead of us, 2009 will be a key year for the EU: there will be a new treaty, new posts to be filled, European elections, and a new Commission. This does not mean to wait and see for 2009. Some crucial decisions will have to be taken in 2008, ranging from institutional issues like the outlines for the external action service to thematic debates like the meeting of the High Level Forum on aid effectiveness in Accra etc. Beyond the general reform goals, an increased coordination at country level and implementation of decisions on complementarity in partner countries would be helpful with regard to efficient use of funds. These funds, despite the agreement on their increase, are neither drawing on endless resources nor should they be regarded as an entitlement of recipient countries. The ultimate aim of development cooperation – if taken by its word – is a contradiction for all actors: development aid is designed to make itself superfluous. This does not mean to stop all interactions, but rather to shift cooperation into other areas and stop declaring it development assistance in some cases. There might be good reason to discuss what can be defined as ODA and what cannot. However, we should be very careful about re-definitions of aid with a pending fulfilment of the 0.7 % target of ODA per gross national income (GNI). Changing the horses during the race will surely lead to problems of credibility.

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

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