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COMMISSION WORKING DOCUMENT

**Progress report on actions to improve EC development co-operation, following the
Conclusions of the Development Council**

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1. INTRODUCTION

1.1. Background

In a decision taken in June 1995, the Council decided to undertake an evaluation of all EC development aid. This process was to have 3 phases:

- An inventory of EC aid, which was completed and widely distributed in 1997 and updated in 1999;
- Individual evaluations based on field and desk work for the 4 main areas of EC development co-operation: Africa, the Caribbean and the Pacific (ACP), Mediterranean, Asia and Latin America (ALA) and humanitarian aid;
- A global synthesis taking into account all of the above, drawing general conclusions.

The first two evaluations, on co-operation with ACP & Mediterranean countries, were completed in October 1998 and discussed briefly in the Development Council of November 1998, which decided to examine the full set of evaluations in more detail in May 1999. The ALA report was finished in early 1999. The Humanitarian Aid report and the final, overall Synthesis were finalised in May 1999.

At its meeting in May 1999, the Development Council discussed the findings of these evaluations and agreed on a set of conclusions. The Commission was asked to provide future Councils with information on the actions it was to take to address the various recommendations of the evaluations. The Commission therefore presents the attached progress report plan to the Council, for its information.

This document comes at a time of change within the Commission and its services. On 1 March 2000, the Commission published a White Paper¹ detailing its proposals for administrative reforms. These proposals cover several areas touched on in the evaluations, such as recruitment, training, and incentives. Further, the Commission has also been examining its external relations services, with a view to a fundamental restructuring that will address the current anomalies, such as the artificial split in the development co-operation cycle. In addition, the final texts of Council Regulations on co-operation with the Mediterranean area and South Africa have not yet been adopted. In the light of all these elements, it has been decided to present a Commission working document to inform the Council of the current state of events. A more detailed action plan, covering a wider range of development actions, will be presented in connection with the communication on an overall statement of development policy to be presented to the Council.

¹ COM(2000) 200 final

1.2. Structure of the Progress report

The progress report is based on the structure of the Council conclusions adopted on 21 May 1999. This document grouped the recommendations of all the evaluation reports into a number of headings, identifying subjects common to all programmes and geographical areas.

The table in annex summarises the actions described in this progress report and will provide the basis for future updates. It identifies the institution involved in each initiative and the timing attached to it.

This progress report details actions that are currently being planned or carried out by the Commission in the medium term. There are some areas indicated as important by the evaluators and the Council Conclusions that are not covered here, such as developing performance and needs criteria for non-ACP countries and greater flexibility in budgeting. However, this should not be taken as an indication that the Commission does not intend to act in this area in the future.

2. DETAIL OF THE PROGRESS REPORT

2.1. Defining an overall policy statement on development aid

Several of the individual evaluations, as well as the overall report identified the lack of a clear statement of the European Community's development policy as a factor in reduced impact and efficiency. With different instruments used for development co-operation in different geographical areas and Council Resolutions covering a wide variety of areas, the Community's development policy can sometimes appear inconsistent and contradictory. This range of priorities also makes it difficult to focus resources, both financial and human.

The Commission services have prepared a draft of an overall statement of development policy, which examines the objectives of European Community development co-operation across geographical areas, and makes proposals on how best to organise its development aid to achieve these objectives. This policy statement can also provide a useful basis for the co-ordination and complementarity of Member States' aid with that of the European Community.

Once the policy statement is adopted it will be possible to examine how best to establish a system of annual reporting. Without this overall framework any report would lack coherence and would not achieve its purpose of providing clear, targeted information on the Community's development policy.

It is proposed to present a communication with the overall policy statement to the Council in April 2000, for discussion at the May 2000 meeting of the Development Council.

2.2. Implementing the policy statement

Once the overall policy statement has been adopted, it will be necessary to examine how it can most effectively be implemented. Even prior to the adoption of the overall statement, the Commission has already identified several major areas in which improvements can be made to how it administers Community aid.

2.2.1. Improve transparency of existing allocation mechanisms

For aid to ACP countries, the evaluation report was very timely, as it was published during the preparation of the successor Convention to the Lomé conventions that have governed aid to ACP countries since 1975. A new system for the programming and review of financial allocations is central to the new Partnership Agreement with ACP countries. This new system allocates funds according to various criteria, among which need is important, but also performance, i.e. results in terms of the delivery of aid and its impact on the target groups. Reviews will be undertaken at the mid-point of the financial protocol and its end, which will allow re-adjustment of financial allocations to take into account progress achieved in a particular country or sector.

The methods used to determine country allocations for those countries in the programme of assistance to the Mediterranean were presented to COREPER in 1997 and the general approach remains the same. For co-operation with the ALA region, and in contrast to co-operation with the ACP and Mediterranean regions, resource allocations are made from the budget adopted annually by the European Community. However, medium-term allocation priorities are established on the basis of the Country Strategy papers (which the Commission submits periodically to Member States) and decisions adopted jointly by the Community and beneficiary countries in the context of joint Committee and Senior Officials meetings (in which Member States also participate).

2.2.2. Strengthen and simplify existing mechanisms of co-operation

The successor to the Lomé Convention envisages a relationship between the European Community and the recipient states that is very much a partnership. New mechanisms of co-operation are included in the Convention.

This approach will also be enshrined in the new Regulation governing development co-operation with South Africa, which is due for adoption in 2000. It is also applied to revisions of other development-related instruments, such as the TACIS and MEDA programmes.

In the framework of the reform of the external relations services, the role of the beneficiary country in the planning and implementation of development aid will be re-examined and enhanced.

2.2.3. Seek new ways of co-operating with civil society

This principle of partnership is extended to non-governmental organisations and other organs of civil society in recipient countries. The new ACP-EC Partnership Agreement will formalise the involvement of such organisations in the conception and implementation of development programmes. Development co-operation with South Africa has since its start in 1995 been based on close collaboration with non-governmental organisations and experience here can be used to improve collaboration in other regions.

The accent placed on economic co-operation in recent years in both the ALA and MEDA programmes continues to facilitate the participation of civil society, from both Europe and its developing partners, in Community co-operation. Moreover, political, economic and social dialogue with our partners is frequently open to civil society. Recent examples are the Europe-Mercosur Business Forum and the upcoming ASEM Civil Society Summit in Lisbon.

2.2.4. Standard framework for country strategy papers

Progress is being made in the preparation of common elements for country strategy papers (CSPs), for Community development co-operation, that will also inform those of Member States. A meeting was held with Member States in Berlin in December 1999 to bring together experience in the preparation of CSPs. The Commission presented its ideas on a "standard framework" and Member States reacted positively. Following internal discussions and consultations, a more formal Commission proposal is under preparation which will be discussed at a second expert meeting to be organised in March/April 2000.

The work already done in this context has contributed to current CSPs practices at the Commission.

2.2.5. Adoption of sectoral strategies

The overall policy statement will examine the need for the European Community to focus its aid on a smaller number of sectors in order to make the best use of its resources in the field of development co-operation.

The Commission has regular meetings with experts from Member States in a wide variety of areas, such as HIV/AIDS policy, rural and urban development, energy, transport, health and education to co-ordinate and harmonise sectoral strategies and/or sectoral policy documents.

There are already a number of guidelines for sectoral projects and programmes which have been developed to assist project officers in designing programmes, ensuring a coherent approach to projects in a particular sector whatever the recipient country. These guidelines have so far been developed for the tropical forestry, micro-finance, transport and water sectors and are currently being prepared for the rural development, agriculture and agribusiness, livestock and animal health and aquatic resources sectors. Renewable energy is under discussion, following a Commission discussion document. Any further sectors will be decided on after the adoption of the overall policy statement.

Furthermore to improve donor co-ordination, impact and overall coherence of development aid, the Commission is in the process of finalising guidelines for support to sector wide approaches and programmes with an aim of progressively expanding this approach.

The Commission has also drawn up action plans for cross-sectoral guiding principles, i.e. poverty alleviation and gender issues, which seek to address these key issues in a uniform way across all developing countries. A strategy has been developed for linking food security and poverty reduction objectives and similar policy documents are being prepared for health and education.

2.2.6. Reduce number of instruments and budget lines

The successful implementation of the overall policy statement will require a simplification of the instruments of some of the development co-operation available to the Commission. Within the ALA regulation, there are two broad instruments: financial and technical assistance and economic co-operation. The MEDA programme has always been a single budgetary instrument. Therefore, these instruments are manageable in their current form and the Commission has no plans to propose any changes.

In contrast, the successive Lomé conventions have created a large number of financial instruments to assist ACP countries in their development. The new Partnership Agreement

will concentrate on three types of funding: a long-term development grant facility, which will include structural adjustment support; regional co-operation and integration; and an investment facility.

The reduction of the number of relatively small budget lines managed by the Commission across all developing countries is a priority action for the Commission. If rational and effective management is to be achieved, it is essential that the number of budget lines be radically reduced from the current 70. The Commission services have met with members of the European Parliament to discuss a future rationalisation and it has been agreed in principle to put these measures in place in the pre-draft budget for 2001.

2.3. Co-ordination and Complementarity

The co-ordination and complementarity of European Community development co-operation with that of the Member States is a priority for the Commission. In accordance with the "Guidelines for strengthening operational co-ordination between the Community and Member States in the field of development co-operation" adopted by the Council in March 1998, the Commission submitted to the Council on 1 March 2000 a report on the measures taken and the progress achieved in this field, covering all geographical areas. Since the adoption by the Council of its Resolution on Complementarity in May 1999, the Commission has made progress in its work on Country Strategy Papers, which is described in 2.2.4.

2.4. Harmonising and simplifying the organisational framework

A large number of the recommendations in each report focussed on ways in which to improve the organisational framework within which development aid is administered.

2.4.1. Organisation of the Commission services

In October 1999 – 5 months after the Development Council at which the conclusions on evaluation were adopted – a new Commission took office. This Commission, under the Presidency of Romano Prodi, has indicated its commitment to administrative reform of the Commission. Immediately upon taking office, there was a reorganisation of the Commission services, with DG Development having the lead role in development issues, although geographical responsibilities remain across several DGs.

The new Commission has embarked on a process of internal reform across all its services, with the publication of the White Paper on 1 March 2000. Within the context of this overall reform, the role of the external relations services has been the subject of a separate examination. In broad terms the aim of this proposed reform of external relations services is to re-establish the integrity of the development co-operation cycle and to create an operational framework for greater decentralisation and deconcentration of policy towards beneficiary countries and Commission delegations. There is already a pilot exercise under way to increase decentralisation (to recipient countries) and deconcentration (to delegations) in a representative sample of overseas countries, across all Community programmes.

2.4.2. Become more results-oriented

The Commission has since 1992 undertaken efforts to be more results-oriented in its development programmes. It has introduced project cycle management (PCM) for most of its development programmes, which requires the definition of objectives and results and the identification of objectively verifiable indicators, against which the achievement of these objective and results can be measured. The programme of training in project cycle

management for Commission officials, coupled with a help-desk to assist in the preparation of projects, should ensure that these project management tools are used correctly and effectively throughout the Commission's development co-operation programmes.

However, in spite of all these efforts, the European Community development aid has had a tendency to focus on commitments (inputs) rather than results achieved (outputs). PCM is not used across all development programmes. The need to strengthen the implementation of PCM has been recognised in the communication on the reform of the external services and will be addressed in the context of that reform.

For ACP countries, the new programming system will go some way to redressing the balance: financial allocations will not be an entitlement, to be spent regardless of results. Rather, beyond the initial two-year allocation, all further funds will be attributed on the basis of criteria which include results achieved by previous financing.

The Communication on Structural adjustment, adopted by the Commission on 4 February 2000 envisages a progressive shift towards disbursements based on performance criteria, accompanied by a reduction in policy conditionalities. This new approach is already being piloted in some ACP countries.

The Commission will consider, in the context of the wider institutional reform, further actions to increase the focus on results.

2.4.3. Improve information management systems

Efficient information management is central to a relevant and effective development co-operation. The Commission services are developing a new integrated information and management system (CRIS – Common Relex Information System) which gives information on EDF and budget financing. Since June 1999 external relations DGs and delegations have been able to access through CRIS information on the financing and management of development co-operation projects.

During 2000 the system will be developed to allow delegations to update the information directly. This will firstly be done with a group of pilot delegations and will be extended during 2001. Any such development will of course rely on secure links between delegations and headquarters.

During 2001, it is envisaged that an Integrated Resources Management System (IRMS) will be introduced throughout the Commission. Until the new system is up and running, DG Development has set up its own system, centralised at DG level, to assist with the establishment of operation priorities and the monitoring of tasks. This database will provide the senior management of DG Development with a tool with which to assess and modify the allocation of resources to priority tasks.

The publication of all development aid evaluations carried out by the Commission is a potential source of management information. The Evaluations Unit of the Joint Relex Service has an internet site which includes the full text and summaries of all major evaluations and the programme of future evaluations.

DG Development is currently updating its system for publishing information about forthcoming and on-going projects on the internet, in order to ensure that the information given is as accurate and up-to-date as possible. An improved system will be in place by September 2000.

2.4.4. Staff incentives and specialisation of skills

The external relations DGs cannot deal with issues relating to staff development in isolation. The Commission White Paper on administrative reform, adopted on 1 March 2000 makes proposals on a future system of training, specialised recruitment and staff incentives.

The Commission has recently completed an A-grade competition in the field of external relations, including some specialisation in development. This type of competition is intended to increase the number of specialised staff working in Community development policy.

Within the external relations group, the obligation to serve overseas has been introduced for A-grade officials, which will contribute to the development of a more professional foreign service. The external relations DGs place increasing emphasis on staff training. Their training plans, adopted annually, with the 2000 plans due to be available from 31 May, include a range of specialised courses, on issues such as sustainable development, gender and poverty. Courses are also available on financial procedures, project cycle management and financial and economic analysis. ECHO will develop by the end of 2000 a training course specifically focussed on the management of humanitarian aid.

2.4.5. Refocus the work of management committees

The role of management committees in EC development co-operation needs to be thoroughly re-examined. Firstly it is important to avoid having too many such committees, which has the effect of creating additional administrative procedures, as well as reducing the possibility of having a coherent approach to the implementation of development policy.

The European Development Fund (EDF) Committee has examined its working methods and tasks and has made a number of proposals as to how its work can be refocused, to give it a more strategic role. This would entail the committee looking at overall programmes and the implementation of sectoral policies, rather than focussing on the technical detail of individual projects. These reflections have not only contributed to the drafting of the Internal Agreement of the 9th EDF, but could also serve as a model for such reflections in other management committees.

For the MED committee, a similar approach is at the heart of the October 1999 Commission Communication for the modification of the MEDA regulation, which is presently under discussion in the Council. The Commission has proposed a greater role for the MED Committee in the establishment of co-operation strategies, thereby aligning financial decision-making procedures with established practices in other transition programmes such as TACIS.

2.5. Increasing the efficiency of aid management and procedures

Increased efficiency of aid management will to some extent depend on the improvements made to the organisational framework, and measures such as the reduction in the number of instruments and budget lines.

The Commission undertakes to produce a manual with harmonised rules for service, supply and works contracts financed by the Community under all its development programmes. The number of contract and tendering procedures will thereby be reduced from 40 to 8.

Aid management of the Lomé convention has been complicated by the existence of parallel European Development Funds, each with its own procedures and priorities. The new ACP-EC

Partnership Agreement will include measures to consolidate the 6th, 7th and 8th EDFs into one fund. On entry into force of the new Agreement, any remaining funds will pass into the 9th EDF.

2.6. Strengthening monitoring, evaluation and transparency

The major initiative in monitoring systems will be the establishment of a system of monitoring based on the project-cycle management/logframe approach, with qualitative and quantitative indicators. The design and initial implementation will take place over the next two years. It is expected that the system will be mostly operational by the end of 2001.

The Quality Support Group set up by DG DEV in 1997 has already made a demonstrable contribution to enhancing the quality of projects in ACP countries. The Commission is committed to the continued use of the QSG to ensure coherence across all development projects. The SCR is also establishing internal quality review mechanisms. The Quality Support Group aims to provide an ex-ante scrutiny of all development projects prepared by DG Development. Through its consideration of projects at the identification sheet stage and the presence at all meetings of a representative of the evaluation unit, it also goes some way to ensuring that ex-post evaluation findings are fed back into the identification and appraisal process.

The future role of the Quality Support Group established by DG Development will necessarily depend on the future structure of the external relations services. The position of the evaluation unit will also be tackled as part of this review.

In 1999 the Commission funded an external evaluation of its own evaluation service for external relations. The final report will be made available on the Internet. Its findings are being discussed internally in the context of the internal reform of the Commission, and new proposals for strengthening the evaluation function will undoubtedly arise from these discussions. The Reform White Paper commits the Commission to systematic ex-ante evaluation and the practical implications of this commitment are currently under consideration within the Commission services.

As a result of the two recent evaluations of humanitarian assistance, ECHO has indicated its intention to establish best practice benchmarks and overall performance targets, with regular reporting on their implementation to Parliament and the Member States.

ANNEX

Defining an overall policy statement on development aid		
Commission Communication on an overall policy statement on development policy	Commission	April 2000
Publication of an annual development report	Commission	Not before end 2001 Format to be discussed after adoption of overall policy statement mid-2000
Implementing the policy statement		
Proposals on strengthening and simplifying existing mechanisms of co-operation included in new ACP-EC Partnership Agreement	Commission, ACP states	Signature of new Agreement June 2000 Ratification by May 2002
Proposals on strengthening and simplifying existing mechanisms of co-operation in revision of MEDA Regulation	Commission, Council	Discussion in Council since October 1999
Proposals on co-operation with civil society in new ACP-EC Partnership Agreement	Commission, ACP states	Signature of new Agreement June 2000 Ratification by May 2002
Proposals on working with civil society in new South Africa Regulation	Commission, Council	Adoption of Regulation 2000

New programming system to be more transparent and results-oriented. Allocations on the basis of previously-published criteria. Adjustments on the basis of performance.	Commission, ACP states	Signature of new Agreements June 2000 Ratification by May 2002
Proposal for standard framework for country strategy papers	Commission, Member States	Discussion with Member States April 2000. Presentation to Council and adoption of Council Resolution: May 2000
Adoption of sectoral guidelines in rural development, agriculture and agri-business, livestock and animal health and aquatic resources.	Commission	To be completed by June 2000
Identification of additional sectors for guidelines	Commission	June 2000
Proposals on reduction of number of financial instruments in new ACP-EC Partnership Agreement	Commission, ACP states	Signature of new Agreement June 2000 Ratification by May 2002
Proposal on reduction in the number of budget lines to be included in the pre-draft budget for 2001	Commission, Parliament	Pre-draft budget for 2001 to be drafted by June 2000
Enhancing co-ordination and complementarity		
Joint report on measures taken to implement co-ordination guidelines.	Commission, Member States	Report finalised 1 March 2000 COM(2000) 108 final
		Discussion with Development Council, May 2000

Harmonising and simplifying the organisational framework		
Reorganisation of the commission's external relations services	Commission	Decision on new organisational structure during 2000
Communication on Structural Adjustment describing performance- and result-based approach	Commission	Published February 2000 COM(2000) 58 final
Establishment and continuing use of centralised system for the monitoring of tasks and priorities.	Commission	Continuous updating necessary
Introduction of Integrated Resources Management System (IRMS) throughout the Commission	Commission	During 2001
Development of CRIS information system to allow direct inputting by a pilot group of delegations	Commission	To be completed by December 2000
Extension of direct inputting to all delegations	Commission	To be completed by December 2001

Improved system of information about DG Development projects	Commission	To be operational by September 2000
Overall reform of the Commission will include measures on training, specialisation and management that will have a positive impact on the management of development aid.	Commission	On-going throughout 2000 and 2001.
Publication of training plans for 2000	Commission	31 May 2000
Development of course on management of humanitarian aid	Commission	December 2000
Revision of role of management committees in new Regulations	Council, Commission	Adoption of revised MEDA regulation in 2000
		Adoption of South Africa regulation during 2000
Negotiation of internal agreement of 9th EDF	Council, Commission	Proposal to Council March 2000

Increasing the efficiency of aid management and procedures			
Communication on manual containing all the mandatory rules for service, supply and works contracts financed by the Community under its development programmes.	Commission		Adopted by Commission November 1999
Fusion of all existing funds into one on entry into force of the 9th EDF	Commission, ACP, Member States		Agreed at February 2000 ACP-EU ministerial meeting Operational for programming from adoption of transitional ory measures
Strengthening monitoring, evaluation and transparency			
Design completed and implementation begun of a performance-based monitoring system including indicators	Commission		December 2001
Decisions on future role of the Quality Support Group, including its extension to non-ACP countries will depend on the outcome of the reorganisation of the services.	Commission		Implementation of reorganisation during 2000
The position of the evaluation unit and its hierarchical structure will be decided as part of the reorganisation of the Commission services	Commission		Principles of reorganisation adopted end January 2000. Implementation of reorganisation during 2000.
Publication of an Action plan on how the Commission can focus better on results, as part of the institutional reform.	Commission		Presentation May 2000