

ODI 25 June
Tackling poverty: Where next for Brussels?
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A. General remarks

DAC peer reviews

- DAC peer reviews are an essential component of the work of the DAC. Through peer pressure and peer learning, peer reviews aim at improving development cooperation agencies' behavior and practice for better impact on poverty reduction and sustainable development.
- Each DAC member is reviewed by two other member countries every 5 years. The EU has been reviewed this time by Japan and Norway.
- The process involved a one-week mission in Brussels (October) plus follow-up meetings in December. It also involved two one-week missions in Chad and Peru.
- These missions allow the team to consult with a wide range of partners (EU institutions in Brussels, Member States (CODEV, COHAFA), NGOs and research institutes, Parliament, governments from partner countries, other bilateral and multilateral donors, CSOs, etc).
- The peer review meeting took place on 28 March 2012 in Paris. EuropeAid, ECHO and the European External Action Service were represented. All DAC members discussed the report, and finally endorsed the recommendations in the final report.

1. What development objectives can Member States better pursue through the European Commission than through bilateral means?

= where is the EU's (Commission, but also EEAS) comparative advantage? It is important to bear in mind that development cooperation is no longer the responsibility only of the Commission.

i) Views from EU member states (Interviews in Brussels, October 2011)

- All EU Member States recognise that the geographic reach, scale, and scope of the development co-operation programme are key comparative advantages of the EU institutions. Member States also appreciate these institutions' normative role in humanitarian aid, and their engagement in promoting regional approaches.

- Recognising the EU's long-term engagement, they see EU institutions complementing Member States' bilateral programmes:
- 1) In specific contexts, such as fragile states, where they can bring together various funding streams in a coherent manner and where Member States feel they are too small to have an impact on their own;
- 2) In a number of sectors – notably infrastructure which requires large-scale investments; and
- 3) In specific aid modalities - in particular budget support, which is not used by all Member States.
- Member States feel that the EU institutions provide a valuable neutral platform for dialogue with the partner government which can be important, for example where the member states have a colonial history.
- Members also agree that collective action can be powerful. They consider that developing joint positions is a good way forward and the condition for the EU speaking on behalf of all its Member States.

ii) The review concludes:

1. The EU is a good vehicle for EU member states to be heard at the international level – in line with its federator role. A stronger EU voice in global debates, through developing common positions would make Member States collectively more effective than voicing only individual positions. When various EU stakeholders want to make their own statements, consistency is required. This is a challenge as Member States are ambivalent about the EU playing this role as they also want to retain their own voice and position.
2. The EU is well placed in **fragile contexts** in particular where the overall bilateral engagement of EU members is weak. For instance only France and Germany are active in Chad which we visited during the review. This should not result in the EU institutions being left to act alone in these countries, of course.
 - a. The Lisbon Treaty gives the EU a strong legal basis for working in fragile states. It sets preserving peace, preventing conflicts and strengthening international security as key goals for EU external action. The Commission's proposed *Agenda for Change* calls for greater efforts to tackle insecurity, fragility and the challenges of transition, giving greater attention to the links between insecurity and poverty.
 - b. The EU's integration of various policy areas (development co-operation, humanitarian assistance, peacebuilding, conflict prevention and international security) and its large volume of development co-operation funding means that the EU is well equipped to engage in fragile contexts.
3. The EU is also well placed to provide **budget support** and support **large scale programmes**.
4. There should be no contradiction between working through the Commission and working bilaterally. Rather, there should be complementarity between the two approaches. Bridging the gap is the objective of **Joint programming**. The EU institutions have made a concerted effort to play a convening role as regards the **division of labour** (through the code of conduct). Our report encourages the EU to pursue harmonisation among EU members, in particular through joint programming. There is a lot of skepticism to this, and it is not yet clear what the scope of this will be. While supported by Member States, joint programming is also considered a challenge as it requires synchronising different aid systems in Member States (*e.g.* degree of decentralisation, programming cycles). But this is the way to go if we want to lower transaction costs for partners and make the most of the different parts of the EU.

2. Does the European Commission live up to expectations?

The response depends on whose expectations you are looking at:

- **Partner countries:** (*views from Peru and Chad*) appreciate the EU long-term, predictable and significant support. They also appreciate the partnership approach in planning and implementing the programme. However, they regret that procedures are long and cumbersome, and they are concerned with the lack of flexibility of the EU programme (a big concern in a country in transition like Chad).
- **EU member states:** (*interviews in Brussels during the PR mission*) are ambivalent about the convening role of the EU (how far to go on division of labour and joint programming). When it comes to the programme managed by the EU, they consider that the EU institutions:
 - i) have limited expert capacity in certain partner countries and sectors;
 - ii) maintain a strong Brussels-centric culture and instead should be more decentralised with better equipped Delegations;
 - iii) need stronger knowledge management and focus on results; and
 - iv) are unable to react quickly to emerging needs and link relief, recovery and development interventions effectively.
- **Think tanks and NGOs** would like to see the EU institutions taking a stronger intellectual lead in areas such as innovative finance using aid as a catalyst. NGOs appreciate efforts made by the EU to reach out to them through the structured dialogue, but consider that the EU processes are too complex, preventing CSOs from accessing EU funding and undermining the EU efforts to support civil society.

Findings from the review:

- Generally, it is easier to live up to expectations where technical issues are concerned. It is much harder when political choices have to be made. In several areas, the Commission has done its best, but has not achieved the expected results because development co-operation is a shared competency. This means that the EU institutions can take initiatives to enhance coordination, but they must respect EU members' sovereignty: the Commission has pushed EU members as far as it can to meet their commitments on aid volume (0.7%), on making policies more development friendly (PCD), and division of labour. The results are rather disappointing because of a lack of political commitment from member states.
- Despite progress, EU aid is not as effective as it could be. EU procedures are still cumbersome, slowing down implementation and putting a greater burden on partners with limited capacity (in particular civil society organisations in low income countries).
- EU monitoring processes focus on financial accountability rather than on results. The EU needs to find a better balance between these two – the programme would then be geared more to achieving results and to learning whether interventions are working.
- The review also notes that the complex procedures, and greater focus on financial accountability than on results, are to some extent due to the controls imposed on the Commission by the EU members, through Council and Parliament.

3. What improvements are required?

- The EU institutions need to **clarify roles** in practice, especially at the partner country level. The External Action Service is an opportunity to make EU external action more consistent, but there is a risk that it will lead to even more complex EU foreign policy machinery.
- The review clearly points to the **need for streamlining instruments and procedures**. Our recommendations support the proposal for the new financing instrument for Development Cooperation made by the Commission as part of the preparation of the financial framework 2014-20 (nine geographic and thematic instruments, accompanied by a common implementing regulation), but we also suggest the EU should go even further in simplifying processes to make the aid programme faster and more flexible.
- We recommend **devolving more decision-making power to Delegations** and placing enough skilled people in the field to support this devolution. This would further increase the speed of delivery and coherence in programming. One area that EuropeAid could revisit is the role of Delegations in decision making for thematic and regional funding lines, currently the responsibility of Brussels

4. What are the implications for future funding?

- Despite efforts, the EU collectively failed to achieve the 2010 target (reaching 0.44%, while the target was 0.56%). In 2011, the ratio fell to 0.42%. With the 2015 aid to national income target at risk, the report urges EU institutions to continue their efforts to get member states focused on their individual role and collective responsibility for achieving the 0.7% target.
- The Commission is now preparing the multiannual financial framework for 2014-2020. In the communication (*Global Europe*, December 2011), the total amount proposed for the nine programme areas (instruments) is EUR 96.25 billion for the overall period. This would represent an increase of some 25% in 2011 prices over the previous financial framework, and an increase in its share of the total EU budget (to 6.8%, excluding the European Development Fund).
- If agreed, this increase in the budget would confirm the strengthened priority that the EU gives to external affairs. An increased budget should - hopefully - then translate into an increase in EU development co-operation funding, helping to achieve the 0.7% EU collective commitment.
- In deciding future budgets, the EU (including the individual member states) must consider the risks of not meeting their target both to their reputation and to the investments already made in partner countries – and, of course, they should also analyse what results can be achieved by meeting the target.