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Evaluation of
European Union Aid
to African, Caribbean
and Pacific Countries

Case Studies Synthesis



EVALUATION OF EU AID TO ACP COUNTRIES

Field Phase: Synthesis

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Preface

This evaluation of European Union Aid (managed by the Commission) to African, Caribbean and Pacific countries is part of the global evaluation of EU aid requested in June 1995 by the EU Council of Ministers responsible for Development Cooperation. The global evaluation was to draw lessons from experience in order to prepare the future aid policy of the EU and to improve the effectiveness, efficiency and transparency of European aid instruments and procedures. It was to include aid to African, Caribbean and Pacific (ACP) countries, to Asia and Latin America, and to the Mediterranean region.

The evaluation of EU aid to ACP countries is in three phases. The *desk study phase* involved collecting existing information on aid programmes and instruments and selecting a representative sample of countries/sectors. The *field phase* (see Terms of Reference in Annex B) involved visiting the selected sample of countries to carry out an evaluation of EU aid programmes and instruments focusing on: (i) the quality of policy dialogue between the Commission and the ACP governments; and (ii) the operation of arrangements for aid implementation. In addition, it involved a review of the process by which ACP-EU development policies are formulated. The *synthesis phase* will provide a summary and synthesis of the ACP evaluation.

This document is the synthesis of the field phase of the ACP evaluation. The case studies involved visits to a sample of six ACP countries and one region between February and April 1998. The missions reviewed 2-3 sectors of EU assistance in each country. Each mission involved extensive interviews with Delegation staff, ACP government officials, representatives of Member States, other donor agencies and some private sector and non-governmental organisations. The missions were complemented by interviews and workshops in Brussels. The review of the process of EU-ACP policy formulation involved interviews in Europe with key stakeholders. Following the country visits, draft case studies and a draft synthesis were submitted to the EU Heads of Evaluation Services (early June and July 1998).

The evaluation was commissioned by the Working Group of Heads of Evaluation Services (Development) of the European Union and the European Commission. The European Commission funded the evaluations.

The country case studies were supervised and prepared by a team led by Carlos Montes. The authors of this synthesis report are Carlos Montes, Stefano Migliorisi and Andrew Bird. They were supported by the European Centre for Development Policy Management (on policy formulation), Charles Vellutini, Karolyn Thunnissen and Toby Wolfe.

Those wishing to obtain further copies of this synthesis, or copies of the case studies, should contact the Head of the Evaluation Unit, Common Service Relex of the European Commission. The seven case studies are: Zimbabwe, Tanzania, Côte d'Ivoire, Cameroun, Liberia, Jamaica and the Eastern Caribbean.

Executive summary

This is an executive summary of the field phase of the Evaluation of EU aid (managed by the Commission) to African, Caribbean and Pacific (ACP) countries. This evaluation forms part of the second stage of a global evaluation of EU aid requested by the Council of Ministers responsible for Development Cooperation. This evaluation was asked to look at: how development policy objectives are defined, how they are translated into relevant actions through policy dialogue in ACP countries, and at the efficiency of aid implementation. The field phase involved evaluation missions to 6 countries and one region (Zimbabwe, Tanzania, Côte d'Ivoire, Cameroun, Liberia, Jamaica and the East Caribbean). The seven draft case studies were produced in early June, and the draft synthesis report one month later.

The evaluation was asked to look at the processes by which development policies are formulated and aid is implemented, but we have tried to keep in focus the key policy concerns of EU development cooperation policy as set out in the Treaty on European Union and the Lomé Convention. In pursuing these policy concerns, the principles of coherence, coordination and complementarity should be respected. A key theme of this evaluation is the importance of prioritising – of focusing on key policy concerns, of being selective in the delivery of aid, and of acting upon the most important findings of evaluations.

The evaluation was asked to focus on three issues: policy formulation, policy dialogue and aid implementation, because they were perceived in the desk study phase as key issues for further study. However, we have tried to emphasise their close interconnection:

- The development policy formulation system (which includes both Lomé and the 'internal' EU policy cycle) strongly constrains the Commission's actions. Lomé defines a number of objectives, instruments and operational procedures, while the 'internal' EU policy formulation process gives rise to an expanding policy agenda, and sets extensive administrative and financial controls. (Chapter I)
- The inefficiencies that we found in aid delivery – and that have been observed many times before – therefore derive not only from the internal organisational limitations of the Commission, but also from a series of external constraints. (Chapter II)
- The administrative demands on aid implementation in turn affect the Commission's capacity to engage effectively in policy dialogue with ACP Governments. This is critical because the emerging consensus is that aid delivery can only be effective if it can influence the policies and institutions of recipient countries. (Chapter III)
- In turn, it is crucial that those involved in policy formulation should be aware of the realities in the field. Given the impact of the policy formulation process on aid delivery, policy-makers must pay attention to the aid implementation performance of the Commission if their policies are to be realistic. (Chapter I)

I. Formulation of development policies

The first chapter looks at both the EU-ACP policy formulation process and at the role of and constraints on the Commission in policy preparation and implementation. The outcomes of the policy formulation system as a whole strongly affect the Commission and the effectiveness of EU aid (both aid implementation and the Commission's capacity to carry out in-country policy dialogue with ACP governments). An efficient policy formulation process requires communication and feedback at many levels, both among actors and inside each actor's organisation. Experience with aid implementation needs to inform policy formulation through a constant evaluation of the performance of policies on the ground.

The extent to which the Commission is able to carry out its role of policy formulation is affected not only by internal organisational limitations, but also by constraints imposed by the policy formulation system as a whole. In this chapter, we review **separately** the cooperation system under the Lomé Convention and the formulation of EU development policies towards ACP countries. The latter is presented in this chapter as a system in which the main EU actors interact in a complex fashion and in which the system outcomes cannot be attributed to any particular actor.

The policy formulation system

- *Negotiations on the Convention are now the principal opportunity for ACP countries to influence the formulation of development cooperation policies.* The contractual nature of Lomé, the joint institutions and co-management are still valued by ACP governments, and allow them closer partnership with the EU in development cooperation than with most other donors. However, the ACP-EU partnership has become gradually more unequal over time.
- *The 'internal' EU process of formulating development policies towards the ACP countries, outside the Convention negotiations, is influenced by the interaction of key EU actors, mainly the Council, the Commission and the Member States.* This process is complex and fragmented.
- *The 'internal' policy formulation process does not appear to be guided by a sufficiently clear sense of direction.* The Treaty on European Union provided overarching policy objectives, and it has given greater focus to the policy agenda. However, each Member State has its own particular policy emphasis, and there is weak coordination between the main actors. As a consequence, policy outcomes appear to reflect political compromises, rather than a strategic development vision.
- *These policy outcomes result in a mismatch between an expanding policy agenda and the Commission's capacity to implement this agenda.* There are weak links between those responsible for policy formulation and those responsible for financial control. And there is insufficient awareness of the Commission's limited human, financial and institutional resources.

- *The policy formulation process involves limited feedback from aid implementation performance.* Most policy-makers appear not to be sufficiently informed of the Commission's constraints in the field. Policies are therefore sometimes not realistic.
- *Member States are involved at all stages of policy formulation* but sometimes the consequences of their efforts are a multiplicity of objectives and administrative procedures, rather than strategic vision and effective monitoring of performance.
- *The Commission has not been able to persuade other actors to adopt a strategic view or to recognise the Commission's constraints* (and thus has been unable to solve some of the problems identified above). In part, this is because of organisational limitations, but it is also because of constraints imposed by the policy formulation system as a whole – Lomé and the EU policy cycle – and particularly by the political pressures of other actors.

The role of the Commission

- *In both preparing and implementing policies, the Commission is affected not only by external constraints, but also by internal organisational limitations.* These limitations include: (i) a fragmented structure in which policy and operational units are unduly separated; (ii) inadequate systems and procedures (e.g. up-to-date operations manuals and job descriptions); (iii) shortages of specialist staff in key sectors; and (iv) inadequate investment in professional development and training. A reorganisation that is currently under way is intended to address some of these weaknesses.
- *In the preparation of policies, there is still insufficient consultation with other actors.* While the Green Paper was a valuable attempt to widen the policy debate, there is scope for further involvement of stakeholders.
- *The Commission has been more successful in implementing sectoral policies than in implementing policies which are to be applied to all sectors.* Policy implementation has been difficult in the key policy areas of poverty, governance, gender and the environment. These policy areas require 'mainstreaming' rather than direct interventions. Mainstreaming is particularly time- and resource-demanding.
- *While some steps have been taken to improve the monitoring of policy implementation, weaknesses still remain.* In the past, the EDF Committee was the only instrument for quality control of new projects and programmes. While the Committee has some impact, its technical ability to scrutinise proposals is limited. The introduction of the Quality Support Group is a welcome step, but its effectiveness is affected by staffing constraints of policy advisers, and by the weakness of the EC project monitoring system.

II. Policy dialogue between the Commission and the ACP States

Effective policy dialogue with ACP States appears to be the only sustainable way for donors to improve the effectiveness of their aid. An effective policy dialogue is aimed at strengthening institutions and policies in ACP States. The emerging consensus is that aid is only effective when it is able to strengthen institutions and policies of recipient countries. Similarly, given the fungibility of aid funds, donors should be concerned about the quality of all public spending and not just about particular projects.

- *The Commission's transition from being a project-based donor to being a policy-based donor is made difficult* by a multiplicity of policy objectives, the demands of on-going projects in too many sectors, extensive administrative procedures (required both by Lomé and by the Council's financial regulation applicable to the Convention) and organisational limitations (fragmentation, staffing constraints, inadequate systems and procedures – see above). On the other hand, the Commission's involvement in structural adjustment operations is facilitating the transition to being a policy-based donor.
- *Policy dialogue on National Indicative Programmes has been strengthened.* These programming exercises have had greater policy focus and greater involvement of ACP governments. However, integration of NIPs with donors' programming exercises and with government budgetary processes would make them more effective.
- *The Commission's Structural Adjustment Facility has supported the policy dialogue between the Bretton Woods Institutions and ACP governments.* At Headquarters level, the strategy has been to support the BWI country programmes, while using international forums effectively (such as the Special Programme for Africa) to support the social dimensions of adjustment, better ownership of the adjustment reform programmes and improvements in ACP countries' budgetary institutions. However, staffing constraints have limited headquarters' support to Delegations in the preparation and implementation of Structural Adjustment Support Programmes (SASPs).
- *The Commission's in-country involvement in the overall policy dialogue on structural reforms and its participation in public expenditure reviews have often been limited* by staffing constraints in Delegations, by the degree of government ownership of the reform programme, and by over-detailed earmarking of counterpart funds. A more general constraint has been the mixed results of the BWI reform programmes in the countries that we visited. The close monitoring of macroeconomic conditions and of general structural reforms, and participation in public expenditure reviews, are particularly important for supporting sectoral policy dialogue and the effective implementation of SASPs.
- *In many countries, the Commission has been active in sectoral policy dialogue, in spite of the many constraints on its work.* This sectoral policy dialogue is facilitating more effective ways of managing aid, and of strengthening government institutions and policies, and of improving donor coordination. However, there is considerable variation in the success of sectoral policy dialogue. Success was found to depend on several key factors.

- *The Delegation's staffing and sectoral expertise are important factors. The Commission needs to be more focused on its choice of sectors for intervention, and it needs to staff its Delegations accordingly.* The preparation of Strategy Papers has helped in defining objectives, but aid interventions are still insufficiently selective. In addition, demands from the EU policy formulation system should be more realistic, recognising the Commission's constraints and building on its strengths. The Commission's traditional co-administration of EDF projects hinders its effective involvement in policy-based sectoral dialogue and operations.
 - *The greater the capacity and commitment of ACP governments, the more likely is policy dialogue to be effective, particularly in the presence of a clear sector policy framework.* Clear sector policy frameworks signal a government's priorities and facilitate the coordination of donor activities. Where governments have low capacity, in a few cases the Commission has successfully broadened the policy dialogue, to involve, for example, private sector partners. By contrast, the practice among donors in some countries of supplementing civil servants' salaries is likely to aggravate problems of low capacity and undermine government ownership. The strengthening of ACP governments' civil services has not received coordinated donor support.
 - *Technical Assistance provided to ACP governments has, in some cases, been used effectively to facilitate sectoral policy dialogue, but in others it has undermined ownership.* The Commission has provided TA and financed counterpart positions in government in order to facilitate sectoral policy dialogue. When the TA is properly selected and managed by the government, the TA has succeeded in this aim. However, selection and management presuppose a certain level of capacity in the government. Government ownership is difficult to maintain when the TA supports both the government and the Delegation.
- *Some progress has been made towards improving in-country donor coordination.* Positive developments include the discussion of the Strategy Paper and National Indicative Programmes with Member States. However, coordination has generally not extended to joint programming or joint operations. Coordination depends critically on governments' capacity and commitment. The Delegation's sectoral expertise, backup from headquarters, and the organisational set-up and commitment of other donors are also important. In some cases, the BWI have failed to coordinate effectively with donors supporting sectoral reforms. Operational coordination of the Commission and the Member States in Côte d'Ivoire, a pilot country for coordination, is particularly successful. The Commission has also played a very successful coordination role with Member States in the post-conflict situation in Liberia, with no functional government and limited in-country donor representations.
- *The Commission, like most donors, has had difficulties in integrating key policy concerns – poverty, governance, gender and the environment – into the policy dialogue and into the design of programmes and projects.* In general, the capacity of Delegations to focus on these areas is constrained by staffing, expertise, and limited back-up from headquarters. Mainstreaming these key policy concerns is particularly personnel-intensive. More specifically:

- On poverty reduction, it has proved difficult to protect social sector budgets through SASPs, although the social sectors have been kept high on the agenda. However, some EC projects have been particularly effective in addressing poverty issues, e.g. micro-projects programmes in Zimbabwe and the use of Stabex funds to compensate coffee farmers in Tanzania directly.
- On governance, the Commission's activities have been limited, and have mostly been carried out through budget lines, a sign that dialogue with governments is still difficult in this area. The most important success in this area has been the effective response in Liberia to consolidate the peace.
- Gender and the environment are policy areas that are only addressed effectively through mainstreaming. Recent evaluations have noted the difficulty of building gender and environmental awareness in DGVIII. There are still very few projects integrating or relating to gender issues, and there is limited staffing in the Gender unit. However, some corrective steps are being taken. With regard to the environment, the Manual is being revised and a training programme is being prepared. In Cameroun and Tanzania, environmental appraisal techniques are increasingly being applied in the transport sector.

III. Aid implementation

Aid implementation is the last stage in the delivery of aid. It includes the preparation of projects and programmes, their implementation on the ground, as well as the monitoring of their performance and *ex post* evaluation. It is sometimes seen as a technical issue which need not concern policy-makers. This is unfortunate.

Policy-makers must pay attention to the aid implementation performance of the Commission if their policies are to be realistic. The Commission confronts organisational limitations and staffing constraints, which are reflected in significant delays and weaknesses in both project preparation and implementation. These in turn affect the Commission's capacity to implement policies and to carry out effective policy dialogue with ACP governments.

At the same time, many of the constraints on aid implementation can only be addressed by actors outside the Commission. Aid implementation continues to be affected by factors which arise from the Lomé Convention and from the policy formulation system within the EU. The complexity of aid instruments, including budget lines, introduces numerous, varied procedures. Lomé provides for the sharing of responsibilities with governments that have weak capacity. The Council's financial regulation applicable to the Convention results in extensive *ex ante* financial controls. The EU policy formulation system gives rise to a policy agenda that lacks sufficient focus. All these factors compound the Commission's organisational limitations.

- *The practice of sharing responsibilities in aid implementation does not bring efficient results.* More flexibility is needed in the division of these responsibilities between the Commission and ACP Governments. The effectiveness of sharing responsibilities depends on Government capacity. As suggested in the Green Paper, where there is

high Government capacity, the Commission is justified in adopting a 'hands off' approach.

- *Where the government's weaknesses lead the Delegation to assume more responsibility for aid implementation, the Delegation's capacity becomes even more overstretched.* Functions are duplicated, and the Commission is burdened by excessive administrative controls. As well as causing delays, these reduce the resources available for strategic thinking and policy dialogue. They also allow for less quality control during the project cycle.
- *Where there is low government capacity, the strengthening of institutions should precede the transfer of responsibilities.* Capacity is reflected in the extent to which NAO functions, donor coordination, and project implementation are integrated within civil service structures. The management of programmes is most sustainable where it is carried out by Government departments. Where capacity is low, therefore, the Commission should support the gradual strengthening of civil service structures.
- *While TA provided to the government can be useful as a short-term measure, in the long-term it is only beneficial if it contributes to institutional strengthening.* TA can, at its best, play a capacity-building role. Frequently, however, TA is used to by-pass government institutions and is not adequately monitored. When TA supports both the government and the Delegation, accountability in aid implementation may be affected.
- *Project preparation:*

Improvements in the quality of project preparation have resulted from the introduction of Project Cycle Management but identification screening is still weak. The identification process is important because it significantly affects implementation performance. While better analysis in some feasibility studies was observed, project preparation continues to include unrealistic assumptions, particularly with regard to local capacities. Consultation with beneficiaries is also still limited in most countries. Project preparation often relies too heavily on consultants without adequate supervision from the government or Commission staff. In some cases, the Commission still allocates insufficient resources for project preparation and internal quality control.

- *Implementation:*

The implementation and monitoring of EC aid has been affected by the extensive nature of ex ante financial controls. In general, more emphasis is given to *ex ante* financial controls than to monitoring project performance or *ex post* financial audits. Because of EC financial arrangements and requirements from Member States, *ex ante* financial controls are applied without selectivity. In the Delegation these controls are carried out by advisers who often do not have the financial expertise. As well as taking substantial Delegation's time, this approach diffuses accountability and diminishes ACP governments' responsibility for financial management. Substantial time would be saved by a move towards more selective *ex ante* controls and more extensive *ex post* financial audits.

Monitoring the performance of on-going projects has generally been weak, due to: the sharing of monitoring responsibilities between the government and the Delegation; an excessive focus on the financial management of projects rather than on their overall performance; and the lack of a standardised monitoring system. Generally, projects are not substantially modified to reflect the results of monitoring and supervision.

→ *Evaluation:*

The Commission undertakes many good evaluations, but their lessons are still not sufficiently internalised. Resources should be focused on a few key evaluations and on the implementation of their recommendations. Commission evaluation summaries are made available to the public, including recently through DGVIII's web page. The dissemination of evaluations is an important step towards transparency. The evaluation function in the Commission needs to have a strong profile and to be separate from the line management responsible for planning and managing development, as recommended by DAC principles.

I. Formulation of development policies

The policy formulation system

- Negotiations on the Convention are now the principal opportunity for ACP countries to influence the formulation of development cooperation policies.
- The policy formulation process does not appear to be guided by a sufficiently clear sense of direction.
- Policy outcomes result in a mismatch between an expanding policy agenda and the Commission's capacity to implement this agenda.
- The policy formulation process involves limited feedback from aid implementation performance.
- Member States are involved at all stages of policy formulation, but sometimes the consequences of their efforts are a multiplicity of objectives and administrative procedures.
- The Commission has not been able to persuade other actors to adopt a strategic view or to recognise the Commission's constraints.

The role of the Commission

- In both preparing and implementing policies, the Commission is constrained not only by its own organisational limitations, but also by factors which arise from the Convention and the policy formulation system.
- In the preparation of policies, there is still insufficient consultation with other actors.
- The Commission has been more successful in implementing sectoral policies than in implementing policies which are to be applied to all sectors.
- While some steps have been taken to improve the monitoring of policy implementation, weaknesses still remain.

The importance of policy formulation

This chapter looks at the EU-ACP policy formulation process and at the role of and constraints on the Commission in policy formulation and implementation. In this report, 'policy formulation' refers only to higher level policies that are to be applied to development cooperation with all ACP countries (therefore excluding indicative programming¹). The sharp separation drawn between policy formulation (chapter I) and implementation (chapters II and III) is for presentational purposes, since often they are not easily distinguished.

Cooperation policies (derived from both Lomé and the 'internal' EU process) directly influence the effectiveness of EU aid (e.g. aid implementation and the Commission's capacity to carry out in-country policy dialogue with ACP governments). In this context, the extent to which the Commission is able to carry out its role in policy formulation and implementation is affected not only by internal organisational limitations but also by constraints imposed by the policy formulation system as a whole.

¹ Indicative programming involves the setting of priorities at a national or regional level, within the constraints set by policies which are to be applied to all ACP countries. It is therefore examined in the context of policy dialogue (chapter II).

An effective policy formulation process demands communication and feedback at many levels, both among actors and inside each actor's organisation. Moreover, the policy formulation process needs to be informed by a constant evaluation of the performance of aid implementation policies on the ground.

The first part of this chapter looks at the way in which policies within the EU-ACP cooperation system are formulated. The second part of the chapter looks at the role of and constraints on the Commission in both policy formulation and implementation.

The policy formulation system

ACP-EU cooperation policies are formulated both at the level of the Lomé convention (including its joint institutions) and through the EU 'internal' policy formulation process. In this section, for presentational purposes, we discuss these processes separately. This allows us to describe the essential features of the complex 'internal' EU policy formulation process through a simple analytical model. Although political and economic realities have over time reduced the influence of ACP countries in the policy formulation process, we recognise that 'internal' EU policy formulation is affected by the institutions of Lomé (see below).

In the Lomé Convention

Many of the development policies that apply to ACP-EU cooperation (as well as key implementation procedures) are derived directly from the Lomé Convention. Therefore the negotiation process of the Convention is a key component of the policy formulation system.

The formulation of ACP-EU cooperation policies in the framework of the Lomé Convention involves the interaction of many actors. This explains many of the strengths and weakness of a system which, unlike cooperation with most other donors, is strongly based on the principles of **contractuality**² and **partnership**. Moreover, Lomé establishes a partnership involving the 15 Member States of the EU and 71 ACP countries which goes beyond aid to include trade and political issues. Although the system was established more than 20 years ago, and although many of its initial conditions have changed, the principles of contractuality and partnership have proved very resilient and are highly valued by the ACP states. It is in this context that other large donors are beginning to explore the importance of partnership in development aid³.

The origins of the Yaoundé and Lomé Conventions go back to European solidarity with ex-colonies, to the need to build new post-colonial relations, to the perceived importance of ACP trade and raw materials, and to the politics of the cold war. However, changing political and economic conditions have gradually altered this high political commitment to former colonies. Many ACP countries have experienced economic and institutional decline, and have become more dependent on aid. The cold war has ended. The Treaty on European Union has introduced new political objectives,

² Humanitarian aid falls outside the contractual Lomé relationship.

³ Other donors are now trying to include a similar partnership concept in their operations, as seen, for example, in the 3rd July 1998 European round table 'World Bank Partnership for Development'. Unfortunately, the main paper did not refer to Lomé.

and financial pressure on European aid budgets has increased. All these factors have contributed to strengthen the bargaining power and policy agenda of EU countries in recent Conventions, and have led to a more unequal partnership. As noted in the EC Green Paper, 'The principle of partnership enshrined in the Lomé Convention has diminished in substance and has not been fully realized'.

The contractual nature of the Convention⁴ and the co-management of the EDF have allowed ACP countries a degree of participation (and therefore certainty) in policy formulation and in the management of the aid programme higher than they have had with most other donors. However, this situation is beginning to change as a result of the increasing focus of Member States on the need to make their aid programmes more conditional (or selective) on ACP countries' performance (economic and political). In this context, the negotiation of the Convention is becoming the most important opportunity for ACP states to influence the process of development cooperation policy formulation.

Successive Conventions have only partially adapted to changes in political and economic experiences or to the realities of implementing EC aid. For example, the Convention has not sufficiently recognised as yet the difficulties created by the joint management of the EDF aid programme, the fragmentation of aid instruments, or the weaknesses of the Lomé institutional framework. This has significantly influenced the effectiveness of EC aid.

The effectiveness of the Lomé institutional framework (see **Box**) has also been affected by changes in external circumstances since it was introduced in the first Lomé Convention more than 20 years ago. The introduction of ACP-EU institutions was an innovative feature of the new post-colonial relationship between ACP countries and the European Community. The Lomé institutions facilitated and encouraged communication between diverse developing countries, giving them a forum to discuss common

The joint ACP-EU institutions

The Lomé Convention provides for a joint institutional framework, established on a basis of parity between ACP States and the Member States of the European Union. According to the Convention:

The **Joint Council of Ministers** takes binding decisions necessary for the attainment of the objectives of the Convention, and is responsible for resolving disputes relating to the application of the Convention. Under Lomé IV bis, it has also provided a forum for 'enlarged political dialogue'. It meets at least once a year, and representation is, formally, at ministerial level.

The **Joint Committee of Ambassadors** is responsible to the Council of Ministers, and may propose recommendations, resolutions, etc., to the Council. In addition, the Council may delegate any of its powers to the Committee. The Committee meets at least twice a year, and membership is drawn from ACP Ambassadors and the Permanent Representations of Member States in Brussels.

The **Joint Assembly** considers the annual report issued by the Council of Ministers, and may adopt resolutions to be examined by the Council. It meets twice a year, and membership is drawn from the European Parliament and the parliaments of ACP countries.

positions vis-à-vis European development partners. This was particularly important in strengthening links between countries in different regions (for example between countries in West and East Africa). The Lomé institutional framework also allowed a unique post-colonial relationship which provided direct and formal contact between the higher levels of the European and ACP political systems (Ministers, Parliaments, Ambassadors). This should have allowed European policy-makers to be made directly

⁴ Conventions set out in detail (for 5 or even 10 years) not only the objectives of cooperation policy but also the operational details of the use of aid instruments and the aid implementation system.

aware of political and economic realities within the ACP countries, and implementation lessons to be fed into the policy formulation process.

However, the potential of these institutions has not been realised. The increasing weakness of ACP institutions and a shift within the EU towards other priorities have reduced the effectiveness of the Lomé institutional framework. According to the Convention, the Joint Council of Ministers has an important role in policy formulation and in monitoring the implementation of the cooperation programme. In practice, while this institution still provides a forum for the discussion of ACP-EU policies, it has gradually become less influential as a policy maker, with an unfocused agenda and limited participation of EU ministers.⁵ Similarly, the institutions of the ACP Group have been weaker than anticipated. The ACP Group is still important in Convention negotiations, and the ACP Secretariat and the Committee of Ambassadors are still important in discussing detailed aspects of aid management, including support to specific countries. However, the ACP institutions do not have sufficient technical and organisational capacity to support their policy formulation role in the joint institutions. In part these problems reflect the inevitable difficulty of coordinating 71 countries, but, according to our interviews, they also reflect both an increasingly cumbersome organisational structure and the unfocused agenda of a multiplicity of committees.

The positive role that the joint institutions may potentially play is indicated by the recent improvements in the Joint ACP-EU Assembly. Traditionally, Lomé institutions have played a significant role during negotiations on Conventions, with the Joint Assembly and the European Parliament providing important inputs to the debate. More recently, the increased representativeness of ACP parliamentarians, active participation by the European parliament, an improved focus of the agenda, and the opening of the Joint Assembly to some NGOs have all contributed to make the Joint Assembly a more effective forum for the discussion of cooperation issues and for influencing Member States and the Commission in the EU 'internal' policy formulation cycle. This is important because the joint institutions have the potential to bring closer to European policy makers the realities of aid implementation in ACP countries.

The 'internal' EU policy formulation process

In this section, we describe the 'internal' EU process of formulating development policy towards ACP countries. This process is mostly influenced by the interaction of EU actors (mainly the Council, Commission and Member States). The role of the Lomé institutions is more limited and indirect.

EU aid to ACP countries (managed by the Commission) is drawn from two distinct sources: the European Development Fund (which accompanies the Lomé Convention) and the EC budget. These differ substantially in their impact on the implementation and management of aid (see Chapter III).⁶ Differences are less marked in the process of formulating 'high' level development policies towards ACP countries, other than

⁵ No EU ministers attended the Samoa Joint Council meeting, and only 6 ministers attended the 1998 Barbados meeting.

⁶ European Development Funds are outside the Commission's budget. The requirements for the management of EDF projects differ significantly from those for the management of budget lines. In this report, we do not explicitly discuss these differences. The question of whether European Development Funds should be budgetised is a complex one. For a review of the arguments, see 'Briefing on the Budgetisation of the EDF: Issues, Implications, and Opportunity', ECPDM, forthcoming.

those policies adopted in the Lomé negotiations. While, in the normal budgetary process, the European Parliament can impose policy priorities through the introduction of budget lines, Council Resolutions on development policy apply to all development cooperation.

A simple model of a complex process

The 'internal' EC process of formulating development policies towards ACP countries is complex. Much of the complexity is unavoidable and even desirable, arising from the large number of actors and institutions involved. The policy formulation process involves the interaction of a number of European Community institutions and 15 Member States, and should be informed by implementation realities in 71 ACP countries. There are, then, many actors pursuing different objectives through a range of instruments, each actor in turn responding to a range of influences.

While much of this complexity is common to all EU policy-making (see **Box**), there are additional complications in development policy formulation for ACP countries. For example, Member States often have a strong interest in their own bilateral programmes, and they have different views on the orientation of development policies. What is more, the environment is one in which, at the moment, development policies towards ACP countries do not constitute one of the key priorities for the Union.

However, the Treaty on European Union has given the development policy agenda greater focus and urgency.

Community development policy formulation has been given special treatment within the Treaty, with requirements on coordination (Article 130x) and complementarity with Member States' bilateral aid programmes, on economic and political objectives⁷ (Article 130u), and on the consistency (coherence) of the Union's external activities as a whole (Article 130v).

While recognising the complexity of the policy formulation process, we here attempt to offer a schematic analysis, to identify the key interactions. **Figure 1** below describes some of the key relationships in the formulation of development policy. It depicts a simplified version of the EC policy formulation cycle as it is in practice. The figure shows that while the Council of Ministers is the actor which directly formulates

The process of EC policy formulation (general)

a) Initiation starts when the Commission sends a proposal to the Council of Ministers or to the Council and the European Parliament. The Commission can initiate a policy on its own initiative or upon request from the Council or Parliament, as both have the power to ask the Commission to initiate a legislative act. In preparing proposals for the Council, the Commission can associate Member States through informal contacts, through expert group meetings, or by providing progress reports to the Council. Other interest groups and NGOs may also provide inputs to policy formulation either on their own initiative or at the request of the Commission.

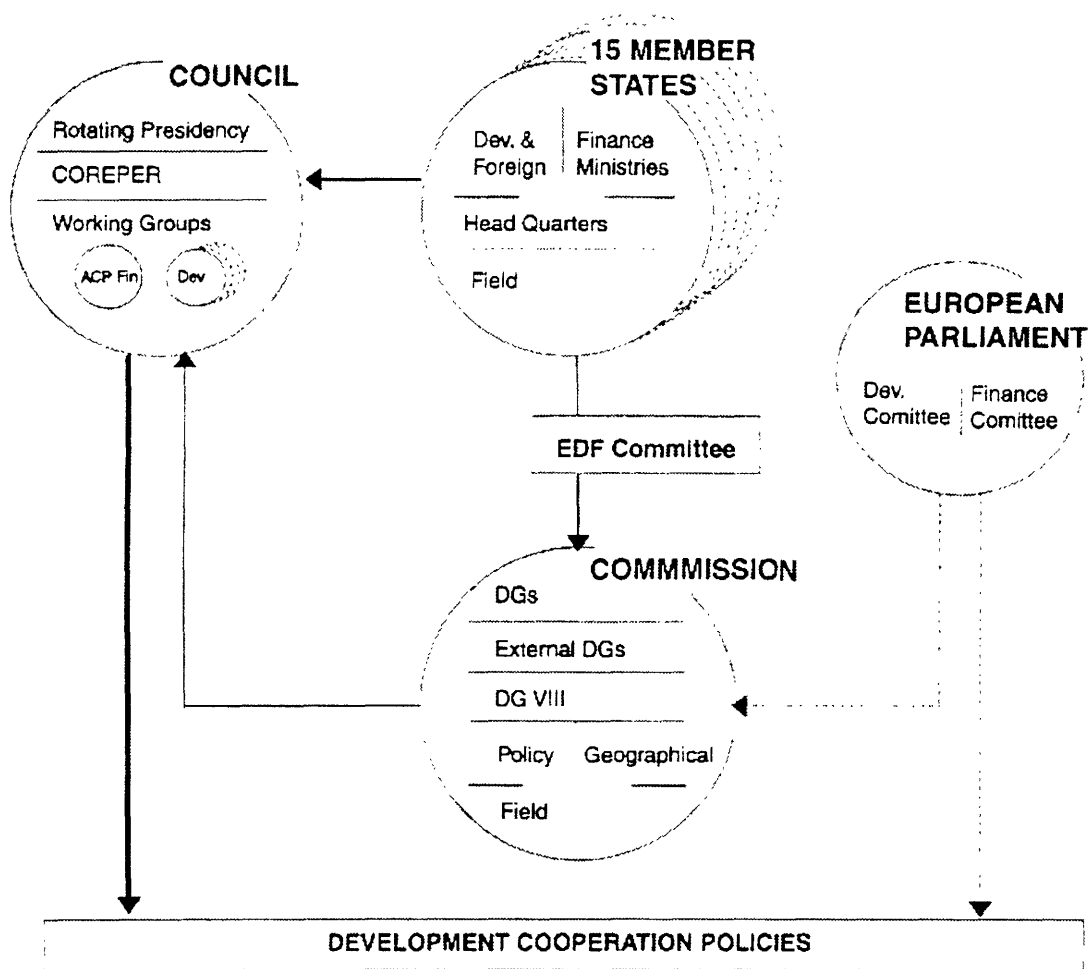
b) Decision. Policy proposals from the Commission are discussed by the Council, first in its working groups, then in COREPER and at Ministerial level. Depending on the nature of the proposal, the Council can adopt it on qualified majority or with unanimity. The decisions can be: strategic documents, proposals for cooperation agreements, Council Resolutions, and Regulations and Decisions. Regulations, which provide the legal basis for budget lines, require the approval of the European Parliament. By contrast, the Parliament only has a consultative role with regard to Resolutions. The European Parliament discusses Commission proposals first in the relevant committee, and a resolution embodying the EP's position is then adopted in plenary.

⁷ Sustainable economic and social development, the smooth and gradual integration of developing countries into the world economy, the campaign against poverty in developing countries, developing and consolidating democracy and the rule of law, and respect for human rights and fundamental freedoms.

development cooperation policies, it is itself strongly influenced by the Commission (which has the monopoly of policy initiation) and the Member States. It also shows the internal complexity (and possibility of fragmentation) of some of the key actors (Council, Commission and Member States).

Figure 1 also identifies some of the key instruments (formal and informal) available to each actor for influencing other actors, and thereby for affecting the policy formulation process. The strength of each actor in the policy formulation process depends on the instruments available to it. For example, the Member States have direct influence on development cooperation policy through their membership of the Council of Ministers, but they can also influence the Commission by their participation in the EDF Committee. The figure also shows that while the European Parliament does not have a strong role in formulating cooperation policies (in particular Council Resolutions), it can indirectly influence the Commission through its control over the Commission's budget. It can also set some policy priorities through its introduction of special EC budgetary lines. Informally, the European Parliament can also influence the policy formulation process through lobbying the other actors. In turn, it is through links with the European Parliament (particularly in the Joint Assembly) that the ACP countries can influence the 'internal' EC policy formulation process. The Joint Assembly provides a forum in which ACP countries can directly express their concerns to key European parliamentarians.

Figure 1: The 'internal' EU policy formulation process



ACTORS	INSTRUMENTS
European Parliament	<ul style="list-style-type: none"> • Control of Commission's budget • Introduction of special budget lines to support policies
EU Member States	<ul style="list-style-type: none"> • Council of Ministers • EDF Committee • Contributions to the EDF
Council of Ministers	<ul style="list-style-type: none"> • Formal power to issue resolutions and regulations
European Commission	<ul style="list-style-type: none"> • Formal monopoly of policy initiation • Agenda setting

In the rest of this section, we identify 'ideal' roles for each of the actors in the process of policy formulation and the constraints experienced by these actors in fulfilling these roles. We then conclude by presenting the key outcomes of the system of development policy formulation. We identify a number of features that are desirable if the policy formulation process is to yield policies that are relevant and coherent:

- There should be a clear sense of direction guiding policy formulation.
- Actors should take into account the Commission's implementation capacity.⁸
- There should be feedback from experience in the field to policy formulation.
- The Commission should have a strong capacity for policy initiation, in order that it can facilitate the three objectives above.
- There should be coordination both with other policy-makers within the Commission and with Member States, to achieve coherence and complementarity.

In order that the policy formulation process should have these features, it requires high capacity, and it requires communication and feedback at many levels.

In the four **Boxes** below, we consider in turn each of the principal actors in the internal EC policy formulation process. We isolate them for analytical purposes only. For each actor, we first of all ask what role it should carry out (placed in *italics* in each Box) if the policy formulation process is to have the ideal features identified above. We then ask what 'constraints' prevent each actor from carrying out this 'ideal' role. After the four **Boxes**, we then go on to identify some of the key system outcomes that would seem to be associated with the actual behaviour of the actors and the constraints they face.⁹

⁸ This implies a choice between taking capacity as given (and planning accordingly) and taking steps to strengthen the Commission's capacity in order to allow it to fulfil its 'ideal' role.

⁹ This again is for presentational purposes only since the observed outcomes are associated with the entire system and not with the particular behaviour of any one actor.

Commission

Firstly, the Commission should persuade other actors (i.e. Council, Member States and the European Parliament) of the need to ground the policy formulation process on strategic development objectives and the knowledge of implementation realities and the Commission's capacity constraints.

Constraints

Capacity:

- systemic weaknesses within the organisation (e.g. fragmentation) limit its strength as an actor (see next section).
- staff and resource limitations in the policy units affect the Commission's policy preparation (particularly in the social sectors and on governance, poverty, gender and environment).

Pressure from other actors:

- political pressures, from Council and Parliament, to expand the policy agenda are difficult to resist.
- the fact that the Commission budget and EDF resources are controlled by the European Parliament and the Council (including the ACP-Fin working group) makes the Commission particularly subject to influence by these actors.

Secondly, policy initiation should be based on experience on the ground. Lessons learnt through policy dialogue and aid management at the country level should be translated into policy proposals.

Constraints

Capacity:

- Insufficient ability to monitor aid performance and learn from experience (see aid implementation chapter).

Fragmentation:

- Inadequate communication between:
 - Delegations and Headquarters
 - Geographical and Policy units
 - Different Development Directorate General (Relex)
 - Directorate General

Council of Ministers

The Council's policy decisions should have a clear sense of direction. Experiences in the field should inform the Council's decisions through the influence of the Commission or through Member States, whose Ministers sit in the Council and who are also represented on the EDF Committee. Policy decisions should also take into account the Commission's limitations in terms of human as well as financial resources (see Footnote 8).

Constraints

Institutional:

- Rotating Presidency introduces some discontinuity into the functioning of the Council.
- Council structures are very demanding in terms of personnel and time. COREPER and the Council Working Groups are subject to an overload of meetings, affecting their focus (ranging from too general to micro-management of the Commission), as well as the quality and continuity of participation by Member States.
- Council structures and the number of working groups affect the coordination among different groups and communication with Member States.
- Direct interaction between the Council and the EDF Committee is limited, affecting the direct feedback on the Commission's implementation experiences.

Divergent interests:

- Council finds difficult to integrate the different national development policies into a broadly consistent Community development policy. Member States' interest in the implementation of Council Resolutions is variable.

Member States

While Member States have their own national interests, they should also try to steer the Community's development strategy towards the objectives set out in the Maastricht Treaty, in particular coordination, complementarity and coherence. When participating in the Council institutions, they should take into account both information from their own aid programmes and the Commission's (through the EDF Committee). They should also be willing to follow the Council's resolutions in their own bilateral aid programmes, both at headquarters and in the field.

Constraints

Different interests:

- the Council's policy agenda is to a large extent determined by the rotating Presidency. However, often each Presidency has its own priorities. This adds to discontinuity and insufficient focus in the operation of the Council.
- Some Member States focus on their own bilateral aid programmes and do not agree on the need for a Community development policy. As a consequence there is a focus on policy areas where broad consensus¹ can be reached and where no difficult decisions are needed. (For example, more resolutions on the social sectors than on trade).
- The different Council Working Groups draw their memberships from different sources. Members of the Development Cooperation Group (which deals with general issues of development policy) and the ACP Group (which prepares the agenda and EU positions for EU-ACP meetings) are drawn from foreign affairs or development ministries. By contrast, members of the ACP-Fin Group, which deals with financial issues, are mostly Treasury officials. In some cases, whereas representatives of development ministries are likely to be concerned about the effectiveness of aid, representatives of finance ministries are likely to be more concerned on the need of strict financial controls.

Fragmentation:

- Communication between MS representations in different Council groups and the EDF Committee is often inadequate. For example, the EDF Committee should allow the Member States direct knowledge of the Commission's development experience and institutional constraints. Equally, it should share with the Commission its knowledge of Member States' aid experience. However, in many cases, feedback from the EDF Committee is inadequate.
- Coordination between the different representatives of a Member State in the Council is sometimes inadequate.
- Communication between Member States' headquarters and field offices is often inadequate. This limits the learning process that should inform policy formulation as well as the MS in-country implementation of Council Resolutions.

Capacity:

- Given that Council structures are very demanding in personnel and time (see under Council constraints), and given other pressing Union priorities, some Member States have difficulty in participating effectively in these structures.

European Parliament

The European Parliament should indirectly influence EU development objectives without being as much driven by national interests as the Member States, and should ensure that the Commission's budget is adequate to its aid objectives and is used efficiently.

Constraints

- Attempts to directly expand the Community's development policy objectives by focusing budgetary lines and by putting resources under reserve lines that can only be used if certain conditions are met.
- Division between Development and Budgetary Committees can affect the capacity of delivery by the Commission.
- Limited resources and time of the Development Committee.

*Outcomes*¹⁰

The actors involved in the policy formulation system interact in a complex fashion. Outcomes cannot be attributed to particular actors since they are a product of the system as a whole. In the previous section, we identified some of the constraints which prevent each actor in the system from behaving in a way that would 'ideally' contribute to the policy formulation process. We can now draw these observations together to see how these constraints combine to weaken the policy formulation system.

1. **The policy formulation process does not appear to be guided by a sufficiently clear sense of direction.** Ideally, broad policy objectives should be clearly identified, and specific policies should be aimed at achieving these broad policy objectives. The Treaty on European Union did provide overarching policy objectives which were to guide future policy formulation, such as the fight against poverty and the support of democracy. It also expanded the policy agenda to political and social areas. However, there are many systemic factors which frustrate this sense of direction and weaken the coherence of the expanding policy agenda. There is weak coordination between the different actors which have a role in policy formulation. There are divergent objectives, between Member States, and even between different actors within the same Member State. As a consequence of these factors, although Member States are involved at all stages of policy formulation, the consequences of their efforts are a multiplicity of objectives, rather than strategic vision. Policies often appear in large part to reflect political compromises. For this to change, the Member States would have to give a higher political priority to development cooperation.
2. The expanding policy agenda has not been sufficiently realistic, either with regard to the Commission's constraints or with regard to the implementation realities in the field. **There is a mismatch between an expanding policy agenda and the Commission's capacity to implement this agenda.** The Commission is limited in terms of human resources, finances, and organisational limitations. The policy agenda has expanded in both scope and detail, but the Commission's capacities have not kept pace, because of both external and internal constraints. An important feature of the policy formulation system is the weak links between those actors concerned mostly with aid and those actors concerned with finances. There are weak links between the EDF Committee and the Council of Ministers, between ACP-Fin and other Council Working Groups, and between the budgetary and development committees in the European Parliament.
3. **The realism of policies is also limited because the policy agenda is not sufficiently informed by the Commission's aid implementation experience.** A successful policy cycle is one in which there is learning from experience, in which the evaluation of implementation realities reveals the weaknesses of existing policies, so that future policies may be an improvement on existing policies. The learning process in the policy cycle is broken where there is insufficient monitoring of implementation or where policy-makers are not well informed of the results of

¹⁰ We are here separating the analysis of the EU policy system from the negotiations over the Lomé Convention. ACP States have an important input into negotiations on the Convention, and can thereby introduce a number of policy objectives, aid instruments and procedures which affect the EC cooperation system. However, in other areas, the ACP States have only limited influence on EU policy formulation.

monitoring. Both these weaknesses are seen in the policy formulation system. Most policy-makers appear not to be sufficiently informed of the Commission's constraints in the field. At the same time there is also insufficient monitoring of the implementation of Council Resolutions. These weak links break the feedback loop from policy implementation to policy formulation.

These three system consequences could be counteracted if the Commission were in a position to influence the policy formulation process more effectively. It might then be able to attenuate these weaknesses – guided by knowledge of its own limitations and of the realities in the field, if it had sufficient capacity, it would be in a strong position to persuade other actors of the need to ground the policy formulation process on strategic development objectives.

In practice, however, **the Commission has not been able to persuade other actors of the need for strategic vision or of implementation realities in the Commission and in the field.** In part, this is because of organisational limitations within the Commission, such as its fragmented structure, inadequate systems and procedures, and weak capacity for policy preparation. But it is also because of external constraints imposed upon the Commission by the policy formulation as a whole – Lomé and the EU policy cycle – such as co-management of aid, fragmentation of instruments, an over-ambitious policy agenda, extensive administrative procedures, and budget limitations. All these contribute to overload the Commission and thereby limit its influence in the policy formulation process.

Role of the Commission

The Commission has roles both in preparing and in implementing development policies for ACP countries. The extent to which the Commission is able to carry out these two roles is affected by:

- constraints imposed by the policy formulation system as a whole (both Lomé and EU)
- organisational and human resources limitations within the Commission.

The previous section described some of the difficulties the Commission faces in playing its policy preparation role and the constraints that policy formulation process as a whole imposes on the Commission. In this section, we examine the strengths and weaknesses of the Commission in the preparation and implementation of policies, particularly in the areas given priority by the Treaty on European Union (coordination, complementarity, coherence, governance, poverty reduction, gender and the environment).

Policy preparation

In the 'internal' EC policy formulation process, policy initiation begins with the policy units within DG VIII preparing draft communications for the Council. These are discussed at senior management level with other Directorate Generals, and finally at the level of the Commissioners, before they are transmitted to the Council. Although, formally, the Council is not associated at this stage, it can be informed in the Council groups, or, at the initiative of the Commission, expert groups from Member States can participate.

It is a strength of the Commission that it has increasingly been engaging in consultation with concerned organisations before producing policy proposals. This is contributing to a more transparent and participatory process and one which contributes to more operational policies. Examples of good practice include the Relief and Long-Term Development

Communication and the current preparation of a Communication on private sector development. Similarly, in the Green Paper exercise, the Commission initiated a wider debate on the future of ACP development policies, presenting and discussing its own internal reflections (see **Box**).

The Member States have played an increasingly active role in policy formulation. However, Council decisions could be made more strategic and realistic, giving greater consideration to the Commission's capacity and to operational implications. Communications and Resolutions vary considerably in their level of analysis and detail. In a number of cases, resolutions provide little indication of how statements of broad policy intent are to be operationalised.

While many Council decisions since 1992 have focused on Maastricht priorities (coordination, complementarity and coherence), others have focused on areas where the involvement of the Commission has been more limited (education, health, scientific and technological research). See **Box** below.

The Green Paper on future ACP-EU relations - opening up the policy debate

In November 1995, at the signing ceremony of Lomé IV-Bis, the Commissioner announced that a Green Paper on the future of ACP-EU relations would be prepared by the end of 1996, and would serve as a basis for debate on the reform of development cooperation.

In the following 12 months, the Commission 'Reflection Group' engaged in a consultation process. The group was composed of high officials from DG VIII headquarters, two heads of delegations from Africa, and a member of the Forwards Studies Unit (attached to the President of the Commission). The group organised a conference (January 1996 in Brussels) and two seminars (February 1996 in Maastricht, and April 1996 in Abidjan), and it commissioned a number of expert papers.

After publication of the paper, a year-long consultation with a wide variety of interested parties took place, both in the fifteen MS, and in the three ACP regions. A conference, in September 1997, concluded the consultations, following which the Commission presented a communication to the Council outlining more specific guidelines for the upcoming ACP-EU negotiations.

The Green Paper exercise was the first time that the Commission had attempted such a wide-ranging consultation on development cooperation policy. Many welcomed the initiative, the impetus that it gave to the debate on the future of Lomé, and the responses that it drew. Both the European Parliament and the Economic and Social Committee presented reports on the Green Paper. Many MS provided comments on the documents, and a number of external groups, including academics and NGOs, contributed to the discussion. Private sector and civil society groups in the ACP countries were particularly positive about the extension of the policy debate beyond the confines of government. However, discussions also revealed the different level of capacity between the preparations in the Commission and in the ACP countries for the negotiation of the post-Lomé Convention.

There appears to be scope for improved coordination between the Commission and the Council in the policy formulation process, in ensuring that it better reflects implementation capacities in both headquarters and the Delegations. This will probably require the Commission to take a more pro-active role in the process.

Council Resolutions on development policy (1992 to 1997)	
General Policy	Sector Policies
Run-up to 2000	Family planning
Structural Adjustment	AIDS policy
Regional economic integration efforts	Health
Development Research	Education
Linking Relief, Rehabilitation & Long-term Dvt.	Human and Social Development
	Scientific and Technological Research
	Microfinancing
Thematic Policies	Coherence, Complementarity and Coordination
Campaign against poverty	Priority areas for coordination
Food security policies	Procedures for coordination
Gender issues	Complementarity
Environmental Assessment in Dvt. Cooperation	Operational coordination
Migration and Development	Coherence
Gender and Crisis	
Decentralised Cooperation	
Fight against anti-personnel landmines	

Policy implementation

Policy implementation includes the analysis of policy options, the preparation of detailed guidelines (such as 'Instruction Notes') and the integration of policies into programme implementation. This process is affected by the organisational and human resource limitations within DGVIII policy units. In many cases, there is a significant delay in the preparation of Instruction Notes, in staff training and in the development of detailed operational manuals. Collaboration with Member States in key policy areas, with expert group meetings, has strengthened the process through sharing of experiences and coordinated approaches on policy issues. However, there is scope for more joint policy development in areas where particular Member States have well-established expertise and experience.

Difficulties in implementing policies appear to be relatively greater for policies relating to **poverty reduction, governance, gender and environment** than for direct sector support programmes. Some of the reasons for this are:

- staffing limitations in the policy units concerned,¹¹ with very few specialist staff in the Delegations.
- implementation is indirect, through sector programmes and projects, necessitating the adoption of 'mainstreaming' approaches, rather than through supporting direct interventions.

¹¹ In some cases there may be a single policy adviser.

- geographical units have disbursement pressures, and are therefore wary of the introduction of new policy requirements which might slow down project preparation and implementation.
- staff in operational units and Delegations have excessive workloads and are therefore reluctant to introduce new policy requirements involving additional work demands.

In sector support programmes, by contrast, good results have been achieved where there has been efficient networking between policy staff in DGVIII, the geographical desks, Delegations and field-based technical assistance. For example, in the case of health, the Commission has been able to take a leading role in the development of a sector-wide approach which is now being adopted by a number of donor agencies. TA health coordinators have been appointed in 30 major cooperating countries and are improving the integration of policies into programme implementation. Similarly, our country studies found evidence of successful policy implementation in sectoral programmes in agriculture in Zimbabwe, in the roads sector in Cameroun, and in the response to the post-emergency situation in Liberia.

The two **Boxes** below show examples of some of the Commission's strengths and difficulties in the implementation of policies. The first **Box** provides an example of the relatively successful implementation of a new policy orientation in the health sector. The second **Box** illustrates some of the difficulties in trying to implement gender policies.

Policy implementation: (1) Health

Prior to 1993 EC health projects were primarily involved with the development of health facilities. The concern to protect health services provision during structural adjustment, together with the growing realisation of the need to link investment in health with improvements in health services management, led to a major policy review. This resulted in the presentation of a comprehensive policy paper on health and the passing of a Council Resolution in May 1994.

In the subsequent policy implementation, there were twice-yearly meetings of an Expert Group which involved the Member States. Since 1996, the Commission has also participated in a wider policy debate, involving other bilateral donors, the World Bank, WHO and UNICEF, with the aim of coming up with an improved sector-wide approach to health service development. During this process there was consultation with the SPA, and leading reformers from ACP countries were involved in reviewing the guidelines which were subsequently published.

Reform of the policy framework has also been reflected in changes in the arrangements for EC assistance for health service support. Project funds are increasingly used to support institutional development and to support health services in particular regions or districts. Under the sector-wide approach, the Commission is obliged to coordinate its assistance with other donors and to coordinate with both government and other local organisations involved in health services provision.

These developments have been matched by an improvement in health policy management capacities within DGVIII. The number of health advisers increased from two in 1993 to seven in 1997. There is close cooperation between the two units responsible for health policy.

The strength of policy implementation in this area can be seen in the management of aid to the health sector in Côte d'Ivoire. Our evaluation team in Côte d'Ivoire found evidence that the strong policy capacity had been translated into effective aid implementation.

Policy implementation: (2) Gender

The importance of gender in EU-ACP development cooperation was first emphasised in Lomé IV. The first Council resolution on 'integrating gender issues into development' (December 1995) emphasised the importance of 'mainstreaming' gender analysis into the conception and design of development policies and interventions, and of the importance of capacity building on gender issues and gender-sensitive approaches (both in ACP States and the Commission).

Within DGVIII, it is recognised that the mainstreaming of gender analysis will take considerable time. In part this reflects international experience in the effective incorporation of gender sensitivity into programme design and implementation. However, there may be particular problems within the EC system due to: (i) the minimal staffing of the Gender Desk; and (ii) the problems in building gender awareness among staff working in the Delegations. The 1997 progress report of the Gender Unit on the Implementation of the Resolution noted that it has been affected by the limited staffing of the Gender Desk (which comprised one expert and one support staff). Using funds from an EC budget line for gender sensitisation, consultants have been used to provide advice to Delegations and ACP governments, undertake policy and methodological studies, and provide gender training. However, the report noted that: *'external consultants cannot fill the need for sufficient permanent expertise on gender issues within the Commission, in order to ensure long-term institutional capacity and sustained follow-up'*.

Nevertheless, a number of positive steps have been taken, such as the revision of the 1991 manual on Women in Development (to be integrated into the Project Cycle Management approach), increased use of a gender questionnaire on financing proposals, and the designation of staff in 28 units in DGVIII as Gender Focal Points. These staff are the link with the gender desk and are responsible for promoting more gender-sensitive approaches within the unit.

Coherence, complementarity and coordination

Following the Treaty of Union and a number of Council Resolutions,¹² the issues of coherence, complementarity and coordination have assumed increasing importance in policy formulation and implementation. While coordination has improved in some policy areas and in some countries, there are significant difficulties given constraints on the Commission, the different policy orientations of Member States, and organisational structures for aid management.

Coherence

The complexities of policy interdependence, the different levels at which policies apply, and the relative political priority given to different EC policy areas have resulted in considerable difficulties in defining policy coherence.¹³ In this section, we use 'coherence' to refer to consistency between different Community policies. The political focus on coherence appears to have led to closer coordination among senior management within a given Directorate General, between Directorate Generals, and between Commissioners. Within DGVIII, responsibilities have been assigned for monitoring coherence issues in the areas of food aid (including exports under the CAP), fisheries policy and post-conflict interventions, and for coordination with the relevant DGs.

Incoherence problems are particularly well documented with respect to the adverse effects of subsidised beef exports on the West African livestock industry, and the effects of bilateral fishing agreements on artisanal fishing industries and on the sustainable management of fisheries stocks in ACP countries. Recently, there has also

¹² 'Procedures for Coordination' (Resolution of 2/12/93); 'Complementarity' (Resolution of 1/6/95); 'Linking Relief, Rehabilitation and Long-Term Development' (Resolution of 28/5/96); 'Operational Coordination' (Resolution of 5/6/97); and 'Coherence' (Resolution of 5/6/97).

¹³ See 'The Europeanisation of Development Cooperation: Coordination, Complementarity and Coherence' - Christiane Loquai, ECDPM Working Paper No. 13, October 1996.

been particular concern about ensuring consistency between different EC interventions in post-conflict situations.¹⁴

Policy coherence – agriculture

Problems of incoherence arise particularly in the agriculture sector. Through consultation and coordination between services, the EC has been successful in removing incoherence in the case of beef exports. This may provide a model for dealing with other cases of incoherence. The EC is now also taking steps to address incoherence in cereal exports and banana imports. More generally, trade statistics with ACP countries are now examined regularly to detect any significant change in trade flows.

Beef

Under the CAP, exports of beef to AOC countries (West and Central Africa) used to be heavily subsidised, to the benefit of EU producers. However, these subsidies harmed local producers in AOC countries, and therefore conflicted with development policy. This incoherence was brought to the attention of the Commission by NGOs and MEPs in 1993.

Over the following years, the Commission took a series of steps:

- information gathering
- creating an internal consultation mechanism within the Commission
- harmonising the level of export subsidies to all sub-Saharan Africa
- regular meetings between the EU and the Agriculture Ministers of AOC countries

The incoherence has now been largely removed, with a reduction of export subsidies from 1,990 ecu/tonne to 215 ecu/tonne, much of this reduction coming since 1997. This, combined with the devaluation of the CFA franc in 1994, has led to a substantial fall in beef exports to AOC countries.

Bananas

Under the provisions of the Lomé Convention, a number of measures existed to guarantee a European market for ACP banana producers, in spite of the fact that their prices are higher than world prices. This import licensing and tariff system has recently been condemned by the WTO. To avoid incoherence between the EU's commitment to free trade and its development policy, the Commission has taken three steps:

- presenting proposals to the Council of Ministers for a new tariff quota based system which it believes will comply with the Lomé Convention
- funding projects to improve the competitiveness of ACP banana production
- funding projects to help ACP countries to diversify out of banana production.

Complementarity

There has been extensive debate within the Council over the interpretation of the concept of complementarity, for example over the question of whether complementarity implies specialisation between the Commission and Member States. The Council Resolution of 1 June 1995 sees greater complementarity of EC development policies with those of the Member States as being achieved through strengthening coordination in defining sectoral policies and in the programming of EC aid.

Since 1998, a number of steps have been taken in this area although it is too early to assess their impact. For example, procedures for joint strategy exercises with recipient countries are being developed.¹⁵ Country programme co-ordination at sector level is also being strengthened, with the assignment of lead responsibility to either the Commission or a Member State.

¹⁴ The Council Resolution also emphasised the need for coherence between EC aid and migration policies. However, this primarily an issue in relations with Mediterranean countries rather than the ACP group.

¹⁵ This will not include the preparation of a common country strategy.

Coordination with Member States

The Treaty of the Union committed the Commission and the Member States to coordinate their policies on development cooperation. Council resolutions in 1993 set out the basis and priorities for operational coordination.¹⁶ Co-ordination has focused on four priority themes: poverty alleviation, food security, health and population, and education and training.

Contacts between Commission and Member States experts have increased, and this has increased the understanding of different donors' policies and development approaches. However, improvements in coordination have been made difficult by:

- the divergent objectives of EC and national aid policies;
- fragmentation within EC and national aid programmes;
- reductions in agency personnel establishments;
- differences in the level of decentralisation between different agencies; and
- overlap with existing coordination networks.

In mid-1997, it was reported that the effectiveness of operational coordination in the 6 pilot countries was variable,¹⁷ more progress being made in Côte d'Ivoire and Peru. Specific problems included insufficient staff in Delegations, links with other coordination bodies, the level of involvement of the beneficiary country and insufficient participation from some Member States.

Coordination with other donors

A number of measures have been taken to ensure more effective coordination with other donors, particularly the Bretton Woods Institutions (BWI). Procedures for exchange of information and regular contact have been initiated with the IMF and include informal contact in the preparation of Policy Framework Papers. Coordination is not always timely but it is improving. Coordination with the World Bank takes place mainly on issues of structural adjustment, sector programming and public expenditure. It follows a practice that was formalised in 1990. However, this relationship was markedly strengthened by the High Level Meeting in July 1996 in Lisbon. This focused the collaboration on pilot countries (Mozambique, Côte d'Ivoire and Ethiopia). More importantly, in the last meeting (Baltimore, February 1998) a number of criteria to determine the success or failure of collaboration were agreed (information sharing, timing of exercises, levels of decision making, coordination on the ground, and the clarity of focus of the collaboration).

The Commission also effectively pursues economic reform co-ordination through its participation in international forums, particularly the SPA (see next chapter).

Monitoring implementation

In order to assess whether policies are being effectively translated into practice, it is important that there should be monitoring of the Commission's actions. While the need

¹⁶ 'Priority Areas for Coordination' - Council Resolution of 25 May 1993 and 'Procedures for Cooperation' - Council Resolution of 2 December 1993.

¹⁷ Bangladesh, Costa Rica, Côte Ivoire, Ethiopia, Mozambique and Peru.

for a system to ensure consistency in the implementation of aid policies over a large number of countries is common to all major donors, the Commission has particular difficulties in ensuring consistency as a result of:

- an over-extended policy agenda in which policy initiatives are sometimes taken without due regard to the resources available for implementation and follow-up;
- insufficient internalisation of guidelines and manuals covering major areas of policy implementation;
- differences in perceived priorities among Delegations (project-based or sectoral);
- limited resources, both human and financial, to provide policy back-up and support to Delegations or to monitor the work of consultants.

The Internal Agreement of the EDF provided for the monitoring of the implementation of development policy and for the review by Member States of new projects and programmes¹⁸. The instrument for this purpose was the EDF Committee. In the past, this was the only forum for quality control in the Commission. The EDF Committee has had some impact. However, its capacity has been limited (see **Box**). It has therefore in the past been possible for projects to be processed without adequate scrutiny either within the Commission (e.g. by policy units) or outside it.

The recent establishment (1997) of the Quality Support Group was therefore an important development. The QSG provides a formal opportunity for Heads of Units¹⁹ (including policy units and the evaluation unit) to review and comment on projects before they are submitted to the EDF Committee.²⁰ In the view of experts in the Commission, the Quality Support Group is an important step towards improving quality control and the monitoring of policy implementation.

However, the performance of these functions within the Commission faces a number of constraints. Policy advisers in Headquarters and in Delegations have limited time, and their ability to review proposals is made difficult by the fragmentation of DGVIII, by the weakness of the EC project monitoring system, and by weak internalisation of *ex post* evaluations. If the QSG is to be successful, it should strengthen its focus on the initial stages of the project cycle and the identification of the key issues to be addressed during project design.²¹ Finally, it should be remembered that the existence of the QSG

The EDF Committee

The Internal Agreement between the Member States gives the EDF Committee the tasks of examining the programming of aid at country level, supporting the coordination of approaches and operations between the EC and Member States, monitoring the implementation of aid, and making decisions on specific financing proposals in excess of 2 Mecu.

In practice, the direct impact of the Committee is limited. While its mere presence may improve the quality of proposals through a deterrent effect, its ability to alter proposals is more limited. Committee minutes of the last 3-4 years reveal that only about 10% of projects are either sent back for revision or are rejected.

Proposals are not subject to close technical scrutiny in the Committee. And there is a tendency to keep projects below the 2 Mecu level to limit exposure to the scrutiny that there is (ITAD evaluation, p.24).

In addition, the Committee's impact is limited by capacity constraints and fragmentation. Capacity limitations force Member States to send junior staff members from the capitals as representatives on the Committee. And fragmentation arises from the different policy emphases that Member States bring to the Committee.

¹⁸ The EDF Committee was also to 'seek appropriate coordination of the approaches and operations of the Community and its Member States in the interests of consistency and complementary'. However, this role has not been adequately fulfilled.

¹⁹ Or their formal representatives.

²⁰ Although it also briefly reviews project identification.

²¹ Initial steps in this direction are currently being taken. The QSG examines project identification sheets for 10-15 minutes each.

does not reduce the importance of the informal peer reviews that should always take place within teams.

The Commission's limitations

The Commission's difficulties in both the preparation and implementation of policies can be attributed to:

- **constraints imposed by the policy formulation system as a whole** (both Lomé and EU). The Lomé Convention imposes a number of objectives, instruments and operational details that the Commission needs to follow. In addition, the European actors in the policy formulation system have established an over-ambitious policy agenda while providing limited staffing and administrative resources. Finally, the EDF Internal Agreement requires extensive, time-consuming *ex ante* controls (see section on Aid Implementation).
- **organisational and human resources limitations within the Commission.** These result in part from the history of an institution that has grown quite rapidly, losing some of its initial cohesiveness while maintaining its focus on informal systems and on the administration and delivery of projects. These constraints include:
 - a) a fragmented organisational structure in which policy and operational units are unduly separated;
 - b) inadequate systems and procedures;
 - c) inadequate investment in professional development and training;
 - d) shortages of specialist staff in key sectors.

a) Fragmented organisational structure of DGVIII

The current organigram of DGVIII²² reflects a highly compartmentalised structure with 7 directorates and 49 units. The fragmented structure results in responsibility for particular policy areas being divided between different units. See the **Box** for some examples of fragmented responsibility.

This fragmentation is perceived as a constraint to effective coordination and team work. Coordination among directorates and the technical units in the Geographical Directorates varies considerably, often depending on personal initiative. In some areas, such as

Divided responsibility for policy

Divided responsibility for policy is found both at the level of overall planning and at the level of single policies.

Overall policy planning is divided between: the Policy Planning, Macroeconomics and Structural Adjustment Support Unit (VIII/1); and the Development Policy Directorate (A).

Responsibility for single policies is divided between: a thematic desk in the Development Policy Directorate (A); and a sector desk in either the Sectoral Implementation Directorate (G) or the geographical directorates (D, E, F). In some sectors the division of responsibility can be considerably more complicated, as in the case of agriculture and rural development.

Example – agriculture and rural development

Aspects of responsibility for agricultural and rural development policy are shared between seven departments in six directorates. This fragmentation has made more difficult the adoption of an overall policy and strategy for the sector. Policy initiatives are sometimes developed and introduced within a single geographical region, even though they may have much wider relevance.

²² As of July 1998. Reorganisation plans aim to reduce the fragmentation and introduce country teams.

health (see **Box** on page 44 above), co-ordination is close and effective, while for thematic policies (governance, gender, poverty and environment) it is more difficult.

The weaknesses of the present structure have been recognised within DGVIII. The current reorganisation is intended to address these weaknesses (see **Box on recent initiatives within the Commission**, at the end of the chapter). Key stages of the reorganisation were implemented after the completion of the draft report of this evaluation. Shortage of time makes it difficult to assess the potential impact of the measures taken.

b) Inadequate systems and procedures

The difficulties of introducing a manual - Environment

Lomé IV introduced a specific focus on environmental issues as an area for ACP-EU cooperation (Articles 33-35). This was followed by the release in 1993 of an Environment Manual setting out environmental procedures and the methodology to guide Lomé IV projects. However, other requirements necessary for the successful application of this manual were not put in place, with the result that its use was selective and limited. In particular:

- limited involvement of DGVIII environmental specialists in the country programming exercises meant that environmental issues were often not adequately reflected in the initial identification of programmes and projects;
- there was limited awareness among DGVIII staff in country and technical units and among staff in the Delegations of environmental issues, and no training programme was put in place to create such awareness;
- the use of the environmental manual was not made compulsory until 1996.

Following an evaluation of Environmental Performance of EC Programmes in Developing Countries, these issues are now being addressed by the Environment Desk in DGVIII. The Environment Manual is to be revised and updated as part of a joint exercise with DGIA and DGIB. A modular training programme is to be developed in order to promote environmental awareness among DGVIII and Delegation staff.

The experience with the handling of environmental issues suggests the need for more systematic procedures for following up policy decisions, through (i) ensuring that adequate specialist staff resources are made available; (ii) determining the implications for programme and project cycle management; (iii) timetabling the preparation and introduction of user manuals; and (iv) ensuring that arrangements are in place for information collection and the monitoring of policy implementation.

Internal practice and procedures within DGVIII have evolved in response to a series of policy and operational decisions. While the organisation has become increasingly complex, it still relies on limited information and informal networks.²³

Firstly, there is a clear need to define staff responsibilities more clearly. Individual staff in DGVIII operate with insufficient job descriptions or terms of reference.

Secondly, while there are a number of manuals available,²⁴ 'there appears to be a disconnection between the production of manuals on specific topics and the incorporation of those procedures into obligatory working procedures. This situation contributes to the sense of confusion about precisely which approach is DGVIII policy'.²⁵ The last full revision of the Manual of Instructions occurred in 1988. Other manuals have been introduced with little

²³ See 'Project Monitoring and the Use of Indicators', ITAD, September 1996.

²⁴ Manuals include: Manual of Instructions, User guide to the financial procedures of the EDF, Manual of Budgetary procedures, Manual for the preparation and appraisal of projects and programmes, sectoral manuals/guidelines, practical user's guide and the Manual for Project Cycle Management

²⁵ See ITAD, p. 42.

training. Manuals on gender, environment and transport have been produced but their impact is variable (see **Box** above). However, a significant improvement was achieved through the introduction of the Project Cycle Management Manual, which was accompanied by an effective training programme (both in Headquarters and in ACP countries) and which now guides the preparation of financing proposals. Its impact on aid implementation was noticeable in our country studies.

These two factors combine to lead to wide variations in the role of staff, unclear definition of responsibilities, *ad hoc* decision making and unsystematic information flows. All of these contribute to weaken the organisational efficiency of DGVIII.

c) Inadequate investment in professional development and training

Systems for professional development and training are also inadequate and budgets are limited. There is no requirement for training as part of career development. In recent years, two main types of in-house training have been provided: a general training programme (on project cycle management, financial procedures, and financial and economic analysis) and specialised courses (including structural adjustment, environment, poverty, gender awareness, and conflict prevention). There is very limited training for staff going to Delegations.

d) Shortages of specialist staff

Insufficient staffing is widely perceived as a major constraint within DGVIII. While DGVIII grew considerably up to 1994, there have been considerable resource constraints since then. The number of advisers in Delegations has also been reduced.²⁶ Demands on staff resources may be higher than in other aid systems as a result of the EC policy formulation cycle, the operation of the EU-ACP joint structures, and the role of DGVIII in coordinating with the bilateral agencies of Member States. It is hard to assess what the optimal level of professional staff should be, since perceptions of shortages are affected by insufficient selectivity in policy objectives and operations, an fragmented organisational structure, inadequate systems and procedures, and excessive *ex ante* financial controls (see Aid Implementation). The evaluation team did not assess the optimal level of staffing in headquarters or Delegations. However, in our country visits, we observed a clear shortage of specialist staff in key policy areas.

Furthermore, the deployment of specialist staff within DGVIII reflects the traditional emphasis on project implementation in infrastructure and agriculture. There are relatively few specialist staff in institutional development or in the areas of poverty, gender, environment, despite the increasing emphasis given to these areas in the EC aid programme. The shortage of such staff in the Delegations helps to explain the difficulties of following through policy initiatives at the field level.²⁷

²⁶ Pressure from the European Parliament and other Directorate Generals. Priority has been given to Eastern Europe.

²⁷ In health sector programmes, this has been mitigated by the appointment of programme coordinators under TA contracts.

Recent initiatives within the Commission

DGVIII

The reorganisation of DGVIII merges together the Development Policy and Sectoral Implementation directorates and the technical units in the Geographical Directorates. It will also be accompanied by the introduction of a task-oriented approach, team work and the creation of thematic teams providing both policy and programming support to the geographical units. While this should strengthen the policy capacity of DGVIII, these changes will require a change in 'culture' that will take strong leadership and some time to achieve.

SCR

This reorganisation is accompanied by the creation of the *Service Commun Relex* (SCR), responsible for implementation after the conclusion of financing agreements. While the merging of implementation units in the RELEX services is clearly a positive step, there is a risk that the SCR will reinforce the fragmentation between policy and operations. This is particularly significant at a time when Community aid is increasingly concerned with supporting policy reforms in the ACP countries.¹ This risk will be averted if, as expected, the RELEX Directorates are subsequently merged with the SCR.

Country Reviews

In June 1998, the Director General of DGVIII issued guidance for the setting up of Country Reviews, to be carried out at least once a year. These are formal meetings that will bring together relevant staff (EDF and budget lines) from the different units of DGVIII, the Delegation, and where appropriate from other services (SCR, Echo, etc.) These reviews are to provide a complete and up-to-date overview of the Commission's actions, to examine the adequacy of the Commission's strategy, in particular with a view to facilitating complementarity with Member States and other donors. The Country Reviews will be followed by in-country meetings with ACP representatives.

Coordination

In July 1998, the Director General of Development of the EU issued a draft report outlining the principles to guide action, and practical proposals for coordination at sectoral, operational, and international levels. These proposals are an important step to operationalise the objectives of coordination and complementarity set out in the Maastricht Treaty.

1. This comment reflects the risks inherent in any separation of policy and operations functions. Since the reorganisation took place as this report was being completed, it is too early to assess its full impact.

II. Policy dialogue between the Commission and the ACP States

- The Commission's transition from being a project-based donor to being a policy-based donor is a difficult one.
- Policy dialogue on National Indicative Programmes has been strengthened.
- The Commission's Structural Adjustment Facility has supported the policy dialogue between the Bretton Wood Institutions and ACP governments.
- The Commission's in-country involvement in the overall policy dialogue on structural reforms and its participation in public expenditure reviews have often been limited by a number of constraints.
- In many countries, the Commission has been active in sectoral policy dialogue. Its success depends on several factors.
 - The Delegation's staffing and sectoral expertise are important factors. The Commission needs to be more focused on its choice of sectors for intervention, and it needs to staff its Delegations accordingly.
 - The greater the capacity and commitment of ACP governments, the more likely is policy dialogue to be effective, particularly in the presence of a clear sector policy framework.
 - Technical Assistance provided to ACP governments has, in some cases, been used effectively to facilitate sectoral policy dialogue, but in others it has undermined ownership.
- Some progress has been made towards improving in-country donor coordination.
- The Commission, like most donors, has had difficulties in integrating key policy concerns – poverty, governance, gender and the environment – into the policy dialogue and into the design of programmes and projects.

The importance of policy dialogue

There is an emerging consensus that aid is only effective when it strengthens institutions and policies and has full domestic support (ownership). At the same time, the evidence on the fungibility of aid funds implies that donors should be concerned about the quality of all public spending and not just about particular projects.²⁸

Although this evaluation examines past EC interventions, it also addresses the concerns of the new consensus by focusing on the policy dialogue between the Commission and ACP governments. Policy dialogue is seen as the way in which donors can influence the policies and institutions of ACP governments.

This role is difficult for the Commission, given its traditional role in providing financial resources to ACP countries for transport and agricultural projects. As for other donors, internal incentives often result in donor performance being measured by the amount of resources disbursed rather than by the outcomes of interventions. The Commission's

²⁸ See 'Rethinking Aid: What Works, What Doesn't and Why', Policy Research Report, World Bank, June 1998. See also: Burnside and Dollar (1997) and Collier and Gunning (1997).

transition towards a more policy-based aid programme is also constrained by there being a multiplicity of policy objectives, by the demands of on-going sector projects, by administration-intensive aid procedures, by organisational limitations and staffing constraints.

Indicative programming

Under the terms of the Lomé Convention, the Commission determines a financial envelope for each ACP country and region. The country or region then draws up an Indicative Programme, with the advice of the Commission. Indicative programming is, along with negotiations on the Lomé Convention, one of the main channels through which ACP countries may influence the priorities of development cooperation. The contractuality and procedures of the programming exercise seek to ensure a close link between aid programmes and ACP governments' policies.

Progress has been gradually achieved in transforming indicative programming from an *ad hoc* collection of projects (EDF 1 and EDF 2) into a more effective instrument for planning and dialogue. In particular, the most recent Indicative Programme exercise (EDF 8) has benefited from the new **Strategy Papers** prepared by the Commission, which are significantly more analytical than the previous Pre-Programming Documents (EDF 7). The Strategy Papers often note programme constraints and interventions by other donors, and in some cases even include lessons learnt from previous evaluations. However, the Strategy Papers in some cases still continue to underestimate programme risks (e.g. Tanzania). The Strategy Papers have been subject to consultation with Member States. Although the degree of consultation is considered adequate, it varies between countries and between sectors. Strategy Papers are internal Community documents and are not normally shared with the ACP countries.

In most cases, the most recent **National Indicative Programmes** (EDF 8) have also benefited from increased consultation with ACP governments and Member States. Discussions with ACP governments are essential to strengthen the ownership of the aid programme. In some cases, there has been extensive consultation with ACP governments, including, for example, discussion on specific conditionalities on institutional reform, e.g. the transport sector in the Cameroun NIP. In general, the degree of consultation (with ACP governments and Member States) has been more limited in the countries and sectors where ACP government capacity is low. While the Commission still has the strongest role in the choice of focal sectors, ACP governments' pressure to maintain and even increase the areas for EC intervention has contributed to insufficient concentration of EC aid interventions and insufficient selectivity in the choice of focal sectors.

The greater consultation on the NIP (EDF 8) with Member States (in-country and through the EDF Committee) is an important step to ensure greater coordination and complementarity.

While the recent improvements in the Indicative Programming exercise (EDF 8) are significant, looking to the future, two issues need to be addressed:

- The fact that donor programming exercises are carried out for each donor independently, and are not linked to the Government's budgetary process, means

that they overload rather than strengthen the Government's capacity.²⁹ Similarly, insufficient integration into ACP governments' medium term expenditure frameworks (which in any case do not always exist) means that the sectoral choices are probably not optimal.

- In many cases, the focal sectors in the National Indicative Programmes are still insufficiently selective (for example, note the inclusion of the education sector in Tanzania and Zimbabwe).

Overall economic dialogue (structural adjustment)³⁰

The Commission began its participation in structural adjustment in 1990.³¹ Through the creation of a small macroeconomic capacity the EC has supported the structural adjustment operations of the BWI.³² The aims of Structural Adjustment Support Programmes have been to:

- take into account the social dimensions of the adjustment process and the requirements of long-term development;
- adapt the speed of reforms to the constraints and capacities of specific countries;
- facilitate the internalisation of the adjustment process by the national authorities; and
- focus on the regional dimensions of adjustment.

These aims are to be achieved by supporting improvements in the budgetary process (to guarantee the transparent use of resources and the adoption of adequate sectoral policies) and by improving coordination with Member States and the BWI.

The structural adjustment process supported by the BWI has produced mixed results in the countries we visited (particularly Jamaica, Tanzania, Cameroun and Zimbabwe). While trade liberalisation and domestic regulation have made relatively good (although sometimes slow) progress, institutional reforms (financial sector, privatisation) have been hampered by the weakness of governments' institutional capacity. The impact on poverty and on the social sectors also appears to be mixed. Contrary to expectations, the BWI structural adjustment programmes have not been very selective. 'Poor and weak compliers with programmes received \$ 11 billion out of the \$ 15 billion lent for adjustment from 1980 to 1996'.³³ This is because donors often have incentives to continue to disburse funds even when the government's track record on reform is poor. This was also observed in the countries we visited. All of these countries have been

²⁹ EC programming is based on a 5-year cycle and on pre-agreed ground-rules.

³⁰ In many cases, the Commission's overall economic policy dialogue for the SASP has been used to support sectoral policy dialogue in the social sectors, e.g. health sector dialogue in Côte d'Ivoire.

³¹ Previously, the EC had participated in several Sector and General Import Programmes. SASP is based on the Council Resolution of May 1989 and Lomé IV, 1990.

³² The Commission has only disbursed SASP funds when the country has been 'on track' in its IMF programme or when the BWI have given their explicit agreement.

³³ OED 1996 report quoted in the 'Independent Evaluation of the SPA', see above. Similarly, Killick's (1996) analysis shows that only 5 out of 26 ESAF programmes had been completed within the planned period

'off-track' for a significant time period, while some of them have been undergoing structural adjustment for more than 10 years (Tanzania and Jamaica).³⁴

The Commission has had to operate its Structural Adjustment Support Programme (SASP) in this very difficult environment. The participation of the Commission in structural adjustment issues has allowed it in some instances to influence the nature of the BWI approach (see below). Moreover, the Commission's focus on ownership of the reform programme and on improvement of the budgetary process is facilitating the Commission's transition from being a project-based donor to being a more policy-based donor. See for example the successful SASP intervention in Côte d'Ivoire which is strengthening both the health and decentralisation sectors (see next chapter).

However, the track record of Commission's structural adjustment interventions in the countries we visited is affected by institutional constraints in ACP countries, by Commission staffing constraints and by the nature of counterpart funds earmarking. As a consequence, in most countries we visited there has been limited involvement of the Commission in policy dialogue on the overall reform programme.³⁵

The involvement of the Commission in overall economic policy dialogue requires the monitoring of macroeconomic conditions, the monitoring of general structural reforms (including the formulation of Policy Framework Papers and of BWI general and sectoral adjustment operations), and participation in Public Expenditure Reviews (both global and sectoral). In our view, and that of other donors we spoke to during our visits, these activities are important for a large donor in order to support its dialogue with the Government and with other donors, both with regard to the overall reform programme and sectoral policy dialogue. In the case of the Commission, these activities are also important for the support of improvements of the budgetary processes in the social sectors.

In many of our visits, Member States expressed their appreciation and support for an increased role of the Commission in overall economic monitoring (given adequate resources), even though the Commission's expertise is often in sectoral issues. With the new stress on aid effectiveness, the monitoring and understanding of overall macroeconomic and budgetary conditions is essential for formulating realistic sector programmes and for adequately implementing new SASP programmes.

The effectiveness of the Commission's overall economic policy dialogue has been affected by three factors:

1. macroeconomic capacity of the Commission
2. limited government ownership of the reform programme
3. earmarking of counterpart funds.

³⁴ '...sitting with the IMF and the World Bank over the last ten years in structural adjustment loans is something like being in the dentist chair for ten years'. Address by Prof. J. Sachs at the 1998 World Economic Forum, Windhoek, Namibia.

³⁵ 'All our evaluations point out the relevance of such global objectives but criticise the paradoxically weak EC involvement in the policy dialogue, especially in the light of our increasing weight and role. The policy dialogue is found to be, in fact, the only way to build-in the EC's concerns into the overall economic reform process'. See 'Learning From Evaluations of the EC Support to Structural Adjustment in ACP Countries', Communication for the Joint EC-WB seminar of 17.12.96. EC.

1. Macroeconomic capacity in DGVIII

Headquarters

The creation of a small macroeconomic capacity has allowed the Commission to use international forums (particularly the SPA) to support key Community objectives: the social dimension of adjustment, and ownership of the adjustment process. While the recent independent evaluation of ESAF concludes that structural adjustment programmes have had limited success in these areas, the SPA evaluation shows that the BWI have been gradually persuaded of the importance of these issues.³⁶ However, most SPA guidelines are often not implemented within countries.³⁷

The Commission has also been instrumental in the implementation of a new conditionality approach in Burkina Faso. This approach is based on the need to strengthen ownership and donor coordination and on the need to reduce the micro-management of reforms. Similarly, the early focus of the Commission on counterpart funds and the budgetary process has encouraged other donors to focus on these areas (as with the reformulation of Public Expenditure Reviews and the new guidelines).³⁸ However, staffing constraints have limited Headquarters' support to Delegations in the preparation and implementation of SASP.

EC Delegations

In our country studies, we found that the Delegation's capacity to carry out overall economic monitoring is often limited by staffing constraints. However, in some cases (particularly Zimbabwe and Côte d'Ivoire), the Commission has managed to carry out effective overall economic monitoring even with limited resources. Member States were very appreciative of these efforts. This macroeconomic capacity is also important in improving in-country co-ordination with the World Bank, the IMF and other donors supporting structural adjustment.

While financing agreements often include the condition that the Commission should participate in Public Expenditure Reviews, we found that the participation of the EC in these exercises has been limited (e.g. in Tanzania, Zimbabwe, Cameroun, and Jamaica).³⁹ While there are various reasons for this outcome, it is important to note that the new more operational approach to PERs (e.g. in Uganda and Tanzania) should make the presence of the EC in this process even more critical.

2. Limited government ownership of the reform programme

'Despite the partnership nature of Lomé and the clear EC orientation towards government ownership, the evaluations identified several weaknesses in the government involvement in SASP design and implementation...One of the consequences has been that the SASPs design, which by the nature of the instrument should be orientated

³⁶ See recent evaluation of the SPA, 'Independent Evaluation of the SPA as a Mechanism to Promote Adjustment and Development in Sub-Saharan Africa', OED, November, 1997.

³⁷ For example on 'local compensation issues' (salary top-ups) and the integration of poverty and gender issues in the country programmes

³⁸ The evaluation of the PER for the SPA was presented in the report 'Strengthening Budget Management in SPA Countries', NEI, September 1995. The work was carried out by the SPA Working Group on Public Expenditures and benefited from two seminars with African participation. The new guidelines were presented in July 1997. The approach is being tried in Uganda and Tanzania.

³⁹ The European Court of Auditors' 1996 report notes that the EC did not participate in the PERs of any of the 11 ACP countries reviewed (Official Journal of the European Communities, C340, page 300).

towards the budget support, was very often disconnected from the process of budget formulation' (Communication for EC-World Bank seminar, 17 December, 1996. EC).

The recent independent evaluation of the ESAF⁴⁰ has noted the difficulty of building (or maintaining) political support (ownership) for the BWI's structural adjustment reform programmes. In many cases, the BWI have directly prepared all the analysis and documentation for the reform programmes (including PFPs, Letters of Intent and Public Expenditure Reviews). The Burkina Faso pilot (see above) is trying to address these issues.

However, in many of our country studies we noted that, although ACP governments appreciate the concept of the Lomé 'partnership' and although the Commission is often seen as a 'listening' donor, SASPs are still insufficiently owned by the ACP governments. This is partly explained by the staffing constraints both of the Commission and of ACP governments and by the insufficiently strategic focus of these programmes. ACP governments are often confused by the multiplicity of conditionalities, both at macro and sectoral levels (e.g. Cameroun and Tanzania).⁴¹

3. Earmarking of counterpart funds

The ownership of SASP and the possibility of greater strategic involvement in policy dialogue in the budgetary process has sometimes been affected by an over-detailed earmarking of counterpart funds. In the countries that we visited, the earmarking of counterpart funds in a systematic manner has often proved difficult. In the case of **Tanzania** and **Zimbabwe**,⁴² the aim was to simplify procedures by broader earmarking (sectoral and budget lines), but in practice these SASPs were mostly directed at specific operations (financing supplementary budgets or specific projects). In some cases, the monitoring of diverse project activities within SASPs has been particularly time-consuming (e.g. visits to schools around Zimbabwe). And in **Jamaica**, the fact that the Commission insisted that counterpart funds should be additional to budget resources and should be linked to specific projects created some difficulties with the Ministry of Finance, and delayed SASP implementation.

In principle, the most detailed earmarking should be expected in countries with the weakest budgetary processes. However, in our country cases we did not observe this relation. For example, there was closer targeting in Côte d'Ivoire and Zimbabwe than in Tanzania. However, detailed earmarking appears to have been a way for the Commission to initiate its successful health sector policy dialogue in Côte d'Ivoire.

In conformity with other donors, the EC now sees the earmarking of specific sectors or projects as a short run solution appropriate only when the budgetary process is particularly weak. The evidence on the fungibility of counterpart funds in the social sectors and on the importance of institutions for aid effectiveness has led the EC to emphasise improvements to the budgetary process, rather than earmarking.

⁴⁰ Bottchwey K., Collier P., Gunning J. and Hamada K., *Report of the group of Independent Persons Appointed to Conduct an Evaluation of Certain Aspects of the Structural Adjustment Facility*, IMF, 1998.

⁴¹ 'Countries being off-track experienced the freezing of resources already budgeted for the social sectors ... whilst some countries which remained on track have not had enough resources to comply with the agreed expenditure targets in the same sectors'. Communication for the Joint EC-WB Seminar 1996 (see above).

⁴² Zimbabwe SASP 2.

Improvements in ACP budgetary processes. In the past, the EC has often tried to use the SASP to support the improvement of budgetary processes in education and health (e.g. Côte d'Ivoire, Cameroun and Tanzania). These attempts failed in **Tanzania** because of the country's poor fiscal performance and because of insufficient co-ordination with other donors and with the civil service reform programme. However, it appears that some initial progress has been achieved in strengthening institutions in both Côte d'Ivoire and **Cameroun**. In Cameroun, a recent Commission team participated in the budget formulation process. In **Zimbabwe**, there is also the intention of moving towards support for institutional improvements in the budgetary process, with less earmarking of counterpart funds. It is expected that the support for budgetary improvements will directly contribute to better sectoral programmes.

This Commission objective is consistent with its work in the SPA Working Group on Counterpart Funds, which was formed in June 1990 and is chaired by the EC. This Group has consistently argued for less earmarking of counterpart funds.

Sectoral policy dialogue

We have analysed 12 cases of policy dialogue at the sectoral level in the countries we visited.⁴³ **Table 1** presents a list of the case studies, whose details are available in the country reports.

Table 1 - Case studies of sectoral dialogue

<i>Sector</i>	<i>No.</i>	<i>Country</i>	<i>Sub-sector (if any)</i>
Agriculture	3	Cameroun Côte d'Ivoire Zimbabwe	Cocoa Coffee and Cocoa
Infrastructure	3	Cameroun Jamaica Tanzania	Transport Water & Sanitation Transport
Social	2	Côte d'Ivoire Tanzania	Health Education
Trade	4	East Caribbean East Caribbean Jamaica Zimbabwe	Banana Trade Regional Trade Banana Trade Trade Development

⁴³ We have excluded the important Liberia case from this analysis because of its particular features (post-conflict environment). See box in next chapter.

Policy dialogue between donors and ACP countries is influenced by many complex factors. However, through the study of our country cases we have identified for presentational purposes six factors that appear particularly relevant in determining the relative success of sectoral policy dialogue. These six factors are:⁴⁴

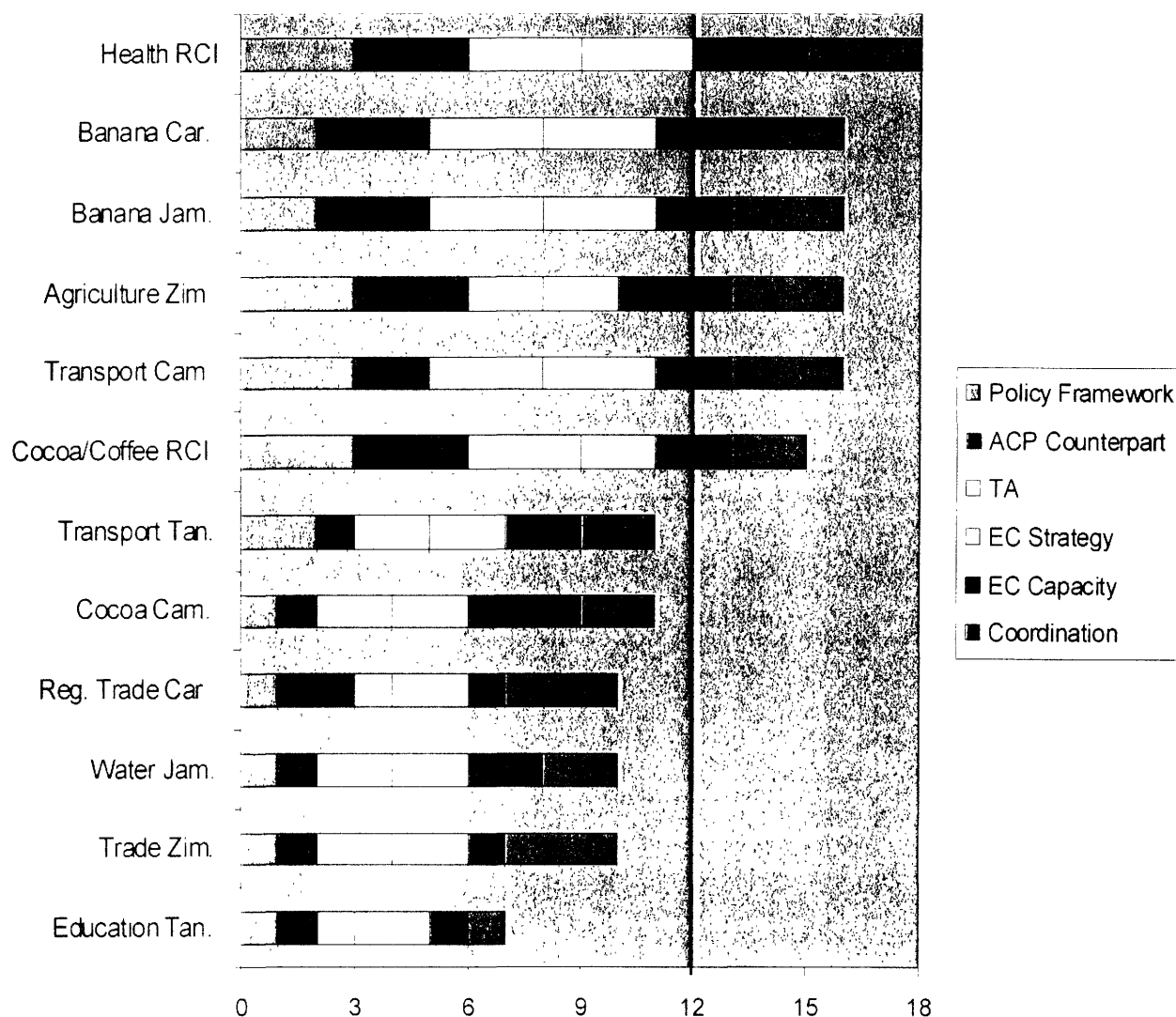
1. quality of the existing policy framework for the sector.
2. capacity and commitment of the ACP counterpart in the sector (i.e. Government, private sector, NGOs, etc.)
3. quality of the technical assistance provided to Government, both short-term and resident.
4. quality of the Commission's strategy in the sector, either general (e.g. policy guidelines) or country-specific (e.g. CSP).
5. capacity of Commission's staff in the Delegations and/or adequate technical back-up from headquarters.
6. donor co-ordination.

In **Figure 2**, using these six factors, we have summarised our assessment of the quality of sectoral policy dialogue in the twelve case studies. In each case we have rated the six factors on a scale from 1 (low) to 3 (high). The aggregate rating is the sum of the ratings of the six factors.⁴⁵ These ratings are based on our own country studies and are for illustrative purposes only. They refer to the average quality for the relevant period and do not necessarily reflect the situation as it is now. For example, policy dialogue in Tanzania both in education and transport has significantly improved recently, although the average ratings are still low for the period as a whole (i.e. ten years for transport and two years for education).

⁴⁴ Note that four of these factors are similar to the preconditions for Sector Investment Programmes (Harrold, P. et. Al. *The Broad Sector Approach to Investment Lending*, World Bank Discussion Paper Number 302, 1995), later refined in the SPA meeting of December 1996 (as Sector Wide Approach Programmes).

⁴⁵ All six factors are given equal weight. We acknowledge that simply summing the six ratings is an imperfect way of assessing the overall quality of policy dialogue. In some cases, one factor may override the impact of the other factors.

Figure 2 – Rating of the Quality of Policy Dialogue in the Twelve Case Studies



Legend: RCI= Côte d'Ivoire, Tan.=Tanzania, Cam.= Cameroun, Car = Eastern Caribbean, Zim.= Zimbabwe, Jam.= Jamaica.
Rating System 1= Low, 2= Average, 3= High. Maximum overall rating: 18. Minimum overall rating: 6.

It must be noted that the quality of sectoral dialogue is also often affected by the overall policy dialogue. For example, dialogue on transport in **Tanzania** has been affected by macroeconomic considerations. A crisis between donors and the Government arose in mid-1996 when the Government decided not to allocate resources to road maintenance, in order to comply with IMF conditionalities. The Delegation coordinated a response from all major donors (except the World Bank), requesting the Government to release the funds. The Government eventually agreed to do so. Similarly, the Commission's successful dialogue on structural adjustment in Côte d'Ivoire facilitated effective sectoral dialogue in the health sector (see **Box** below).

The following **Box** illustrates how the six factors identified above can interact to influence sectoral policy dialogue either positively (health in Côte d'Ivoire) or negatively (transport in Tanzania).

Six factors for success in policy dialogue – health in Côte d'Ivoire and transport in Tanzania

A. Côte d'Ivoire – Health. The public health system of Côte d'Ivoire was relatively well developed at the end of the 1970s. During the 1980s, high rates of demographic growth and decreasing public expenditure allocations to the sector left the health system unable to respond adequately to the basic needs of the population. In this context, the EC assisted the Ivorian Government in developing a financially viable system of public medicine supply and distribution. The EC is considered, by both the Government and other donors, to have made a very valuable contribution to the restoration of the public health sector in Côte d'Ivoire.

The existence of a clear sectoral strategy (1st factor), and its support by donors through intensive policy dialogue, have formed an enabling environment for donor activity in the sector. However, the capacity of the Government to co-ordinate and manage donor activities (2nd factor) has been equally important in ensuring the coherence, complementarity and successful outcome of donors' interventions. Since its first involvement in the health sector (1990), the EC has taken a lead role amongst donors in the health sector policy dialogue with the Government. This has been due in part to its important financial involvement, but even more to its excellent relations with the Ministry of Health, facilitated by the presence of an extremely competent EC-financed TA (3rd factor) in the post of adviser to the Minister. Health is also a sector in which the Commission has developed its own sector strategy (4th factor) and institutional and human competence (5th factor), which have enabled it to contribute effectively to international discussions on health and to offer effective support to actions undertaken in the field. Since mid-1997, the EC has taken the lead in a pilot initiative for improving coordination amongst Member States and other donors (6th factor) in Côte d'Ivoire, in particular in the health sector. Quarterly meetings amongst donors are held at the Delegation in order to exchange information, discuss common policy stances and coordinate action in the field.

B. Tanzania – Roads. With the introduction of the Economic Recovery Programme in 1986, the rehabilitation of Tanzania's roads became a priority. Preparation for the Integrated Roads Project (IRP) started in mid-1987, and the project was launched in March 1991. Since the end of 1997, due to lack of maintenance and extraordinarily heavy rains, the condition of Tanzania's roads has started to deteriorate again, a reminder of the 'build-collapse-build' cycle of the 1970s and 1980s. Several bridges have collapsed and the road network is interrupted at several points. The cost of bringing the road network to a maintainable good condition again has been estimated at US\$240 million over a three-year period, equivalent to a third of the entire physical investment under the IRP.

The sector strategy formulated by the Government had been praised by donors and formed the basis for the IRP, although the policy framework was negatively affected by uncertainties on the final administrative configuration for transport policy and road management (1st factor). However, the Ministry of Works did not have the capacity to implement the strategy or to manage a large programme such as the IRP (2nd factor). The design of the IRP was overoptimistic in assuming that with TA support the MoW would become an effective implementing agency. In sectors such as agriculture, sector institutional assessments and sector management programmes now precede sector investment programmes by a few years. The TA was poorly co-ordinated and often poorly managed (3rd factor). The size of TA (i.e. 320 man years) overwhelmed the Tanzanian counterparts and caused a proliferation of advice and channels of communications with donors. The Commission did not have an integrated strategy in transport (4th factor) as roads, railways and ports were dealt with separately. The IRP was also designed before the comprehensive EC Transport Guidelines were introduced and before the current emphasis on institutional strengthening. The Commission has had extremely competent engineering staff, but it has fewer resources to support sector policy dialogue (5th factor) both at Headquarters (where there is very skilled staff but often insufficient to meet the needs of Delegations) and in the field. As a consequence, until 1996, leadership in the key areas of policy dialogue and institutional strengthening was provided by the World Bank. Finally, coordination among donors was effective during the construction phase, but was deficient during implementation and follow up (6th factor). Implementation arrangements were different for each of the 17 aid agencies supporting IRP, and exacerbated the capacity constraints mentioned above. Donors, including the EC, were also relatively slow in addressing the key issue of maintenance in their joint policy dialogue with the Government, mostly because of the lack of early warning signals.

Quality of the policy framework

The quality of the Government's sectoral policy framework is a key factor in influencing the policy dialogue. It signals a policy dialogue with donors that is based on a clear set of Government priorities. It enhances the possibility that the final outcome of the dialogue with donors will be 'owned' by the ACP counterpart and key stakeholders. It also facilitates coordination and ensures that general donor policies take into account realities on the ground.

Several examples of the importance of a clear policy framework emerge from the case studies. In **Cameroun**, the government has a coherent Sectoral Transport Programme (PST) recognised by all donors, and all 7th and 8th EDF programmes follow this framework. The strategy includes institutional reform (privatisation), road maintenance, and investment in new regional roads. Similarly, in **Zimbabwe**, one of the foundations of the successful dialogue in agriculture has been the existence of a clear-cut government strategy prepared in a very participatory way. Recognising the need to articulate an appropriate sector policy linked to the macroeconomic reform process started in 1991, the Government prepared the *Zimbabwe Agricultural Policy Framework (ZAPF) 1995 - 2020*. The two-year long preparatory work was led by the Ministry of Agriculture, which involved stakeholders in the sector.

There is also evidence of the negative impact of the absence of such a framework. In **Cameroun**, the absence of a clear strategy in cocoa partly explains why dialogue in the sector has been much less satisfactory than in transport. In the water and sanitation sector in **Jamaica**, only recently, following the publication of a paper on Social Water in 1994, has the Government started to address the issue of lack of policy and strategy for water and sanitation. One result of the absence of a water strategy has been the orientation of policy in the sector exclusively towards engineering concerns, to the neglect of issues of water supply management, financial sustainability and social policy.

Capacity and commitment of the ACP counterpart

In order to be reliable and credible partners in policy dialogue, ACP governments need to have the capacity to elaborate their own policies and to discuss them with donors. This is a crucial process as 'aid can only be as effective as the policy, economic and administrative environment in which it operates.'⁴⁶ However, the institutional weakness of ACP governments often makes this very difficult. There are many examples of the impact of weak government capacity on the quality of policy dialogue: **Tanzania** (transport and education), **Cameroun** (cocoa), **Jamaica** (water), and **Zimbabwe** (trade). See next chapter on governments' capacity to manage aid in different institutional settings.

Technical Assistance provided to ACP governments has, in some cases, been used effectively to facilitate sector policy dialogue, but in others it has undermined ownership. The use of TA to strengthen government institutions by training local government counterparts has proved difficult given the weaknesses of many ACP civil services. This has not encouraged policy ownership. When TA supports both the government and the Delegation, ownership may also be compromised. Government institutions are also weakened by the practice among donors of supplementing civil

⁴⁶ Development Assistance Manual, *DAC Principles for Effective Aid*, OECD, 1992. p. 5

servants' salaries in certain ACP countries. This practice contradicts the DAC Principles for effective aid.⁴⁷ In some countries, sector programmes have aggravated rather than reduced these problems. As noted in another recent evaluation,⁴⁸ 'in Tanzania the official policy is not to supplement local civil servant salaries. However, given the unsustainably low remuneration level in public service, donors provided and employees obtained supplements through indirect means. In fact donors competed for capable civil servants to improve the chances for proper implementation of their projects.'

Strengthening institutions in ACP countries is a very difficult task. The BWI have recently focused on the importance of weak institutions, especially the civil service, in hindering development. However, the BWI and bilateral donors must be careful in their new emphasis on institutional issues. Institutional development is a complex process that can only be driven by local commitment.⁴⁹ Civil service reforms in Africa have improved the effectiveness of the civil service to only a limited degree.⁵⁰ The record of the BWI in technical assistance for institutional capacity building is patchy. 'Outcomes have varied widely, but overall the efficacy and cost-effectiveness of TA has been disappointing, especially in sub-Saharan Africa.'⁵¹ The BWI have limited comparative expertise in supporting institutional processes in countries with poor human and financial resources. A coordinated donor approach to support the institutional capacities of ACP governments is required. We did not find such an approach in the countries we visited.

When capacity is low one option is to build Government capacity through the provision of technical assistance and/or training, as discussed in the following sub-section. In the short term, however, there are two other possible approaches. The first approach, discussed in the 1997 World Development Report,⁵² is to help the State to focus on fundamentals (matching the State's role to its capability) while raising the State's capability by reinvigorating public institutions. A State is focusing on fundamentals when it has clear priorities and well-defined, simple strategies. If it does not have these, donors could help it to focus on fundamentals by together preparing clear-cut strategies (the first factor for an effective policy dialogue, discussed above). A good example of such an approach to easing capacity constraints is the transport sector in **Cameroun**, where the Government's strategy in the sector is stronger than its overall capacity.

The other approach is to broaden the dialogue, involving other partners beyond the Government. This approach is recommended in the Commission's Communication on Guidelines for the negotiation of a new agreement with ACP Countries. There are some good examples of the opportunities that derive from broadening the dialogue. In **Jamaica**, policy dialogue on bananas has taken place between the EC and the Banana Export Company (BECO). BECO is a private company owned by banana exporters, which is one factor in the relative success of the policy dialogue. In **Tanzania**, the Stabex programme is supporting dialogue with the private sector. The policy dialogue

⁴⁷ 'Rather than topping-up salaries, donors should encourage recipient governments to articulate a strategy to address civil service reform. Donor assistance can only be effective when governments themselves are seriously committed.' Development Assistance Manual, *DAC Principles for Effective Aid*, OECD, 1992. p. 55.

⁴⁸ OED, Independent Evaluation of the SPA as a Mechanism to Promote Adjustment and Development in Sub-Saharan Africa. 1997, p. 62.

⁴⁹ See for example, 'Making Democracy Work: Civic Traditions in Modern Italy' by R. Putnam.

⁵⁰ See 'Decade of Civil Service Reform in Sub-Saharan Africa', IMF Working Paper 179, 1997. Lienert, Ian.

⁵¹ OED-WB, Lessons & Practices, May 1996.

⁵² The World Bank, *World Development Report 1997: The State in a Changing World*, 1997.

on trade in both the **East Caribbean** and **Zimbabwe** has suffered from the lack of involvement of the private sector. The private sector often has a stronger interest in trade issues than the Government and greater capacity to carry out meaningful dialogue on these issues.

Quality of technical assistance

For effective policy dialogue, both parties need to be well prepared and competent. Given the limited human and financial resources available to both Governments and Delegations, expertise is often brought in from abroad, either on a short or long term basis.⁵³ Technical assistance, however, needs to be properly selected and managed, as discussed in more detail in **Chapter III**, and it therefore presupposes at least a minimum level of capacity on the side of the client. In addition, technical assistance is not a sustainable solution to capacity problems. When capacity is present, technical assistance can be effective in facilitating policy dialogue at the sectoral level. In such an environment, TA are very conscious of their role and mindful of the need to represent their client's interests when dealing with the donors who fund their assignments. However, when the TA is not managed adequately, it can undermine policy ownership. In **Zimbabwe**, the Ministry of Agriculture has been successful in adequately managing its TA. In the same country, however, the Ministry of Industry and Commerce has not benefited much from technical assistance because of its inability to manage consultants. In **Côte d'Ivoire**, the presence of an extremely competent EC-financed TA in the Ministry of Health has facilitated policy dialogue in the health sector. In **Tanzania**, by contrast, there have been difficulties in adequately managing the TA programme in the structural adjustment and education sectors.

The availability of good short term advice can also be important in making adequate preparations for policy dialogue. In the **East Caribbean**, for example, a donor group, which included the EC, commissioned a preliminary study to analyse the major deficiencies of the banana industry and to identify key restructuring measures. This led to the adoption of an action plan by the donors and the OECS governments at a meeting in Kingstown in September 1995, to support the development of a core banana industry capable of competing in liberalised markets by the year 2002.

Quality of the Commission's strategy in the sector

A clear strategy is as important for donors as it is for ACP Governments. The strategy might be sector specific or country specific. As noted elsewhere in this report, both have improved in the last few years. The Commission has prepared Country Strategy Papers that have helped to define the objectives and activities in each ACP country. Guidelines have also been prepared for key sectors, e.g. transport and health. Both developments have had a positive effect on policy dialogue. At the same time, NIPs often are not selective enough and cover too many sectors and sub-sectors.

Clear strategic choices explain, for example, the increased role of the EC in the transport sector in **Tanzania**, where dialogue is now centred on the key issue of maintenance (see **Box** on page 44). At the end of 1997, the EC decided to reallocate ECU 100 million from road rehabilitation programmes to reduce the backlog in maintenance of priority roads. This strategic shift is opposed by Government officials, who have insufficient interest in institutional reform and who are under political pressure to build and to rehabilitate roads. However, this change in priority is

⁵³ Technical Assistance under Lomé is formally only for the use of the Government.

supported by other donors and has made the Commission a significant – if not the leading – player in transport policy dialogue in Tanzania. Similarly, in **Jamaica**, the EC Delegation has recognised past failings in water and sanitation (i.e. the neglect of water supply management, financial sustainability and social policy) and has changed the emphasis in the NIP for EDF 8 away from direct infrastructure investment and towards (i) management and maintenance of water facilities and waste disposal; and (ii) poverty alleviation through the better targeting of potential beneficiaries in the design of projects. In **Côte d’Ivoire**, the close involvement of donors in health sector policy discussions has enabled the Government strategy to be largely validated by donors, thereby ensuring their financial support. A first two-year plan to redress the health system (1992-1994) was developed by the Government as a result of discussions with donors at the 1991 Round Table Conference. Following the wave of structural reforms launched in 1994, a new ten-year health development plan (1996-2005) was developed by the Government and discussed with donors in 1996.

Capacity of Commission staff

It is not easy for the Commission to make the transition to being a policy-based donor. The Commission continues to be involved in too many sectors, and its traditional co-administration of EDF projects hinders its effective involvement in policy-based sectoral dialogue and operations. The capacity of staff in Delegations to carry out day-to-day policy dialogue in a number of sectors, and the capacity of headquarters to provide technical back-up for Delegations, are key factors influencing the quality of policy dialogue. These capacities are constrained significantly by the administrative burden associated with aid management (see next chapter).

The presence of skilled technical advisers in the Delegations in **Jamaica** and **Tanzania** has clearly contributed to the recent improvements in policy dialogue in the water and education sectors. Similarly, a history of skilled agricultural advisers in **Zimbabwe** explains the effective role played by the Commission in policy dialogue in this sector. Meanwhile, the quality of technical back-up from headquarters is an important factor in explaining the successful dialogue on health in Côte d’Ivoire.

The capacity of EC Delegations is sometimes reinforced on an as-needed basis using Technical Assistance contracted by the Government using EDF funds. While this is sometimes seen as critical, given the capacity of the Delegation, these TA end up having a dual role, supporting both the Government and the Delegations. This has sometimes created difficulties in policy dialogue as well as policy implementation (see next chapter).

Coordination, complementarity and coherence

Coordination, complementarity and coherence have become increasingly important in the formulation of Community development policies (see Chapter I). Greater complementarity between the aid programmes of the Commission and the Member States is seen as being achieved through strengthened coordination.⁵⁴ The Commission has focused its efforts on improving operational coordination in six pilot countries, of

⁵⁴ ‘This approach will be based on the strengthening of operational coordination and on concentration both on the programming and on defining sectoral policies with a view to establishing common priorities in order to facilitated complementarity and consistency between Community action and those of the Member States’, Council Resolution of 1 June 1995.

Bananas in the East Caribbean - a Coherent Policy Response

The economies of a number of East Caribbean islands states are heavily dependent on income from bananas. As high cost producers they have relied on preferential access to European markets secured through country-specific quota allocations allocated to traditional ACP exporters. In 1997 these arrangements were challenged in the WTO by the USA supported by Ecuador, Guatemala, Honduras and Mexico. While reform of the banana regime will allow for greater coherence with wider EC trade policies, it will create severe adjustment problems for the banana exporting countries with implications for EC aid priorities.

In reality banana exports from the Caribbean had been facing deteriorating market conditions for some time. In 1994 following a request from the Secretariat of the Organisation of East Caribbean States (OECS) a donor contact group on bananas had been formed comprising the EC, DfID, UNDP and the Caribbean Development Bank. The group decided that it was not appropriate to provide aid funds in the form of price support as likely changes in trade policy and in the market for bananas required a more fundamental restructuring of the banana industry. A preliminary study was undertaken to analyse the major deficiencies in the industry and identify key restructuring measures. This provided for the retention of a smaller core banana industry capable of competing in liberalised markets by the year 2002. The main actions to be taken included:

- ◆ increasing the efficiency of Windward Islands growers by directly targeting and supporting their efforts to improve farming practices;
- ◆ commercialising the activities of the Banana Growers' Associations which are the monopoly purchasers of the banana crop;
- ◆ reforming the price mechanism to give producers incentives to either leave the industry or increase their efficiency; and
- ◆ simplifying and dismantling the distribution chain so as to transfer back part of the marketing rent to distributors.

The strategy was confirmed at subsequent meetings of the Prime Ministers' of St. Lucia, St. Vincent and Dominica. Financial support totalling 103 Mecu was made available from Stabex entitlements to support implementation of the restructuring programme and for assisting banana farmers displaced by the reforms. The programme agreed not only represents a coherent policy response to the changes in the international trade regime, but also provides an example of a well coordinated donor response.

which Côte d'Ivoire was included in the field study sample. Coherence between the different areas of Community policy is addressed between the different Directorates General. In the country studies we found two examples where incoherence appears to have been properly addressed: in the policy dialogue on international trade in bananas in the **East Caribbean** (see **Box**), and in the transition from emergency to development assistance in **Liberia**.

Some progress has been made towards improving in-country donor **coordination**. Positive developments on the Commission's side include the discussion of the Strategy Paper and National Indicative

Programmes with Member States. Where there is particularly strong common purpose and interest between the Commission and the Member States, as in the case of Liberia, effective coordination has taken place. The success of coordination depends strongly on the will of Member States.

The most important factors determining the strength of coordination are the existence of a well developed policy framework and institutional capacities within ACP Governments. These promote coherent and transparent policy dialogue, encourage donors to adopt common positions in their dealings with Governments, and guard against different donors introducing divergent approaches into the programmes and projects which they support. The relative success of the operational coordination initiative in Côte d'Ivoire was in large part due to these factors (see next Box). Other relevant factors were the strength of the Delegation, the local representation of other donors, and their institutional set-up (particularly the decentralisation of decision-making).

In all the countries we visited there were regular meetings between the Delegation and the Member States, with development cooperation included on the agenda. However, such coordination has been limited in scope. Coordination has generally not extended

beyond information exchange to include coordination in aid policy and programming decisions. Informal coordination, particularly among 'like-minded' donors seems to be more effective. In a few cases (e.g. agriculture in Zimbabwe), coordination has moved further, to include joint operations. Nevertheless, we generally found that, in the field, Member States stated their willingness to increase joint operations and evaluations with the Commission (e.g. Microproject Programmes in Zimbabwe), although in some countries their commitment to initiate coordination or to exchange information with the Commission has been limited.

The following two **Boxes** summarise two particularly successful examples of coordination: Côte d'Ivoire (a pilot country chosen by the Council) and Liberia (where coordination took place in absence of a functional government, and where the Commission played an important role in conflict prevention).

Operational coordination in Côte d'Ivoire

The 1993 Council Resolution on Operational Coordination emphasised the need to make better use of existing instruments of in-country coordination. While no specific measures were outlined, it emphasised the importance of regular contacts between the Delegation and representatives of the Member States, and proposed the carrying out of joint studies, analysis and evaluations.

Coordination with Member States

Of the pilot countries, Côte d'Ivoire is regarded by the Commission as the only one in which operational coordination has gone beyond the terms of the pilot exercise.⁵⁵ Key aspects of the coordination mechanism include: (i) regular meetings between the Delegation and the Member States; (ii) co-ordination on aid programming with joint discussion of the Country Strategy Paper for EDF 8 (although this does not extend to joint discussion of the programming of bilateral aid); (iii) the definition of common positions on sectoral objectives and policies as the basis for programming of EC and bilateral aid; and (iv) a *de facto* division of labour between key sectors, involving France (education), Germany (agriculture) and the EC (health). Member States, particularly France, regarded the level of coordination as adequate. The sectoral concentration of European donors suggests that the process has extended beyond coordination towards achieving operational complementarity among aid programmes. However, there were also examples of poorly coordinated interventions, such as in vocational training for farmers, which has been simultaneously pursued by both the EC and France.

Coordination with other donors

The relatively successful experience with co-ordination among the EU donors led to a decision in 1997 to intensify coordination among the wider SPA group of donors, particularly involving the BWI. Subsequently, regular donor meetings have been held to discuss technical and policy issues in macroeconomics, health, education, and decentralisation. On health and decentralisation, the EC coordinated with other donors in the presentation of a common position to the government expressing concern over some areas of the sectoral reform programme. However, in other areas coordination has been much weaker, for example in the coffee sector initially there were important differences in approach between the Commission and World Bank over the pace of reform.

Role of the Government

Strong Government institutions and participation are regarded as having played a crucial role in establishing effective coordination and dialogue with the donor agencies. The Government has maintained a strong and consistent policy framework of its own. This has allowed donors' interventions to be consistent with established national policies and programmes. The Government has also facilitated donor participation in policy dialogue and programming through the creation of sectoral policy working groups in which the EC, the Member States and other donors have participated.

⁵⁵ See 'Operational Coordination', Working Paper from the Commission, 3 April 1997.

Coordination is also affected by the factors which influence the effectiveness of sectoral policy dialogue, discussed in the previous section. For example, a **clear government strategy** facilitated coordination in **Cameroun**. A strong transport sector policy framework (*'Programme Sectoriel de Transport'*) has provided the basis for coordinating donor inputs, and has led to some **complementarity** among EU donors, with the Commission supporting maintenance of unpaved roads, Germany supporting the maintenance of paved roads and France concentrating on financing national bridges and air transport. In **Tanzania**, effective coordination among donors in the education sector has proved difficult to achieve mainly because of the limited capacity of government institutions. In agriculture in **Zimbabwe**, a relatively efficient civil service has allowed the Government to coordinate aid effectively even while donors initially had somewhat different approaches towards the Agriculture Services Management Programme.

The ability of the Commission to play an effective role in operational coordination depends on the **capacity and expertise available within the Delegation**. This is in part because coordination in some countries is very time-consuming. In the countries we visited, capacity was found to be strongest in the agriculture and transport sectors, although in a few Delegations, such as Zimbabwe, there is also a good macroeconomic monitoring capacity. However, in Tanzania, the Commission was chosen to act as coordinator for Member States in the education sector, although it had very limited in-country capacity in that sector.

Liberia – Coherence and coordination in a post-conflict situation

The coordination of aid in the post-conflict situation in Liberia represents a special case for a number of reasons. First, there was a need to ensure coherence in the response of the EC, which involved a number of DGs and incorporated a political dimension, a humanitarian assistance programme and a rehabilitation programme. Second, coordination had initially to be achieved in a situation where there was no functional government. Third, there was limited in-country representation. Few donors were directly represented on the ground, and the EC only maintained an Aid Coordination Office in Monrovia, staffed by consultants.

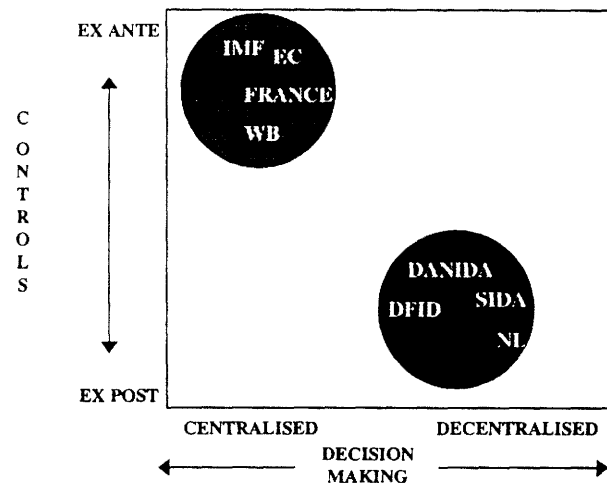
In the absence of a Delegation, management responsibility for the Liberia programme was given to the Desk Officer in DGVIII Headquarters. Operational issues were addressed by an inter-service Task Force in Brussels which involved all parties including financial control, ECHO, the Food Aid Unit and the health advisers. Strategies were introduced for ensuring coherence in the EC response, with emergency and humanitarian responses being backed up by longer-term support for institution building and rehabilitation.

A feature of the Liberia programme has been the very close and successful coordination and cooperation between the EC and the Member States. In some cases this has extended to Member States placing resources from their own assistance programmes under the management of the EC's Aid Coordination Office in Liberia, as occurred with the support provided for the elections and with a fleet of trucks provided by the Netherlands Government. The policy dialogue with Member States has mostly been carried out in Brussels and Abidjan.

Effective coordination networks were established involving the Member States through the monthly meetings of the Africa Working Group and meetings with Member States' representations in Abidjan. With a good information flow, transparency and mutual respect, there has been a firm basis for policy co-ordination between the Desk Officer and Member States. Discussions with MS representatives in Abidjan showed that they appreciate the role of the EC in Liberia. They also appreciate the quality of the technical programme, which they regard as meeting humanitarian needs, working at a community level, and being executed by competent TA.

The effectiveness of coordination is also affected by donors' organisational set-ups, both in their presence in the field and in the delegation of decision-making to field offices. **Figure 3** presents two different models followed by donors. The first model is based on centralised decision making and *ex ante* controls in aid management (an indication of extensive administrative procedures as discussed in the next Chapter). The second model is more decentralised and less administration-intensive. In most ACP countries, donors have very different institutional set-ups, both in terms of in-country capacity and in their degree of decentralisation. Coordination among donors belonging to these two different models is complicated, as donor in-country representation will have very different responsibilities and powers. For example, several Member States in **Tanzania** noted that because the World Bank had limited in-country capacity in the transport sector, coordination with the World Bank was inefficient. The Member States and the Commission have more regular technical coordination in the transport sector through formal and informal meetings.

Figure 3 – Decision Making by Selected Donors



Key policy concerns: Poverty, governance, gender and environment

Under Lomé IV, poverty, governance, gender and the environment have received greater emphasis in the Community's development policy and have been the subject of a number of Council decisions. Increasingly, the approach adopted has been to 'mainstream' these issues into the policy dialogue with ACP countries and into the programming of Community aid, rather than to seek to address them through separate projects. This reflects current donor consensus.

Policy units in Headquarters are responsible for developing policies, for generating 'awareness' and 'sensitivity' among Commission staff in other units and in the Delegations, for providing training, and for developing operational guidelines and manuals. The aim has been to equip staff within the geographical units, technical units and Delegations with the basic skills and knowledge to handle these issues. This is a difficult process for most donors and for the Commission, given its organisational and staffing limitations.

In general, Delegation advisers are aware of the importance of incorporating poverty, gender, environment and governance issues into their interventions. However, the extent to which they have been able to focus on these issues varies considerably. The use of the Structural Adjustment Support Programme instrument has raised the importance of protecting social sector expenditures. Also, although budget lines introduce fragmentation into aid management, they appear better suited to the pursuit of issues such as democracy and human rights, as budget lines do not require the approval of the Government.

However, there is limited capacity for integrating poverty, governance, gender and environmental concerns into aid delivery and the monitoring of results. In particular:

- there are severe manpower limitations in the Delegations, in terms of both the number of personnel and their specialised skills. There is also limited capacity for providing technical back-up and support from policy advisers in Headquarters.
- there is a lack of agreed monitoring criteria and baseline and time series data against which to plan policy and programme initiatives and to monitor the outcomes.

Poverty

Considerable difficulties have been experienced in integrating poverty reduction into the design and implementation of programmes and projects. The Commission, like other donors, faces problems in identifying appropriate responses that are technically sound and can be feasibly implemented. A forthcoming study on **Zimbabwe**⁵⁶ has found that, with the partial exception of Sweden, donors have not consistently prioritised the objective of reducing poverty. Most donors have tried to improve the well-being of the poor through specific interventions, but the poverty reduction content of their programmes has been quite limited. Moreover, in their operations, donors have not been applying best practice in poverty reduction issues.

In particular, there seems to be a lack of specific and clear strategies for reducing poverty in the countries we visited. A recent evaluation of the SPA⁵⁷ also found that 'there has not been a well articulated poverty alleviation strategy in any of the 10 countries visited until recently.'

National indicative programming can be used to frame such a strategy, and this is beginning to be done more consistently in some countries (e.g. Zimbabwe). In several countries, given the significant changes brought about by the structural adjustment programmes, the protection of the social sectors has proved difficult. In particular, our country visits are consistent with the conclusion that for Structural Adjustment Support Programmes 'all evaluations underlined the extreme difficulty to achieve a significant degree of protection of the budgeted expenditure in the social sectors and to facilitate the improvement of actual service delivery'.⁵⁸ However, in some cases the focus of the Commission on the protection of the social sectors has helped to maintain these issues high on the agenda of both governments and other donors

There are several examples where EC projects have contributed to poverty reduction. In particular, in **Zimbabwe** the Micro-projects programme shows a successful way to address poverty and gender issues in a direct manner. The project is an excellent example of

⁵⁶ Killick, Carlsson and Kierkegaard 'European Aid and the Reduction of Poverty in Zimbabwe: Denmark, Germany, Netherlands, Sweden, UK and the EC'.

⁵⁷ OED, Independent Evaluation of the SPA as a Mechanism to Promote Adjustment and Development in Sub-Saharan Africa. 1997, p. 80.

⁵⁸ Communication for the Joint EC-WB seminar, 1996.

community participation and one which Member States appear willing to co-finance. In Côte d'Ivoire, the Commission's support to service delivery institutions in the health sector has contributed in a sustainable way to social objectives, while the progressive liberalisation of the coffee-cocoa sector has increased the revenue of farmers. In Côte d'Ivoire, **Cameroun** and **Tanzania**, Stabex funds were distributed directly to farmers as compensation payments. An evaluation study of the programme in Tanzania indicated that it had been well managed and that the farmers had used the resources mostly on food, school fees and inputs.⁵⁹ The impact on poverty of direct payments, compared with the alternative of supporting services which benefit the poor, probably requires further evaluation. In the **East Caribbean** countries, the gradual approach to the phasing out of preferential treatment of the banana regime is intended to allow time for farmers to move to different crops.

Governance

Good governance is not only a desirable political objective, but is also a crucial factor for successful aid delivery, as it affects the way national resources are allocated and the quality of local institutions. For example, a recent study argues that 'analysis of the determinants of project success shows that both government credibility and freedom from corruption are positively related to project outcome.'⁶⁰

Good governance can best be achieved by ensuring that Governments are accountable to their electorates. The promotion of democracy and human rights and the fight against corruption are therefore all part of the dialogue on good governance. Commission activities in both areas have been fairly limited in the countries we visited and have mostly been carried out through budget lines, a sign that dialogue with Government on these topics is still difficult (as budget lines are frequently used because they do not involve joint decision-making with a Government).

Conflict prevention in Liberia

Following the Second Abuja peace agreement for Liberia, which was signed in August 1996, the EC, with an established presence on the ground, was in a position to respond quickly and to play an influential role in developing a well-coordinated set of measures aimed at consolidating peace. A key initiative was a three day workshop organised by the EC in September 1996 which was attended by faction representatives from the National Disarmament and Demobilisation Committee as well as by other donor agencies. Bringing the faction leaders together was a key stage in the peace negotiations. At the workshop, the EC took the lead in presenting proposals for the reintegration of the fighters into civil society. These included a 'jobs for guns' programme, assistance for the reintegration of child combatants into the community and a programme to support the restoration of democratic government and the holding of elections in 1997. Another critical area of EC support was a programme for the rehabilitation of roads and bridges which facilitated the deployment of ECOMOG peace-keeping forces throughout the country.

In Liberia, the EC maintained good cooperation with other donors and with the UN. The effectiveness of the EC's operation encouraged other donors to channel resources through the ACO, particularly in assisting transport and logistics operations and in supporting organisation of the 1997 elections.

The most important success in this area has been the role played by the Commission, supported by a number of Member States, in the post-conflict situation in **Liberia** (see **Box**). In **Zimbabwe**, a budget line has been successfully used to support initiatives aimed at promoting human rights (e.g. a grant to the Legal Resources Foundation, and assistance in the reform of the prison system). In **Tanzania**, governance issues have been pursued forcefully, in the context of

⁵⁹ Tibaijuka, A. 'Study on the Impact of the 1990 Stabex Compensation Payment to Coffee Farmers,' 1994. University of Dar es Salaam.

⁶⁰ OED, *The Annual Review of Development Effectiveness (ARDE)*, November 1997, The World Bank, Washington DC.

the misuse of the Road Fund, through sector policy dialogue and public speeches by the Delegation. The Commission is also in the process of supporting the Government in strengthening adequate controls for the use of counterpart funds. In **Cameroun**, while the governance issue has become an overriding concern, it has remained an area where fruitful policy dialogue has yet to be established.

The focus on governance can also be strengthened by broadening the Commission's dialogue in the ACP countries. By involving civil society, as suggested in the Green Paper, the EC can achieve two objectives: having a stronger counterpart and greater transparency. This approach is also being tried by the Commission in **Tanzania** in the coffee sector.

Gender

A review of gender integration in EDF submissions over a six month period in 1996 revealed that while 80% of proposals had annexed the gender questionnaire, only 12.5% of the projects could be classified as either integrating or specifically relating to WID objectives. This is important as gender has a significant impact on aid effectiveness. According to a World Bank study, 'projects with gender-related actions achieved their overall objectives – that is, received a satisfactory outcome rating – in relatively greater proportion than projects similar in sector and year of approval but without gender actions.'⁶¹

Our case studies did not find any significant example of dialogue on gender issues. This relative neglect may also partly explain the weak supply response to structural adjustment, as women dominate both the informal and the agricultural sectors but lack control over economic resources, an impediment which is not being addressed effectively either by Governments or donors.

Within DGVIII, it is recognised that the mainstreaming of gender analysis will take considerable time. In part this reflects international experience in the effective incorporation of gender sensitivity into programme design and implementation. However, there may be particular problems within the EC system due to: (i) the minimal staffing of the Gender Desk; and (ii) the problems in building gender awareness among staff working in the Delegations.

In **Tanzania**, a National Gender Training Workshop was held in January 1998, but it was perceived to lack focus and has not yet had any operational implications. In **Zimbabwe**, elaborate targeting procedures for women in the agricultural sector have not been considered necessary, given the assumption that most farmers are women. At the same time, the Micro-Projects Programme has added the following criterion to those given by Article 252 of the Lomé Convention: projects must, *inter alia*, 'in the main benefit the poor and vulnerable groups in society, especially women'.⁶²

Environment

Lomé IV introduced a specific focus on environmental issues as an area for ACP-EU cooperation (Articles 33-35). This was followed by the release in 1993 of an Environment Manual setting out environmental procedures and methodology for Lomé

⁶¹ OED, *Mainstreaming Gender in World Bank Lending: An Update*, March 1997, The World Bank, Washington DC.

⁶² Background Paper, National Management Unit, March 1988.

IV development cooperation projects. However, other requirements necessary for the successful application of this manual were not put in place with the result that its use was selective and limited. In particular:

- the limited involvement of DGVIII environmental specialists in the country programming exercises meant that environmental issues were often not adequately reflected in the initial identification of programmes and projects;
- there was limited awareness of environmental issues among DGVIII staff in country and technical units and among staff in the Delegations, and no training programme was put in place to create such awareness; and
- the use of the environmental manual was not made compulsory until 1996.

Following an evaluation of Environmental Performance of EC Programmes in Developing Countries, these issues are now being addressed by the Environment Desk in DGVIII.

Our observations in the field are consistent with a recent evaluation of environmental performance of EC programmes that concluded that environmental policies had not been translated into strategic plans or specific targets at country level, and that there was limited awareness of the environmental issues in the design of projects either within DGVIII or in recipient country institutions.⁶³ However, the design of recent projects has benefited from the Manual. In the transport sectors in **Cameroun** and **Tanzania**, environmental appraisal techniques are increasingly being applied in the planning and implementation of road projects. This is a significant improvement, particularly in Tanzania where a recent environmental evaluation⁶⁴ found that, in the past, environmental impact assessments had not been widely carried-out. In **Côte d'Ivoire**, the Commission has been active in supporting the implementation of the National Environment Plan.

⁶³ 'Evaluation of the Environmental Performance of EC Programmes in Developing Countries', Environmental Resources Management, December 1997.

⁶⁴ Environmental Resources Management, *Evaluation of the Environmental Performance of EC Programmes in Developing Countries*, June 1997.

III. Aid implementation

- The practice of sharing responsibilities in aid implementation does not bring efficient results.
- Where the government's weaknesses lead the Delegation to assume more responsibility for aid implementation, the Delegation's capacity becomes even more overstretched.
- Where there is low government capacity, the strengthening of institutions should precede the transfer of responsibilities.
- While TA provided to the government can be useful as a short-term measure, in the long-term it is only beneficial if it contributes to institutional strengthening.
- *Project preparation:*
 - Improvements in the quality of project preparation have resulted from the introduction of Project Cycle Management but identification screening is still weak.
- *Implementation:*
 - The implementation and monitoring of EC aid has been affected by the extensive nature of *ex ante* financial controls.
 - Monitoring the performance of on-going projects has generally been weak
- *Evaluation:*
 - The Commission undertakes many good evaluations, but their lessons are still not sufficiently internalised.

This chapter presents the findings from our seven case studies on aid implementation. **Section A** discusses the importance of aid implementation. **Section B** reviews the institutional arrangements for EC aid at the government, delegation and project levels. **Section C** outlines the key issues affecting the efficiency and effectiveness of EC aid along the project cycle. **Section D** presents strategic options on how to address these six issues by linking on-going initiatives with successful experiments on the ground.

The importance of aid implementation

Aid implementation is a learning process which is essential for the effectiveness of aid. As we mentioned in the previous chapter, the weakness of aid implementation is widely recognised as a key constraint on the Commission's policy dialogue with ACP governments. Unfortunately, aid implementation issues are often discussed at a technical level, and decision makers are often not aware of their importance in constraining the effective implementation of policy objectives.⁶⁵ However, most of these issues can only be addressed with the active participation of key decision makers (including Member States).

⁶⁵ For example, 'although technical and sectoral staff work to develop policy guidelines for their specialties – such as gender or health issues – there is no guarantee that staff in Brussels or at the delegations will read them – far less act on them.' ITAD. *Project Monitoring and the use of Indicators*. 1996. p.31.

Aid implementation as a learning process should consist of simple and rational procedures.⁶⁶ Possible solutions to development problems should be conceptualised, tested and adapted continuously in a series of trials and errors. Having recognised the learning dimension of aid, many multilateral and bilateral donors have abandoned the blueprint approach, where implementation was limited to carrying out a series of pre-determined tasks. They have adopted instead a process approach, where solutions are defined starting from local conditions and working with the various stakeholders, and are constantly modified in line with experience to meet the changing needs of beneficiaries. The Commission started to change its approach to aid management with the introduction of Project Cycle Management in 1993, precisely in order to learn from past experience.⁶⁷

Institutional arrangements

Roles and responsibilities

The partnership envisaged in the Lomé Convention between the Commission and ACP countries is a cornerstone of EC aid. It is based on the assumption that both partners have equal capacities and can therefore take on similar roles and responsibilities. Experience has shown instead that co-management is highly dependent on the uneven and frequently insufficient capacities of the two partners. With hindsight, true partnership should be an objective of EC aid, where responsibilities are transferred to the ACP countries as capacity is built.

Tasks relating to the management of EC aid under the Lomé Convention fall into one of the following categories:

1. **Sole responsibility of the EC or the ACP:** all tasks for which one partner is not required to consult the other before making a decision;
2. **Primary responsibility of the EC or the ACP:** all tasks for which one partner is responsible but needs to work 'in close collaboration' with the other; and
3. **Joint responsibility:** all tasks for which both partners are equally responsible

Table 2 on main roles and responsibilities under the Lomé Convention shows the situation we observed during our field visits to six countries and one region. It presents an average as there are substantial variations from country to country and even from sector to sector. The table is therefore only illustrative and shows that:

- according to the Lomé Convention only four out of the twenty tasks indicated in **Table 2** do not involve some sharing of responsibilities between the partners; and

⁶⁶ The Lomé Convention, which included the co-management of EC aid, was intended to ensure that the cooperation partnership was 'carried out with a minimum of administrative formalities using simple and rational procedures so that projects and programmes may be implemented rapidly and efficiently.' Lomé IV Art 221 (g).

⁶⁷ Commission of the European Communities. *Manual. Project Cycle Management. Integrated Approach and Logical Framework.* (1993).

- the Commission is involved in many of the functions assigned by the Lomé Convention to its ACP partners.

Whenever we found a situation substantially in line with the provisions of the Convention, we wrote 'Real=Lomé', while any discrepancy has been shaded, with what we observed on the ground marked as 'real' and what the Convention envisages marked as 'Lomé'.

Table 2 - Main roles and responsibilities under Lomé IV bis

Stage	EC Only	Joint			ACP Only
		EC Leads	EC-ACP	ACP Leads	
A. PROGRAMMING					
1. Indication of the total indicative programming allocation (Art. 281.1)	Real = Lomé				
2. Prepare draft NIP (Art. 281.2)		Real			Lomé
3. Exchange views on draft NIP (Art. 282.1)			Real = Lomé		
4. Adoption of NIP (Art. 284.2)			Real = Lomé		
5. Report on Implementation of NIP (Art. 284.3)			Real = Lomé		
B. PROJECT PREPARATION					
1. Identification & preparation of projects and programmes (Art. 285)		Real			Lomé
2. Appraisal of projects and programmes (287)		Real	Lomé		
3. Preparation of financing proposals (288.1)		Real = Lomé			
4. Adoption or rejection of financing proposals (288.4)		Real = Lomé			
5. Drafting of financing agreements (291)		Real	Lomé		
6. Signing of financing agreements (291)			Real = Lomé		
C. PROJECT IMPLEMENTATION					
1. Prepare invitations to tender (313.1.c)			Real	Lomé	
2. Approve invitation to tender (317.d and e)	Real = Lomé				
3. Issue invitations to tender (313.1.b)				Real = Lomé	
4. Open tenders				Real = Lomé	
5. Evaluate tenders and select contractor				Real = Lomé	
6. Sign contracts and riders				Real = Lomé	
7. Approve delegated appropriation		Real	Lomé		
8. Payments (319.4)		Real	Lomé		
9. Monitoring and evaluation (320 & 321)		Real	Lomé		

All seven case studies confirmed that in practice co-management has reduced the effectiveness of EC aid. Our observations are also consistent with several statements contained in the Green Paper and in the Guidelines for the Negotiation of a new Convention, as shown in the **Box**.

With the benefit of hindsight, it is now recognised by both the Commission and most ACP countries⁶⁹ that co-management of EC aid has diminished the effectiveness of its implementation. Co-management is highly dependent on the capacity of both partners and often implies the duplication of functions and the dilution of responsibilities. In ACP countries with well-functioning governments and sufficient capacity, it can be resented as 'paternalism'. In countries with poor governance or administrative capacities, 'co-management' does not really exist.

It must be recognised however that the partnership envisaged under Lomé, and the approach to aid implicit in such a partnership, was and still is more advanced than the one adopted by other multilateral donors, as showed by a comparison with the World Bank project cycle in **Figure 4**. It should be noted that **Figure 4** compares the rules of each organisation and not the actual behaviour on the ground. Formally, the Lomé Convention assigns a much greater role to the recipient country during project preparation than the World Bank does. Considering how important this stage is in determining the success of a project and local ownership, the Convention was clearly far-sighted in this respect.⁷⁰

Views on the co-management of EC aid

Green Paper

20 years' experience, however, shows the Convention to be an ambitious but sometimes unrealistic framework based on assumptions about the ACP countries' institutional and political capacities that have not been fulfilled. (p. 6)

In its eagerness to improve the efficiency of aid operations, the Community has tended to take the place of its weaker partner, adopting a more interventionist role that is hard to reconcile with the recognised need to encourage the recipient countries to take charge of their own development process. (p. 7) It is however a 'vicious circle' (p. 11)

Institutional and economic policy situation in the recipient countries has often been a major constraint, reducing the impact of aid operations (p. 7)

The current Lomé system whereby commitment decisions on cooperation activities and expenditure monitoring are both jointly managed has shown its limits. In practical terms, the to-ing and fro-ing between national and chief (i.e. Community) authorising officers is time-consuming and so makes aid less effective. (p. 46)

Guidelines for Negotiation of New Agreement⁶⁸

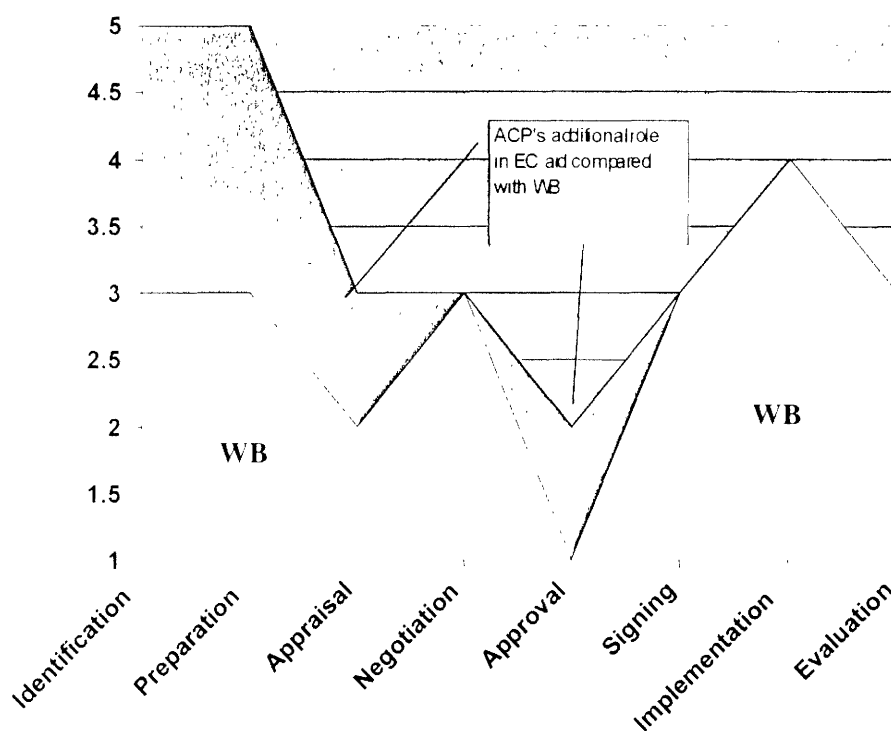
'All evaluation studies show that the cumbersome joint management system has hampered the effectiveness of aid.'

⁶⁸ *Communication from the Commission to the Council and the European Parliament. Guidelines for the negotiation of new cooperation agreements with the African, Caribbean and Pacific (ACP) countries.* October 29, 1997, p. 30.

⁶⁹ See for example ECDPM, *Beyond Lomé IV: Exploring Options for Future ACP-EU Cooperation*, 1996 and Price Waterhouse, *Study of the causes of delay in the implementation of financial and technical cooperation*, 1992

⁷⁰ Note the recent Round Table on Partnership organised by the World Bank, see Chapter 1.

Figure 4: ACP States' role in the EC and WB project cycle



Legend 1=Donor only, 2=Donor leads, 3=Joint responsibility, 4=Recipient leads, 5=Recipient only.

2. Capacity of ACP Governments

The issue of Government capacity and commitment is central to aid management. A recent econometric analysis of a sample of more than 900 completed projects by the World Bank's Evaluations Department found that 'borrower performance is most critical to determining project outcome. Good borrower performance raises the probability of a satisfactory outcome by 35 to 40 percentage points.'⁷¹

Each ACP has different institutional arrangements for EC aid at three levels: the coordination of EC aid with aid from other donors; the overall management of EC aid; and the management structures for EC projects/programmes. The various set-ups are presented in **Table 3** below.

⁷¹ OECD, *The Annual Review of Development Effectiveness (ARDE)*, November 1997, The World Bank, Washington DC.

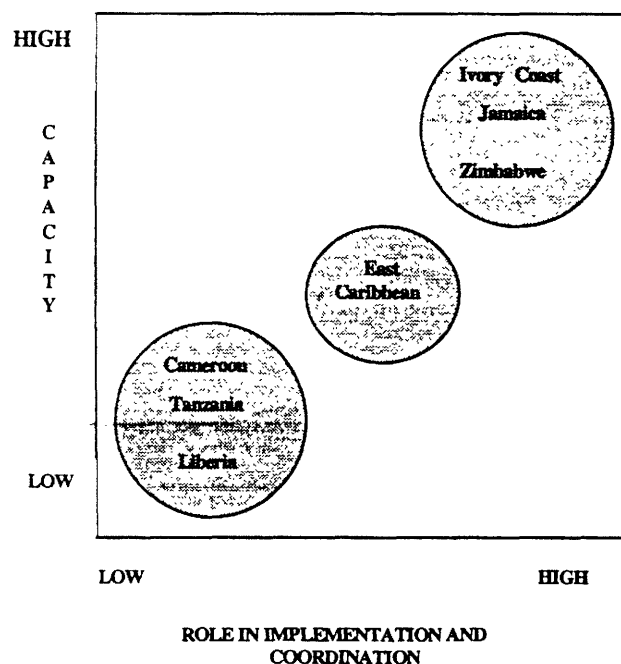
Table 3 - Institutional arrangements for EC aid management in six countries and one region

Country	NAO Office		Project/Programme Management Structure ⁷²			Lead Role in Donor Coordination	
	Separate	Integrated	Ministries	Parastatals	Stand-alone PMU	Gov't	Donors
Zimbabwe		✓	✓			✓	
Côte d'Ivoire		✓	✓			✓	
Cameroon	✓				✓		✓
Tanzania	✓				✓		✓
Jamaica		✓		✓		✓	
Liberia	✓				✓		✓
East Caribbean	✓				✓	✓	

There are essentially two institutional models for EC aid, as shown in Figure 5.

The **first model** comprises countries whose governments have sufficient capacity to manage EC aid, and to ensure that it is consistent with their own development strategies, well co-ordinated with the aid from other sources and properly managed (Côte d'Ivoire, Zimbabwe and Jamaica). These countries are characterised by an NAO office fully integrated in a particular ministry (usually the Ministry of Finance); procurement and disbursement procedures consistent with national ones (e.g. resources are disbursed following normal budgetary procedures); projects managed by line Ministries or by units mostly staffed with civil servants; and donor co-ordination firmly in the hands of government. This capacity is of course not evenly distributed and different sectors presents different situations. In Zimbabwe for example, capacity in agriculture is much stronger than in health or in trade, while in Jamaica capacity is stronger in health than in structural adjustment.

Figure 5: Aid management structures and capacity in six countries and one region



⁷² Various implementing structures coexist in all countries. We refer here to the prevailing set up for EC projects/programmes in each country.

The second model (i.e., Tanzania, Cameroun) is characterised by: (a) a detached NAO office staffed mainly (if not exclusively as in the case of Cameroun – see **Box**) with consultants; (b) a proliferation of parallel management structures by which the Commission as well as several other donors have tried to bypass the capacity issue in a way that it is sometimes efficient in the short term but not sustainable; and (c) donor co-ordination mostly centred around the donors themselves. These countries leave the impression that the aid programmes are larger than the country's capacity to manage them. It should also be noted that parallel management structures are inconsistent with the DAC Principles for Effective Aid.⁷³

The East Caribbean is in between the two models, as projects and programmes are identified and prepared by a regional structure (CARIFORUM) but implemented by national ones. Its Regional Authorising Office is separate, not because governments lack capacity to manage EC aid but because of its regional nature. Liberia is another exception because it refers to an emergency situation where a consultant-staffed unit, the Aid Co-ordination Office (ACO), links directly with Headquarters.⁷⁴

These different institutional set-ups have evolved based on realities on the ground. They reflect the differences existing among ACP countries and the difficulties in finding one solution for all circumstances. The evidence from our case studies seems to point to two possible approaches for the Commission: a 'hands off' approach to aid management in countries with good capabilities (first model) and a more 'hands on' approach to aid management in countries where these capabilities are not present (second model), though with an 'exit strategy' centred on strengthening government capacity and transferring more and more responsibilities to the ACP partner in due

Institutional arrangements for EC aid management in Cameroun

- There are three support units to the NAO responsible for managing the three most important instruments of EC aid to Cameroun: a Stabex unit, a SASP Unit and a Co-ordination Unit.
- These units are staffed with consultants. No civil servants work with them. TAs were supposed to have counterparts in the civil service, but the counterparts were never designated.
- There is no structure officially in charge of donor co-ordination.
- There is almost universal use of TA-staffed PMUs loosely attached to line ministries and monitored by a Co-ordination Unit (also staffed by TAs).
- Government budgetary procedures are not followed for commitment and disbursement of EDF funds.
- A separate Tender Board has been created for EDF-funded projects, using EDF procurement procedures instead of local procedures. Although this has speeded up procurement (from an average of 12 months before its establishment to 2-3 months per procurement at present), this solution is not sustainable.
- The presence of three NAO support units and the decision not to use local procedures have made the management of EDF aid more efficient. This short-term improvement however has a long term impact of diminishing the pressure to strengthen local capacity. Other donors that have worked within the Government system have had to accept slower disbursement.

⁷³ 'Technical Co-operation should build on existing institutions and capacity, public as well as private, and avoid the promotion of parallel structures established for the operation of aid-supported activities.' *Development Assistance Manual. DAC Principles for Effective Aid.* 1992, p. 55

⁷⁴ The Liberian National Transitional Government had transferred the authority of the National Authorising Officer (NAO) to the Chief Authorising Officer of the EDF in 1994. In the same year, the Aid Co-ordination Office (ACO) was established in Monrovia, to provide a base for EC operations. As a result, EDF financing no longer required the authorisation of the Liberian government.

course. Similar approaches have been discussed in the Green Paper.⁷⁵ See discussion in the previous chapter on capacity and commitment of ACP counterparts.

As far as procedures are concerned, according to DAC Principles, information and reporting requirements in project selection, implementation, accounting and evaluation should be related as closely as possible to recipients' own administrative practices and requirements. This ideal situation is approximated by EC aid only in the first model. An excellent example of successful application of this principle in EC aid is Côte d'Ivoire, where the implementation of EC aid follows national procedures, sometimes adapted to suit EC requirements but without creating parallel procedures for the EDF.

3. Capacity of Delegations

Often facing weak ACP partners, Delegations need strong capacity to foster their partners' institutional development over time. Being the Commission's main presence on the ground they are also essential in the learning process involved in aid management and are the Commission's best-informed decision makers.

The actual capacity of Delegations varies significantly from country to country. Some Delegations appear relatively understaffed, particularly in key specialist areas.⁷⁶ Some Delegations also suffer from protracted vacancies, frequent turnover of staff and a mismatch between the skills of staff and their project portfolio.⁷⁷ In recent years, the number of Delegation advisers in ACP countries has been reduced.

The capacity of Delegations is further weakened by several factors:

- Delegations carry out too many tasks falling within the responsibility of the ACP partner and are required to carry out administrative controls that are too extensive (particularly *ex ante*), as discussed below;
- As discussed in **Chapter I**, Delegations operate without up-dated operational manuals, adequate policy guidelines, job descriptions or a clear division of responsibilities with headquarters;
- There is limited delegation of decision-making to Heads of Delegation; and
- Delegations receive little technical back-up from headquarters (e.g. few missions from HQ, high turnover of desk officers) and they have limited interaction with other Delegations.

⁷⁵ 'A phased and individualized approach should be adopted in which the degree of responsibility for administrative and financial management of the aid grows as good governance improves in the recipient state. The aim would be to give beneficiaries steadily more responsibility for managing programmes, justifying and monitoring expenditure and assessing the economic and social impact of assistance. (...) In countries where institutional and administrative conditions would rule out this approach in the short-term, the EU would take sole responsibility but would simultaneously help strengthen the local skills needed to take over responsibility. It would be best not to set up specific units but to work within existing local structures.' (Green Paper on relations between the European Union and the ACP Countries on the eve of the 21st Century', p. 47).

⁷⁶ This is a judgement which is difficult to make given some organisational limitations of the Commission (See Zimbabwe and Tanzania country reports).

⁷⁷ The last DAC Review of EC Aid (OECD, *Development Co-operation Review Series: European Community*, No. 12, 1996) found that the 'EC needs to further strengthen both its in-house and contracted capabilities to plan, manage and implement its new generation of projects. The need for reinforced capabilities in the areas of poverty alleviation, gender, population and environment, as well as evaluation, is needed in the field delegations and headquarters.'

The Delegation in **Zimbabwe** has been strengthened through the recruitment of four National Programme Officers (NPOs) funded by the EDF. NPOs were introduced in Zimbabwe as part of a pilot scheme to assist the NAO in the implementation of development policy, but they effectively work for the Delegation. Their support to the Delegation is important and they also facilitate relations with the NAO Office.

4. Institutional arrangements at the project/programme level

Institutional arrangements for project implementation are of three types: fully integrated, parastatal and parallel management structures.

Several projects are **implemented by Government departments**. Implementation of SASP and Stabex in **Zimbabwe** or the road programme in **Tanzania**, are integrated within Government structures – a very positive feature. In the case of agriculture in Zimbabwe, the Ministry has been arguing against the creation of a separate unit to manage the Agriculture Services and Management Programme (ASMP) and believes that the ASMP implementation should be the responsibility of the Ministry itself. The Commission has supported this Government position.

A second approach, rare today, is **project implementation through parastatals** which might have been created during project design but whose purpose was not just the implementation of the project. In **Zimbabwe**, older projects in agriculture were implemented by the Agricultural and Rural Development Authority (ARDA),⁷⁸ and a trade development project was implemented by ZimTrade, a parastatal created when the project was being prepared. In the **East Caribbean** and **Jamaica**, parastatal bodies are also frequently involved in aid management.

⁷⁸ Although day-to-day implementation was delegated to semi-autonomous PMUs.

A third modality is a **Project Management Unit (PMU)**, staffed by consultants and whose sole function is to manage a project. This has become the most popular approach in many countries and reflects donors' attempts to circumvent the weaknesses of Government institutions, rather than to try to strengthen the Government's capacity. PMUs are very common in **Tanzania, Cameroun, and East Caribbean**, but are also present in countries with stronger capacity. The successful Micro-Projects Programme in **Zimbabwe**, for example, is being implemented by a National Management Unit staffed with consultants. There have been discussions on the possibility of creating a similar unit to assist the NAO office in carrying out its functions.

Institutional arrangements for aid management in the East Caribbean

- CARIFORUM is a regional organisation established specifically to manage the EC regional programme. It is funded by the Regional Indicative Programme.
- The Delegation in Guyana performs most of the tasks relating to the regional programmes (there are 8 Delegations and 2 EC offices in the region)
- The programme includes complex management structures (needed to involve 15 countries in the management of the regional programme). Once a project is approved, the responsibility shifts from CARIFORUM to the country's NAO (or Deputy Regional Authorising Officer) and the local Delegation.
- Regional bodies often have limited accountability to individual countries.
- Most evaluations reviewed during Phase I also highlighted the complex institutional set up of regional projects as one of their major weaknesses. They also found that centralisation of paper work for regional projects in one Delegation has sometimes caused additional delays and that, as Delegations are 'national', they feel less ownership of regional programmes.

Institutional studies indicate that the first implementation arrangement is the most sustainable, although all three approaches are characterised by a substantial use of technical assistance. The third arrangement (parallel management structures) is probably the least sustainable and the most popular. Too often donors seem to believe that each new problem should be addressed by creating a new unit (e.g. in the 1990s the World Bank has recommended the creation of 15 units to work on the integrated roads project in Tanzania). In doing so, donors often overlook the fact that parallel structures still need to interact with the Government system without having any leverage over it. In the words of a Tanzanian civil servant, they create 'patches' on a huge, inefficient system.

In some cases too many units are involved in the implementation of projects and this complexity is addressed by creating co-ordination units or Steering Committees. These committees were common in all the countries we visited and were particularly complex in the case of regional projects in the **East Caribbean** (see **Box** above), while they were a positive factor in **Côte d'Ivoire** as they allowed the adaptation of project designs to changing circumstances. Most evaluations agree, however, that Steering Committees are an indication of complex design. Large steering committees do not always ensure better coherence and co-ordination.⁷⁹ Similarly in Agriculture and Rural Development, 'heavy co-ordination committees aimed at involving stakeholders did not improve the decision making process.'⁸⁰

⁷⁹ Phase I Report

⁸⁰ Phase I Report

Programme and Project Cycle Management

There are two issues of a general nature affecting all stages of the project cycle: the complexity of EC aid instruments and delays in project preparation, implementation and evaluation. We turn to them first.

The **complexity of EC aid instruments** has had a negative impact on all stages of the EC project cycle. Even when a country team makes a special effort to coordinate the use of these instruments (SASP and NIP in the health sector in Côte d'Ivoire), the fragmentation of instruments introduces different procedures and inefficiencies.

The use of budget lines introduces further complexities in the EC system. They do not follow the co-management arrangement of the Lomé Convention and can be used on delicate issues like human rights and democracy. However, they also have problems. First, they are too numerous and small to justify the supervision effort required from Delegations (e.g. in Tanzania alone there were 30 operations funded through budget lines). Second, there are no clear procedures for their preparation and implementation. Third, budget lines are often created by the European Parliament and they further expand policy objectives (see Chapter I).

The complexity of EC aid instruments has long been acknowledged, and there is a agreement that a drastic simplification is needed. The Green Paper for example noted the 'difficulty of maintaining consistency between instruments which, even if they interact in closely related areas, are governed by different criteria'⁸¹ and that the 'cooperation with the ACP countries is now overburdened with instruments which are tailored to predetermined uses and are increasingly difficult to run in a coherent way.'⁸²

While **delays** are still common in project preparation, implementation delays are generally within the reference limits set in the Post-Fiji study. We analysed delays in a sample of seven projects in three countries (details on Zimbabwe and Tanzania are presented in **Table 4** below). None of the projects we analysed was prepared within the reference limits identified in the Post Fiji study,⁸³ while three were prepared in a time longer than the maximum limit. Delays in implementation were instead minimal in the case of the awarding of works contracts (only one case out of three was higher than the reference limit), while the awarding of supply and service contracts was generally higher than the reference limit but still below the maximum limit.

⁸¹ Green Paper, p. 8.

⁸² Green paper, p. 43.

⁸³ Price Waterhouse, *Study of the causes of delay in the implementation of financial and technical cooperation*, 1992

Table 4 - Implementation delays - examples from Zimbabwe and Tanzania

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Phase	Price Waterhouse Report: Time Limits (months)		Small Scale Irrigation Programme	ZIMTRADE Support	Mashonaland East Fruit and Vegetable
	Ref.	Max. value of delay recorded			
A. Project Preparation (preparation of financing proposal to signing of financing agreement)	6	18	24	12	16
Drawing up financing proposal	2	6	13	7	8
Approval of financing proposal	2	10	4	2	7
Signing financing agreement	2	3	7	3	1
B. Awarding of contracts (preparation of dossier to signing of contract)					
Works (Open IT)	20	46	19	-	-
Supply (Open IT)	13	39	-	-	20
Service (Restricted IT) Excluding time for prequalification	8	33	14	9.5	14

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Phase	Price Waterhouse Report: Time Limits (months)		Road Projects (6th and 7th EDF)		
	Ref.	Max. value of delay	Ibanda - Uyole	Musoma- Sirari	Ruvuma-S. Iringa
A. Project Preparation (preparation of financing proposal to signing of financing agreement)	6	19	8	24	29
Drawing up financing proposal	2	6	2	17	18
Approval of financing proposal	2	10	3	5	5
Signing of financing agreement	2	3	3	2	6
B. Awarding of contracts (under Restricted IT)					
Supervising consultant (total)	16.5	41.5	-	20.5	30 (as of Mar 98)
Prepare dossier - tenders made	11.5	22.5	-	18	18
Evaluation to approval	3	8	-	1	2
Approval - contract signed	2	11	-	1.5	10
Contractor	20	46			
Prepare dossier - tenders made	14	26	12 ¹	18	-
Evaluation to approval	4	15	3	1	-
Approval - contract signed	2	5	3	7	-

Project/programme preparation

Quality and flexibility are two key principles that should guide project preparation. As stated in the DAC Principles for Effective Aid,

Many of the problems encountered during implementation can be avoided through strengthened project appraisal, greater rigour in project selection, clearer and more realistic setting of objectives, greater flexibility in design, and quicker adjustment when shortcomings are identified.

Identification is, in the view of the evaluators⁸⁴, one of the weakest points in the preparation of EC aid. Continuity with the past seems to have been a decisive factor in many instances (Jamaica, Cameroun, Côte d'Ivoire) and there was very limited evidence of rigorous screening of projects at the identification stage.⁸⁵ As stated in the *DAC Principles for Effective Aid*,⁸⁶ the initial project screening process is critical. Experience shows that rejections of project proposals are rare once major project preparation has started. In most cases, projects were identified by the Commission, consultants or other donors. In a few cases, however, identification was carried out by the ACP countries themselves, although not always in a rigorous way. In **Cameroun** and **Côte d'Ivoire**, the identification of programmes/ projects reflected Government priorities whenever the sector policy was clear (in transport and in cocoa processing). The opposite was true in the absence of such a policy (e.g. cocoa production in Cameroun). In the **East Caribbean**, individual countries presented *ad hoc* lists of projects that were often too ambitious and were led by national instead of regional interests. In **Jamaica**, programming was heavily influenced by the parastatal implementing agencies.

Consultation with beneficiaries has been very limited in most countries. Notable exceptions relate to microprojects, NGO projects and a few sector programmes (like the Agriculture Sector Management Programme in Zimbabwe where the Government has consistently involved stakeholders in designing policies and programmes). In the **East Caribbean** region, consultation with civil society has been more extensive in the Commission's new areas of intervention (e.g. decentralised cooperation and the environment) than in traditional sectors (e.g. tourism or trade).

The **quality of preparation and appraisal** has been gradually improving since the successful introduction of Project Cycle Management in 1993. Lessons from experience have also been better incorporated in the design of several new projects. Feasibility studies were well prepared in transport both in **Cameroun** and in **Tanzania**. Satisfactory economic cost-benefit analysis is a strong feature of the transport sector, and internal rates of return calculated in feasibility studies have generally been confirmed by evaluation reports. Transport is also one of the sectors where the introduction of PCM has improved the effectiveness of interventions, because the

⁸⁴ Phase I of this evaluation also found that poor identification has been a weakness of EC aid in several sectors (i.e. transport, co-operation with NGOs, agriculture and rural development; environment and forestry; trade development and tourism; education and training and regional co-operation). See also *Project Monitoring and the Use of Indicators*, ITAD, September 1996, p.55.

⁸⁵ Some EU Member States (in particular Germany and, to a lesser extent, Denmark and the Netherlands) have instead a very rigorous screening process.

⁸⁶ Page 34.

design is better geared to achieving planned objectives.⁸⁷ In other sectors, weak project preparation is still common. In **Cameroun**, projects in the cocoa sector and those using SASP 1's counterpart funds were poorly appraised and have had limited effectiveness. In **Côte d'Ivoire**, projects funded by Stabex had limited input from the Government and insufficient analysis.⁸⁸

In some cases, the EC allocates insufficient manpower resources for project preparation and this limits the possibility of Government participation in the process. In **structural adjustment in Tanzania**, time and manpower constraints of EC officials in the preparation phase resulted in limited co-ordination with the Government, and in an underestimation of the difficulties involved in managing the SASP and monitoring its assumptions. The preparation of similar operations by other donors would normally require a larger internal project preparation team.

Several unrealistic assumptions are made during preparation, particularly regarding sustainability. It is widely accepted that the central notion of sustainability needs to be assessed during appraisal. In particular, project design should correspond to the managerial and technical capacity of recipients and the proposed project should be 'affordable'. Unrealistic assumptions were particularly common in structural adjustment and transport.⁸⁹ In **Zimbabwe**, for example, project preparation frequently overlooked the actual monitoring and implementation capacity of the Government and the Delegation. In the case of SASP 1, it was believed that the targeting of counterpart funds to nine sub-programmes would facilitate the control of counterpart funds. But the design did not take into account the limited capacity available in the Government and the Delegation to monitor this approach. In **Tanzania**, the Integrated Road Project overestimated the Government's capacity to manage such a substantial sector investment programme and its ability to properly maintain the rehabilitated road network. The Government's commitment to reform was also significantly overestimated.⁹⁰

⁸⁷ See Phase I report.

⁸⁸ This situation has improved since Stabex 93.

⁸⁹ Phase I identified similar problems also in other sectors: energy, microprojects, tourism, trade development and health.

⁹⁰ A similar conclusion had been reached by the ODI Study, *How European Aid Works (1997; p. 44)*: 'The EC has neglected to pay attention to the structure and effectiveness of the implementing institutions in its projects. Commitment has usually ended with the physical completion of projects with little attention to long-term viability.' In transport: 'the Commission has been slow to address transport policy and the management structures concerned with the satisfactory operation and maintenance of roads. Similarly in railways (Tanzania), project preparation was flawed, especially in relation to local management and maintenance capabilities.' (pp. 66-67).

Substantial use of consultants is made during project preparation, often without adequate management of their work either by the ACP administration or by the Delegation. An excessive reliance on consultants affects the Commission's ability to learn from experience and its institutional memory. It also does not take advantage of the Delegations' knowledge of local conditions as consultants are often brought in from abroad and lack a thorough appreciation of reality on the ground. They are therefore knowledgeable on technical issues but tend to make unrealistic assumptions on local capacities, political realities and the Commission's institutional constraints. We

also found a significant reliance on consultants in countries where government capacity was relatively strong, such as Zimbabwe and Jamaica. An example from **Zimbabwe** is presented in the **Box**. In **Jamaica**, several evaluations found that heavy reliance on consultants during preparation resulted in poor design of projects, as foreign consultants usually lack the required insight into political and implementation constraints. The reliance on consultants is even stronger in countries where government capacity is weaker than in Zimbabwe and Jamaica, e.g. **Tanzania** and **Cameroun**. In this respect, our findings are consistent with those of other studies. The Green Paper for example also concluded that: 'the EC has tended to rely excessively on TA consultants to determine the procedures for the implementation of its aid operations.'⁹¹

Some of these weaknesses are attributable to the fact that **the process of quality control and peer review** of project preparation in the Commission is still weak. The financial proposals often acquire an advocacy rather than a due diligence function. The Quality Support Group, established only last year, could strengthen the process. Although early indications are promising, it is as yet too early to judge the full impact of the QSG. The EDF Committee has a screening role but much less of a quality control function. Being the target audience for the advocacy present in financing proposals it could even have a negative impact on the quality of project preparation: 'since the [financing] proposal is also used as part of the presentation of the project to the EDF Committee, there is a danger that risks may be minimised and benefits exaggerated to facilitate the passage of the project through the committee.'⁹² During the period covered by this evaluation, the process of quality control of project and programme preparation appeared stronger in many other donors.⁹³

The role of consultants in the preparation of a project in Zimbabwe

The project was identified in 1991 by the consulting company that was implementing its predecessor. The process started with the preparation of a draft financing proposal by the consultant, with limited input from Government or the Delegation. The proposal, both in its draft as well as in its final form, did not include cost-benefit analysis nor detailed implementation arrangements.

The consulting company designed and negotiated the project with the EC Delegation. The project (10.2 Mecu) included a TA contract of over 7 Mecu. The project was supply-driven at a time when best practice in the sector was already pointing to the advantages of demand-driven approaches. The project files contain very limited evidence of consultations with Government.

The consulting team advised the EC on the type of contract to use and prepared the project budget. It then took part in the tender for the contract and eventually won it.

⁹¹ Green Paper, p. 7

⁹² ITAD. Project Monitoring and the use of Indicators. 1996. p.21.

⁹³ We did not review projects that had been submitted to the QSG.

Programme and project implementation

The effectiveness of EC interventions has been affected by the extensive nature of EC *ex ante* financial controls. This affects the entire project cycle and, in particular, it hinders the implementation and monitoring of projects and programmes. Where these controls have been reduced (e.g. in emergency and rehabilitation assistance in Liberia, and the Microprojects Programme in Zimbabwe), EC aid seems to be both more efficient and effective.

In general, the emphasis is on *ex ante* financial controls rather than on monitoring project performance or *ex post* financial audits. In **Tanzania**, no project had up-to-date financial audits. In **Zimbabwe**, we examined a sample of fourteen EDF 7 projects to determine what share of the total amount disbursed as of December 31, 1997 had been subject to *ex post* controls. We found that only 21% of expenditures had been fully audited.

Because of EC financial arrangements and requirements from Member States (particularly the provisions of the Financial Regulation of 29 July 1991⁹⁴ adopted by the Council), *ex ante* financial controls are applied without selectivity. **Table 5** summarises the use of *ex ante* financial controls in **Jamaica, Liberia, Tanzania and Zimbabwe**. Out of 1,800 procurement decisions under EDF 6 and 7, less than 40% (those above Ecu 100,000) accounted for 95% of the total amount of Ecu involved. As economies of scale in procurement and disbursement decisions are minimal, a move towards removing *ex ante* controls for procurement decisions below Ecu 100,000, while extending financial audits to all expenditures under EDF-funded programmes, would save considerable staff time.

Table 5 - Number and distribution of *ex ante* controls in EC aid to Liberia, Jamaica, Zimbabwe and Tanzania

<i>Indicators</i>	<i>Liberia</i>	<i>Jamaica</i>	<i>Zimbabwe</i>	<i>Tanzania</i>	<i>Total</i>
No of Procurement Decisions	183	316	480	844	1,823
% of decisions > ecu 100,000	69 %	47 %	25 %	33 %	38 %
% of total value explained by decisions > Ecu 100,000	97 %	97 %	84 %	96 %	95 %

The effect of these controls is that the Delegations' limited staff resources spend a substantial amount of time verifying every expenditure. We estimated that the amount of time spent processing payment orders by the EC Delegations in **Zimbabwe** and **Tanzania** was 1.5 and 2.1 person years respectively.

We also found some good examples of a more selective approach. In **Liberia**, two of the TA firms have 'iceberg' contracts which combine the provision of TA with responsibility for managing operational budgets for the programme, and include systems for covering procurement costs. While the system has still several flaws,⁹⁵ it

⁹⁴ Financial Regulation of 29 July 1991 applicable to development finance cooperation under the fourth ACP-EEC Convention adopted by the Council of the European Communities.

⁹⁵ In particular consultants need to pre-finance several expenditures.

substantially simplifies implementation. In the new Ruvuma and Southern Iringa Road Maintenance Programme in **Tanzania**, procurement decisions below 250,000 ECU will be made by the implementing agency (the Ministry of Works) and paid using an imprest account. Replenishments of the imprest account will be made half-yearly, subject to full audit reports from an independent auditor and subject to the Government fulfilling its committed contributions (i.e. 10% for rehabilitation and 90% for maintenance).

Monitoring SASP counterpart funds in Tanzania

Since July 1992, the EC has provided Tanzania with three SASPs, totalling 120 million ECU. The SASPs are intended to support the overall reform programme as well as the accessibility and quality of health and education services. This was to be achieved through counterpart fund support to the Government budget and through the support given to sectoral budgetary improvements. The SASPs were to provide counterpart funds to the non-wage recurrent budget of the health and education sector, and SASP conditionality was linked to both the ESAF and the social sectors. However, during implementation this budgetary approach proved difficult to follow.

SASPs represent almost 40% of the EC's total commitments to Tanzania under EDF 6 and EDF 7. It is the largest EDF financed operation. However, insufficient manpower in the Delegation and support from Headquarters did not facilitate effective economic monitoring or an active policy dialogue with the Government on reforms in the social sectors (including budgeting).

A Programme Support Unit, supporting the NAO and the administration of EDF-funded interventions, was in charge of the monitoring of counterpart funds. However, it has faced difficulties in carrying out its functions adequately. As a unit staffed with consultants working exclusively in EC programmes, its communication with Government departments has sometimes been insufficient. Its weakness in accounting and financial controls may have affected the monitoring of some EDF projects, particularly the management of counterpart funds. In the case of SASP, its implementation and monitoring arrangements were weak. Neither the Government nor the Commission had the manpower to monitor such an ambitious programme effectively.

Monitoring has generally been weak in EC projects as ITAD noted in its evaluation⁹⁶ and as illustrated by the case of SASP counterpart funds in Tanzania in the **Box**. This weakness is due to a combination of the following four factors:

- Monitoring responsibilities are shared between the ACP and the Commission, without anyone having a clear lead responsibility.
- As discussed above, the EC focuses mostly on the financial management of projects rather than on their overall performance. Staff in the EC Delegation who are required to monitor the financial management of projects do not usually have finance or accounting skills, while the Delegation's Administrative Attaché, who does have such skills, monitors only the Delegation's operating budget.⁹⁷
- While the introduction of Project Cycle Management has certainly improved monitoring, the lack of a standardised system⁹⁸ to summarise the indicators from

⁹⁶ 'Basic monitoring of the physical progress of projects within DGVIII remains rudimentary.' ITAD. *Project Monitoring and the use of Indicators*. 1996. p.35.

⁹⁷ In the past, financial attachés were responsible for the monitoring of financial matters in projects and programmes.

⁹⁸ Different monitoring tools have been used by the Commission over time. The 'traffic light' report was introduced in 1988/89 but not used for long. The Impact Fiche was introduced in 1994 but was

various logical frameworks using a common format makes comparing performance among projects practically impossible. A standardised system has recently been adopted by DFID and the World Bank, two organisations that also use the logical framework as a project preparation and monitoring tool.

- There is often too much information produced, much of which is irrelevant and therefore not utilised. For example, a recent evaluation of EC-funded trade development in **Zimbabwe** found that 'elements of the budget are incomprehensible. (...) ZSP produces annual and quarterly progress reports (...) resulting in little or no feed-back, so the Programme proceeds as it set out with only minor corrections to its direction.'

Few project or programme designs appear to have been substantially modified during implementation as a result of the results of monitoring or supervision. Whereas (as discussed below) the results of evaluations of completed projects are starting to be fed into the design of new ones, only a few on-going projects (e.g. Microprojects in **Zimbabwe** and Stabex projects in **Tanzania**) have been flexible enough to adapt their design to changing circumstances. In practice, the Commission's projects still follow a blueprint approach.

Technical Assistance

TA is not a sustainable solution to ACP governments' institutional weaknesses. As noted in the previous chapter, the effectiveness of TA in Africa has been low, and it depends on governments' management capacity. TA in low capacity countries often substitutes for local capacity. In these countries, there are great difficulties in training counterpart government staff.

However, because of the difficulty of strengthening ACP capacity, the use of TA by donors is extensive. Short-term benefits include: (a) TA allows quick results, an attractive feature for donors who are under pressure to show results; (b) TA can support the donor's activities on an as-needed basis (as TA in a low capacity country is unlikely to be closely supervised by the ACP counterpart); and (c) TA can sometimes facilitate policy dialogue.

In some cases, TA programmes have been successful. The Box presents an example of successful TA from Liberia. The key factors

Technical Assistance in Liberia. Why is it successful?

The Aid Co-ordination Office (ACO) in Liberia has done a commendable job under trying circumstances. Its apparent success is due to:

- Private sector-like management of the ACO;
- A focused recruitment strategy – staff were selected to provide a mix of emergency relief management and technical skills, as the operation did not require EC officials or NGO staff who might not have had key specialist skills;
- The inter-linking of TA contracts into a mutually supportive network (co-ordination of TA);
- Strong and well co-ordinated multi-disciplinary staff; and
- A clear subdivision of responsibilities (no co-management of aid).

later put on hold. Both systems were deemed by some staff to be too subjective (*Project Monitoring and the Use of Indicators*, ITAD, 1996, p.34).

for success seem to have been the design of the technical assistance, which focused on efficiency, the recruitment process, and the clarity of roles. We also found a few other examples of effective TA in low-capacity countries. In these cases, there has been success in improving the implementation of EC aid. However, these TA programmes have had more difficulty in strengthening the institutional capacity of ACP countries (see **Box** on page 64 on the use of TA in Cameroun). The effective use of TA requires strong management capacities in both the ACP government and the Delegations.

Because the management capacities in ACP governments is often weak, the first capacity that needs to be strengthened in ACP governments is that for the management of TA programmes. A strengthened management capacity would avoid two problems we encountered in the field.

The first problem is the confusion generated by the dual role of TA in supporting both the Government and the Delegation. For example, the difficulties in donors' Technical Assistance programmes in **Tanzania** and **Cameroun** are linked to their Governments' limited capacity to manage and monitor these programmes. In many cases, the TA is perceived by Government as an additional conditionality of an aid package and is not adequately managed or supervised. In this context, while TA is nominally provided to support the Government, in many cases (given the Delegation staffing constraints), the TA supports central Commission activities. This dual responsibility (Government and Commission) can often compromise the effectiveness of the TA in strengthening Government capacity. In Cameroun, the NAO support units are seen as an extension of the Delegation and the Government believes that they should therefore report to the Delegation.

The second problem usually arises when the TA programme is not sufficiently monitored, given the Government and the Delegation capacity constraints. This has led to considerable inefficiencies in some of these programmes. In **Tanzania**, for example, the TA programme in the SASP aimed at improving budgeting in the social sectors but had very limited success in strengthening government capacities. However, with limited supervision, the TA programme was initially extended to another government department. In this case, the programme was run through a special unit outside normal government structures. In **Zimbabwe**, the ZimTrade Support Programme TA seems to have had a large role in both programme design and implementation (see **Box** under policy dialogue).

Evaluation

To be effective, aid organisations need to learn from experience and to incorporate these lessons in their operations. The Commission has been very thorough in *ex post* evaluations of its projects in ACP countries, more so than many other donors. Only in Tanzania did we find a backlog of *ex post* evaluations. At the same time, the dissemination of evaluation results is gradually improving, although the feedback from ACP governments is still very limited, and the field offices of Member States had often not received copies of evaluation reports from their own headquarters. The recent dissemination of evaluation summaries through DGVIII's Web page is also an important step taken by the Commission.

There is probably a need to concentrate resources on key evaluations and to ensure that the main evaluation lessons are implemented in key operations. As a Commission official put it 'The focus should be only in avoiding our big mistakes'. The fact that

most of our findings had already been identified by other scattered evaluations but had not been acted upon illustrates the difficulties of implementing evaluation lessons. However, in some cases, this also reflects the fact that corrective measures can not be taken by the Commission alone. Other actors need to be involved (e.g. Member States).

According to ODI,⁹⁹ 'the EC's ability to learn lessons appeared less satisfactory; for example, in transport it persisted with new construction rather than promoting the maintenance or rehabilitation of existing infrastructure.' However, in our visits we noted that in **Tanzania**, for example, the latest road projects have incorporated lessons from experience on maintenance, government commitment and capacity building. In **Cameroun**, the evaluation of SASP recommended a shift from the earmarking of counterpart funds for specific projects to budget support, a recommendation heeded by the Commission. In the **East Caribbean**, the recent evaluation of CARIFORUM has led to significant changes in the way projects are prepared, with a greater involvement of Project Management Units in project design.

Nevertheless, the evaluation function in the Commission needs to have a strong profile and be separate from the line management responsible for planning and managing development, as recommended by DAC principles.¹⁰⁰

⁹⁹ *How European Aid Works (1997)*

¹⁰⁰ Page 133.

Annex A:

Suggested terms of reference for Phase III

The following terms of reference relate to the third phase of an evaluation of EU development aid to the ACP countries. It is part of a major evaluation decided upon by the European Council of Development Ministers, on 1 June 1995, concerning EU aid to the African Caribbean, Pacific (ACP), Asian and Latin American (ALA) and South and East-Mediterranean (MED) regions. The exercise involves a full and detailed evaluation of development programmes and instruments of the EU.

A. Background

The global evaluation of EU aid is divided into three stages: (i) an inventory of the EU (Commission and EIB managed) aid to the ACP, ALA and MED regions, its policies and objectives; (ii) an evaluation of each of the three aid programmes (ACP, ALA and MED) and their related instruments; and (iii) a general summary of the EU's aid policy and a synthesis of all the evaluations and recommendations for improvement.

The evaluation of EU aid to the ACP countries is divided into three phases:

- First Phase: a desk study to provide an assessment of the achievements of EU aid in terms of (i) relevance of the development aid policy; (ii) effectiveness; (iii) efficiency; and (iv) impact.
- Second Phase: a field study to assess the effectiveness and efficiency of: (i) EU aid policy formulation; (ii) the policy dialogue between the EU and the ACP countries; and (iii) the implementation and management of EU aid.
- Third Phase: a summary and synthesis of the ACP programme evaluation.

The first phase took place during 1996-97 and the second phase during the first half of 1998. The third phase will be undertaken during the period September to November 1998.

B. Description of the assignment

Phase III will involve a synthesis of the strategic findings of Phase I and Phase II. This will be presented in a short report, suitable for wide circulation, a draft of which is intended to be submitted to the Council of Ministers in November 1998. The purposes of the report will be draw out the lessons of the experience of EU aid to the ACP countries and to provide a basis for identifying key measures to improve its future effectiveness. Specifically the report will:

- present the key issues affecting the performance of EC aid to ACP countries emerging from Phase I and II. Phase I will provide information on the performance of EC aid¹⁰¹; while Phase 2 will provide insights into the actual operation of the Commission.
- identify the main thrust and key components of a possible strategy to address these issues.

In particular, a possible strategy, whose main thrust and key components should be identified in the report, is to address the following: (i) how to integrate policy formulation, policy dialogue and aid implementation into an overall learning cycle; (ii) what principles should guide each stage of this process; (iii) what practical solutions have been tried in the field and could be worth mainstreaming; and (iv) the possible impact that the Commission's on-going internal re-organisation, and the proposed changes to be included in a new agreement with ACP countries, are likely to have on the issues identified during Phase I and II of the evaluation. Due to time constraints, the above analysis will be based exclusively on information available from Phase I and II, and on a few additional interviews with Commission staff.

Resources, timing and outputs

A draft report will be submitted to the Heads of Evaluation by October 7, 1998 and will be discussed between the Heads of Evaluation and the Consultants. Following the receipt of comments, the final report will be submitted by mid-November, 1998.

The Phase III study will be carried out within a total time allocation of 5 person months.

¹⁰¹ This information will be complemented by a few additional evaluation reports that have become available.

Annex B:

Terms of Reference for Phase II

*MAIN GUIDELINES FOR THE 2ND (FIELD) STAGE**

* excluding Main Findings of the *desk study phase*.

1. INTRODUCTION

After detailed consideration of the stage 1 (desk study) report of Consultants ICS-ADE-ITAD, in accordance with the mandate given to them by the Council in June 1995, the Heads of Evaluation of the Member States and the Commission propose these main guidelines for the 2nd (field) stage of this evaluation.

The purpose of the Heads of Evaluation is to provide to the Council an evaluation "aimed at giving an assessment of the results achieved in light of the objectives of (EU) aid and at drawing the appropriate lessons"¹⁰². They emphasise the importance of ensuring as complete, clear, thorough and objective an analysis as possible of EU/ACP cooperation in order to facilitate a full and well-informed debate on its future.

2. BACKGROUND

The information provided by the desk study¹⁰³ was by definition limited, since the study was based on written materials (policy documents, statistics and evaluation reports). It could not take into account recent changes in policies, administrative arrangements and current situations; it did not have access to information in the field; and it could not provide an in-depth analysis of the institutional structures and the respective roles of the various stakeholders (ACP States, Member States and the Commission) in policy formulation and implementation. Moreover, the views of the ACP national authorities, Member States' representatives and EU Delegations and staff involved in EU/ACP cooperation could not be obtained and analysed in the desk study.

To obtain a more complete and balanced view of European aid, the findings and conclusions of the desk study should be complemented by specific further studies, mainly in the ACP States.

Furthermore, as mentioned in the terms of reference of the desk study, the intention here is also to propose and justify "a representative sample of countries/sectors/themes where specific aid activities of EU Member States can be taken into consideration for a comparative analysis with Commission-managed aid interventions. This will be done with due regard for the issues of coordination, complementarity and coherence."

.....

2.2 The main issues for the field phase therefore are

- how policy objectives are defined and translated into relevant actions (policy formulation and negotiation);
- the efficient implementation of the actions (aid management).

¹⁰² Council instructions of 1.6.1995

¹⁰³ For full information, refer to Consultants' report entitled "Evaluation of EU Aid to ACP Countries - Stage 1: Analysis of existing documents."

These issues concern mainly the criteria of relevance and efficiency, and involve also the questions of coordination, coherence and complementarity, referred to in the original Terms of Reference for the evaluation established by the Council.

3. POLICY FORMULATION AND NEGOTIATION

Two interrelated studies should investigate the policy formulation process by looking at the way overall EU policy has been elaborated and at the way it is adapted to the specificity of selected ACP countries (in which field visits will be organised¹⁰⁴). Priority will be given to very recent - mainly the last 5 years but referring also to the negotiation and programming of Lomé IV (7th EDF) - and current practices.

3.1 Policy formulation

At central level (Brussels), one study will analyse the way the EU/ACP cooperation system and policies are designed and controlled by the ACP countries, the Commission and the Member States. In particular, the study will assess :

- how, and to what extent, the policies and views of Member States, ACP States and the Commission are taken into account; and of other major donors also;
- how, and to what extent these policies are reflected in the orientations (rules and conditions) established for the use of the different forms of EU aid¹⁰⁵;

Special attention will be paid to:

- The functioning of the various institutions through which the **Commission interacts with the Member States** for policy design, such as the Council of Ministers, the European Parliament, the EDF Committee, the Food Aid Committee, thematic Working Groups organised with the Member States, etc.
- Relationships within the **EU/ACP joint institutional framework**.
- The **internal organisation of the Commission for policy preparation**, such as the role of the different units in charge of policy, the institutional and practical relationship between these units, operational units (geographical and technical) and units in charge of programming, information management and analysis; and the role of the Quality Support Group and of other institutions in charge of ensuring that concrete actions implement and fit with the established policies.

The practical experience of the preparation, negotiation and programming of Lomé IV bis, the preparation of the Green Paper, preparation of Council resolutions and their translation into practical actions, etc. are relevant.

3.2 Policy negotiation

Beginning in Brussels, but mainly through field visits to selected ACP countries, the second study will analyse policy dialogue through examining the preparation of the Country Strategy Papers (CSP) and National Indicative Programmes (NIP's) - and Regional Indicative Programme (RIP) in one regional case - and the policy dialogue in the main areas of concentration of EU aid. The progress and reports of the recent pilot coordination efforts which included 3 ACP States - of which one is among the selected countries to be visited - will also be taken into account.

For each country, the following questions will be addressed:

- Do the documents include a clear view of the local political and economic situation? Do they include an assessment of the extent to which the conditions for an effective aid are met? Do they include any form of risk assessment? To what extent are they believed to reflect the ACP States' policy?
- To what extent do these documents reflect European (Member States and Commission) policy?

¹⁰⁴ A list of countries is proposed below.

¹⁰⁵ Including, to a limited extent, trade as well as aid, in order to maintain a balanced overall view of EU/ACP cooperation

- What has been the impact of the CSP's and NIP's on actual changes in EU interventions in the country (view from Brussels)?
- To what extent did the strategy papers facilitate/ improve negotiation of the NIP's?
- On the basis of which data have they worked?
- Which units have been involved?
- With whom have the documents been discussed, within the Commission, in Europe, in the ACP country, with the IFI's and other donors?
- Who approved these documents and on what basis?

This information will then be cross checked during **missions in the ACP** countries where particular attention will be paid to the local policy dialogue.

The field missions will focus on:

- the relevance of EU aid allocation and the instruments chosen, to needs in each country, in the context of experience to date, the CSP's and NIP's and the evolving national policy framework;
- the coherence of EU aid with other EU policies, and complementarity between the EU and the Member States' development co-operation programmes;
- the co-ordination among the EU, and the Member States in the first place, and secondly with the IFI's and other major donors, as demonstrated by formal and informal meetings, studies, field visits and analysis; agreements on action and joint initiatives;
- the extent to which the views expressed in the strategy papers and in the NIP's¹⁰⁶ compare with a) the views of the Government; b) the views of the Member States locally; c) the views of the other major donors locally;
- how issues of good governance, human rights and democracy, gender, environment and poverty alleviation have been taken into account in the process of establishing CSP's and NIP's;
- relevance and coherence of the main ongoing activities will be assessed against the NIP's;
- the impact of the CSP's on the NIP's, and of both on actual changes in EU interventions in the country (view from the field);
- the relationships between the Delegations and the National Authorising Officer, other ministries, Member States' representatives, local authorities, implementing agencies, NGO's and private sector, for policy analysis/ design/ negotiations;
- how the Government, and the local representatives of the Member States, the IFI's and other major donors perceive the EU Country Strategy Papers and the NIP's;
- the extent to which the Delegations have been involved in the preparation of Country Strategy Papers and in the NIP negotiations;
- the interaction between the Delegations and Brussels for policy analysis/ design/ negotiation.

4. AID IMPLEMENTATION AND MANAGEMENT

The aim of the 3rd study - also to be done mainly through the same field visits - should be to identify the main constraints hindering implementation capacity at the level of the ACP administration, the Commission, and other operators. "How - and how well - does the system work?" are the questions. Initial investigations would be made in Brussels, followed by work in the sample countries.

The resources and mechanisms for implementation of EU aid should be assessed against the formal responsibilities of all concerned - both the recipient authorities (in the first place) and the donor.

As regards the Commission, an insufficient number of staff is presented as a major constraint by DG VIII to explain many of the difficulties faced by EU aid, including implementation delays and limited capacity for policy design and negotiation. For reasons presented in the 1st (desk) stage report, this view is likely to be justified¹⁰⁷, but the magnitude and (especially) the causes of the problem must be better assessed and how the Commission has tried to solve them.

¹⁰⁶ Although the NIP's are by definition accepted by the government, they may include somewhat different priorities than those which appear to lead Govt's policy

¹⁰⁷ In *How European Aid Works? ODI; 1997*, Table 2.1 shows that DG VIII has a lower number of staff at the HQ per \$10 m than all other European aid agencies studied

Study of these issues should focus on the recent past and current issues, and should be supported by the views of the stakeholders locally - ACP authorities, Member States and Commission in particular.

The focus should be on some of the main areas of concentration of EU aid in the sample countries. Key questions should include:

Identification procedure: Who took the initiative? With whom was it discussed in the country, in the Commission, with Member States representatives? Who made the decision to start project preparation (instruction) and on what basis? What has been the role of the local stakeholders (Govt, NGO's, private sector)? What has been the role of the Delegation, the Desk Officer, the Technical Unit? Has the Quality Support Group had any role at this stage? Did any Member State have any influence? How long from the identification to the financing proposal?

Financing decision: How long after the first draft of the financing proposal? Role of the Quality Support Group? On what basis did the EDF Committee make the decision? Role of the Member States? Role of the Commission's Financial Control service?

Implementation: How long after the financing decision? Tendering procedures, (transparency, delays, role of the NAO and of other stakeholders; any role of Member States? Contract signature (delays, role of the NAO, Financial Control). Contractor invoice management and payment delays. (Role of the NAO, Financial Control, of local payment procedures).

Efficiency of the works, of the TA, of institutional building efforts, etc. ... Stakeholders' participation and ownership ... alternatives (e.g. local expertise). In case of multidonor programmes: quality of co-ordination at implementation stage.

Ability to adapt to economic and political changes.

Supervision and monitoring: Who is responsible? Who does it? To whom is information sent? What reactions, from whom? Who is responsible for reacting? How well is it planned in the design stage?

Evaluation and feed-back: are the lessons drawn from experience? Where, when? Feed-back to whom? To the governmental decision makers? To which unit in the Commission? To the local beneficiaries and stakeholders? To the European citizen and taxpayer directly or through the media; to or through the Parliament or Member States' representatives? What are the instruments used for feed-back?

5. *MODALITIES OF THE FIELD STUDIES*

The coverage of the field studies should be limited as much as possible to approximately the past 5 years, also including the negotiation and programming of Lomé IV (7th EDF).

The issues of policy dialogue and aid implementation (including coordination/complementarity/coherence) will be looked at in key areas of concentration of EU aid (see table, point 6, below); and in the cooperation with NGO's if possible in the time available. Attention to gender and environment as cross-cutting issues, both in the policy dialogue and within aid implementation, will be assessed in all visits.

The studies will be based on stakeholder interviews and relevant texts (Strategy Papers and NIP's, the Internal Agreements and Financial Regulations of each Lomé Convention, etc). Interviews will not only aim to improve the understanding/assessment of the way things are really working, but they should also allow to reflect the subjective perception of the different stakeholders among which : the local administrations and the operating agencies, the Commission's and Member States' representatives in Europe and in the ACP States, NGO's, contractors, etc ...¹⁰⁸.

¹⁰⁸ A more systematic appraisal of the perception of European aid would be useful, right to the level of project beneficiaries, but is too long and too expensive to fit within the delays and the budget of the current evaluation. Such an enquiry has already been done but may be outdated : *Appraisal of the image of EEC aid in the ACP countries; SECODIP, Chambourcy; November 1989*

6. THE SAMPLE COUNTRIES

The studies covering policy negotiation (3.2 above) and aid management (point 4), should begin in Brussels but mainly take place in a small number of countries. Within the limits of time and resources available, 6 ACP States and one region are the best representative sample, provided that there is adequate information, whether locally or in Europe.

The selection of countries should be based on choosing

- four countries where minimum social stability, minimum economic stabilisation and minimum effectiveness of resource allocation make a reasonable, identifiable¹⁰⁹ dialogue possible between Government and donors in particular the EU (Commission/EIB) and Member States. The degree of difficulty of dialogue should vary somewhat between these countries. (See Desk Phase Report, end of Chapter 3.1)
- one country representative of the significant number of ACP States where the dialogue concerns conflict prevention and management, with high donor coordination needs
- one island country to take account of the many small island ACP economies. A Caribbean country would avoid over-concentration on Africa, and be more quickly accessible and at less cost, than a Pacific country
- one ACP region, representative of the particularities of regional cooperation.

In each country selected, the main areas of concentration of EU aid will be examined in terms of policy dialogue and implementation.

In addition, in selecting countries, it is necessary to bear in mind that some other major ongoing evaluations and other multidonor actions could reduce the availability of essential interlocutors. Such actions are already significant in several countries (Mali - DAC exercise; Burkina Faso : SPA exercise & others). Also some countries (e.g. Mozambique, Angola) are more appropriate for the (parallel) evaluation of Humanitarian Aid. Moreover, in some countries - notably Ethiopia - recent major evaluations reduce the potential added value of field visits.

The areas of concentration indicated in the table below (i.e. underlined) are representative of the main areas of current EU aid, in which policy dialogue should be significant : structural adjustment, agriculture, transport, health and education; and coordination. Trade development is also an issue of particular importance in regional cooperation. As several areas of concentration feature in more than one case, comparison will also be possible to take account of different contexts/countries and degrees of difficulty of dialogue. The major cross-cutting issues of gender and environment, and (subject to the resources available) any significant cases of policy dialogue and implementation involving cooperation with NGO's, will also be considered during the field visits.

The resulting list of suitable ACP States, with the main areas of concentration of special interest, is as follows :

<i>CAMEROUN</i>	Typical «area of concentration» approach in <u>transport</u> ; stop-go problems in <u>structural adjustment</u> Policy dialogue difficult over long period (<u>cocoa</u> sector)
<i>COTE D'IVOIRE</i>	After the devaluation of the CFA test case for a new departure (<u>structural adjustment</u>). Interesting <u>health</u> sector policy. <u>Coffee/cacao</u> also key sectors. Pilot country for <u>coordination</u>
<i>TANZANIA</i>	Difficult adjustment for civil service and public management - Interesting <u>structural adjustment</u> -record (on track/off track). Interesting sectoral experience (<u>transport</u> and <u>education</u>)
<i>ZIMBABWE</i>	<u>Structural adjustment</u> (on/off track) dialogue interesting. Extensive <u>agriculture</u> sector dialogue. <u>Trade</u> development
<i>JAMAICA</i>	Small, diversified island economy with restructuring problems Innovative social programmes (<u>health</u> , <u>education</u>)
<i>LIBERIA</i>	Country in/close to conflict, requiring special donor dialogue (<u>prevention/anticipation</u>) and <u>coordination</u>
<i>REGION : EAST CARIBBEAN</i>	Significant regional cooperation dialogue with OECS on <u>bananas</u> , <u>health</u> and <u>interregional trade</u>

¹⁰⁹ Thus excluding countries such as Zambia, where IMF/World Bank leadership dominates Government/donor dialogue to the extent that identification of specific EU & Member States dialogue is not always feasible.

7. PROPOSED TEAM STRUCTURE, BUDGET AND TIMETABLE

The three studies of this 2nd (field) stage will be undertaken in Brussels and in the above countries by four teams of three people each. The first will conduct study 3.1 in Brussels; and the three others will conduct studies 3.2 and 4 simultaneously, each team working in two countries. One team will also cover the regional cooperation (East Caribbean). The country visits will last about 3 weeks per country, and less in the cases of the East Caribbean and Liberia. Each of the 4 teams should consist in principle of one economist/policy analyst; one rural economist/social development expert; and one organisational management expert. The leader of the 1st team (Brussels) should be very familiar with the political and policy aspects of multilateral aid organisations.

Taking into consideration the need to conduct investigations and gather data in Brussels and from the Member States prior to fieldwork, plus the need to synthesise reports from six countries and one region, the overall budget comes to approximately 29 person months plus per diem and travel costs.

Timetable :

The country reports would be available after an estimated 3 months.

The synthesis and any further research would be made by the four team leaders (one of whom would be the overall team leader) and would take 1 1/2 more months.

Thus, according to this programme, a (first) draft report would be provided to the Working Group (Heads of Evaluation) within five months after mobilisation.



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