



How effective is European Commission aid on the ground?

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In 2007, ODI undertook a project commissioned by the Committee on Development (CD) of the European Parliament (EP) to assess the effectiveness of international development assistance from the European Commission (EC). The project examined EC aid on the ground in three very different countries: Cambodia, Mozambique, and Peru (see Table 1).

This Project Briefing highlights the main findings, lessons, and recommendations that emerged from the synthesis report prepared for the project.

The EU in the international aid system

The European Union is a major player in the international aid system. Today, the EU (including member states and the Community programmes) accounts for more than half of worldwide official development assistance (ODA), and the EU includes 15 of the 22 bilateral donors organised in the Development Assistance Committee (DAC). However, as noted in a report prepared by European Parliamentarian Alain Hutchinson in 2006, there is also a perception that the EU's role as a major player has not necessarily translated into

effective leadership, and that the quality of EC aid needs to be scaled up.

The EU has been actively involved in several initiatives to improve the effectiveness of European aid. In December 2005, for example, the Commission (COM), the Council, the EP and the Member States approved the European Consensus on Development – the first such policy document to provide a common vision of values, objectives, principles and means to development for both member states' bilateral efforts and the EC. In May 2007, the Council also approved the EU Code of Conduct on Complementarity and Division of Labour in Development Policy. The Code contains 11 guiding principles for a better division of labour among EU donors and for a global presence of the EU in developing countries. If implemented, its impact could be considerable in limiting the number of donors involved in any one country or sector. In April 2008, the Commission issued a communication on 'The EU – A global partner for development: Speeding up progress towards the Millennium Development Goals' in which it proposed actions to encourage Member States to increase the volume and the effectiveness of aid, as well as areas where EU policies could be better coordinated to meet the MDGs.

Key points

- Research in three countries suggests that the quality of EC aid is improving in key areas, but progress is slow
- The quality of national institutions is critical for aid effectiveness
- Donor support needs to include measures to create national institutions that are representative, inclusive, and effective

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Table 1: Snapshot of key characteristics of the case study countries

Type of country	Cambodia	Mozambique	Peru
Country Type	Fragile state	Aid dependent	Lower middle Income
GNI per cap 2005	\$380	\$310	\$2,610
ODA as % GDP	10%	17%	0.5%
EC as % ODA 2005	3.8%	8.4%	10.6%
EU bilaterals as % ODA 2005	23.9%	32.1%	39.3%
EC as % of EC+ EU bilaterals 2005	13.7%	20.7%	21.2%
No. EU bilaterals	15	16	17

Box 1: Progress in Harmonisation and Alignment (H & A) in the country cases

Mozambique has made the most progress:

- High volume of budget support;
- Several functioning common pool funds;
- Strong coordination structures, especially for budget support;
- Information on donor projects relatively good;
- But lack of government leadership constrains progress.

Peru has seen least progress:

- No clear national plan and responsibilities for aid coordination are divided;
- Limited donor commitment to harmonization;
- Large number of off budget projects run by NGOs;
- But some examples of coordination, e.g. Common Pool fund for Ombudsman.

Cambodia also showing progress, after a stalled start:

- Strongest government leadership of the 3 countries, with clear policy statements and coordinating structures;
- Good sector coordination in Health and Education;
- Effective trust fund for public financial management reform;
- Coordinated framework emerging for budget support;
- Yet still too many projects overall and many off-budget projects, which are poorly documented.

Box 2: Quality of EC Contributions

In Mozambique, EC perceived as a leader in H & A efforts:

- Took active role in promoting development of a joint assistance strategy across 19 agencies and aligned the National Indicative Programme very closely to government priorities;
- Is a leading light within the group providing General Budget Support (GBS) (G-20);
- Has financed development of project database (ODAMOZ).

In Cambodia, EC has supported H & A but with less results:

- Sectoral support to education most notable achievement;
- National Indicative Programme well aligned with government priorities but CSP was developed in isolation from other agencies and with limited governmental consultation;
- EC continues to fund too many projects overall;
- Roadmap for EU harmonisation prepared, but precise role of EC unclear as is the role of the Roadmap itself in relation to donor-wide harmonisation efforts.

In Peru, the EC has championed H & A, but progress has been slow and partial:

- Although the first meeting took place in April 2007, coordination across the EU Member States is not yet operational;
- EC active in five of 16 sector taskforces and provides support to the government's aid coordination agency;
- Despite considerable efforts by the EC, it has been difficult to unify aid coordination processes within the Government, given complex institutional structures and often competing incentives;
- EC Country Strategy Paper not conceived as a joint exercise and involved only limited consultation;
- The fundamental question of the right role for EC in Middle Income Countries, such as Peru, does not appear to have been addressed.

In addition to these EU-wide efforts on aid effectiveness, the Commission itself has undergone important reforms since the late 1990s to turn itself into a more effective development institution. These include planning documents and instruments to simplify EC structures and give greater coherence to EC assistance. These include the establishment of the EuropeAid office as the single implementing agency to handle EC foreign aid, the introduction of Country Strategy Papers (CSPs) as a joint planning mechanism, and a move towards 'deconcentration' to shift responsibilities from headquarters in Brussels to EC delegations in partner countries. More recently, the EC has introduced and refined a series of financial instruments to simplify a system of relatively complex and burdensome structures and to facilitate greater coherence and consistency. The number of regulations that govern external cooperation has been reduced from more than 35 to a total of nine instruments. On the other hand, despite repeated EP demands and COM proposals on the matter, the European Development Fund (EDF), which provides the bulk of support to African, Caribbean and Pacific Group of States (ACP) countries, continues to remain outside the EU budget.

EC aid on the ground: Some key findings

As described in detail in the three case studies commissioned for this report, the quality of EC aid seems to be improving in important respects. Positive aspects include improved policy documents, changes in aid modalities, delegation of more decisions to COM offices in the partner countries, and more efforts in the political dimension of cooperation, such as political and policy dialogue. However, the evidence from the country cases also suggests that progress remains slow, pointing to persistent challenges that limit the effectiveness of EC aid (see Boxes 1 and 2). These findings echo the findings of another ODI project on stakeholder perceptions of multilateral donors, which found that the EC performed relatively well in some areas, such as promoting government ownership and alignment with country priorities, but its procedures tend to be overly complicated and bureaucratic. The lessons and recommendations outlined in the following section highlight some of the major issues stemming from this study that should be addressed to achieve fundamental improvement in the quality of EC aid.

The effectiveness of EC aid on the ground: Lessons and recommendations

The quality of national institutions is essential to aid effectiveness. A critical challenge for the aid effectiveness agenda is how to turn the concept of country ownership of the development agenda

into reality on the ground. The quality of government institutions (both national and sub-national) is crucial to move in this direction. Unfortunately, it cannot be assumed that domestic government institutions are strong and effective enough, or that they can act in a sufficiently coordinated manner. In all three country case studies, weaknesses in government institutions constrain national ownership of the development agenda and, more broadly, aid effectiveness itself.

Harmonisation and alignment (H&A) are crucial for state capacity. What is at stake is nothing short of creating and/or strengthening state institutions that are more legitimate, more representative and inclusive, and more effective. This is not merely a technocratic task but also an inherently political endeavour, and one that needs to be driven by internal actors over the long term. Still, there is much that donors can do to accompany – or, as has often been the case, undermine – reform processes intended to strengthen government institutions and state capacity.

All three case studies looked at efforts undertaken by the EC (and others) to promote greater H&A in its international cooperation. Some of the common mechanisms being used with relative success include formalised thematic taskforces or technical working groups intended to strengthen cooperation and facilitate technical-level dialogue on particular areas and sectors; high-level fora for government-donor interactions; the elaboration of centralised databases on international aid (ODAMOZ in Mozambique – and a similar matrix in Peru); and increased reliance on GBS (especially in Mozambique but also emerging in Cambodia).

As can be noted from the above, progress on H&A has largely focused on the level of sharing and spreading information, and has not necessarily resulted in joint activities in the short-term. Thus, EC and other donor harmonisation efforts need to be scaled up to include agreements on joint technical assistance and the streamlining of systems and procedures. Without a major and sustained effort on these more difficult issues, it is not clear how the EC and other EU members will be able to implement the division of labour envisioned in the EU Code of Conduct, for example.

Donor actions can have a detrimental impact on such capacity. A variety of donor entities (including the EC, but not limited to EU agencies) persist in all three countries, which can result in considerable institutional collateral damage. The Cambodian case study, for instance, describes how an extremely fragmented aid system imposes unreasonably high transaction costs on the government, drains valuable resources, and fundamentally weakens state capacity. In Peru, donor alignment with country systems remains especially weak in the case of grants. There is a general feeling that it is better to rely on parallel systems to speed up disbursements and avoid red tape. Yet it is essential for the EC (and oth-

ers) to keep in mind that speed and convenience, while appealing in the short run, may not help foster state capacity and the building of stronger institutions in the long term. In addition, these practices (donor fragmentation, continued reliance on project modalities, etc) pose serious challenges to the successful implementation of commitments the EC (and other donors) has made.

EC procedures and structures remain highly complicated and bureaucratic. Closely related to issues on state capacity is the fact that the complexity of EC practices and requirements can often undermine important aspects of the aid effectiveness agenda. While the EC has undergone considerable reform since 2000, an issue that interviewees across the three countries all emphasised was that some EC procedures and structures remain unnecessarily complex and bureaucratic. A recurring complaint was that there are still too many thematic and budget lines, even if, as noted above, their number has been considerably reduced.

The fact that many thematic and regional budget lines are managed from Brussels or other regional locations allows the EP to retain tight control, which is an important consideration in terms of accountability. But there can be some associated tensions. As illustrated by the case studies, budget lines can be out of step with national-level efforts to promote country ownership, alignment and harmonisation. This puts EC delegations in an awkward position in relation to aid effectiveness – and also threatens to undermine potential influence of the EU in broader policy dialogue. The impression that emerges from the field – that is supported by the findings of the ODI study on stakeholder perceptions of multilateral donors – is that the EC is slower and less effective than it could be as a result of such complexity, and that it also imposes high transaction costs on partner countries.

Individuals, personalities and staffing levels matter in the aid relationship. Much of the success or failure of cooperation depends on individual interactions, specific innovators and appropriate staffing levels to carry out the tasks at hand. H&A has many benefits, but as all three of the case studies in this project illustrate, the costs are also quite high. A common theme that emerges throughout the case studies is how much delegations have managed to accomplish given the limited resources at their disposal. This is something both the headquarters in Brussels and delegations need to take more fully into account when defining their human resource management policies. It is also another aspect the EP could exert pressure for: hearings of future heads of delegations in parliamentary committees or the like, as in the US Congress.

CSPs could improve aid effectiveness – but their quality is uneven. CSPs are intended to be the EC's (and potentially the EU's) central planning documents at the country level. They are meant to provide a mechanism for coordinated programming,

carried out jointly at the European level, and based on the principle of country ownership. However, as suggested by the different experiences recounted in the case studies, the process through which CSPs are elaborated is of varying quality and depth. A more sustained effort by COM staff to engage in meaningful dialogue with key actors and make the process as participatory and inclusive as possible seems to be required to turn CSPs into real joint coordination tools. This, of course, may be more easily said than done, especially in contexts of weak governance and/or little negotiation capacity of the partner government.

Finally, relations between HQ and delegations needs to be improved. An important part of the issue of enhanced internal coordination and coherence also relates to the discussion on thematic and budget lines. While there has been an effort to

simplify the way in which budget lines work and to give greater autonomy to the Delegations through deconcentration and other reforms, improved dialogue between Brussels and EC delegations is still needed to ensure that budget lines managed from far away support ongoing country-level initiatives to improve aid effectiveness. Beyond budget lines, poor communication among EU actors remains a problem, with different entities not fully informed about what others are doing. As a result, different actions undertaken at different levels may end up at cross purposes. In addition, many of those interviewed pointed to missed opportunities in sharing lessons across the COM and other EU institutions and in strengthening the capacity of the EC to act as a learning and knowledge network to increase coherence and aid effectiveness.



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Project information and references

Project summary

This project was commissioned by the Committee on Development (CD) of the European Parliament (EP). It aimed to assess the effectiveness of the international development assistance of the European Union and the European Commission (EC) by looking at EC aid on the ground. ODI selected Cambodia, Mozambique and Peru as the case studies, after developing a methodology based on several different criteria. A synthesis report was prepared on key trends, lessons and recommendations stemming from the case studies. The findings were also presented to the CD of the EP in Brussels in September 2007.

References

European Parliament (2006) 'More and Better Cooperation: the 2006 EU Aid Effectiveness Package', 2006/2208(INI), Hutchinson Report, Brussels, 12 September.

Further information

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